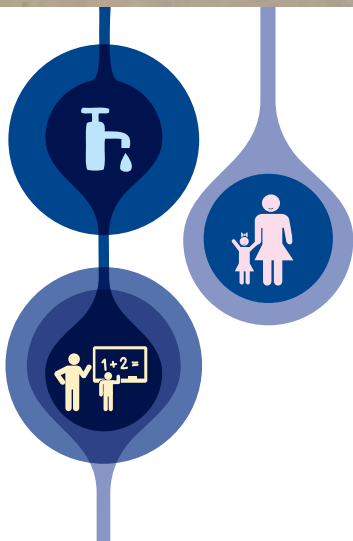




Country Strategy for Development Cooperation

# NEPAL 2016-2019

MINISTRY FOR FOREIGN AFFAIRS



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## Abbreviations

<b>ADB</b>	Asian Development Bank
<b>ADS</b>	Agricultural Development Strategy
<b>CCA</b>	Climate Change Adaptation
<b>CGD</b>	Child, Gender and Disabled
<b>CoIDP</b>	Commission on Investigation of Disappeared Persons
<b>CPI</b>	Transparency International's Corruption Perception Index
<b>CSO</b>	Civil Society Organisation
<b>DFID</b>	Department for International Development (UK)
<b>DP</b>	Development Partner
<b>DRR</b>	Disaster Risk Reduction
<b>ECOSOC</b>	United Nations Economic and Social Council
<b>EU</b>	European Union
<b>FEDWASUN</b>	Federation of Drinking Water and Sanitation Users Nepal
<b>FLC</b>	Fund for Local Cooperation
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>GESI</b>	Gender Equity and Social Inclusion
<b>GoN</b>	Government of Nepal
<b>GRB</b>	Gender Responsive Budgeting
<b>HRBA</b>	Human Rights Based Approach
<b>ICI</b>	Institutional Cooperation Instrument
<b>ICT</b>	Information and Communications Technology
<b>INGO</b>	International Non-governmental Organisation

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<b>IWRM</b>	Integrated Water Resources Management
<b>JICA</b>	Japan International Cooperation Agency
<b>LDC</b>	Least Developed Country
<b>MDG</b>	United Nations Millennium Development Goals
<b>MFA</b>	Ministry for Foreign Affairs
<b>MUS</b>	Multiuise Systems
<b>NAP</b>	Nepal's National Action Plan
<b>NASA</b>	National Assessment of Student Achievement
<b>NGO</b>	Non-governmental Organisation
<b>NPC</b>	National Planning Commission
<b>ODA</b>	Official Development Assistance
<b>ODF</b>	Open Defecation Free
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PDRF</b>	Post Disaster Recovery Framework
<b>PIF</b>	Public Sector Investment Facility
<b>RVWRMP</b>	Rural Village Water Resources Management Project
<b>RWSSP-WN</b>	Rural Water Supply and Sanitation Project in Western Nepal
<b>SDGs</b>	Sustainable Development Goals
<b>SDP</b>	Sector Development Plan
<b>SIGI</b>	Social Institutions and Gender Index
<b>SLAC</b>	Social Legal Aid Centre
<b>SNV</b>	Netherlands Development Organisation
<b>TRC</b>	Truth and Reconciliation Commission
<b>TWG</b>	Thematic Working Groups
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations



<b>UNDAF</b>	United Nations Development Assistance Framework
<b>UNDP</b>	United Nations Development Programme
<b>UN-Habitat</b>	United Nations Human Settlements Programme
<b>UNICEF</b>	United Nations Children's Fund
<b>UNSCR</b>	United Nations Security Council resolution
<b>UN Women</b>	United Nations Entity for Gender Equality and the Empowerment of Women
<b>UPR</b>	Universal Periodic Review
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	The United States Dollar
<b>VDC</b>	Village Development Committee
<b>WASH</b>	Water Supply, Sanitation and Hygiene
<b>WASH DP</b>	Water Supply, Sanitation and Hygiene Development Partners
<b>WB</b>	World Bank
<b>WFP</b>	World Food Programme
<b>WHO</b>	World Health Organization
<b>WSP</b>	Water Safety Plan
<b>WUMP</b>	Water Use Master Plan

# Executive summary

Finland remains committed to supporting the development of Nepal, which is classified as a fragile state and grouped among the least developed countries (LDCs). Nepal has made significant progress in poverty reduction in recent years, and it took a great step forward in its democratic transition by promulgating a new and progressive Constitution in 2015. However, Nepal's democratic and economic development remains undermined by unequal access to decision-making, basic services and economic opportunities.

Finland supports Nepal in this critical stage of transition into a stable, equitable and economically viable democracy. Finland's Country Strategy 2016–2019 contributes to this goal by promoting the most marginalised groups' rights to education, water and sanitation, and access to decision-making and service delivery. The Country Strategy builds on previously achieved results, focusing on sectors in which Nepal has strong ownership and where Finland has experience, expertise and value to add.

**IMPACT 1** Finland continues to support improved **water supply and sanitation** due to Nepal's strong commitment to this sector, remarkable previously achieved results and the significant impact this sector has on the livelihoods of women and children. Finland is one of the most prominent donors in rural WASH in Nepal and has been instrumental in strengthening coordination in the sector. Previous results are now being consolidated and expanded towards addressing rural livelihoods broadly, including irrigation and market access. Finnish support is channelled through bilateral programmes in Western Nepal (RVWRMP 15 million euros, RWSSP-WN 13.7 million euros) and UNICEF's WASH Earthquake Recovery Programme (2 million euros).

**IMPACT 2** Providing **high-quality education for all** students is crucial for the social and economic development of Nepal. Finland contributes its expertise to improve the quality, relevance and equity of education in Nepal. The Government of Nepal's strong commitment to these objectives and high levels of funding to the sector provide a solid basis for cooperation. Finland has a visible position



within the donors' group in education, contributing significantly to the dialogue with government. Finland supports the school sector development plan (20 million euros in 2016–2020) and provides technical assistance to curriculum and learning material development (1.7 million euros in 2016–2019).

**IMPACT 3** Nepal has in recent years made strides to improve the **rights and status of women and vulnerable groups**. Finland has supported these advancements through targeted interventions and policy dialogue. Enhancing the rights of women and marginalised groups contributes to economic development and reduces the risk of conflict. All Finnish activities in Nepal therefore seek to address women's and vulnerable groups' rights, livelihoods and access to basic services and decision-making. This is done by a) mainstreaming gender and social inclusion objectives into all activities, and b) supporting UN Women's Women, Peace and Security (2 million euros), Women's Economic Empowerment (3.5 million euros) and UNDP's Rule of Law and Human Rights (5.4 million euros) projects.

The Country Strategy provides continuity with respect to applying a Human Rights Based Approach to development (HRBA). HRBA is at the root of all of Finland's interventions in Nepal. Disaster risk reduction (DRR) will be mainstreamed to all programmes to improve resiliency.

Throughout the strategy period, Finland will engage in active policy dialogue with the Government of Nepal. Questions with particular relevance to Finland's support – education, water and sanitation, human rights and gender equality – will be regularly raised with the Government of Nepal. In addition, Finland will actively promote synergies between development cooperation and commercial relations in order to support economic growth and development in Nepal.

### PART 1

## 1. Country Context

### 1.1 Political, economic and social development

In the past two decades Nepal has undergone dramatic political change, transforming from absolute monarchy to a federal republic. The new Constitution adopted in September 2015 provides a basis for a democratic, multilingual and multiethnic society that promotes human rights and that has the potential to achieve and maintain peace and stability in Nepal. However, challenges remain in implementing some of the Constitution's contested provisions. Addressing these conflicting demands will be one of the main challenges for the national government and key to avoiding social unrest.

Nepal is a highly diverse society that includes around 125 recognised ethnic and caste groups and over 100 spoken languages. The traditional caste system creates many inherent patterns of discrimination that are embedded in attitudes and customs. The population lives predominantly in rural areas, but urbanisation is advancing rapidly. The hilly and mountainous terrain makes many remote areas nearly inaccessible. As a result, poverty and exclusion have a distinct geographical and ethnic dimension.

However, over the past decades Nepal has achieved an impressive decline in absolute poverty. The population living under the national poverty line has fallen from 42% in 1995 to 23.8% in 2015. Income inequality remains high, however, and the earthquakes in 2015 pushed an additional 2.5% to 3.5% of the country's population back into poverty (WB 2015). The UNDP's Human Development Index (2015) ranks Nepal 145th among 188 countries, but the country has shown a consistently improving trend in its overall index score.





Nepal's GDP per capita in 2015 was USD 750,<sup>1</sup> making it a least developed country and placing it among the poorest 20 countries in the world. Essential infrastructure is limited and power supplies are unreliable. Combined with weak transportation connectivity, all this means that delivery of services especially to remote areas is extremely difficult. These factors form the main bottlenecks of the economy, inhibiting economic activities and job creation. Nepal has low levels of business-related foreign direct investment. Instead, remittances from the millions of Nepalese workers employed abroad form a vital part of the economy, contributing almost one-third to total GDP, one of the highest shares in the world.<sup>2</sup> Most of these remittances are channelled into household consumption rather than productive or commercial investment.<sup>3</sup>

The largest sector in the Nepalese economy is services, which accounts for over half of GDP. Growth in services – including tourism – has slowed down, however, due to the extensive damage to infrastructure caused by the earthquakes of 2015. The agriculture sector employs over two-thirds of the total population, but contributes less than one-third of total GDP. Productivity growth in this sector could have wide-ranging impacts for overall poverty alleviation, as almost three out of four farmers live strictly on subsistence.<sup>4</sup> Due to its dependence on low-productive agriculture, Nepal's economy is very sensitive to climate variability. The industrial sector, too, is hampered by low productivity. Nepal has potential for the production and export of electricity, subject to the development of hydropower.

Nepal's economic growth turned into a historic slump in 2015 due to the dual effects of the devastating earthquakes and the political strife that led to a prolonged blockade of the country's Indian border. Up to 70% of Nepalese imports come through the Indian border, and the supply disruptions caused severe shortages of fuel, gas, medicines and other necessities. The effects were felt in all areas of the economy. While average growth since 1995 has been around 4% annually, projected growth for 2016 is only around 1%, the lowest in many years. Post-earthquake reconstruction works, which

<sup>1</sup> IMF World Economic Outlook Database. Retrieved 6 Jun 2016.

<sup>2</sup> World Bank Data.

<sup>3</sup> Effects of Migration and Remittance Income on Nepal's Agriculture Yield 2014.

<sup>4</sup> Nepal Economic Growth Assessment. Agriculture, 1,2. USAID.



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were supposed to push up demand, have been moving slowly. In addition, 2015 saw a large number of people drop back below the poverty line as a result of the earthquakes and the border blockade. Growth figures are expected to drop even further in 2016, but to rebound to pre-earthquake levels in 2017. The previously high and problematic inflation rate seems to be decreasing as well.

In Transparency International's Corruption Perceptions Index (CPI), Nepal is ranked 130<sup>th</sup> out of 167 countries and according to the index, corruption is perceived to be a growing problem. In the last few CPI estimates, the trend for Nepal has been declining, and over half of Nepali citizens feel that government actions against corruption are ineffective.<sup>5</sup> Corruption is hampering institution-building and weakening the rule of law and efforts to redistribute resources.

Nepal has achieved impressive success in attaining the eight Millennium Development Goals (MDGs) set in the year 2000. The MDG targets on maternal and child mortality and the proportion of underweight children under five years of age have already been achieved, as now only two out of 1,000 mothers die in childbirth<sup>6</sup> and less than one in 20 children die before the age of five.<sup>7</sup> The goals for education as well as drinking water and sanitation coverage have also been achieved.<sup>8</sup> However, the MDG goal for reducing gender inequality and empowering women did not meet the set targets. Nepal is a signatory to the Sustainable Development Goals (SDGs) and is making contributions to all but one of these goals. The country is planning to conduct a thorough needs assessment related to the implementation of the SDGs.

Nepal is very vulnerable to climate change due to its mountainous terrain and exposure to extreme weather, such as landslides, floods and droughts. Nepal therefore places climate change adaptation at the centre of its development plans and policies and has submitted its Intended Nationally Determined Contributions (INDC) to UNFCCC. It has initiated a National Adaptation Programme of

<sup>5</sup> Global Corruption Barometer 2013. Transparency International. <http://www.transparency.org/gcb2013/country/?country=nepal>

<sup>6</sup> UNDP in Nepal <http://www.np.undp.org/content/nepal/en/home/post-2015/mdgoverview/overview/mdg5/>

<sup>7</sup> UNDP in Nepal <http://www.np.undp.org/content/nepal/en/home/post-2015/mdgoverview/overview/mdg4/>

<sup>8</sup> UNDP in Nepal <http://www.np.undp.org/content/nepal/en/home/post-2015/mdgoverview/overview/mdg3/>



Action (NAPA), a Local Adaptation Plan of Action (LAPA), implementing the Environment-Friendly Local Governance (EFLG) Framework to complement climate change adaptation and promote renewable energy technologies, water conservation and green development. Nepal will maintain 40% of the total area of the country under forest cover, and plans to formulate a low carbon economic development strategy. By 2050, Nepal aims to achieve 80% electrification through renewable energy sources and reduce its dependence on fossil fuels by 50%.

The human rights situation in Nepal was reviewed in November 2015, when Nepal conducted its second round of the Universal Periodic Review (UPR). The adoption of the new Constitution in 2015 was highlighted as a major achievement in the UPR process. The Constitution incorporates 31 fundamental rights, including economic, social and cultural rights, with an additional commitment to implement all these rights through legislation within three years. The Constitution stipulates the right to equality and non-discrimination, the right against untouchability and the right to be free from exploitation based on traditions. It also mentions food, drinking water, sanitation and a clean environment as human rights, and it includes provision for free and compulsory basic education. Women and Dalits will have Constitutional rights to participate in all state institutions on the basis of the principle of proportional inclusive representation. The Constitution also enshrines the right to social justice and social security.

The World Justice Project's Rule of Law Index ranks Nepal 40<sup>th</sup> out of 102 countries concerning the protection of fundamental rights. Despite this encouraging ranking and the provision of the Constitution, several human rights challenges still remain. The systematic discrimination of people belonging to certain castes and ethnic groups needs to be addressed at the political level as well as in service delivery. Forced labour affecting women, men and children as well as human trafficking remain serious concerns. Impunity, inefficiency and weak enforcement of court decisions undermine the rule of law. Finally, Nepal, despite being a signatory to many international human rights conventions, still has not ratified a number of human rights related convention and protocols.<sup>9</sup>

<sup>9</sup> Including the Convention on the Rights of Migrant Workers or the Convention against Enforced Disappearances, the Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment, the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights, the 1951 Convention relating to the Status of Refugees and its 1967 Protocol, the Optional Protocol to the Convention on the Rights of the Child on a communications procedure, and the Rome Statute of the International Criminal Court.

Nepal has made advances in the peace process after the civil war. One important outstanding issue relates to transitional justice and accountability for the abuses committed during the civil war. In February 2015 the Government of Nepal (GoN) formed two transitional justice commissions – the Truth and Reconciliation Commission (TRC) and the Commission on Investigation of Disappeared Persons (CoIDP) – but to date progress in transitional justice has been limited.

### 1.2 Development scenario for Nepal

Nepal's new and progressive Constitution provides a good basis for Nepal to consolidate its democratic and economic development. The new Constitution also provides suitable preconditions for arranging local elections, which have not been held since 1997. The political situation is however expected to remain challenging, and social unrest during the next few years cannot be ruled out. Political stability hinges largely on the government's ability to engage and compromise with various interest groups regarding the implementation of the new Constitution.

Nepal has set the objective of graduating from a least developed country to a developing country by 2022, and further to a middle-income country by 2030. This will require unprecedentedly high and sustained growth rates over the next years, which in turn relies on political stability as well as substantial investments in infrastructure and social sectors. Positive steps contributing to growth include the expansion of domestic electricity production from hydropower as well as rapid urbanisation. Growth is also supported by investments in education and water and sanitation, which are likely to remain substantial. Equitable and high-quality education and improved health standards will benefit Nepal's economic development, even if these effects will only be seen in the long run. Nepal's strategic location between India and China carries great potential in terms of trade expansion. At the same time, Nepal is subject to the influence of its powerful neighbours.

Nepal has previously been unable to sustain high growth rates for longer periods due to political instability and natural disasters. These factors remain major hurdles to growth, and high vulnerability to climate change as well as low productivity in agriculture, the backbone of the economy, will affect economic growth and especially the livelihoods of the poor. For these reasons foreign direct invest-



ments will likely remain limited, as will the transformation of the economic production structure. At least in the medium term Nepal will likely rely on both remittances and foreign aid as buffers against local shocks and lack of more robust domestic growth.

### 1.3 Finland's relations with Nepal and prospects for more diverse relations

Diplomatic relations between Nepal and Finland were established in 1974 and bilateral development cooperation started in 1983. The Finnish Embassy in Kathmandu was opened in 1992. Since 2001 Nepal has been one of Finland's main development cooperation partner countries.

Finland has long maintained close political relations with the GoN, based on regular contacts, close communication and joint problem-solving. Due to its long-term, consistent and effective development cooperation in Nepal, Finland has earned a reputation as a reliable and supportive development partner. The relative scarcity of bilateral donors in Nepal has allowed Finland to secure a visible space for its cooperation with the GoN, particularly in the education and water sectors. According to independent evaluations, Finland's expertise and contributions in its core sectors are highly valued by Nepal. Because of its neutral position, Finland has been able to engage constructively even in more politically sensitive areas of work such as peace-building, human rights, the rule of law and gender equality.

Trade relations between Nepal and Finland have been traditionally modest. During the strategy period, Finland will aim to develop trade links in areas where it has comparative advantage. These include sectors in which Finland is currently active as a development cooperation partner – education and water and sanitation – and areas where Finland previously has had a presence, such as forestry and environment. In addition, Finland has expertise in sectors in which there is great need for investment in Nepal, such as renewable energy, cleantech and ICT. Finland will aim to develop investment and trade opportunities alongside its development cooperation during the strategy period to allow for more broad-based relations in the future. Finland believes that enhancing trade cooperation in key sectors of the economy significantly contributes to the achievement of development goals.



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In order to promote trade relations, Finland will continue the practice of making annual Team Finland action plans which are followed up regularly. The Nepal team at the Embassy and MFA will aim to put development policy based financing instruments (Finnfund, Finnpartnership, BEAM, PiF) into use to help Finnish companies establish business links in Nepal. Finally, Finland will utilise the potential of the many Nepalese studying and working in Finland to create links for trade and business opportunities between the countries.

During the strategy period Finland will aim to further consolidate bilateral relations with Nepal through high-level visits and regular consultations between the two governments. Finland hopes to arrange a joint trade and development visit to Nepal in the coming years. Finland will also promote visits to Finland by ministers and high-level officials from Nepal, showcasing Finnish know-how in sectors such as education and cleantech.

### **1.4 Themes of dialogue and advocacy**

Advocacy work and policy dialogue is an important part of Finland's engagement with Nepal and its efforts to support the GoN in achieving sustainable results. As one of the few EU and Nordic countries present in Nepal during the strategy period, Finland is in a position to use its close relations with Nepal to engage in meaningful dialogue around key policy issues.

Finland conducts policy dialogue with the GoN bilaterally through regular contacts with relevant ministries and authorities. Bilateral negotiations between the governments of Finland and Nepal have been held regularly and provide an excellent opportunity for comprehensive discussions on bilateral relations. Finland and Nepal have also agreed to arrange annual review meetings in Kathmandu regarding the implementation of Finland's country programme in Nepal. Finland also engages in policy dialogue as part of the larger donor community in Kathmandu: the EU Heads of Missions group, the International Development Partners Group and the Nepal Portfolio Performance Review.



In order to achieve the desired influence through high-level policy dialogue in Nepal, Finland will strive to:

- Improve the fulfilment of the rights of women and vulnerable groups and address discriminatory practices where they occur.
- Safeguard the operational space and enabling environment for CSOs.
- Identify hurdles to investments and challenges in the business environment and raise these issues with government. Promote openness and transparency of government, adequate legislation and its implementation.
- Support implementation of the human rights commitments enshrined in the Constitution and international commitments. Encourage the effective enforcement of policies or laws in line with the efforts to implement the Constitution.
- Support the GoN in monitoring the Sustainable Development Goals, especially in the Finnish focal sectors.

To achieve the desired policy influence on the sectoral level, Finland has set specific objectives in the education and water and sanitation sectors (listed in Chapter 4). Policy dialogue and work related to sectoral development can, in selected strategic cases, be extended to the regional (South Asia) and international level in order to bring Finnish best practices to wider use and increase the visibility of Finnish support.

## 2. Development Cooperation Context

Nepal's development priorities are laid down in periodic plans, which form the basis for dialogue and cooperation. Since 1956 the GoN has compiled nine five-year plans and four three-year plans. The plans are formulated by the National Planning Commission (NPC). The current periodic plan for 2016–2019 is focused on reducing absolute poverty and sharing economic prosperity. Other focus areas include post-earthquake reconstruction and rehabilitation, development of the physical infrastructure and good governance. The new periodic plan will complement the GoN's efforts to gain promotion for the country to the group of developing nations by 2022 and to transform Nepal into a middle-income country by 2030. Planning of donor finance in Nepal is coordinated by the National Planning Commission, while the Ministry of Finance is in charge of implementing bilateral development programmes as the signatory body.

Nepal has been receiving external aid for over six decades. Foreign aid still represents around 20% of the national budget, and in FY 2013–2014 aid was estimated to account for about 6% of GDP. ODA has averaged 4.5% of gross national income during 2011–2015,<sup>10</sup> and in absolute figures it increased from USD 745 million in 2008 to USD 1036.2 million in 2014. The framework for the use of foreign aid in Nepal is spelled out in the 2014 development cooperation policy. The policy underlines the importance of national ownership of development aid and underscores a strong preference to have all aid aligned with national plans and systems. Nepal also introduces a strong review mechanism of donors' aid portfolios. Nepal's goal is to gradually decrease its dependence on aid and to this end its aim is to improve domestic resource mobilisation and the business environment.

Development cooperation in Nepal is characterised by the presence of comparatively few bilateral donors, but a total of 19 specialised UN agencies. In 2014 over half or 51.6% of total ODA was provided by multilateral donors, 39.8% by bilateral donors and 8.6% by bilateral South-South cooperation partners,

<sup>10</sup> World Bank 2015.





India and China (Government of Nepal 2015). The top five multilateral donors in 2014 were the World Bank Group, the Asian Development Bank, the European Union, the UN and the Global Fund to Fight Tuberculosis and Malaria. The top five bilateral donors were the United Kingdom, India, USAID, China and Japan (Government of Nepal 2015). In 2014, Finland contributed 3% of total ODA to Nepal. The top sectors receiving external aid are education, health and population and energy (OECD).

Donor harmonisation and joint programming with other development partners take place to a varying degree in different sectors. Coordination among the donors active in Finland's main sectors, education and water and sanitation, is close and well developed. Finland participates actively in and contributes to coordination in these sectors.

Changes in the political environment have opened up more space for NGOs in Nepal, which now play a central role in development cooperation in many sectors. There are over 100 international NGOs registered under the Association of International NGOs, while the local federation has over 6,000 members. It is estimated that over 70,000 NGOs/CSOs altogether are active in Nepal. Local NGOs are increasingly professional in their operations, with many specialising in fields such as education, people with disabilities or human rights. Policy advocacy is an important part of many organisations. Some improvements are still needed to the operational space for civil society, especially concerning the operations of human rights related NGOs. Inadequate transparency, weak management and corruption remain challenges. Lack of coordination and funding are also inhibiting the work of NGOs. International NGOs have faced some constraints in their operational space, for instance in the selection of geographical areas of work and hurdles in processing operational and working permits.

Reconstruction works will remain a visible feature of development efforts in Nepal in the years to come. Donor agencies have made a pledge of 4 billion euros for the reconstruction of Nepal after the 2015 earthquakes. This is largely targeted to the 14 most affected districts (out of a total of 75 districts in the country). After the first year at least 1 billion euros worth of contracts had been signed. The government plans to conclude all reconstruction activities within five years as per the Post Disaster Recovery Framework (PDRF) approved in May 2016.

### 3. Finnish Development Cooperation to Date and in the Future

Finland has supported a range of sectors in Nepal through the years, most notably education, environment, sustainable forestry, the Nepalese peace process, human rights and rule of law, and water and sanitation. In recent years support for gender equality and vulnerable people has formed a cornerstone of Finnish-funded interventions in Nepal.

The previous Finnish Country Strategy for Nepal (2013–2016) focused on three sectors: education, water and sanitation, and forestry. Some activities in the areas of peace-building, human rights, rule of law and good governance were also carried over from previous years. The strategy period saw an increase in financing volumes from less than 15 million euros to around 17–19 million euros a year. Fragmentation was reduced during the strategy period as the number of interventions decreased and their size increased. Fragmentation was also reduced outside the core country strategy framework, and no new decisions were made to fund regional projects, institutional cooperation projects (ICI) or Fund for Local Cooperation (FLC) projects.

The 2016 evaluation of the Country Strategy concluded that the selection of sectors and key interventions had been relevant for the country context, the needs of the people and the development policies of both countries. The evaluation recommended continuing with the same focus sectors and modalities. Finland's long-standing engagement in the same sectors has made it a trusted partner for Nepal and made a positive impact on people's lives and well-being. Finnish support has improved access to education and water and sanitation services as well as improved environmental management in Nepal.

As with the previous strategy, the Country Strategy 2016–2019 focuses on Finnish long-standing experience and expertise that makes a difference especially in the lives of the poor, marginalised and geo-



graphically remote communities. Finland will thus continue its engagement in the previously supported sectors of education, water and sanitation, and gender equality. However, Finland has decided to withdraw from the forestry sector due to the cuts made to Finland's development cooperation funding.

The Country Strategy 2016–2019 promotes the realisation of the fundamental rights to education and water and sanitation, and the access of the most marginalised and vulnerable people to decision-making and basic service delivery. A main focus of Finnish support will continue to be on remote rural areas. Finland approaches development cooperation with Nepal in a human rights sensitive manner. In all of its programmes and projects, Finland aims to reduce inequality and address discrimination against women and vulnerable groups, which include certain castes (Dalit) and ethnic groups (i.e. Janajati), as well as the disabled, with a view to promoting their voice and active participation in decision-making.

In the water, sanitation and hygiene (WASH) sector Finland brings first-hand lessons learned in Finnish bilateral projects to the national policy debate, focusing on how to provide multiple benefits to disadvantaged and poor communities in remote locations. In the education sector, Finland pays special attention to children belonging to marginalised groups and their rights to quality education. In addition, Finland puts strong emphasis on gender equality and the rights of marginalised people by funding targeted interventions and maintaining an active policy dialogue supporting these objectives, and by mainstreaming them into the education and the water and sanitation sectors. The Country Strategy is aligned with the goal of Finland's new, 2016 development policy, which is to reduce poverty and inequality with an emphasis on the rights of women and girls.

Outside the Country Strategy frame, Finland has a long tradition of NGO support in Nepal. Some Finnish NGOs started their work in Nepal as early as the 1970s. Currently, there are four large Finnish NGOs funded through a framework agreement with the Finnish MFA, and altogether around 20 Finnish-funded NGOs present in Nepal. Finnish NGOs partner with Nepalese organisations, thereby strengthening local civil society. Finland considers a vibrant civil society as central to democratisation and as an important complement to bilateral aid. Safeguarding the operational space and enabling environment for NGOs and CSOs is therefore an important objective for Finland's work in Nepal, which is raised in dialogue with relevant authorities.



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Finland will maintain and aim to further strengthen cooperation with Finnish-funded NGOs in areas of common interest and benefit. Interaction will be strengthened through regular meetings between the Embassy and Finnish-funded NGOs/CSOs in Nepal. Common experience and expertise will be more effectively utilised in areas where there are synergies between bilateral and NGO activities. Finland can also advance questions of common concern in policy dialogue.



## PART 2

# 4. Expected Results of the Development Cooperation Programme

## 4.1 Impacts

### **IMPACT 1: Improved health and living standard of people through safe and sustainable water and sanitation services and livelihood development**

The WASH sector has in recent years emerged as a priority sector for the GoN, supported by adequate levels of funding. Recent efforts to strengthen coordination have reduced fragmentation and increased efficiency in the sector. GoN commitment and ownership to the development of the WASH sector is strong. Finnish programmes' chosen modalities also provide practical results in a cost-effective manner, and gender equality related objectives in them are rolled out on a large scale successfully. For these reasons, Finland will continue its support to the WASH sector in Nepal.

Adequate water supply and sanitation is a key factor in inclusive economic growth, and it has a direct impact particularly on the lives of women and children. In rural areas of Nepal, women and children spend a large amount of time and effort on water collection, and this reduces their opportunities to engage in education and productive activities. It also affects their prospects for future earnings and makes continuing poverty more likely. Due to the interconnectedness between water, sanitation, health and poverty, the lack of safe water supply and proper sanitation has much wider impacts than on just health alone. Adequate water availability also improves agricultural production and diversification, and hence strengthens food security and nutrition.

Previous Finnish support in the sector has shown remarkable results. During the past five years, the two Finnish-funded bilateral projects have connected close to 300,000 people to clean drinking water and around 1.6 million people to sanitation services. In the hard-to-reach Far West, 90% of beneficiaries now have access to clean water within 15 minutes, and a total of 164,000 people receive better nutrition from their home gardens. Finnish support to UNICEF in turn contributed to a sanitation movement through which 60% of the country's village development committees (VDC) are now declared open defecation free.

Finland's contribution, expertise and focus on rural areas are central to ensuring long-term and inclusive economic growth. Through rural livelihoods development and cooperatives, the Finnish-supported programmes train the local communities and support the creation of access to markets, finance and technologies. All this will ultimately lead to improved living standards.

### **IMPACT 2: The education system provides students with the necessary skills to contribute to Nepal's economic and democratic development**

Education is a major priority sector for the GoN, and Nepal has achieved remarkable results in improving access to education. Nepal's goal of providing better and more equitable education for all children, with a special emphasis on girls and disadvantaged groups, is well in line with Finland's development policy. For these reasons Finland continues to support education in Nepal, and it has considerable expertise to contribute to the sector.

Finland supported the seven-year School Sector Reform Plan (SSRP) 2009–2016, which recorded significant progress in increasing access to education, improving transition rates, achieving gender parity in enrolment, reducing illiteracy and increasing the number of educated teachers.<sup>11</sup> Nepal is on track to achieve universal primary education. During the previous period, Finland supported the design and implementation of National Assessments of Student Achievement (NASA) and introduced soft skills<sup>12</sup>

<sup>11</sup> Access: G1-8, 73 > 86.6%; G9-12, 23 > 34.7%); transition: to G5, 58 -> 86.8%, to G8, 41 -> 74.6%; literacy: 54.1 -> 65.9% ; educated teachers: 66 > 92%.

<sup>12</sup> Cooperation, personal, thinking and innovation and business skills.



into the education system, both of which improve the relevance and quality of education. This support has now been broadened and previously developed tools have been put into use.

Despite clear progress in the education sector, there is a need to improve the quality, equity and relevance of education in Nepal. Learning outcomes are poor across the board, with girls consistently performing worse than boys. Girls are also more likely than boys to drop out from school and repeat grades. Girls often fail to reach tertiary education levels, creating a noticeable disparity in higher-level education access. While boys increasingly attend private schools, girls as well as disadvantaged ethnic and caste groups are mainly dependent on public schools. Enhancing the public education system thus has a positive impact especially on equity.

Nepal's national Schools Sector Development Plan for 2016–2022 therefore introduces a major shift in focus from access to education to quality and equitable participation in education. The Constitution of Nepal provides a good basis for this objective as it guarantees free and compulsory basic education and free secondary education for all.

### **IMPACT 3: Improved economic and political participation for women and people in vulnerable situations**

Enhancing the rights and status of women and girls strengthens society as a whole, thereby promoting development across all sectors of the economy.<sup>13</sup> Fighting inequality, exclusion and discrimination and promoting social inclusion also diminishes the risk of tension and conflict in society. Supporting the rights of the most marginalised groups in Nepalese society has therefore been a cornerstone of Finland's engagement in Nepal in recent years. In the current strategy, Finland will maintain this focus through:

- Targeted interventions supporting gender equality, the rights of women and vulnerable groups and the rule of law in Nepal.

<sup>13</sup> Finland's development policy 2016; see also e.g. ECOSOC, 2013, agreed conclusions of the 58th session of the Commission on the Status of Women, p.3, para 13, available at [http://www.un.org/ga/search/view\\_doc.asp?symbol=E/CN.6/2014/L.7](http://www.un.org/ga/search/view_doc.asp?symbol=E/CN.6/2014/L.7)



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- Incorporating gender equality and social inclusion objectives as integral parts of interventions in the education and water and sanitation sectors and into policy dialogue.

Nepal has made progress in improving the rights and participation of women and addressing inequality and discrimination in recent years. Gender equity and social inclusion (GESI) policies have been made mandatory in most ministries in Nepal and legislation has been improved by criminalising caste-based discrimination, for example. Nepal also has a very ambitious quota policy on gender equity in government bodies. Nepal's National Action Plan (NAP) for United Nations Security Council resolutions 1325 and 1820 was the first in South Asia and is comprehensive and participatory,<sup>14</sup> and its implementation is supported by Finland. Furthermore, in the new Constitution (2015), the GoN has committed to promote the protection and empowerment of women and access to equal rights without gender discrimination. After the Constitution was adopted, Nepal appointed its first female President, Chief Justice and Speaker of Parliament.

However, despite these improvements the number of women represented in government, the legal system and political decision-making is still low. In the Social Institutions and Gender Index, Nepal still ranks high in terms of discrimination against women, particularly concerning access to resources and assets.<sup>15</sup> Shortfalls remain in the implementation of gender equity policies and guidelines. The majority of women are still engaged in unpaid, home or farm-based labour,<sup>16</sup> and 72% of economically active women work in agriculture.<sup>17</sup> In addition, violence and discrimination against women are still serious concerns. Attitudes and practices that sustain inequality are deep-rooted, and much thus remains to be done to uproot gender-based discrimination in homes, schools, workplaces and public services (UN Women 2015).

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<sup>14</sup> Global Study on the Implementation of United Nations Security Council resolution 1325 (2015).

<sup>15</sup> SIGI 2014 [http://www.genderindex.org/country/nepal#\\_ftn84](http://www.genderindex.org/country/nepal#_ftn84).

<sup>16</sup> Nepal MDGs: Progress Report 2013, p.32. [http://www.undp.org/content/dam/nepal/docs/reports/millennium%20development%20goals/MDG\\_Report\\_2013\\_Final.pdf](http://www.undp.org/content/dam/nepal/docs/reports/millennium%20development%20goals/MDG_Report_2013_Final.pdf)

<sup>17</sup> NPC, GoN and WFP, 2010. The Food Atlas of Nepal, available at <http://www.wfp.org/content/nepal-food-security-atlas-2010>





Finland's previous support contributed significantly to some of the progress mentioned above. For instance, a significant number of women and vulnerable groups have been empowered to actively participate in local level political bodies and user committees. More than 90% of conflict-affected women who were targeted by Finnish support have established small scale businesses to support their livelihoods. Finland will remain committed to strengthening the rights, status, livelihoods and access to basic services of women and girls in Nepal. Finland's support also focuses on increasing access to justice for women and vulnerable groups, as well as the sustainability of legal aid services.

## 4.2 Outcomes and outputs



### IMPACT 1: IMPROVED HEALTH AND LIVING STANDARD OF PEOPLE THROUGH WATER AND SANITATION SERVICES AND LIVELIHOOD DEVELOPMENT

#### Outcome 1: Water supply and sanitation to all

Nepal had the target of reaching full coverage of basic water supply and sanitation by 2017. Due to the earthquakes of 2015 and financial limitations and challenges in reaching some remote pockets of the country, this target will not be met and the GoN plans to postpone the target to 2019. The target of full coverage remains, however, and at the same time attention is being paid to the sustainability and functionality of the existing water supply facilities. The two ongoing bilateral programmes are well positioned to deliver results on a large scale.

This outcome is composed of three interlinked outputs: water supply, sanitation and hygiene, and sector governance.

#### Output 1.1.1:

- Sustainable water supply services through a decentralised governance system in districts supported by Finland



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Sustainable water supply needs to start at the grassroots level, meaning users of water schemes and the user committees they form. Village development committee (VDC) as well as district, regional and central level support is necessary, although managing and maintaining the water supply services in practice is done by the users. In Finnish-supported programmes, each district is supported in preparing, implementing and monitoring annual work plans. Disaster risk reduction (DRR) and climate change adaptation (CCA) are important issues in the construction and operation of water supply schemes. To this end, the target is that every water supply scheme has a water safety plan (WSP) in place.

### **Output 1.1.2:**

- Sustainable sanitation and hygiene available for all households and institutions in districts supported by Finland

The last five years have seen highly successful progress in the expansion of sanitation coverage. The clear target of ending open defecation in Nepal seems reachable, and the focus is now shifting to what happens after the declaration of VDCs and districts as ODF: Is there easily available water supply, which is intimately linked to sanitation and hygiene in Nepal? How to maintain the social movement that has made possible the success in sanitation? Do the institutions, schools and health posts have adequate sanitation facilities? In the future, child, gender and disabled (CGD) friendly WASH facilities will be a priority. In several areas, especially in the Far Western development region, the gender aspect is crucial. To achieve the intended health impact, sanitation facilities must be functional in the long run, and hygiene-related work is also of utmost importance. Toilets must not only be present – they must be used at all times by all members of the community. Menstrual hygiene is highlighted as an important topic for both men and women that needs to be addressed in order to prevent discrimination against women.

### **Output 1.1.3:**

- Improved efficiency of WASH governance



The results from Finnish-funded work concerning the above two outputs is expected to support the creation of good sectoral practices as well as improved efficiency in the governance of the WASH sector. This will require continuing extensive cooperation between the two bilateral programmes and the Finnish Embassy. The WASH sector has experienced rapid development in recent years by virtue of the preparation of the Sector Development Plan (SDP) and a legal framework. The coming years will require further consolidation so that all partners remain committed to joint efforts. Finland's main focus will be on finance, functionality and human resources through the relevant thematic working groups (TWGs).

### **Outcome 1.2: Improved and sustainable nutrition, food security and income in nine RVWRMP-supported districts**

The connection between water supply and livelihoods is strong and life-changing, as shown by the experiences gained in the implementation of the Rural Village Water Resources Management project's (RVWRMP) phases I and II during 2007–2015. The use of excess water from water supply schemes and multiuse systems (MUS), in which water is used for more than one purpose, has produced good results. For example, MUS schemes that combine micro hydropower and irrigation are very useful in supporting energy and irrigation needs. Joint EU financing of 20 million euros, which is currently under approval, opens new possibilities for expanding these results to a much wider population in RVWRMP-supported districts.

This outcome is composed of two interlinked outputs: integrated water resources management that is focused on all water uses at VDC and district levels, and replication of food security related interventions on a large scale.

#### **Output 1.2.1:**

- Integrated water resources management (IWRM) implemented at VDC and district levels



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The main instrument for IWRM is the Water Use Master Plan (WUMP), which is a participatory planning tool for preparing prioritised lists of different water use schemes (drinking water, irrigation, micro-hydro, MUS) at the VDC level. The work done in recent years also culminates in the national WUMP Guideline, which is to be approved in 2016. The number of households provided with climate sustainable energy services – improved cooking stoves, improved water mills and micro-hydro – will be monitored under this output. Synergies will be achieved with WWF and other organisations' work that utilises a basin approach in planning, for example in the Koshi river.

### **Output 1.2.2:**

- Food security related interventions replicated on a large scale

Home gardens and the multiuse of water are at the centre of food security related interventions in RVWRMP. Home gardens have made a big change to the life of rural people by providing better nutrition and food security, and some income opportunities without large investments. Providing multiuse instead of single use systems has proved to be cost-effective. The work of RVWRMP is also expected to contribute directly to the realisation and operationalisation of targets set in Nepal's Agricultural Development Strategy (ADS) in the context of the country's remote areas.

### **Instruments, inputs and linkages related to Impact 1:**

The Finnish-funded interventions are:

- Rural Village Water Resources Management project (RVWRMP), phase III. Implementation period from 2016 to 2021. Finnish government grant 15 million euros, an additional 20 million euros from the EU is under approval.
- Rural Water Supply and Sanitation project in Western Nepal (RWSSP-WN), phase II. Implementation period from 2013 to 2018. Finnish government grant 13.7 million euros. An additional investment of 1 million euros from Finland and Nepal each is under approval.



- UNICEF WASH Earthquake Recovery Programme, 2 million euros for 2016–2017.

Coverage and beneficiaries: Finland's support in WASH covers about one-third – 24 out of 75 – of Nepal's districts, and focuses on reaching the most remote areas and unreached pockets of the population.

The finalisation and approval of the Sector Development Plan (SDP) is of critical importance and will guide the policy-level work throughout the Country Strategy period. Finland will participate actively in this work. The WASH counsellor and supporting special advisors at the Embassy of Finland provide an important link between the financial inputs and the outputs and outcomes mentioned above. In addition, the MFA-based WASH advisor and the Nepal team at the MFA contribute significantly to the overall management of the impact area and the pursuit of the policy influencing themes.

The themes of Finland's policy influencing work are:

- Adequate financing for rural water supply and sanitation. This work will be done, to the extent possible, through the TWG.
- Functionality. Attention must be drawn to the needs for reinvestment and the maintenance of existing schemes instead of building new ones.
- Support for the sanitation movement especially in connection with the Terai region, school WASH and post ODF. Policy influencing related to Terai sanitation will be done mostly at the sectoral level, and school WASH and post ODF at both project and central levels.

Finland will explore new partnerships and modalities for cooperation with other donors in connection with developing support for IWRM. Finland also maintains connections to regional actors (Sacosan, Unicef ROSA and WSSCC).



### **IMPACT 2: THE EDUCATION SYSTEM PROVIDES STUDENTS WITH THE NECESSARY SKILLS TO CONTRIBUTE TO NEPAL'S ECONOMIC AND DEMOCRATIC DEVELOPMENT**

#### **Outcome 2.1: Improved quality and relevance of education and student learning outcomes in basic and secondary education**

The quality and relevance of education in Nepal remain poor and learning outcomes are correspondingly weak. On average more than 50% of students fail to perform at grade level in Nepali, English, mathematics and science. Only roughly 70% of students complete basic education. In addition, Nepal's recent education sector analysis (2016) showed that 60% of youth lack the requisite educational skills to be employed in gainful jobs.

Finland focuses on two key aspects of improving the quality and relevance of education in Nepal, both of which are integral parts of Nepal's School Sector Development Plan (2016–2022): a) introducing and mainstreaming soft skills into basic and secondary education, and b) improving basic and secondary students' completion rates and learning outcomes.

#### **Output 2.1.1:**

- Improved curriculum and learning materials in the classroom

Finland supports efforts to improve the curriculum through the introduction of soft skills in general education in Nepal. Finland also continues to support the development of a pedagogically-oriented production process of high-quality learning materials in Nepal. Soft skills in the Nepalese context have been defined as personal, cooperation, thinking, innovation and business skills, which are expected to improve the quality and relevance of education. It has been shown that soft skills improve students' learning, while also providing them with skills relevant in the labour market. Finland supports the revision of curriculum, teaching and learning materials and teacher training to integrate soft skills into grades 1–10. Considerable emphasis will be placed on the dissemination and mainstreaming of these changes to schools. Effective dissemination of soft skills is ultimately expected



to lead to changes in teachers' classroom practices and thus to improvements in students' learning and skills sets. Both curriculum and learning materials will incorporate gender and inclusiveness as integral elements, and this is expected to contribute to the enrolment and retention of girls and students from disadvantaged groups.

### Output 2.1.2:

- Enhanced institutional capacity for improved learning outcomes ensured

Finland focuses on three aspects of enhancing capacity for improved learning outcomes: examination reform; the institutionalisation of the National Learning Assessment of Student Achievement (NASA); and implementation of the teacher rationalisation and development plan. NASA was introduced with Finland's previous education sector support. NASA serves several purposes: it supports teachers and school accountability, improves monitoring of learning outcomes and the quality of education, and supports planning of education policy reforms. In the next stage, Finland will support the institutionalisation of NASA across the education system to help translate assessment findings into policy and action. The examination reform is aimed at standardising exams and ensuring that they truly assess the competences that students should acquire in each subject. Finally, teacher distribution remains uneven as there is an excess of teachers in basic education and a shortage in secondary education. Finland places emphasis on the conversion of positions to absorb the existing surplus of primary teachers to meet the shortage of 6–8 grade teachers. Monitoring of teachers' presence in schools will also be improved.

### Outcome 2.2: Improved equitable access to basic and secondary education

Despite the good progress made in gender equality and access to education, challenges still remain. Children still have inequitable access to quality education due to gender, socio-economic status, language, ethnicity, caste, religion, geographical location or disabilities. Challenges in gender equality are often complex and contextual. Girls from ethnic minorities, low castes and poor families, for instance, often encounter barriers to attend school or to remain in school once enrolled.



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Equitable access remains a priority for Nepal in the education sector. The GoN wants to reduce the number of out-of-school children significantly. Free and compulsory basic education is also stipulated in Nepal's new Constitution, and the government has set the target that by 2022 all children should be enrolled in basic education. Finland supports the deployment of targeted strategies to improve access to education in disadvantaged areas and groups.

### Output 2.2.1:

- Increased capacity of the government to address access and participation in the most disadvantaged districts and ensure a safe learning environment

In supporting national capacity to address access and participation, Finland focuses on three areas. Through the School Sector Development Plan, Finland supports targeted interventions to the most disadvantaged districts (as defined in the equity index<sup>18</sup>). These interventions are expected to reduce the number of out-of-school children in selected districts. The use of the equity index will support the Ministry of Education in evidence-based planning and implementation. Finland places emphasis on increasing the share of female teachers in schools. A recent gender gap analysis<sup>19</sup> has identified the lack of female teachers as a barrier to girls' learning outcomes and as a reason for early drop out. More female teachers in basic and secondary education are thus needed to provide role models for girls. Finally, in order to ensure a safe learning environment, schools need to incorporate preparedness and disaster risk reduction in their school improvement plans.

<sup>18</sup> The equity index was developed under the School Sector Reform Plan to help identify population groups in need of targeted support to ensure their inclusion in the general education system. It captures and aggregates (gender, location, caste disability) three components of the education sector at the district level: (i) access to school (number of out-of-school children), (ii) internal efficiency (survival rate from grade 1 to grade 8) and (iii) learning (grade 10 pass rate).

<sup>19</sup> Gender Gap Analysis for Nepal's School Sector Development Plan, Tuija Stenbäck 2015.





## Instruments, inputs and linkages related to Impact 2:

Finland supports two development interventions in impact area 2:

- The School Sector Development Plan, which is the national education sector programme covering education from early childhood education to grade 12. Finland's contribution 20 million euros in 2016–2020.
- Technical assistance to the Ministry of Education to ensure the inclusion of soft skills in policy, curriculum and learning materials. Bilateral project. Finland's support 1.7 million euros in 2016–2019.

Coverage and beneficiaries: Both of these programmes target the entire general education system in Nepal (grades 1–12). In the end the beneficiaries are thus all 7.3 million students and around 29,000 public schools.

In addition to the financial support provided to the education sector, the counsellor and the special advisor for education at the Embassy in Kathmandu participate actively in planning, budgeting and monitoring as well as in policy dialogue in the sector. This allows Finland to contribute to the broader development of the sector and translate financial inputs into the desired outputs and outcomes. Further, the MFA-based advisor for education and the Nepal team at the MFA support the effective implementation of programmes and objectives.

In the education sector programme, policy dialogue mechanisms are well in place. All outcome areas under education will require policy dialogue, but the main targets for Finland are:

- Improved access to education for girls
- Improved teacher management
- Curriculum reform with its effective implementation at the school level

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- National learning assessment recommendations are taken forward

The country team will also strengthen synergies with Finnish-funded NGOs working in the education sector. This will be done by establishing links with NGOs working in the same districts and focus areas as Finland's bilateral programmes in order to identify synergies and share common lessons learned. In addition, the small-scale peer support programme by the Finnish National Board of Education is a valuable complement to the bilateral technical support project TASS, and links between their activities will be actively maintained.



### **IMPACT 3: IMPROVED ECONOMIC AND POLITICAL PARTICIPATION FOR WOMEN AND PEOPLE IN VULNERABLE SITUATIONS**

#### **Outcome 3.1: Economic and political status of women and vulnerable groups enhanced**

Nepal has in recent years adopted a number of policies to ensure women's and ethnic and other groups' representation, voice and agency in policies, governance and in society. Nepal has also taken several steps to support women and vulnerable groups<sup>20</sup> in overcoming economic barriers. Finland has supported these efforts through targeted interventions. Still, due to remaining discriminatory practices, policies and laws, women's representation and economic activity are severely limited on all levels. Access to justice for women and vulnerable groups likewise remains restricted due to social stigma as well as reluctance in the justice system, weak judicial processes and security concerns.

Finland will thus continue to support the approval and implementation of adequate policies, the building of proper capacity at all government levels as well as the provision of services and training that enhance the economic and political empowerment of women and vulnerable groups in Nepal. As for women's rights, Finland will continue to work closely with UN Women which has set women's economic empowerment as a thematic priority for the coming years as well.

<sup>20</sup> Vulnerable groups may be members of certain castes, ethnic or indigenous groups or are socially and economically disadvantaged and/or marginalised.

**Output 3.1.1:**

- Women have improved technical and entrepreneurial skills for sustainable livelihoods

Finland funds interventions through UN Women to support networks of excluded women and help these women earn the skills necessary to establish their own small-scale businesses. Previous support for entrepreneurship training has yielded encouraging results by increasing the incomes, social status, participation and economic independence of conflict-affected women. Finland continues to support training in entrepreneurship and vocational skills development.

**Output 3.1.2:**

- Participation of women in political decision-making strengthened at national and local level

Finland supports the capacity and opportunities of groups of excluded women<sup>21</sup> and vulnerable groups to take part in policy-making, planning and budgeting processes at all levels. On the local level, women are supported to be active in groups such as user committees and local peace committees, influencing local decision-making concerning social services, market access and peace-building, for example. On the national level, support is given to networks to enhance their voice and agency in national policy processes concerning income and livelihoods generation, for example. Networks are provided with training in leadership, networking and media skills to strengthen their advocacy. In addition, Finland supports the participation of women in justice sector institutions and the drafting of legislation against the discrimination of women.

**Output 3.1.3:**

- Access to justice improved for women and vulnerable groups

<sup>21</sup> Rural women farmers, conflict-affected women, survivors of trafficking, returnee women migrant workers, home-based workers and HIV-positive women.

Finland supports both the skills needed by women and vulnerable groups to demand access to justice and the capacity of duty bearers to supply these justice services. Finland contributes to the establishment of central and district level legal aid committees, social and legal aid centres (SLACs) and mobile legal aid clinics across Nepal. These instances increase the outreach of the justice sector by providing both remedial legal aid services and legal awareness to citizens. Finland also supports the establishment of a legislative and policy framework for legal aid in Nepal. The capacity and status of the National Women's Commission and the National Dalit Commission are enhanced. Finland advocates for the full coverage of SLACs across the districts and for maintaining these activities without external support. It also continues to support the working conditions of Human Rights Defenders by participating in the Human Rights Defenders working group and policy dialogues.

### **Instruments, inputs and linkages related to Impact 3:**

Finland aims to achieve the above mentioned outcome and corresponding outputs through three interventions implemented by UN agencies, active policy dialogue at sector and national level as well as through close cooperation with Finnish-funded NGOs. In addition, promoting the rights and empowerment of women and vulnerable groups and social inclusion is mainstreamed to all interventions under other impact areas.

Targeted bilateral interventions that support Impact 3:

- UN Women: Strengthening Implementation of the Women, Peace and Security Agenda in Nepal: Towards Implementation of the National Action Plan on UNSCRs 1325 and 1820, 2012–2016, 1.55 million euros
- UN Women: Advancing Women's Economic Empowerment – Ensuring Nepal's Sustainable and Equitable Development, 2015–2017, 3.75 million euros
- UNDP: Strengthening the Rule of Law and Human Rights in Nepal, 2013–2017, 5.4 million euros



The counsellor and special advisor responsible for the interventions play an important role in achieving the outputs defined above. Achievement of the outcome-level objective is supported by policy influencing involving the entire Embassy team, including the Ambassador. The MFA-based advisors for gender and human rights, as well as the Nepal team at the MFA, support the interventions and the Country Strategy as a whole.

Policy dialogue is an important instrument in advancing programme-specific objectives, but priority issues will also be raised in higher level dialogue with the GoN. Evidence and experiences from Finnish-supported interventions will be used to promote political participation, livelihoods development and economic empowerment of women and vulnerable groups on the national level. Emphasis is put on the sustainability of activities supported by Finnish-funded interventions. In the field of rule of law, Finland focuses its dialogue on the sustainability of SLACs as well as the political commitment to address impunity and ensure the independence and capacity of the judiciary.

Finland will actively take part in various advisory and reference groups for policy advocacy, research and review concerning the rights of women and vulnerable groups. Due consideration will be given to exploring and establishing synergies with other like-minded donors and other actors.

Special emphasis will be placed on cooperation with Finnish-funded NGOs that support gender equality, women's economic empowerment and vulnerable groups. Their activities contribute substantially to the achievement of the outcome under this impact. The MFA and Embassy of Finland will flexibly pursue different forms of cooperation with relevant NGOs concerning activities, dialogue and reporting.

## 5. Implementation and Evaluation

### 5.1 Complementarity and coherence

Finland continues to coordinate activities with the other EU countries present in Nepal, to take part in joint EU programming, and to contribute to the shaping of EU programmes in Nepal. Finland also continues to play an active role in wider donor platforms (International Development Partners' Group and Nepal Portfolio Performance Review). Regarding the UN system, Finland will take a stance on the UNDAF formulation process in 2017, with a particular focus on gender issues and the rights of marginalised groups.

### 5.2 Partnerships and modalities for development cooperation

Finland's long experience in Nepal provides a good basis for making an adequate selection of partnerships and modalities for the country programme. The modalities for each intervention are chosen according to local circumstances and local needs. In water and sanitation, the interventions are bilateral projects as well as reconstruction support through UNICEF. In education, the main support is given through the sector-wide programme School Sector Development Plan (SSDP), which is jointly financed by donors and the government. The sector programme is the GoN's preferred funding modality, and it follows the government's budgeting and reporting requirements. In addition, Finland funds a bilateral project which supplies Finnish technical expertise to support implementation of the sector programme. In the field of gender equality and social inclusion, the support is channelled through UN Women and UNDP (rule of law).

In the WASH sector, a strong coordination and collaboration mechanism between the development partners (DPs) has been established. The WASH DPs active in Nepal include the development banks



(ADB and WB), three other bilateral donors (DFID/UK, JICA and USAID) and three UN organisations (UNICEF, UN-Habitat and WHO). The Embassy of Finland has chaired the WASH donors' working group from July 2014. Due to this chairmanship, Finland has very close relations with all the above donors and major international NGOs (e.g. SNV), FEDWASUN and the largest local NGOs. Finland is viewed as a trusted partner due to its long-term presence on the ground and the excellent reputation of its bilateral programmes. The WASH Sector Development Plan (SDP) is under finalisation and will give a number of recommendations for the future of the sector until 2030.

Partnerships and collaboration in the education sector are well-coordinated among DPs and the GoN, with an established system of sector reviews in place. The sector programme is guided by a joint financing arrangement with GoN, which Finland signs together with the ADB, Australia, JICA, the EU, Norway, UNICEF, the World Bank and the Global Partnership for Education.<sup>22</sup> The new sector SSDP will use results-based financing, in which funding is tied partly or completely to results achieved. The Embassy in Kathmandu will work closely with all the joint financing partners and the GoN throughout the programme. In Finland, the main partner institution is the Finnish National Board of Education, which provides peer support to the Ministry of Education in Nepal through a small grant from the MFA. Subject to the availability of future funding, Finland may consider contributing to the technical assistance pool which is established under the sector programme SSDP.

Gender equality and social inclusion are consistently emphasised throughout Finland's engagement in Nepal. Finland will actively participate in the gender and social inclusion working group and advocate gender issues in the education and WASH sectoral working groups. Finland has been active in the International Development Partner's Group, frequently emphasising issues related to women's rights concerning policies, programmes, the results-based approach and sustainable results. Active partnerships are sought with like-minded donors to engage in dialogue with the GoN on gender and social inclusion topics.

<sup>22</sup> Together the donors are referred to as Joint Financing Partners.

### 5.3 Long-term sustainability

In the three impact areas in which Finland is engaged – education, water and sanitation, and gender equality and social inclusion – Finland contributes to building the foundation for Nepal’s social and economic development. External support will be needed for many years to come to improve the quality of services and to strengthen the capacity of national institutions to manage their resources. In order to ensure strong ownership, Finnish interventions focus on Nepal’s own policy priorities. The high levels of national contributions to water and sanitation projects and the education sector attest to the priority that Nepal assigns to these sectors.

The water and sanitation sector projects work through government systems, providing technical support to strengthen them. The sector development plan will provide a platform on which to bring forward the good practices piloted in the Finnish-funded projects for national implementation. The sustainability of the water systems will be primarily dependent on the functioning of water user committees and the continued collection of water user fees to allow operations and maintenance for district planning functions to continue.

In the education sector, Finland supports Nepal’s own national sector support programme that is managed by the Ministry of Education and that operates within the framework of Nepal’s regular planning and reporting cycles, policies and structures. External support is critical to strengthen capacities across the education sector to ensure long-term financial, technical and institutional sustainability.

The sustainability of UN Women interventions is based on the assumption that local partners and CSOs will gain sufficient capacity and resources to continue their activities beyond the duration of the project. The projects have also established structures and capacities within the GoN structures to keep gender issues on the government’s policy agenda.





## 5.4 Risk management

Nepal is a high risk environment. Challenges in implementing the new Constitution and the federal system may lead to political instability, scarcity of resources and unrest. Finland will closely monitor the political situation, and the Finnish Embassy maintains local political risk assessments for adequate preparation.

A high level of turnover in politics and lack of trust between institutions, political parties and people remain risk factors. Inherent and systematic discrimination and exclusion of certain groups from decision-making processes also present a risk of conflict. The absence of local level democratic political institutions can lead to lack of accountability. District-level administrators are changing frequently, which is affecting the sustainability and effectiveness of supported activities. Because of this, community participation will be actively favoured in project design and implementation.

International assessments place Nepal among the most fragile environments in terms of the risk of major natural calamities. The Finnish Embassy will continue to do contingency planning and mainstream disaster risk reduction (DRR) work in its programmes and activities in Nepal. In addition, climate change adaptation is considered in all activities, particularly in WASH projects, in order to limit negative impacts.

Programmatic level risks include lack of clarity in the institutional set-up in the WASH sector and the possibility of inadequate GoN financial commitment to the education sector. These risks will be met by active coordination between the development partners and the GoN and by maintaining a proactive policy dialogue. In education, disbursements will be made contingent on adequate budget allocations for the sector. Risks related to UN programmes are possible delays in implementation and low visibility of Finnish support in the projects. To mitigate these risks, Finland needs to maintain continuous dialogue with UN agencies.

Other risks in Nepal include delays in project implementation and the possibility of corruption. These risks will be mitigated by means of realistic planning, close contacts with the Nepalese authorities and strong financial management, including audits.

## 6. Monitoring and evaluation

Country Strategy monitoring is based on ongoing evaluations of development projects, programmes, policy dialogue and other cooperation by the Embassy. This work follows the MFA's principles and guidelines, especially the Guideline on Results-based Management, the Manual for Bilateral Programmes and the Evaluation Guidelines. In joint arrangements, Finland will participate in joint reviews and evaluations.

The Country Team will continuously monitor the validity of the assumptions made in the Country Strategy and its Logic Model (Annex I) as well as the risks identified in the Risk Management Framework (Annex IV), and take corrective measures as needed. The use of Country Strategy budgeted funds is monitored on an ongoing basis using automated reports from the MFA financial accounting systems.

The Country Team will prepare an annual report following the MFA reporting format in the first quarter of the calendar year. Based on this report, Finland and Nepal have agreed to jointly review progress of the strategy on an annual basis. The annual report provides an overview of Country Strategy monitoring and reporting against the Results Framework (Annex II) and using other specified tools: the Logic Model (Annex I) and Risk Management Framework (Annex III). The potential need for corrective measures will be determined in the Management Response by the Department for Americas and Asia.

Findings of project-level management reviews and mid-term, final and potential impact evaluations, as well as relevant thematic evaluations also feed into Country Strategy monitoring and reporting.

The Country Strategy as a whole will be evaluated towards the end of the strategy period (MFA Evaluation Unit).

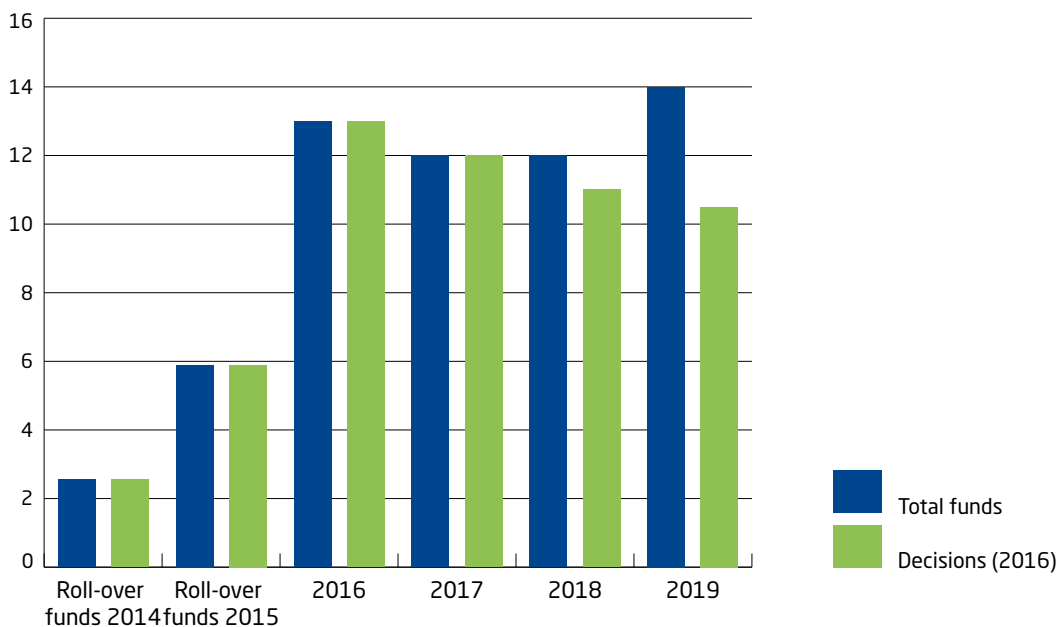


## 7. Tentative financing plan (budget)

The financial allocations for the years 2016–2018 have been close to fully programmed by 2016. Projections for 2019 are tentative and may be subject to changes. Cooperation in the forestry sector was phased out in 2016.

### Budgeting framework 2016–2019

(million euros)

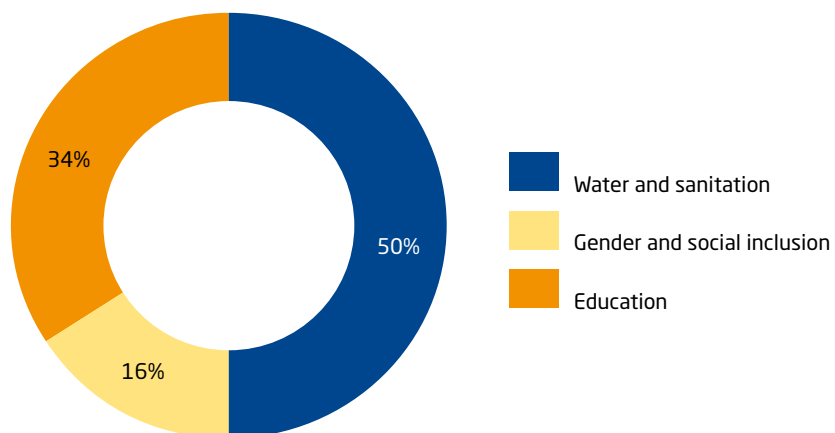


Decisions refer to funds that have already been allocated to a certain project.

## NEPAL

### Planned budget allocation 2016-2019 by impact areas

(Total funds 51 million euros)





# Annexes

## Annex I: Logic Model

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
<p><b>IMPACT 1: Improved health and living standards through safe and sustainable water and sanitation services and livelihood development</b></p>	<p><b>Outcome 1.1.</b> Water supply and sanitation to all</p> <p><b>Assumptions linking outcome 1.1. to impact:</b> Continued GoN support to decentralized governance.</p> <p>Present funding modality of the bilateral projects continues.</p> <p>Sanitation social movement will continue without major challenges.</p> <p>Enabling environment for the improvement of efficiency in sectoral development present.</p> <p>Funding of SDP from development partners available in connection with sector meetings in two categories: joint financing and parallel financing</p>	<p><b>Output 1.1.1.</b> Sustainable water supply services through a decentralized governance system in districts supported by Finland</p>	<p>Capacity and willingness of DDCs and VDCs is at a necessary level to implement decentralized governance.</p> <p>Communities' willingness participate physically and financially.</p> <p>Funds are timely available.</p> <p>No major disasters in the areas.</p> <p>Sustainability criteria refer to registration of WUSC, water tariff defined and collected, trained VMW available etc. The assumption is that projects are able to collect and compile relevant data.</p>	<p><b>Instruments for Impact 1:</b> RVWRMP III, 2016-2021: 15 M EUR from GOF Total budget 33 or 60 M EUR</p> <p>RWSSP-WN II, 2013-2019: 13.7 M EUR from GOF Total budget 21.9 M EUR</p> <p>Embassy counsellor and special advisor</p>

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
		<p><b>Output 1.1.2.</b> Sustainable sanitation and hygiene available to all households and institutions in districts supported by Finland</p>	<p>Capacity and willingness of DDCs and VDCs is at a necessary level to implement.</p> <p>Communities' willingness to participate physically and financially.</p> <p>Funds are timely available.</p> <p>No major disasters in the areas.</p> <p>Child, Gender, and Disabled (CGD) friendly WASH facilities include functional water supply, adequate number of separate toilets for girls and boys and relevant considerations for menstrual hygiene management (MHM) and needs of disabled.</p>	
		<p><b>Output 1.1.3.</b> Improved efficiency of WASH sector governance</p>	<p>SDP finalized in 2016 and approved in 2017.</p> <p>Transparency in sector funding remains.</p> <p>JSR and SSG (or similar) will continue as sector meetings.</p> <p>Institutional set-up – number of ministries and their roles – will provide for sector development.</p> <p>Embassy human resources at sufficient level in terms of technical knowledge of WASH and sectoral development.</p>	



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
	<p><b>Outcome 1.2.</b> Improved and sustainable nutrition, food security and income in nine RVWRMP supported districts</p> <p>Assumptions linking Outcome 1.2 to impact:</p> <p>Finalization and approval of national Water Use Master Plan (WUMP) Guideline.</p> <p>Funding from European Union becomes available.</p> <p>Embassy human resources at satisfactory level in terms of technical knowledge of WASH and livelihoods.</p> <p>Improved coordination in IWRM.</p>	<p><b>Output 1.2.1.</b> Integrated Water Resources Management (IWRM) implemented at the VDC and district levels</p>	<p>Continued user group and VDC level interest in investing in WUMPs.</p> <p>Capability available to collect household level information on Improved Cooking Stoves (ICS).</p> <p>No major challenges in the micro hydro implementation.</p>	
		<p><b>Output 1.2.2.</b> Food security related interventions replicated on a large scale</p>	<p>Capability to collect household level information on home gardens.</p> <p>Home gardens will promote the cultivation of vegetables providing better nutrition and some income opportunities.</p> <p>Continued and expanded user level interest in MUS.</p> <p>Implementation of ADS without major delays.</p> <p>There is a need and demand for a specific policy designed for poverty reduction in remote and mountainous areas either under ADS or at provincial level, and RVWRMP is in position to respond to this need.</p>	

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
<p><b>IMPACT 2: The education system provides students with the necessary skills to contribute to Nepal's economic and democratic development</b></p>	<p><b>Outcome 2.1.</b> Improved quality of education and student learning outcomes in basic and secondary education</p> <p><b>Assumptions linking outcome 2.1 to impact:</b> NASA reports' recommendations are used in policy decisions, planning and implementation to improve the quality of the education system.</p> <p>NASA tests are standardized</p> <p>NASA assessments for each grade are conducted twice during the SSDP seven years period.</p> <p>Planned inputs are improving learning outcomes. GoN budget allocation for the education sector is maintained (approx. 1.5%) and the budget is disbursed on time.</p>	<p><b>Output 2.1.1.</b> Improved curriculum and learning materials in the classrooms</p>	<p>Timeframe for curriculum development is maintained and textbooks and teacher guides are developed simultaneously. Department of Education is responding positively to gender and inclusive education initiatives.</p> <p>Implementation of competence based curriculum and learning materials will improve quality of education and learning outcomes.</p> <p>Textbook and teacher guide writers have sufficient capacity</p> <p>Revision of National Curriculum Framework is participatory</p> <p>Revision of National Curriculum Framework based on holistic and single curriculum structure of school education will incorporate issues of integration, soft skills and diversification which will lead to improved learning for all children.</p>	<p><b>Instruments for Impact 2:</b></p> <p>SSDP: GoF 20 million € for 2016-2020; total SSDP funding for 2016-2020 6.6 billion USD</p> <p>TASS: GoF 1.7 million € for 2016-2019</p> <p>Embassy counsellor and special advisor MFA education advisor</p>





IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
		<p><b>Output 2.1.2.</b> Enhanced institutional capacity to support improved learning outcomes</p>	<p>ERO becomes an autonomous unit and has sufficient capacity and resources to conduct National Assessments of Students Achievements.</p> <p>NASA Item banks are developed</p> <p>Assessment framework developed</p> <p>Teachers motivated, able and willing to apply learned knowledge and skills in teaching</p> <p>The federal state will develop and monitor minimum standards at all levels and provinces will undertake recruitment, appointment, professional development and management of the teachers</p>	
	<p><b>Outcome 2.2.</b> Improved equitable access to basic and secondary education</p> <p>Assumptions linking outcome 2.2 to impact: Education will be free and compulsory up to Grade 8 as directed in the 2015 Nepal Constitution</p> <p>Targeted support for girls in secondary education is implemented.</p>	<p><b>Output 2.2.1.</b> Increased capacity of the government to address access and participation in the most disadvantaged districts (as defined in the equity index) and ensure a safe learning environment</p>	<p>Strengthened access to and use of education data by implementers will lead to strengthened accountability and quality of data and increased evidence and needs based planning. Availability of qualified female teachers and increased share of female teachers will improve girls' retention and reduce dropout rates.</p> <p>Disaster risk reduction and school safety actions will ensure a safe learning environment inside and outside of school which will improve access to education.</p>	

IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
<b>IMPACT 3: Improved economic and political participation for women and people in vulnerable situations</b>	<p><b>Outcome 3.1.</b> Economic and political empowerment of women and vulnerable groups enhanced</p> <p><b>Assumptions linking outcome 3.1 to impact:</b></p> <p>Political stability prevails in Nepal</p> <p>GoN remains committed to promoting women's economic empowerment</p> <p>Gender responsive budgetary allocations continue for women's economic empowerment</p>	<p><b>Output 3.1.1.</b> Women have improved technical and entrepreneurial skills for sustainable livelihoods</p>	<p>Women represented in the networks of excluded women are a heterogeneous groups and training institutions are responding to their needs adequately.</p> <p>Continuous participation and engagement of the networks of excluded women</p> <p>Three networks of excluded women will be equipped with skills: returnee women migrant workers; home-based workers and HIV positive women</p>	<p><b>Instruments for Impact 3:</b></p> <p>UN WOMEN WEE project GoF 3.7 million €</p> <p>Finnish NGO projects</p> <p>ROLHR GoF 5.4 million €</p> <p>UN WOMEN 1325 project 1,55 MEUR</p>
		<p><b>Output 3.1.2.</b> The participation of women in political decision-making is strengthened at national and local level</p>	<p>Number of women leaders increased in ward, VDC, district after the local elections. Institutions like NDC, NWC are well capacitated and have improved coordination with other potential agencies.</p> <p>Line ministries at central and local level will provide space for participation and active engagement in deliberations by networks of excluded women.</p> <p>The networks for excluded women understand the local planning and budgetary allocation process.</p> <p>Six networks for excluded women are: rural women farmers, conflicted affected women, trafficked survivors, returnee women migrant workers, home base workers and HIV positive women.</p>	



IMPACT	OUTCOME	OUTPUT	Key assumptions linking outputs/outcomes/impacts	Instruments and inputs
		<p><b>Output 3.1.3.</b> Access to justice improved for women and vulnerable groups</p>	<p>Availability of Socio-legal aid centers is increased and they are more operational.</p> <p>Reform process and stronger coordination mechanism of the justice sector in place to address the justice needs of women and vulnerable groups.</p>	

### Annex II: Country strategy for Nepal

#### TEAM FINLAND WORK IN NEPAL

Partnering with the private sector is an important means of advancing economic and social development that benefits the people of Nepal. Finland will actively promote commercial and trade opportunities particularly in the education and water sectors in Nepal.

In these sectors, Finland will actively pursue synergies between development cooperation instruments and Finnish commercial and trade interests. In addition, Finland will also promote cooperation in other sectors closely linked to Finland's presence in Nepal, such as forestry and cleantech.

The extensive networks that Finland has established as a long-term development partner will be used for facilitating market access for Finnish companies. This may include advising companies about market opportunities, facilitating meetings and contacts, as well as identifying potential buyers, partners or funders.

In the water sector, bilateral projects funded by Finland can give local knowledge about business opportunities and provide a platform for piloting Finnish technologies and solutions. Piloting allows companies to establish a proof of concept for their products in the local setting and get better insights into the market and potential customers.

As Finland is a leading country in education know-how, the use of Finnish expertise in the sector will be actively promoted. This implies communicating available tenders, positions and tasks to Finnish experts, and as far as feasible promoting the use of these experts in co-funded projects.

The bilateral project may also facilitate the introduction of innovative education solutions developed by Finnish companies, i.e. through providing sector knowledge and contacts as well as information on needs and opportunities. Opportunities for piloting can also be explored.



The Nepal team will also actively inform the Team Finland network and Finnish companies about upcoming tenders in development cooperation projects. This relates particularly to larger tenders by UN agencies, the EU or International Financial Institutions. These opportunities may be found also in other sectors than those in which Finland is active as a development partner.

Finally, the Country team will seek to advise companies on the use of Finnish private sector instruments, such as Finnpartnership, Finnfund, Beam and PiF.



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