
NEPAL

Multi-annual Indicative Programme 2021-2027

1. The overall lines of the EU international cooperation in the partner country

1.1. Basis for programming

Programming is linked to the development objectives of Nepal's current (15th) 5-year National Development Plan (NDP) 2019-2024. The NDP lays the foundations for the country to graduate¹ to a middle-income country by 2030, to deliver rights to all through a socially based system, to adopt a green economy and to build a climate-resilient society. The 2015 Constitution guarantees the sustainable development of the society and economy.

The NDP and sectoral policies are aligned with the Sustainable Development Goals² (SDGs) and compatible with the recently adopted Federal Governance Structure as set in the 2015 Constitution, which is strongly supported by the European Union. As such, the NDP and many of Nepal's development objectives match the European Consensus on Development³ and priorities for the EU's partnership with Nepal. For example, the SDGs and federal structures are reflected in the Climate Change Policy (2019)⁴ and the second Nationally Determined Contributions⁵ (NDCs) of December 2020 target clean energy development, sustainable forest management and afforestation measures, climate friendly practices in agriculture and other actions that are in the EU's interest.

With this MIP, the European Union will contribute to Nepal's Green, Resilient, and Inclusive Development (GRID) efforts to overcome the impacts of the COVID-19 pandemic, as requested by the Government of Nepal. The engagement is policy-driven and reaffirms the Global Strategy for the European Union's Foreign and Security Policy, the new European Consensus on Development, the 2030 Agenda and the SDGs, the Paris Agreement and the Addis Ababa Action Agenda. It also promotes policy priorities of the European Commission such as the Green Deal and its building blocks, the programming priorities of the EU Member States and European Development Finance Institutions and aligns with all development partners in Nepal. The European Union will promote, develop and consolidate the principles of democracy, the rule of law and respect for human rights, including labour rights and fundamental freedoms, as anchored in Nepal's Constitution, and multilateral and rules-based approach to global goods and challenges as anchored in the EU Strategy for cooperation in the Indo-Pacific.

The key opportunity for the European Union's engagement is to position EU support along EU interests, Nepal's development objectives, and joint global commitments, while offering cooperation instruments that are adequate for the different phases of the Least Development Country (LDC) graduation process until 2030 and beyond. This builds on EU engagement from the previous MIP and coherence with Member States' engagement to form a Team Europe approach. This geographic MIP is fully complementary, coherent and synergetic with thematic and regional MIPs and other global initiatives supported by the EU⁶.

A key challenge facing Nepal is the sustainability of the LDC graduation with regards to the speed of the COVID recovery. This requires timely and full implementation of the Federalism

¹ In March 2021, the United Nations Committee for Development Policy (CDP) has recommended for Nepal's graduation from the Least Developed Country (LDC) category. Due to COVID-19 pandemic and upon request by the Government of Nepal, the normal preparatory period of three years has been extended to five until 2026.

² <https://sdgs.un.org/goals>

³ https://ec.europa.eu/international-partnerships/european-consensus-development_en

⁴ https://mofe.gov.np/downloadfile/climatechange_policy_english_1580984322.pdf

⁵ [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Nepal%20Second/Second%20Nationally%20Determined%20Contribution%20\(NDC\)%20-%202020.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Nepal%20Second/Second%20Nationally%20Determined%20Contribution%20(NDC)%20-%202020.pdf)

⁶ For example, Nepal is benefiting from the Global Partnership for Education and the Global Fund to fight AIDS, tuberculosis and malaria, both of which are complementary to this MIP.

State reform with locally formulated implementation and budget plans, which may be delayed by political instability. Non-execution of the normative frameworks is another major challenge for sustainable development. Institutions need to be strengthened in order to execute the legal and normative frameworks, and to monitor these for evidence-based policy feedback for their advancement.

1.2 Status of joint programming

There is no formal joint programming document for Nepal. The EU and Member States present in Nepal intensified dialogue to coordinate assistance since 2018. Meanwhile, Denmark and The Netherlands phased-out presence and development assistance in Nepal.

The COVID-19 response in Nepal in 2020 and 2021, including the re-programming and formulation of assistance, was closely coordinated with the International Development Partners’ Group (IDPG) and its sub-groups. Since the pre-programming phase, with the development of Team Europe Initiatives (TEI), enhanced coordination and sequencing of programming between the EU, France, Finland, Germany and the European Investment Bank was achieved, as reflected in the current MIP. This MIP has been designed in consultation and coordination with the IDPG⁷, government and civil society. EU assistance is coordinated and as much as possible jointly programmed with Member States at least until 2025.

1.3 Priority areas of the EU's cooperation with Nepal

In line with the EU Strategy for Cooperation in the Indo-Pacific, the EU is aiming to reinforce its strategic focus in the coming years. To tackle the development challenges outlined in chapter 1.1 and the SDGs, whose progress has been moderate, slow or insufficient in the past years⁸, the EU will engage in three systematically inter-linked priority areas with five indicative sectors under the MIP, following an integrated territorial approach. Civil Society will be engaged at programme level in each priority area, participating in local and sectoral decision-making and monitoring to promote a rights-based approach, inclusivity, gender equality, meaningful representation and the accountability of local public authorities. Inclusive and accountable local service delivery is identified as an essential mitigation factor in the conflict sensitivity analysis conducted by the EU Delegation to Nepal. Therefore, the EU will closely engage with local authorities in the public service delivery on national strategies and develop country-based systems that will allow sustainable local financing. Where relevant, programmes build on the ongoing engagement of the EU and its Member States and offer opportunities for strengthening and using country systems.

Table 1. Priority Areas and Indicative Sectors (DAC codes in brackets)

Priority Area Inclusive Green Growth	Priority Area Human Capital Development	Priority Area Good Governance
Energy (230) SDGs supported: 5, 7, 9, 10, 11, 12, 13, 15, 17	Education (110) SDGs supported: 1, 4, 5, 8, 9, 10, 12, 16	Government & Civil Society (150)

⁷ Priority Areas of this MIP are included in the work of the IDPG’s green recovery framework; the latter was the subject of a joint statement with the Government and signed by ADB, EU, Finland, France, Germany, INGOS, JICA, KOICA, Norway, SDC, UK, UN, USAID, and the World Bank in December 2020

⁸ See Sustainable Development Goals Progress Assessment Report 2016–2019

<p>Other Multisector (430) SDGs supported: 1, 2, 4, 5, 8, 9, 10, 11, 12, 13, 15, 16, 17</p>	<p>Other Social Infrastructure & Services (160) SDGs supported: 2, 3, 5, 6, 8, 9, 10, 11, 15, 16</p>	<p>SDGs supported: 1, 5, 8, 9, 10, 11, 16, 17</p>
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Priority Area 1: Inclusive Green Growth

Programmes under this priority area will support the efforts at local level to achieve a green economy, green jobs and sustainable growth in Nepal’s natural resource-based sectors, with a strong focus on the 2019 Climate Change Policy, notably the NDCs and carbon finance. This priority area is strongly inter-linked with the second priority area (Human Capital Development) and is the backbone of the Team Europe Initiative on Green Recovery. All programmes build on the ongoing engagement of the EU and its Member States and offer opportunities for private sector investment and blending operations with EDFIs where applicable. The EU will contribute to increasing the per capita income, which is a lagging LDC graduation criterion, and productive capacity to produce sustainable goods and services. The aim is to transform the economy while providing basic services and addressing climate and environmental challenges. The Inclusive Green Growth has to go hand in hand with a socially just transition of the global economy, which includes the respect of labour rights and the promotion of decent working conditions and social protection.

Programmes in the Indicative **Sector Energy (230)** will improve lives and livelihoods of local communities through a) decentralised **renewable energy** production, ultimately allowing digital connectivity, promoting e-governance, and b) increasing **energy efficiency**⁹ in energy-intensive industries as defined in the NDP and NDCs while addressing the **circular economy** approach in line with the zero pollution ambition of the Commission’s International Partnership Priorities.

Programmes in the Indicative ‘**Other Multisector (430)**’ area will foresee financing in support of the 2019 Climate Change Policy, notably sustainable, climate-friendly **agro-forestry** ecosystem management, afforestation measures and green enterprise and job development, with a specific focus on youth, women, and marginalised communities. Water, Sanitation and Hygiene (**WASH**) services provision will be supported to create resilient communities living in healthy environments as a backbone of sustainable green growth. This sector will also consider Disaster Risk Reduction and Climate Change Adaptation, including increased access to and sustainable consumption of natural resources.

Priority Area 2: Human Capital Development

Programmes under this priority area will enhance the resilience of Nepal’s society and economy by increasing the employability of youth, inclusion of marginalised groups and bridging the gap between education and training, service delivery and market potentials for green and inclusive jobs, contributing to the sustainability of Green Recovery, including the Team Europe Initiative. The sectors match the Government’s priorities for climate-resilient development¹⁰ while giving adequate attention to regional disparities, LDC graduation and human development indices. Civil Society will be engaged at programme level in all actions and private sector consulted in the design of actions.

⁹ Nepal’s energy intensity is about four times higher than the world average and it is the highest in the South Asia, largely because of inefficiencies in energy consumption.

¹⁰ Government of Nepal (2020): Policy Alignment to Advance Climate-Resilient Development in Nepal: Opportunities and way forward. Ministry of Forests and Environment; SDG Roadmap; 15th NDP

In the indicative **Sector Education (110)**, programmes will continue supporting **basic education** and **skills development (TVET)**, where the EU and Member States have a significant role in Nepal and seek high-level dialogue. The support to **basic education** will emphasise quality, equitable and inclusive access to basic education at all three levels of the federal system, including in remote areas, as well as ensuring that the ‘COVID gap’ and ‘Equity Gap’ is reduced. **TVET** will focus on sectors of high potential for youth employment, green job opportunities, and will continue closing the gap between institutions and employers. This sector is closely aligned with actions under the **Global Partnership for Education (GPE)** and the Inclusive Green Growth Priority, focusing on green sectors and greening others.

It is also proposed to promote **decent work** under all priority areas, by developing a decent work approach targeting sectors and location at municipal level, developing a project based approach to integrate decent work elements into all programmes under this MIP, and supporting a sustainable labour administration system to promote and protect labour rights, tackling human trafficking and social dialogue at provincial and municipal levels. This could be linked to a shock-responsive **social protection system**.

In the indicative **Sector Other Social Infrastructure & Services (160)**, the EU will continue being the largest partner for **Nutrition** service deliveries using country systems. Programmes will scale up multi-sector nutrition specific and nutrition sensitive interventions and support the provision of infrastructure and services that boost poverty reduction, sustainable development and resilience of society, ensuring that no one is left behind, especially women and children.

Priority Area 3: Good Governance

The EU’s and its Member States have been long-term supporters of Good Governance, the democratic transition from conflict to peace, institutions and civil society in Nepal. This priority area will consolidate peace by promoting equity and by supporting federal, provincial and local level governance in all priority areas as confirmed by the conflict sensitivity analysis¹¹. The approach will strengthen state institutions, including the oversight mechanisms to ensure inclusive, transparent and accountable government(s), combined with support to Civil Society to ensure inclusivity and citizens’ oversight.

The indicative **Sector Government and Civil Society (150)** will support democratic institutions and processes and the participation of civil society including social partners, notably in accountability, rule of law, harmonising policies, gender equality, social inclusion and access to justice at local level. It will be aligned with or even contracted under all priority areas of this MIP. Actions will enable stronger governance at the three levels of government, increased and effective oversight functions, and for civil society to become a meaningful partner in the dialogue with government. As part of that, media and free flow of information and civic engagement will be supported, with a special focus on youth as agents of change.

1.4 Justification and Context

The EU’s engagement in the two previous MIPs supported Nepal’s steady and remarkable development, the peace and the political transition process¹² and the LDC graduation ambitions. The EU also provided substantial reconstruction support after the devastating earthquakes of 2015. In all these actions, the EU has strengthened institutional capacities and established longstanding partnerships with various state and non-state actors. These achievements have to be consolidated now in the new federal structure with federal, provincial and local

¹¹ Conducted by the EU Delegation to Nepal from December 2020 to June 2021.

¹² From the signing of the Comprehensive Peace Accord (CPA) in 2006, the 2008 and 2013 Constituent Assembly (CA) elections, drafting of a new Constitution and its adoption in 2015, the 2017 elections at the three levels of Government to implement the 2015 Constitution.

responsibilities and the transposition of national plans into provincial and local legislation and enhanced service delivery.

The MIP 2014-2020 prioritised sustainable rural development, education and democracy/decentralisation. With the internal mid-term review of the MIP in 2017, the new European Consensus on Development was introduced with new foci. The MIP 2021-2027 validates further engagement in these areas, despite the overall development progress which will lead to the graduation to a developing country in 2026. The choice of the priority areas is also aligned with the EU global policies and strategies (including the EU Strategy on Cooperation in the Indo-Pacific, the Global Recovery Initiative, and the EU policy framework on digitalisation, the Green Deal, and GAP III).

While the national average of development related indicators is progressing, regional disparities, inequalities and rural-urban divide have been increasing. The COVID-19 pandemic poses a risk for backsliding of SDGs and their indicators in some regions, which requires responsible, diversified investments in the mid-term. As the least urbanised country in Asia, growth in rural areas of Nepal has the highest impact on poverty eradication, as almost two thirds of the population of Nepal and most of the poor are dependent on the rural economy, be it directly from agro-forestry or indirectly through rural jobs. Given the high rate of male labour migration from Nepal's rural areas, both abroad and in urban areas of Nepal, economic growth and job creation in rural areas has a strong gender dimension, since a large share of rural households are *de facto* women headed and, at the same time, can contribute to decrease this very significant labour migration by creating better livelihood opportunities at home.

This MIP is also targeting youth, as the age group below 24 years represents 50% of Nepal's population. Actions have to be designed to improve their future, supporting green growth that is decoupled from carbon emissions. Inclusive green growth, human capital and governance structures require equal investments at policy and implementation level to achieve a sustainable LDC graduation¹³.

Therefore, the current MIP will invest into these priority areas with renewed focus on ongoing sectors¹⁴ and target sectors of strategic importance for the EU and Nepal, where the EU can bring transformational change in view of the graduation process, and areas where joint programming is envisaged with EU Member States and EUDFIs. Strategic partnerships with international organisations will be sought as well as complementarity with the 22 development partners' strategic programs. The MIP priorities were consulted with the Government, development partners and Civil Society including social partners and aligned where necessary in view of the aid effectiveness agenda and the results of the conflict sensitivity assessment.

This MIP is well-placed to support Nepal in the LDC graduation process and the targets of the Nepal 5-year National Development Plan (NDP) 2019-2024, which lays the foundations for the country to graduate to a middle-income country by 2030, to deliver rights to all through a socially based system, to adopt a green economy and to build a climate resilient society. The choice of priority areas will also support the rolling-out of the federalism efforts in the selected sectors.

Priority Area Inclusive Green Growth supports national policies¹⁵ that are matching the overarching policy priorities of the European Commission, such as the Green Deal and its building blocks, and is coherent with the support of EU Member States and EDFIs present in Nepal. Coordination with development partners and Government is very close. This priority

¹³ See Nepal Human Development Report 2020.

¹⁴ For example the EU Support to the Agriculture Development Strategy which is ending in 2021 and the support to the Provincial and Local Governance Support Programme which is ending in 2023.

¹⁵ Forest Policy (2018), Forest Sector Strategy (2015-2025), Environmental Policy (2019), Climate Policy (2019), 2nd NDC (2020).

area will also support the EU's leadership and Nepal's ambition under the Agenda 2030 and Paris Agreement, and support federalism implementation at local level.

Human capital development is chosen as a priority area as, based on the NDP, it is key for the socioeconomic transformation of Nepal. It targets education, food security, health and social security as fundamental rights, as per the 2015 Constitution, supporting service delivery at the local level. The NDP further regards education as an important medium for the sustainable peace and prosperity of the country and recognises the importance of food and nutrition security. Disparities in human development achievements are persistent and effective institutions in a newly federated system need to be built and developed¹⁶.

At the same time, the NDP underlines **good governance** as the driver of development. Nepal meets the criteria for LDC graduation, despite the per capita income remaining below the threshold, which in turn is a major challenge for the sustainability of the graduation. Streamlining and reforming institutions and improving governance should make them highly responsive, inclusive, transparent, accountable and results-oriented in putting policies into practice at federal, provincial and local level. This means in practise contributing to the transfer of roles, responsibilities and responsiveness to the new tiers of government.

The role of **Civil Society** is key in all priority areas and sectors. First of all, to enable citizens' partnership with local, provincial and federal Government in designing reforms and secondly, being a partner in the implementation and monitoring of the reforms. Capacities have been built in partnerships between international and national civil society organisations (CSOs), but there is need to engage grassroots' level CSOs and to improve their internal governance to become credible partners in governance processes.

The priority areas are in support of the overarching priorities of the European Commission, notably the focus on green growth, digital development and gender equality, decent work, social inclusion and education thereby fostering good governance, peace and stability and reducing migratory pressure. For the latter, women, children and youth will be important beneficiaries and partners for EU engagement. Despite a number of policies, plans and strategies for empowering youth, there are numerous factors impeding youth development in Nepal, including shortage of employment opportunities at home, easy out-migration and a low priority for brain-gain.

The priority areas and sectors allow a phased approach, considering the intention to launch a Team Europe Initiative on Green Recovery first, while carefully preparing new programmes that build upon achievements, for instance on education and nutrition, and allow for consultations and time for programming. Priority Area 1 will already be supported by the ongoing EU-Nepal Trade and Investment Programme (TIP) and could be expanded after the mid-term review, by when the government's adoption of a new Trade and Investment Strategy and e-commerce act should be in place. The ongoing TIP already works with sectors that are expected to have trade losses upon LDC graduation and preparing GSP+ status, which would significantly limit losses in the most affected markets. The choice of priority areas also reflects the programming cycle of EU Member States and like-minded partners in its sequencing and will allow for multi-country/regional participation in policy areas from the Regional MIP such as environment. The approach also supports an improved mix of implementing modalities during the graduation process and beyond 2030, while recognising that multiple vulnerabilities need to be addressed. The sustainability of the graduation will depend on Nepal's capacity to improve shock responsiveness and preparedness, including on the economic impact of the COVID-19 pandemic, natural and trade shocks, a landlocked geography, climate risks, a largely informal labour market, and weak governance and institutions.

¹⁶ Nepal Human Development Report 2020.

1.5 Duration of the MIP and option for synchronisation

The duration of the MIP is seven years (2021-2027), with an initial period and allocation from 2021-2024 (see heading 4). There is potential to synchronise the review of the seven years programming with the current National Development Plan from 2019 to 2024 and the programming cycle of EU Member States (Finland and Germany). The mid-term review will also be timely to assess the policy coherence and implementation of the EU strategic priorities including the possible use of the European Fund for Sustainable Development (EFSD+) in Nepal, the EU Action Plan on Human Rights and Democracy 2020-2024, Gender Action Plan III 2021-2025 and other thematic strategies, priorities and plans. Therefore, a mid-term review in early 2024 appears appropriate as it would be synchronised with the adoption of the 16th NDP and the mid-term review of the Regional MIP for Asia and the Pacific. It would also allow a review of developments after three further Human Development Reports and SDG progress reports will be available, two years before the graduation to a developing country in 2026.

2 EU support per priority area and proposals of Team Europe Initiatives

2.1 Priority area 1: Inclusive Green Growth

Rural women and girls in particular suffer from energy poverty. The national average of electrified household, currently at 77%, hides great disparities; in Karnali Province, for instance, it is only 27%. This has an impact on the livelihoods¹⁷ and opportunities, such as gendered workload, access to information, job creation, education, etc. Renewable energy production can support the green transformation and provide non-power benefits such as economic improvements to livelihoods, local supply chains and investment in community services¹⁸. In this priority area, the EU will closely work with communities, CSOs and private sector to support decentralised **renewable energy systems**¹⁹, as remote mountain and hill areas have yet to realise their potential in terms of economies of scale and the creation of vibrant markets, for which relevant federal, provincial and local policies need to be strengthened. This priority area would support human development, which depends on access to affordable, reliable, sustainable energy (SDG 7) and is at the heart of the Paris agreement and NDCs. Solar, mini and micro hydropower, bio-energy and clean cooking development programmes on-grid and off-grid, tailored to Nepal's highly varied local needs, would also support digital connectivity through rural electrification and service delivery (e.g. education, health points) according to the federal system. Complementary capacity building for local/provincial programmes and resource mobilisation for market-based approaches will also be considered. Actions would support local and provincial governments to develop and deliver their mandates in the Federal Structure and the Government's NDCs (increasing renewable energy sources 10-fold by 2030 of which 5-10% in the areas mentioned) and vision of providing "electricity for all". For **energy efficiency**, emission reduction potential in public infrastructure and industries (such as energy-intensive cement factories or brick kilns) would be analysed, human capital for energy services developed, and investments needs matched with public financial incentive programmes. This would also support SDG 12 (Sustainable Consumption and Production). The use of fossil fuel as a percentage of total energy consumption per capita has increased and there has been little or no progress on waste management, recycling and reuse of resources.

¹⁷The NDP aims to increase electricity consumption together with energy efficiency by expanding access to electricity services for all households and productive sectors in a quality, reliable, and accessible manner.

¹⁸ This is further backed in the Climate Change Policy (2019) and the second NDCs of December 2020 which considers clean energy development, afforestation measures, sustainable transport systems, climate friendly practices in agriculture, waste management and building codes.

¹⁹ Nepal categorizes mini and micro-hydropower (i.e. hydropower of less than 1MW capacity), solar and wind as renewable energy.

Therefore, circular economy will be addressed in all sectors and is complementary and synergetic with the Regional MIP (RMIP) for Asia and the Pacific, which may include specific areas within the Green Deal and connectivity (focal sectors sustainable and resilient environment and Trade, Energy and Digital Connectivity of the RMIP). Support to Micro to Mini power generation through the public-private partnerships (PPP) model may contribute to local resource generation and thereby supporting to other sectors including health, education, governance, etc. Larger scale grid or power expansion could be supported if conditions related to social and environmental impacts allow.

Enhancing sustainable and climate-smart **agro-forestry** productivity and reducing regional and rural-urban disparities remain a challenge for the inclusive and sustainable development in Nepal. Support would be targeting the Climate Change Policy objectives and productivity, which is a concern in the LDC graduation process. Actions at local level would promote climate resilient sustainable **agro-systems** and increased access to productive resources for the marginalised communities, particularly Dalits and Indigenous communities; innovative climate smart practices and inclusive green value chains, in close coordination with ongoing support under Global Climate Change Alliance (GCCA+) and consider digital and physical connectivity of rural markets as required.²⁰ In the field of **forests**, sustainable forest management and creating benefits from forests and forest-based enterprises would be supported, and contribute to net Greenhouse Gas Emission (GHG) reductions in selected geographic regions, as demanded by the Council Conclusions on Forests²¹. Forests can potentially be leveraged to access flows of carbon finance aimed at preserving and increasing the stock of carbon locked in trees and soils. Community-based forest management plans will be designed to be adaptive to climate change and to maximize carbon sequestration, while promoting sustainable harvesting of forest products. The challenge however remains for fulfilling the internal demand by appropriate utilisation of the forest and contributing to the growth of employment and income generation. Forest for Prosperity is one of the five game changer programmes in the NDP. Connectivity of value chains and increased income, such as the development of Non-Timber Forest Products²² (NTFP) and timber value chains, with particular focus on including and benefitting indigenous people, would be promoted. Actions will be developed and implemented in a conflict sensitive manner and particularly protecting the rights of indigenous communities and Dalits, who largely rely on natural resources and are settled in vulnerable locations.

As much as growth in the areas of energy, forest, and agriculture play an important role for the resilience of rural areas, **access to clean water and sanitation** (SDG 6) is also a necessary precondition for meeting other objectives related to health, education and poverty reduction. Access to a water supply has risen to 85 % by 2018 and the proportion of households with toilets climbed to over 60 % in 2018. There are, however, considerable disparities among provinces, and among the communities. Therefore, support to green growth in rural areas should also lead to increased co-operation on increased access by rural populations to markets and on waste management, but also to basic amenities and services such as safe drinking water and sanitation as guaranteed by the Constitution and demanded by the European Council²³. The EU will continue investing in **WASH** services through the long-established partnership with

²⁰ Green Resilient Agricultural Productive Ecosystems Project funded by the European Union's Global Climate Change Alliance, Finland and Germany (05/2021-04/2025).

²¹ Conclusions of the Council and of the Governments of the Member States sitting in the Council on the Communication on Stepping Up EU Action to Protect and Restore the World's Forests-Council conclusions (16 December 2019), 15151/19.

²² E.g. fruits and nuts, vegetables, medicinal plants, resins, essences and a range of barks, fibres and grasses.

²³ Council Conclusions on EU Human Rights Guidelines on Safe Drinking Water and Sanitation (2019), EU Human Rights Guidelines on Safe Drinking Water and Sanitation (2019).

Finland, which relies on accountable and transparent country systems to deliver water and sanitation. These are linked to priority area 2, in particular nutrition. It is also proposed to promote decent work under all priority areas, expanding the economy also bringing the informal economy into the formal sector. This goes along with current investments through the EU-Nepal Trade and Investment Programme (TIP)²⁴, which is supporting value chains in selected sectors with trade potential and working on removing trade barriers, setting trade policy and administrative and multilateral trade agreements. Particularly TIP’s **trade** component promotes organic Arabica coffee, predominantly grown in mixed-crop, agroforestry systems, which are strengthening conservation and sustainable agriculture, minimising the usage of pesticides and chemicals and thus reducing the strain on local water resources and soils. Green growth in an integrated pashmina sector is promoted to expand the knowledge about sustainable production and consumption techniques throughout the value chain from goat rearing, pasture management, animal friendly fibre harvesting to the environmentally friendly production of yarns, cloth and textiles. The **Investment** component of the TIP aims to improve investment climate to optimise the investment that flows into key sectors, attracting foreign direct investment in selective projects that use cutting-edge and **environmentally friendly** technologies (energy grid, connectivity, circular economy), where authorities should make it easier for all economic sectors, particularly the private sector, to successfully do business in Nepal.

Overall risks in this priority area are posed by the need to continue the local adaptation of federal legislation in the relevant sectors which may be hampered by limited government capacity and government staff turnover as well as delays in procurements of investment projects. In addition and to emphasise sustainability, Disaster Risk Management and Climate Change Adaptation will need to be mainstreamed in the interventions under this priority, and government needs to mobilise its own financial resources.

2.2 Specific objectives related to the priority area Inclusive Green Growth

Specific Objective 1	1.a: To support the implementation of Renewable Energy, Energy Efficiency and Agriculture, Forestry and Other Land Use (AFOLU) Targets of Nepal’s Nationally Determined Contribution (NDC)
Specific Objective 2	2.a: To support the implementation of Drinking Water and Sanitation Goals of Nepal’s 15 th National Development Plan (NDP)

2.2.1 Expected results per specific objective

Expected result 1.a	1.a: Increased access to clean energy
Expected result 1.b	1.b: Increased energy security
Expected result 1.c	1.c: Increased land-use based climate change mitigation and adaptation

²⁴ Ongoing pro Investment Support Facility (GiZ, 2021-2024) and Facilitating Increased Trade and Participation in Coffee and Pashmina Value Chains (ITC, 2020-2023).

Expected result 2.a	2.a: Increased access to improved drinking water source and/or sanitation
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2.2.2 Indicators (including baseline and targets), per expected result²⁵

Expected Result	SDG	Indicator
1.a: Increased access to clean energy	7	1.a.1: Number of individuals with access to electricity with EU support through: a) new access, b) improved access
1.b: Increased energy security	7	1.b.1: Renewable energy generation capacity installed (MW) with EU support
	13	1.b.2: Greenhouse Gas (GHG) emissions avoided (tonnes CO ₂ eq) with EU support
1.c: Increased land-use based climate change mitigation and adaptation	15	1.c.1: Areas of terrestrial and freshwater ecosystems under a) protection b) sustainable management with EU support (ha)
		1.c.2: Number of proposed for adoption climate change adaptation and mitigation policies (including nationally determined contributions), and environment protection strategies and plans (including energy policies/ strategies) that include gender equality objectives, in line with the United Nations framework convention on climate change (UNFCCC) gender action plan (Number of)
	2	1.c.3: Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (km ²)
		1.c.4: Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land
2.a: Increased access to improved drinking water source and/or sanitation	6	2.a.1: Proportion of population using safely managed drinking water services (percent)
		2.a.2: Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management (percent)

2.2.3 Possible use of blending and guarantees for investment under EFSD+

Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 20 million may be used between 2021 and 2024 to provision EFSD+ guarantee

²⁵ The baselines, targets and means of verification are displayed in Annex 1: Intervention Framework

operations under this priority area for sovereign or sub-sovereign lending in the field of forestry, and EUR 10 million for other EIB-dedicated windows/open architecture windows in the field of energy. Blending could be used in the sectors forestry and energy (sovereign loans, guarantees, working with financial intermediaries for private sector lending) and has been flagged in the blending pipeline under the previous instrument. The Forest for Prosperity Programme could be a key blending flagship with the World Bank and EIB for the EU's engagement on Inclusive Green Growth and substantial part of the TEI on Green Recovery, and could also include an EU managed grant component. EU support is expected to be extended to larger scale grid and/or power expansion via the NDICI guarantee to the European Investment Bank if climate, environmental and social safeguards as per EIB's working methodology can be achieved by the partners. This could also contribute to regional connectivity aspirations. Priority area 1 will also enable market-based mechanisms in energy efficiency and renewable energy for working with financial intermediaries through EDFIs.

Recent developments at political level highlights new opportunities for regional connectivity in BBIN region (Bangladesh, Bhutan, India and Nepal) with cross border energy trade. This can promote coordinated use of clean energy resources and strong economic growth. The ongoing TIP interventions can have a positive impact, including coordination mechanisms amongst investment promotion agencies within the region and also exploring inter-connectivity at national, provincial and district levels.

2.3 Priority area 2: Human Capital Development

Education (SDG 4) and training are an essential part of any solution to the emerging global challenges threatening peace and prosperity such as preventing and countering radicalisation and violent extremism, promoting equity and respect for diversity, and other root causes of migration. The 2030 Agenda recognises the importance of education and training as a critical element in effectively addressing these challenges, and to enable the achievement of many of the SDGs. The 2030 Agenda recognises the role of education and training in providing the essential knowledge and skills to enable all further learning, and in achieving other SDGs, such as those related to health, gender equality, poverty reduction, growth and employment, sustainable consumption and production, and climate change. In the NDP, education is also regarded as an important medium for the sustainable peace and prosperity of the country through an educated society. The Constitution of Nepal recognises the right to education as a fundamental right and guarantees the right to access basic, compulsory and free education up to basic level and free education up to secondary level. Around 500 000 young people enter the labour market annually but less than a third have obtained technical and vocational training. The age group of 10-24 years occupies the highest share of the country's demographic composition, forecasting an increasing need in education and training in the years to come. The state and private sector, in the complementary role of the education and training, lack the resources for the implementation of citizens' right to education, including vocational training. The COVID-19 pandemic has severely affected the education sector, undermining the learning potential in the short run and foreshadowing major human capital losses in the long run.

EU support to **education** will be based on long-standing engagement and jointly programmed with Finland, focusing on SDG targets that are falling back such as quality and equity in education, and inclusion and gender disparity in secondary education, all of which will be outlined in a new Education Sector Plan 2022-2030, which is currently being developed by the Government and development partners and aligned with the Global Partnership for Education (GPE). This engagement will offer opportunities for high-level political engagement between the EU and Nepal.

Federalism has devolved the mandate for basic and secondary education to local authorities, which will entail a challenge for the implementation of the new plan. The role of CSOs will be

key in working together with the local authorities in order to improve good governance and access to education for the most vulnerable and excluded groups of population. Gender disparities in basic and secondary education remain in some geographical areas (Karnali and Sudarparashim provinces). As the 10th country most vulnerable to climate change²⁶, Nepal is particularly exposed to natural and human induced disasters, which impact the education sector by disruption and access to tuition. Nepal's progress in education over the past ten years has experienced a severe shock with the COVID-19 pandemic, which increased pre-existing disparities in access, participation and learning outcomes. An intensive corrective response over the next years will be necessary to recover the losses in the school sector from the COVID-19 crisis.

The **digitalisation** of the education sector has become a divider and challenge for alternative and continued learning during the COVID-19 pandemic. Digitalisation of learning resources associated to other learning alternatives should be improved without increasing inequalities in the school system. The Nepal school sector is supported by a strong, structured and coordinated policy dialogue with active participation of the EU. The future EU support will strengthen synergies and complementarities with the government and other donors in particular Finland and the Global Partnership for Education (GPE).

About 1/3 of the age group from 15-24 years is neither in employment nor in education or training. The annual number of youth and adults with technical and vocational training needs to be tripled in order to achieve the SDG targets. As addressed by the European Skills Agenda, the EU will continue supporting skills and lifelong learning for long-term and sustainable growth, productivity and innovation in the **VET and TVET** sector. Public private partnership approach at the policy level as well at implementation level through best practical partnership modalities to provide relevant curricula, labour market information, skills including **digital skills**, for employment, decent jobs and entrepreneurship will be promoted. Focus will be placed on green and digital transitions aligned to priority area 1) Inclusive Green Growth and the EU's Green deal for ultimate support to the green economy as has already been done with the long-standing support of the EU. Support towards the TVET Strategic plan and implementation of National Vocational Qualification Framework and Institutions along with other development partners at local level is foreseen for coordinated TVET sector. This includes possibilities to mainstream migrants (outgoing and returnees) in the system through recognition of prior learning (RPL). The EU will contribute to strengthening **migration and mobility** policy where required to enable orderly, safe, regular and responsible migration and mobility of people and contribute to the implementation of the external dimension of the EU's migration policy priorities, as embedded in the New Pact on Migration and Asylum. Migration and human mobility will be mainstreamed in the target group under all relevant programmes and supported under priority area 3) Good Governance of the MIP and complement to the Skill development and Migration nexus of the actions that will be funded under this pillar.

Among the Multi-Dimensional Poverty Index indicators of the Human Development Report, the largest contributions to national poverty are deprivations in years of schooling (17.7 %) followed by nutrition (15.9 %). COVID-19 related closures of schools have widened already existing gaps in education, while driving up malnutrition rates due to reduced livelihood opportunities and lack of access to school-based nutrition programmes and other nutrition-related services. Undernutrition alone is expected to reduce learning potential and productivity, and hence GDP, by as much as 11 %. The EU will continue investments in the Multi-Sector

²⁶ Global Climate Risk Index 2021.

Nutrition Programme (SDG 2), fully in line with EU’s policy framework²⁷ and the Scaling-Up Nutrition Global Movement. This framework prioritises strengthening governance, as well as multi-sectoral approaches. Malnutrition’s impact being deeper and long-lasting when it affects infants and young children, the focus will continue to be on mother and child-bearing age women.

In the past couple of years, local governments have been given the lead in the provision of basic services such as those who provide the basis for nutrition (health, agriculture, education, water and sanitation). Strengthening their capacity to plan, deliver, monitor and report on these services will be a core component of our support. Increased responsibility at the local level also translates into increased accountability requirements. Local CSOs need to be better equipped to play their role in this process. More broadly, support to nutrition will be part of a wider sustainable food systems promotion, a key pillar of the EU Farm to Fork strategy, which seeks to heighten awareness of the interrelations between nutrition, healthy diets, ecosystems, supply chains and consumption patterns.

Overall risks in this priority area are posed by the need to continue the local service delivery under a federal framework, which may be hampered by limited government capacity, government staff turnover as well as delays in budgetary provision from federal level or mobilisation at local level. The appropriate allocation of budget to the sectors and the weak capacities of the local governments for the implementation of the reforms including the recovery of the COVID 19 pandemic has to be monitored and supported in all actions.

2.3.1 Specific objectives related to the priority area Human Capital Development

Specific Objective 1	1.a: In line with the National Development Plan, to support - inclusive and equitable quality education, to promote lifelong learning opportunities for all, and to support quality and equitable nutrition services
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2.3.2 Expected results per specific objective

Expected results for Specific Objective 1	1.a: Increased access to inclusive and equitable early childhood education, primary, secondary and higher education
	1.b: Improved Learning Outcomes
	1.c: Increased access to nutrition services

2.3.3 Indicators (including baseline and targets), per expected result²⁸

Expected Result	SDG	Indicator
1.a: Increased access to inclusive	4	1.a.1: Net enrolment ratio in a) early child education: b) primary education, c) secondary education

²⁷ Which consists of the 2013 Commission Communication on “enhancing maternal and child nutrition in external assistance: an EU policy framework” and the 2014 Action Plan on Nutrition (APN), as well as the Council conclusions following each APN yearly progress report.

²⁸ The baselines, targets and means of verification are displayed in Annex 1: Intervention Framework

and equitable early childhood education, primary, secondary and higher education		1.a.2: Proportion of Out of School Children in basic education (Grades 1-8) (disaggregated by age group, sex, administrative sub-regions, location - urban/ peri-urban/ rural, wealth quintile)
		1.a.3: Ratio of female to male who have benefitted from Vocational Education and Training / Skills development and other active labour market programmes leading to jobs
		1.a.4: Proportion of youth (aged 15–24 years) not in education, employment or training – NEET (disaggregated by age group, sex, administrative sub-regions, location - urban/ peri-urban/ rural, wealth quintile)
1.b: Improved Learning Outcomes	4	1.b.1: Percentage of students in grades 3, 5 and 8 achieving at least a minimum proficiency level in (a) reading and (b) mathematics (disaggregated by sex, administrative sub-regions, location - urban/ peri-urban/ rural, wealth quintile, maternal education level, and disability status, migration status and minority groups - incl. language minorities - if relevant)
1.c: Increased access to nutrition services	2	1.c.1: Prevalence of stunting among children under 5 years of age (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age)
		1.c.2: Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight)

2.3.4 Possible use of blending and guarantees for investment under EFSD+

This priority area will not be implemented through blending operations and/or guarantees.

2.4 Priority area 3: Good Governance

Good Governance needs to accelerate the overall development and promote a peaceful and inclusive society as foreseen in SDG 16. The European Commission’s political priority on Governance, Peace and Security will be promoted under this priority area. The NDP has also included good governance as the driver of transformation and as the means of securing the rights guaranteed by the Constitution of Nepal. The key aspects of this priority will therefore support effective and efficient delivery of the public services, prevalence of the Rule of Law, public participation, equity and inclusion, accountability and transparency which will be applied in any action under priority areas one and two.

Sector Government & Civil Society

In line with the NDP priorities, this sector will focus on i) implementation of the federalism, including creating an inclusive society through the institutional development and strengthening of the constitutional and legal structures; ii) creation of an enabling environment for the exercise and respect of fundamental human rights, including freedom of expression, electoral rights and

right to equality, and for the prevention from all forms of violence and discriminations; iv) Rule of law and access to justice.

This sector will address the drivers of **gender inequality** in Nepal through an integrated gender transformative approach, working on the micro (household, community), meso (workplace, community) and macro (national, public) levels, fighting exclusion, discrimination and violence, promoting decent work, social protection, quality multi-sectoral services and social infrastructure, and addressing implementation and accountability gaps in the policy and legal frameworks. This contributes directly to the EU's Gender Action Plan III (GAP III) thematic areas of engagement on "Ensuring freedom from all forms of gender-based violence", "Promoting economic and social rights and empowering girls and women" and "Promoting equal participation and leadership". Moreover, the MIP contributes directly to the achievement of SDGs 1, 5, 8, and 10. The proposed interventions are aligned to and will contribute to national objectives and policies.

As part of the EU's priorities, legal oversight bodies and their supervision mechanisms, especially for local and national PFM, human rights and rule of law, will be supported as well as women, children, youth, persons with disabilities, LGBTIQ rights organisations and movements, and government institutions. Therefore, this sector will also support **e-governance** to harmonise the work between the Social Welfare Council and CSOs, improve evidence-based policy making and reporting. Another area of joint interest is the promotion of **social entrepreneurship**, utilising local resources and services to fight poverty and unemployment.

Programmes should also support ending violence against women and girls. In order to enhance access to justice and securing the rights of victims, Legal and Judicial Development can also be supported by this sector. Any peace process, and its main driver, transitional justice, is an important and sensitive issue which, if left unresolved, would harm social harmony and undermine long-term stability. If required, this sector could support a victim centric, nationally owned, transparent and accountable transitional justice process. As part of good governance, actions will be programmed in support of cross-cutting issues such as gender equality, social inclusion, climate proofing, rights-based approach, youth engagement.

Regarding the new EU Consensus on Development, the sector addresses in particular the pillar "Peace" - peaceful and inclusive societies, democracy, effective and accountable institutions, rule of law and human rights for all, which are preconditions for sustainable development and stability and also themes pertaining to governance, democracy, freedom of the media, and better public resource generation and expenditure

The role of local/provincial parliaments and support to elected representatives to execute their mandate and find consensus in local governance such as financial management, harmonising policies, public services will be reflected, with a strong focus on empowering women decision makers.

This sector is complementary to thematic programmes under the NDICI-Global Europe instrument. Some of the CSO initiatives funded through the global and regional allocations and the country specific support available under various EU thematic budget lines including CSO and Human Rights and Democracy thematic programmes and the support provided by the EU Member States in Nepal will complement to the CSOs supported under each priority area. Complementarity is also given with the RMIP 2021-2027 (Integrated approach for regional stability and conflict prevention, Migration and Human mobility). All the priorities under this focal sector will be consistent with the EU strategic priorities and periodic plans including the EU Action Plan on Human Rights and Democracy 2020-2024; Country Local Implementation Plan (CLIP) based on the Gender Action Plan III 2021-2025 and various other guidelines and plans of the EU in each thematic area. New actions will also be complementary to the ongoing EU support to the Federalism Reform and public finance management (PFM) reform, including

greening PFM systems and reforms, general support to accelerate financial flows towards green, inclusive and resilient transitions.²⁹ Actions could support the development of innovative financial instruments and provide appropriate risk-sharing mechanisms to mobilise private investors towards sustainable investments. In particular, green bonds play a central role in scaling up sustainable finance and enabling countries to implement their sustainable infrastructure plans and NDC or help Nepal integrate climate and environmental risks in the financial systems.

Support to Civil Society organisations will be guided by the CSO Roadmap that the EU and EU Member States in Nepal are going to adopt in 2021 in the spirit of the Team Europe approach. The focus of the CSO support will concentrate on i) Enabling environment for CSOs to function; ii) CSO participation in the domestic policies and international processes; and iii) CSO capacity strengthening. CSO participation and support will be an integral part of each priority area of the current MIP.

Despite the constitutional and legal frameworks being in place, their implementation and financing is the major challenge and risk in Nepal. Therefore, the implementation of the policies and evidence based policy advocacy will be approached under this priority area.

2.4.1 Specific objectives related to the priority area Good Governance

Specific Objective 1	1.a: To support civil society in protecting and promoting democracy, human rights and fundamental freedoms
Specific Objective 2	2.a: To support public institution-building for promoting democracy, human rights and fundamental freedoms

2.4.2 Expected results per specific objective

Expected results for Specific Objective 1	1.a: Increased participation of civil society in monitoring
Expected results for specific Objective 2	2.a: Increased capacity of public institutions 2.b: Women, men, girls and boys, in all their diversity, fully enjoy and exercise their equal economic, labour and social rights

2.4.3 Indicators (including baseline and targets), per expected result³⁰

Expected Result	SDG	Indicator
1.a: Increased participation of civil society in monitoring	16	1.a.1: Number of government policies developed or revised with civil society organisation participation through EU support

²⁹ AAP 2019: Support to Federalism, which includes Budget Support and complementary measures to the Provincial and Local Government Support Programme (until 2023) and PFM reform (until 2026 as a World Bank Multi-Donor Trust Fund)

³⁰ The baselines, targets and means of verification are displayed in Annex 1: Intervention Framework

		1.a.2: Extent of use of social accountability mechanisms by civil society in partner country in order to monitor and engage in ending violence against women and girls
	5	1.a.3: Number of coordinated actions by women's rights organisations, autonomous social movements and relevant civil society organisations in partner country to advocate jointly on ending violence against women and girls equality
2.a: Increased capacity of public institutions	16	2.a.1: Number of state institutions and non-state actors supported on rights-based policy development
2.b: Women, men, girls and boys, in all their diversity, fully enjoy and exercise their equal economic, labour and social rights	5	2.b.1: Wage equality for similar work (ratio of women's wage to that of men)

2.4.4 Possible use of blending and guarantees for investment under EFSD+

This priority area will not be implemented through blending operations and/or guarantees.

2.5 Proposals of Team Europe Initiatives

One Team Europe Initiative on country level is proposed under this MIP: TEI on Green Recovery. This TEI would be implemented with Finland, the EIB, and Germany and with political support from France. It also provides scope for further cooperation with other EDFIs. The TEI Green Recovery will put Nepal on a trajectory that creates jobs and growth by sustainably developing its natural resources, developing resilience to future shocks and minimising environmental impacts. It contributes to the Government of Nepal's own strategies and objectives relating to COVID-19 recovery and the development of its economy, infrastructure, environment, and services.

European Partners have a joint policy agenda and collective means to support Nepal towards green recovery. The proposed initiative for a Team Europe Green Recovery has the following game-changing elements: a) Policy First: Focus on implementation of EU Agenda, Green Deal (Farm to Fork Strategy, Biodiversity Strategy, Circular Economy Strategy), the 2017 Commission Communication Achieving Prosperity through Trade and Investment: Updating the Joint EU Strategy on Aid for Trade, Green recovery and international policy: 2030 Agenda for Sustainable Development, Paris Climate Agreement, biodiversity agreements, Sendai Framework, Hyogo Framework for Action, b) The EU and international Policy Agenda are matching national policies and budget, c) Focus on transformative, inclusive growth in economic sectors with highest share of workforce, informal employment and potential for growth, and focus on leverage of EU+ investments with IFIs to increase the impact.

The investments of the EU will focus on actions to preserve the natural capital, create inclusive and green jobs in the agro-forestry sector and selected industries such as construction, provide the human capital investment through education, and financing of key investments in the renewable energy and agro-forestry sectors that will improve the lives of the Nepali people. There is a strong narrative that a Green Recovery needs to rely on strong human capital. The NDP states that human capital is key for the socioeconomic transformation of Nepal and

underlines the strong support required for service delivery at the local level to overcome disparities in human development achievements.

The tentative EU grant investments from the MIP for the TEI Green Recovery are about € 105 – 115 million in the initial period from 2021-2024 with an indicative allocation of about 27% for priority area 1, 46% for priority area 2, and 27% for priority area 3. With the envisaged loans under EFSD+, the contribution to priority area 1 will be 50% with a total EU investment in the range of €150 million. The declared grant contributions of the EUMS, implementing partners and Government add an additional € 100 million to the TEI. The EU's indicative contribution to this TEI (€ 105 – 115 million) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per article 210 TFEU, always applies.

Therefore the TEI will need to rely on investments from priority areas 1), Inclusive Green Growth, 2), Human Capital Development, and 3) Good Governance, and the following sectoral areas will contribute to the TEI:

- Energy
- Agro-Forestry
- Water, Sanitation and Hygiene
- Education and Nutrition
- Governance and Civil Society

3 Support measures

3.1 Measures in favour of civil society

Gender equality, women's and girls' empowerment and youth engagement should be mainstreamed throughout the instrument, but a gender and youth specific programme is relevant to ensure a strong participation in gender related political dialogue with the stakeholders, such as the Ministry of Women, Children and Welfare and the Ministry of Youth and Sports.

Another area of target support is continue the EU's engagement in fighting gender-based violence and linking CSO engagement with institutional partners to implement national, provincial or local action plans. Targeted support to civil society will be provided in order to enable CSOs as actor of governance and interaction with local authorities and the private sector as well as generating evidences through model building initiatives, which contribute to effective policy review/holding dialogue. If not mainstreamed at programme level, targeted support will be provided to ensure good governance and democratic participation, to advocate, to facilitate, take account, and monitor. This could be complementary to capacity building for local public authorities. Targeted support will also be provided to implement the objectives of the CSO roadmap, Gender Action Plan or other EU priorities, as well as to support other emerging priorities.

Support measures should also be used for key and sensitive issues that require international and local advocacy such as Human Rights and transitional justice. Actions relating to public diplomacy will also be foreseen in the cooperation facility, promoting youth participation and

fostering good will towards Europe and the values we are promoting. Likewise, free and independent media will be supported in the public diplomacy efforts.

3.2 Cooperation facility

The cooperation facility will support the impact and visibility of the core MIP. It might be complemented with actions of the newly established Asia Partnerships Facility (APF). The specific allocation will be used for several important cooperation instruments and actions that will establish public diplomacy engagement and achievements with key target audiences and partners such as youth, students, academics, influencers, media, business, civil society and the cultural sector and identification thereof. Public diplomacy actions will be achieved with a variety of partners such as EU Member States, local partners such as ERASMUS+ alumni and audiences as local communities of actors and multipliers in different exchange platforms. In strong cooperation with the EU member States, culture will be supported as a vehicle for dialogue, an example being the European Film Festival. Youth consultation is a priority in the implementation of the MIP, including through regular and long-term public diplomacy initiatives. Civil society can be contracted under the cooperation facility in support of public diplomacy, culture, and bilateral priority areas to support other actions of the cooperation facility. The feasibility of EU Info Centres could be tested as well as support to strategic, periodic events such as national summits for social entrepreneurship, youth, women, minorities.

The cooperation facility will also be used for supporting capacity development and institutional building, including through technical assistance and exchange of public expertise, such as TAIEX and Twinning. The cooperation facility will also support bilateral and multilateral policy dialogue, including events, conferences, studies, and fellowships, exchange platforms to support sector dialogues leading to policy reforms and engagement with governments at different administrative levels and other stakeholders. Actions can facilitate Joint Programming / Team Europe coordination and visibility, reach-out and visibility at local, provincial, country and regional level. Actions may also support the participation of the country in EU Programmes and cooperation with EU Agencies and, where relevant, the implementation of the EU Strategy on Cooperation in the Indo-Pacific at a national level (including capacity building, policy dialogue, cooperation with EU agencies, affiliation to EU programmes, as well as strategic communications and public diplomacy). The core of the cooperation facility will be the financing of communication including strategic communication and fight against disinformation and visibility actions on EU cooperation and public diplomacy specific interventions to promote EU policies as well as its multilateral agenda in the partner country. It will also support the preparation, implementation, evaluation and audit of the Union’s cooperation, including via technical assistance.

4 Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Nepal and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Nepal.

<i>Inclusive Green Growth</i>	<i>45% of total</i>	<i>€94.05 million</i>
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<i>Human Capital Development</i>	<i>30% of total</i>	<i>€62.7 million</i>
<i>Good Governance and Civil Society</i>	<i>20% of total</i>	<i>€41.8 million</i>
<i>Support measures</i>	<i>5% of total</i>	<i>€10.45 million</i>
<i>TOTAL for initial period 2021-2024</i>		<i>€209 million</i>

Attachments

1. Intervention framework
2. Development Partner matrix showing the current indicative allocations per sector

Attachment 1: Intervention framework

Priority area 1: Inclusive Green Growth Specific objective 1: To support the implementation of Renewable Energy, Energy Efficiency and Agriculture, Forestry and Other Land Use (AFOLU) Targets of Nepal's Nationally Determined Contribution (NDC) DAC codes: Energy (230), Other Multisector (430)				
Expected Results	Indicators	Baseline (year 2020)	Targets (year 2027)	Means of Verification
1.a Increased access to clean energy	1.a.1: Number of individuals with access to electricity with EU support through: a) new access, b) improved access [EURF, Green Deal Alliances, SDG-7]	a) 0 b) 0	a) 200,000 b) 100,000	NEA, AEPC, MEWRI, NMICS, SDG progress assessment reports, project reports
1.b Increased energy security	1.b.1: Renewable energy generation capacity installed (MW) with EU support [EURF, Green Deal Alliances, SDG-7]	0MW	2MW	NEA, AEPC, MEWRI, project reports
	1.b.2: Greenhouse Gas (GHG) emissions avoided (tonnes CO ₂ eq) with EU support [EURF, Green Deal Alliances, SDG-13]	0	50,000 (tCO ₂ eq)	NEA, AEPC, MEWRI, project reports
1.c: Increased land-use based climate change mitigation and adaptation	1.c.1: Areas of terrestrial and freshwater ecosystems under a) protection b) sustainable management with EU support (ha) [EURF, Green Deal Alliances, SDG-15]	a) 0 b) 0	a) 0 b) 20,000ha	MoFE, MoALD, project reports
	1.c.2: Number of proposed for adoption climate change adaptation and mitigation policies (including nationally determined contributions), and environment protection strategies and plans (including energy policies/ strategies) that include gender equality objectives, in line with the United Nations framework convention on climate change (UNFCCC) gender action plan (Number of)	0	5	NDC progress assessment reports, UN specific reports

	[GAP3-Gender Action Plan, POLICY_MARKER-Gender equality, POLICY_MARKER-Aid to environment, RIO_MARKER-Climate change - adaptation]			
	1.c.3: Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (km2) [EURF, Green Deal Alliances, SDG-2]	0	40 (km2)	MoALD, MoFE, project reports
	1.c.4: Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land [EURF, Green Deal Alliances, SDG-2]	0	100,000	MoFE, MoALD, project reports
Specific objective 2: To support the implementation of Drinking Water and Sanitation Goals of Nepal's 15 th National Development Plan (NDP) DAC code: Other Multisector (430)				
Expected Results	Indicators	Baseline (year 2020)	Targets (year 2027)	Means of verification
2.a Increased access to improved drinking water source and/or sanitation	2.a.1: Proportion of population using safely managed drinking water services (percent) [GAP3-Gender Action Plan, SDG-6, EURF SIG-Nutrition, EURF SIG-Resilience, EURF SIG-Forced displacement]	0%	80%	Project reports, NDHS, SDG progress assessment reports
	2.a.2: Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management (percent) [EURF-Level 1, SDG-6, SIG-Resilience]	0%	90%	SDG progress assessment reports, NDHS

Priority area 2: Human Capital Development				
Specific objective 1: In line with the National Development Plan, to support -inclusive and equitable quality education, to promote lifelong learning opportunities for all, and to support quality and equitable nutrition services				
DAC codes: Education (110), Other Social Infrastructure & Services (160)				
Expected Result	Indicators	Baseline (year 2020)	Targets (year 2027)	Means of Verification
1.a: Increased access to inclusive and equitable early childhood education, primary, secondary and higher education	1.a.1: Net Enrolment Rates in: a) early child education b) primary education, c) secondary education [EURF, Governance, Peace and Security, Human Development, SDG 4, National Education Sector Plan 2021-2030]	a) 68.2% b) 94.7% c) 50.9%	a) 92% b) 99% 58.1%	MoE reports, project reports
	1.a.2: Percentage of out of school children in basic education (Grades 1-8) [EURF, Governance, Peace and Security, Human Development, SDG 4, National Education Sector Plan 2021-2030]	5.4%	1%	MoE reports, project reports
	1.a.3: Ratio of female to male who have benefitted from Vocational Education and Training / Skills development and other active labour market programmes leading to jobs (percent) [GAP3-Gender Action Plan, POLICY_MARKER-Gender equality]	0%	50%	Project reports
	1.a.4: Proportion of youth (aged 15–24 years) not in education, employment or training – NEET (disaggregated by age group, sex, administrative sub-regions, location - urban/ peri-urban/ rural, wealth quintile)	(2019) 35.3%	23%	Nepal Labour Force Survey
1.b: Improved Learning Outcomes	1.b.1: Percentage of students (i) in Grade 3, (ii) Grade 5 and (iii) Grade 8 achieving at least a minimum proficiency level in (a) reading and (b) mathematics (disaggregated by sex, administrative sub-regions, location - urban/ peri-urban/ rural, wealth quintile, maternal education level, and disability status, migration status and	(i) a) 14.6 b) TBD (ii) a) 35 b) 28 (iii) a) 69 b) 54	(i) a) TBD b) TBD (ii) a) 60 b) 50 (iii) a) 80 b) 70	SDG progress assessment reports, MoE reports, project reports

	minority groups - incl. language minorities - if relevant) [EURF-Level 1, POLICY_MARKER-Nutrition, SDG-2, National Education Sector Plan 2021-2030]]			
1.c Increased access to nutrition services	1.b.1: Prevalence of stunting among children under 5 years of age (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age) [EURF-Level 1, POLICY_MARKER-Nutrition, SDG-2]	0	20	NMICS, SDG achievement progress report, NDHS, project reports
	1.b.2: Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5 years of age, by type (wasting and overweight) [POLICY_MARKER-Newborn and Child Health, POLICY_MARKER-Nutrition, SDG-2, SIG-Resilience]	0	6	NMICS, SDG achievement progress report, NDHS, project reports

Priority area 3: Good Governance				
Specific objective 1: To support civil society in protecting and promoting democracy, human rights and fundamental freedoms				
DAC code: Government & Civil Society (150)				
Expected Result	Indicators	Baseline (year 2020)	Targets (year 2027)	Means of Verification
1.a: Increased participation of civil society in monitoring	1.a.1: Number of government policies developed or revised with civil society organisation participation through EU support [EURF, Governance, Peace and Security, Human Development, SDG 16]	0	10	Project reports
	1.a.2: Extent of use of social accountability mechanisms by civil society in partner country in order to monitor and engage in ending violence against women and girls (number)	0	5	Project reports

	[GAP3-Gender Action Plan, POLICY_MARKER-Gender equality]			
	1.a.3: Number of coordinated actions by women's rights organisations, autonomous social movements and relevant civil society organisations in partner country to advocate jointly on ending violence against women and girls [GAP3-Gender Action Plan, POLICY_MARKER-Gender equality]	0	10	Project reports
Specific objective 2: To support public institution-building for promoting democracy, human rights and fundamental freedoms DAC code: Government & Civil Society (150)				
Expected Results	Indicators	Baseline (year 2020)	Targets (year 2027)	Means of Verification
2.a: Increased capacity of public institutions	2.a.1: Number of state institutions and non-state actors supported on rights-based policy development	0	10	Project reports
2.b: Women, men, girls and boys, in all their diversity, fully enjoy and exercise their equal economic, labour and social rights	2.b.1 Wage equality for similar work (ratio of women's wage to that of men)	(2019) 0.66	(2030) 0.92	Nepal Labour Force Survey

List of Acronyms

AEPC	Alternative Energy Promotion Centre
DAC	Development Assistance Committee
EURF	EU Results Framework
MEWRI	Ministry of Energy, Water Resources and Irrigation
MoALD	Ministry of Agriculture and Livestock Development
MoE	Ministry of Education
MoFE	Ministry of Forests and Environment
NDHS	Nepal Demographic Health Survey
NEA	Nepal Electricity Authority
NHS	National Health Sector
NMICS	Nepal Multiple Indicator Cluster Survey

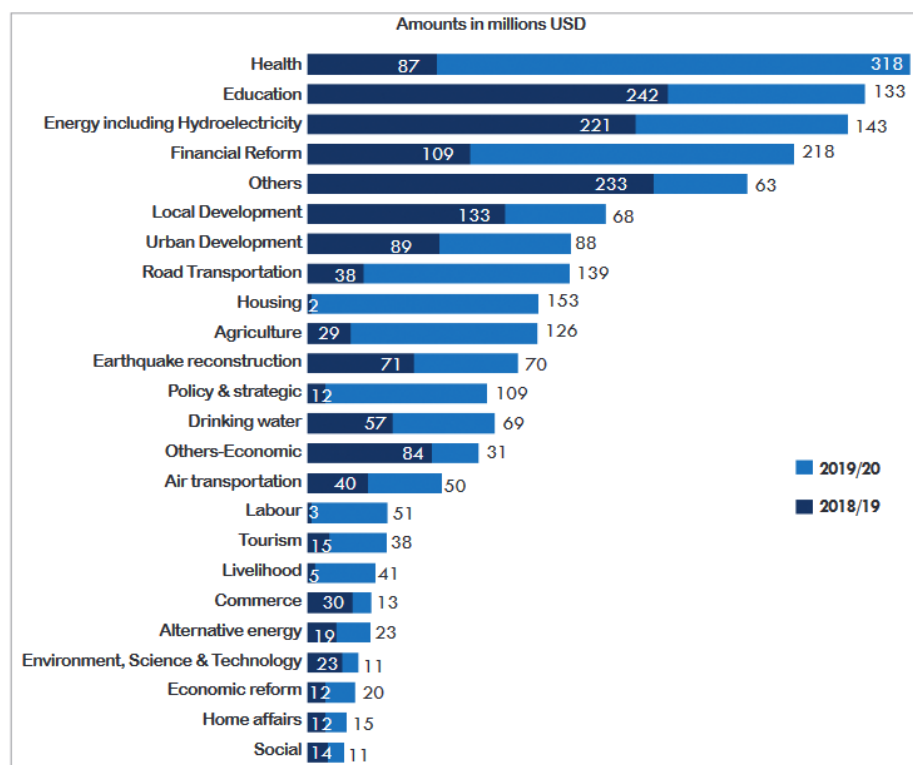
SDG Sustainable Development Goal

Attachment 2: Development Partner Matrix³¹

		Agriculture, Forestry, Fishing	Energy	Education	Other Social Infrastructure & Services	Government & Civil Society
Development Partners	Australia					X
	ADB	X	X	X	X	
	EIB		X			
	FAO	X				
	Finland			X	X	
	Germany		X			X
	IFAD	X				
	ILO					
	Japan	X		X	X	
	Korea					
	Norway		X	X		X
	Switzerland			X		X
	UK			X	X	X
	UNDP					
	UNICEF			X	X	
	USAID	X	X	X	X	X
	World Bank	X	X	X	X	X
Total (million USD)		318.4	166	133	729	233

Table: Development partners' engagement in EU-Nepal MIP priority areas

Figure: ODA disbursement by sector, 2018/19 and 2019/20



³¹ Source: Ministry of Finance, DEVELOPMENT COOPERATION REPORT 2019-2020, March 2021 <https://www.mof.gov.np/en/archive-documents/ieccd-publications-65.html>