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ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of Nepal for 2023

Action Document for Support to the Multi-Sector Nutrition Plan, Phase 3 (2023-2030)

ANNUAL ACTION PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, and an annual action plan within the meaning of Article 23(2) of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Support to the Multi-Sector Nutrition Plan, Phase 3 (2023-2030) OPSYS number: ACT-62209 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes TEI on Green Recovery
3. Zone benefiting from the action	The action shall be carried out in Nepal
4. Programming document	Multi-Annual Indicative programme for Nepal 2021-2027 ¹
5. Link with relevant MIP(s) objectives / expected results	The action intends to contribute to the 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” of the MIP priority 2 area and to its result 1.c “Increased access to nutrition services”.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	160 “Other Social Infrastructure & Services”.
7. Sustainable Development Goals (SDGs)	Main SDG (1 only): SDG 2 (zero hunger) Other significant SDGs (up to 9) and where appropriate, targets: SDGs 3 (good health and well-being), 5 (gender equality), SDG 6 (clean water and sanitation), 10 (reduced inequalities) and 16 (strong institutions).
8 a) DAC code(s)	16050: Multisector and basic social services, including 14030: basic drinking water supply and basic sanitation, 311161: food crop production, 11231: basic life kills for youth (60%) 12240: Basic nutrition (30%) 15110: Public sector and administration management (10%)

¹ Within the maximum contribution of the European Union, the authorising officer responsible may adjust the allocation to the respective budgetary years subject to the availability of the commitment appropriations.

8 b) Main Delivery Channel	12000 Recipient government				
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Inequalities <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance				
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective	
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	RIO Convention markers	Not targeted	Significant objective	Principal objective	
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
		Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
Connectivity @		<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
digital connectivity energy transport health		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		

	education and research			
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): 14.020131 (South and East Asia)</p> <p>Total estimated cost: EUR 35 000 000</p> <p>Total amount of EU budget contribution EUR 23 000 000 of which</p> <p>EUR 21 000 000 for budget support and</p> <p>EUR 2 000 000 for complementary support.</p> <p>The contribution is for an amount of EUR 23 000 000 from the general budget of the European Union for 2024, subject to the availability of appropriations for the respective financial year following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.</p> <p>This action is co-financed by:</p> <p>- UNICEF for an amount of EUR 2 000 000 (joint co-financing).</p> <p>This action is part of the TEI with Germany (indicative contribution of EUR 10 000 000).</p>			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	<p>Direct management through:</p> <p>- Budget Support: Sector Reform Performance Contract</p> <p>Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.1.</p>			

1.2 Summary of the Action

The 2015 Constitution guarantees the sustainable development of Nepal's society and economy, and Nepal's current (15th) 5-year National Development Plan (NDP) reaffirms the commitment to graduate to a middle-income country status by 2030. This is to be achieved through delivering on human rights through a strong focus on human capital development, transitioning to a green economy and building a climate-resilient society, with particular attention to reducing inequalities.

Nepal has witnessed both decreasing levels of extreme poverty and improving levels of human development in recent years. The progress is reflected in the corresponding reduction in chronic malnutrition (stunting) among children under five, which has fallen from 36% to 24.8% between 2016 and 2022². This demonstrates that with sustained and quality international support, Nepal is one of the few LDCs in the world on track to meet the World Health Assembly (WHA) target for stunting reduction. Going forward, a key challenge will be to tackle the entrenched political, economic and social inequalities that underpin this situation, including those relating to income, wealth, gender, disability, caste, ethnicity, age and geographic location.

This action aims to contribute to the MIP priority 2 area (human capital development) and particularly to its 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". It will support the third phase of Nepal's Multi-Sector Nutrition Plan (MSNP-III: 2023 - 2030), which frames nutrition as the foundation of human rights and sustainable development and has as its goal 'to improve nutrition status throughout the life cycle by ensuring universal access to quality nutrition-specific and sensitive

² Nepal Demographic and Health Survey (NDHS) 2022

services³ and strengthening enabling environment for nutrition’ with an explicit focus on the most vulnerable areas and groups (women and persons with disabilities, among others). The EU has supported the previous plan (MSNP-II) with a project approach and followed it with a budget support operation. The new plan builds on the progress of MSNP-II and will be an essential tool guiding Nepal towards the achievement of the SDGs (in particular SDG 2 – Zero Hunger, SDG 3 – Good Health and Well-being, SDG 5 – Gender Equality, SDG 6 – Clean water and sanitation, SDG 10 – Reduced Inequality, and SDG 16 – Strong institutions).

The Specific Objectives of this action (reflecting those of the MSNP-III) are to (i) increase equitable access to and utilization of quality nutrition-specific and nutrition-sensitive services for the Nepali people,; and (2) improve the understanding, behaviour and practices around health, nutrition, and Water, Sanitation and Hygiene (WASH).

As part of the TEI on green recovery, Germany (through KFW) intends to support to social protection component of MSNP-III, contributing to specific objective 1.

This action is aligned with the following thematic area of engagement of EU GAP III: “Promoting economic and social rights and empowering girls and women”.

2 RATIONALE

2.1 Context

Nepal is a Least Developed Country (LDC) located in the Himalayas, landlocked and endowed with a diverse geography, ecology, climate and society. Ranking 143 out of 191 on the Human Development Index (2021), 10th in terms of climate risk according to the 2021 Global Climate Risk Index⁴, 96th out of 146 countries on the Global Gender Gap Index (2022)⁵, and 113th out of 191 countries in the Gender Inequality Index (2021)⁶. Moreover, when adjusting for inequality, the HDI lowers from 0.602 to 0.442.⁷ Nepal is one of the most disaster-prone countries in the world. Around two-thirds of the 29.2 million population live in municipalities classified as urban while an estimated 2.2 million people are residing abroad, 17.8% of whom are women,⁸ as a result of labour outmigration and declining engagement of youth in agriculture⁹. 36.3% of the population are under the age of 18 years, 51.13% of the total population are women, and persons with disabilities represent 2.2%, of which 45.8% are women.¹⁰

The 2015 Constitution guarantees the sustainable development of Nepal’s society and economy, and Nepal’s current (15th) 5-year National development Plan (NDP), reaffirms the commitment to graduate to a middle-income country by 2030 (with an intermediary step of graduating from the ‘least developed country’ category, expected in 2026). This is to be achieved through delivering on human rights through a strong focus on human capital development, transitioning to a green economy and building a climate-resilient society, with particular attention to reducing inequalities based on gender, disability, caste, ethnicity, income, wealth, age and geographic location.¹¹

Nepal has witnessed both decreasing levels of extreme poverty and improving levels of human development in recent years. Nepal’s Multi-dimensional Poverty Index shows that while Nepal succeeded in lifting 3.1 million people out of multi-dimensional poverty between 2014 – 2019, still 17.4% of the population remains multi-dimensionally poor¹². This progress is reflected in the corresponding reduction in chronic malnutrition (stunting) among children under five which has fallen from 36% to 24.8% between 2016 – 2022¹³. This demonstrates that with sustained and quality international support, Nepal is one of the few LDCs in the world on track to meet the WHA target for stunting reduction.

³ Nutrition specific services address the direct causes of malnutrition and are delivered through the health system, while nutrition sensitive services address the underlying causes and are delivered through other sectors.

⁴ https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf

⁵ World Economic Forum. Global Gender Gap Report 2022, July 2022.

⁶ <https://hdr.undp.org/data-center/thematic-composite-indices/gender-inequality-index#/indicies/GII>

⁷ UNDP 2021.

⁸ Government of Nepal, National Statistics Office. National Population and Housing Census 2021 (National Report)

⁹ Nepal is among the top ten fastest urbanizing countries of the world. (National Land Cover Monitoring System of Nepal, 2022). The 2019 NMICS uses the definition of rural and urban areas developed in 2019. According to this new definition, two-thirds of Nepalis live in urban areas (with a total of 293 urban municipalities) and one-third in rural areas. (MoFAGA)

¹⁰ National Population and Housing census 2021

¹¹ Government of Nepal, National Planning Commission. The Fifteenth Plan 2019-2024, march 2020.

¹² <https://www.undp.org/nepal/publications/nepal-multidimensional-poverty-index-2021>

¹³ NDHS 2022

However, in common with other South Asian countries, the majority of the population (68.78%) live on considerably less than USD5.50 (PPP) per day.¹⁴ Such widespread persistence of livelihood insecurity and poverty is evidenced by the fact that 77% of the population¹⁵ is unable even to afford a healthy diet in addition to other basic expenditure. 90% of all children in Nepal live on less than USD3 a day and yet most of their families are unable to access any form of social security to help them adequately support their children's development¹⁶. Going forward, a key challenge will be to tackle the entrenched political, economic and social inequalities that underpin this situation, including those relating to income, wealth, gender, disability, caste, ethnicity, age and geographic location. In 2021, almost 60% of all national wealth was owned by only 10% of the population, while the bottom 50% of the population owned less than 5%¹⁷.

With the adoption of the 2015 Constitution, Nepal moved from a unitary to a federal system, resulting in three tiers of government at federal, provincial and local level. The first elections at the three tiers took place in 2017. This move towards implementation of services at the local level represents a window of opportunity to accelerate inclusive growth and accountable service delivery, thereby reducing inequalities, increasing incomes and further reducing poverty. At the same time, the shift to federalism poses new challenges and remains a source of fragility given the heightened expectations. At the core of the development agenda is the necessity to advance a lasting transformation of gender relations such that equal participation and leadership of girls and women, freedom from gender-based violence and socio-economic empowerment is achieved.

The COVID-19 pandemic impacted Nepal similarly to other countries in the region and added to the overall economic pressure. As a result of the COVID-19 pandemic, the economy shrank in 2020 by 2.4% and debt levels have increased significantly due to the heavy reliance on imports¹⁸. Both remittances (traditionally constituting around 30% of GDP¹⁹) and tourism have also been slow to recover as a result of restrictions on international travel. At the same time, there were signs of modest recovery in FY 2021, with a growth estimated to have accelerated to 5.8% in FY 2022²⁰ as a result of the strong recovery in domestic demand. In order to allow the economy to recover from external shocks (including the pandemic and the 2022 spike of energy and food prices), the government of Nepal decided to postpone the graduation from the LDC list until December 2026.

A protracted political crisis since December 2020 hampered political and policy dialogue. Local elections in May 2022 put in place mandate holders for the next 5 years, which should lead to more stability during that period, and facilitate partnerships for Development Partners at the local level. At the federal level, following elections in November 2022, a new government was formed in December 2022 under Prime Minister Dahal, supported by a fragile coalition, imposing several changes in the cabinet of ministers. The consequence of this political instability is a legislative impasse which is considerably slowing down the reform processes. Among the outstanding reforms, the Civil Service Act, the TVET Act and the Education Act, are crucial for EU supported reforms.

2.2 Problem Analysis

Short problem analysis:

The EU's long standing commitment to tackle malnutrition in all its forms stems from the recognition that healthy diets and nutrition are prerequisites for human development as well as powerful markers of progress in terms of tackling multi-dimensional poverty and inequalities (in particular gender inequalities). Better nutrition is related to improved infant, child and maternal health, stronger immune systems, safer pregnancy and childbirth, lower risk of non-communicable diseases (such as diabetes and cardiovascular disease), and longevity. Children with good nutrition learn better. People with adequate nutrition are more productive and can create opportunities to gradually break the cycles of poverty and hunger.

For decades Nepal has demonstrated considerable advancement in the continued reduction of child stunting and is one of the few least developed countries in the world broadly on track to meet the WHA 2025 stunting target. However, alarming nutrition inequalities as well as the complex interaction of different forms of malnutrition persist, including not only child stunting (one in every four children under five) but also child wasting (one in

¹⁴ <https://pip.worldbank.org/country-profiles/NPL>

¹⁵ <https://www.worldbank.org/en/programs/icp/brief/foodpricesfornutrition>

¹⁶ UNICEF, 2021

¹⁷ <https://wid.world/country/nepal/>

¹⁸ <https://www.worldbank.org/en/country/nepal/overview>

¹⁹ Economic Survey, 2073/74

²⁰ By way of comparison, growth averaged 4.9% between 2009 – 2019

(<https://www.worldbank.org/en/country/nepal/overview>)

every 12 children under five with acute malnutrition) and widespread micronutrient deficiencies and overweight / obesity affecting adults and children alike.

The most recent data confirms that in rural areas of Karnali Province almost one in two children under five are stunted, while in Lumbini Province wasting prevalence (16%) routinely exceeds that is typically considered to be the international threshold for emergency intervention²¹. Such outcomes are in turn driven by multiple factors including inability of families to ensure a healthy and age-appropriate diet, safe drinking water and optimal care practices. Unfortunately, exclusive breastfeeding has been on a steady decline for over a decade (with current prevalence at 56%), less than one third of all young children receive a minimally acceptable diet and 43% of children under five are anaemic²². At the same time, the rate of overweight and obesity among children between 5 - 19 has increased from 2% to almost 10% since 2000, with the trajectory set to continue rising sharply. Similarly, overweight and obesity among adults has almost doubled in the same period with more than 12% of the adult population now diabetic and 66% of all deaths now due to non-communicable diseases (NCDs)²³.

In particular, 34% of women are anaemic, including 18% who are mildly anaemic, 15% who are moderately anaemic and 1% who are severely anaemic. Anaemia is a major concern among pregnant women because it can increase maternal mortality and poor birth outcomes.²⁴ The Minimum Dietary Diversity for women between the ages of 15-49 years shows that in Nepal, only 35% reported consuming food from the “meat, poultry and fish” group, while 50% achieved minimum dietary diversity.²⁵ Nearly 32% of households in Nepal are headed by women.²⁶ Despite these clear gender related inequalities, programs to address women’s concerns, priorities and needs to ensure food security and equitable food entitlements are few and far between.²⁷

The resulting nutrition difficulties in Nepal are accelerated by the steadily growing consumption of relatively low price and convenient but highly processed and unhealthy packaged snack food. A study in 2019 found that the highest consumption of unhealthy snack foods and beverages were among the poorest households rather than the better off²⁸. The resulting ‘nutrition transition’ is taking place both among rural and urban communities, as well as in rich and poor households²⁹. The negative developmental, economic, social, and medical impacts of this national triple burden of malnutrition are serious and lasting for individuals and their families, for communities – ultimately threatening to undermine progress towards inclusive and sustainable development. According to WHO, deaths due to NCDs have soared from 60% of all deaths in 2014 to 66% in 2018, with full economic impact of associated costs for treatment and management resulting in the ability of households to afford a healthy diet being further undermined.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Due to the persistent nutrition inequalities, the key stakeholders for this action are necessarily the most disadvantaged and vulnerable sections of society experiencing the intersection of multiple inequalities, with special attention to women, adolescent girls, children under five and persons with disabilities. In order to reinforce the evolving commitment of the government at all levels to end malnutrition, the action will focus on supporting the effective implementation of a locally driven, rights-based approach to delivering on priority areas of intervention through national systems as laid out in the MSNP-III. The Plan’s strategic basis explicitly commits to a ‘rights oriented, inclusiveness and gender equity’ approach.

Political leaders have promoted the transition of Nepal into a federal government largely on the basis that "shared rule" between the national, provincial and local levels of government would allow elected leaders to better address inequality and discrimination – hence bringing greater stability to the country. The 2015 Constitution mandates the representation of marginalized groups, including women, Dalits, and minorities in the local governments,

²¹ NDHS 2022. However the majority of stunted children (both moderately and severely stunted) live in other provinces.

²² NDHS 2022 and <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9460334/>

²³ WHO (2018) and Dahal, S et al (2021) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8425558/> NCDs include cardiovascular disease, cancer, hypertension and diabetes.

²⁴ Ministry of Health and Population, Nepal; New ERA; and ICF. Nepal Demographic and Health Survey 2022: Key Indicators Report. Kathmandu, Nepal.

²⁵ FAO, IFAD, UNICEF, WFP and WHO. 2020. The State of Food Security and Nutrition in the World 2020, Transforming food systems for affordable healthy diets. Rome, FAO.

²⁶ Government of Nepal, National Statistics Office. National Population and Housing Census 2021 (National Report), Katmandu, Nepal.

²⁷ Government of Nepal, National Planning Commission. Nepal’s Food systems Transformation: Context, Pathways and Actions. Outcomes of the National and Provincial Food Systems Dialogues as a part of the UN Food Systems Summit 2021. Singha Durbar, Kathmandu, Nepal

²⁸ Pries, A et al, *Journal of Maternal and Child Nutrition*. <https://onlinelibrary.wiley.com/doi/10.1111/mcn.12775>

²⁹ As confirmed by NDHS 2022, as many as 2 in 3 children under the age of 2 years had consumed unhealthy foods during the previous day (foods high in sugar, salt and unhealthy fats)

which makes Nepal's elected leadership one of the most inclusive in South Asia. Despite that, the 2022 local elections have seen a decrease in terms of representation of women and Dalits at the local level.

The National Planning Commission (NPC) is the apex advisory body of the government, headed by the Prime Minister. The highest level of coordination mechanism for MSNP-III is the High-Level Nutrition and Food Security Steering Committee, chaired by the Vice-Chair of the NPC, with membership from relevant line ministries at the level of Secretaries. The National Nutrition and Food Security Coordination Committee reviews progress and strategizes future actions.

Six ministries are central to the multi-sectoral coordination architecture of the MSNP at the federal level, namely (1) Ministry of Agriculture and Livestock Development (MoALD), (2) Ministry of Education and Science & Technology (MoEST), (3) Ministry of Federal Affairs and General Administration (MoFAGA), (4) Ministry of Health and Population (MoHP), (5) Ministry of Women, Children and Senior Citizen (MoWCSC), and (6) Ministry of Water, Sanitation and Hygiene (MoWSH).

The structures are mirrored at the provincial level, with each Provincial Planning Commission taking the lead in coordinating at provincial level, and Nutrition committees overseeing implementation and service delivery at the local level.

The process of transition from unitary to federal state has evolved considerably since the launch of both MSNP-II and the previous EU Budget Support, with Provincial and Local Governments assuming increasing responsibility. In line with MSNP-III, all 753 local and 7 provincial governments will be key stakeholders.

The proposed action seizes a crucial opportunity to tackle intersecting inequalities relating to gender, disability and age, among others and to promote the engagement of civil society organisations, persons with disabilities and accountability mechanisms. In 2011 Nepal became the fifth country to join the Scaling Up Nutrition (SUN) Movement as an early riser. The SUN framework strongly promotes a multi-stakeholder approach, including not only a civil society alliance at country level, but also a SUN business network (SBN) which, although not established until 2022, aims to expand private sector investments in nutrition.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

The action supports the third phase of Nepal's Multi-Sector Nutrition Plan (MSNP-III: 2023 - 2030), which frames nutrition as the foundation of human rights and sustainable development and has as its goal 'to improve nutrition status throughout the life cycle by ensuring universal access to quality nutrition-specific and sensitive services and strengthening enabling environment for nutrition' with an explicit focus on the most vulnerable areas and groups (women and persons with disabilities, among others).

MSNP-III is Nepal's roadmap to achieve ambitious national nutrition targets by bringing together sectors and stakeholders in a more coordinated and collaborate approach. The Plan builds on experience with MSNP-I, which catalysed the establishment of multi-sectoral governance structures at national level, and MSNP-II, which rose to the challenge of adapting the MSNP to the newly federalised context and to expand the plan nation-wide. The NPC elaborated the Plan via a highly consultative process involving six ministries and all seven provinces, which is underpinned by the Constitution of Nepal (2015) which recognises the right to health services, the right to food, and the right to clean water as fundamental human rights of its citizens. There are also opportunities to further capitalise on synergies with the recently approved 'Right to Food and Food Sovereignty Act (2018)'.

The plan contributes to guiding Nepal towards the achievement of the SDGs (in particular SDG 2 – Zero Hunger, SDG 3 – Good Health and Well-being, SDG 5 – Gender Equality, SDG 6 – Clean water and sanitation, SDG 10 – Reduced Inequality, and SDG 16 – Strong institutions.). The action is also aligned to the current Government 15th National Development Plan (2019 -2024), in particular, with one of its goals: "To achieve substantial gender equality by ensuring equal and meaningful participation of women", and is expected to also align with the future plans³⁰. Various sector policies include outcomes related to nutrition, such as the Agriculture Development Strategy (2015), the National Health Policy (2019), the Education Sector Plan (2021) and the Social Security Act (2018) which are also highly relevant to the structural causes of malnutrition. Ministries in charge of implementing these policies are part of MSNP governance structure.

³⁰ The 15th Five Year Plan of the Government makes clear that food and nutrition security is being approached as a multi-sectoral issue, including both 'nutrition-specific as well as nutrition-sensitive programmes, within the broader vision of 'a society with food sovereignty, sustainable food and nutrition security'

A much stronger sense of national ownership with MSNP-III is evident as compared to previous plans and there is greater clarity regarding the identity of MSNP as a national policy commitment with implications across different sectors, rather than a discrete donor driven programme. Growing national ownership of the MSNP-III is also reflected by the reported increase in the share of domestic financing. This readiness to finance has been further demonstrated following the end of the previous EU Budget Support programme, whereby government budget was nevertheless allocated for example to ensure continuity of payment for MSNP Volunteers at the level of local government.

The estimated cost of implementing MSNP-III 2023 – 2030 is NPR 189,454 million (approximately EUR 1.35 billion) implying an average annual budget of EUR 169 million. It is a 100% increase of the yearly average compared to the MSNP II. This increase will be progressive (EUR 145 million for the first year to EUR 197 million in the last year) This funding effort would be required to implement prioritised interventions by six ministries in the key sectors of health (35% of total cost), agriculture (20%), education (14%), WASH (7%) together with gender and social protection (14%) and governance (10%). Activities are nutrition specific (13%), nutrition sensitive (77%) or related to governance (10%). Allocations towards the MSNP-III will be distributed to local governments based on predetermined criteria³¹ with the National Planning Commission responsible for evaluating the effectiveness of implementation, together with issuing guidance and directives for changes where required. 60% of the cost are expected to take place at local level, 10% at provincial level and 30% at federal level.

The MSNP III is expected to be financed at 70% by the government budget, as stated in the financial management chapter of MSNP-III. This represents about 0.4% of GDP, and 5 to 6 euro per capita per year, both considered to be affordable by the government. MSNP 3 being a multi-sector plan, this includes resources allocated to 6 different ministries (Ministries of Health, of Education, of Water, of Women, senior Citizens and Children, of Agriculture and of Federal Affairs and General Administration). Increased efforts to track multi-sector resources devoted to nutrition sensitive are planned. In addition to federal government's allocations, Local governments' financial contribution to MSNP-III is expected to steadily increase (by 5% in the first years to 10% in the last). Local governments can use the grants received from the federal government, such as equalization grants, or their own revenue.

In addition to increasing tracking of government spending on nutrition for an effective costing and budgeting of the policy, a programming and financial planning framework has been included in the MSNP-III document, in coordination with the Ministry of Finance to clarify budget implications and to strengthen mechanisms for tracking off-budget grants received from development partners³². In common with other countries' experience with national multi-sectoral nutrition plans, a key challenge has been effectively embedding such an approach to nutrition across multiple sectors³³ in public financial planning and management systems³⁴.

In terms of institutional capacities, the government-led 2021-2022 mid-term review of the MSNP-II indicated that complexity of coordination (both horizontally across sectors and vertically between different levels of government), fragmentation of programmes, high staff turnover and gaps relating to both human resources and core capacities needed to be addressed. An immediate strategic priority is the clarification of roles and responsibilities together with strengthening of corresponding capacities at provincial level³⁵. A comprehensive capacity gap assessment initiative has recently been undertaken³⁶ and is expected to provide an important framework for the identification of priorities within a Capacity Development Plan including capacities related to the decentralisation of knowledge management for nutrition³⁷.

³¹ The MSNP-III document indicates that criteria being considered to determine allocations to local governments includes the burden of malnutrition, food security status, remoteness, population density, HDI and availability of local resources, while performance-based budgeting will also be adopted.

³² The Government has stated that all funding for MSNP-III implementation (including government, foreign grants and private sector contributions) will be entered into the national Budget and Financial Management Information Systems.

³³ As reported in the Nutrition Budget Brief (UNICEF, 2021) an immediate priority is 'developing a robust set of codes that is synchronised within different levels of government and across different accounting platforms'.

³⁴ However, here there may be valuable opportunities to explore lessons learned in the context of methods and tools applied in the context of gender responsive budgeting, both in and beyond the context of Nepal.

³⁵ World Bank (2022) Report on organising multisectoral nutrition actions

³⁶ This initiative is implemented by UNICEF as part of the EU funded technical support to MSNP-II.

³⁷ The National Nutrition and Food Security Portal launched in 2015 and maintained by the NPC is a one stop, open-source repository for policy, program and results of nutrition and food security initiatives undertaken in Nepal. Currently, it is in the process of being upgraded to function as a dynamic knowledge management portal for all stakeholders.

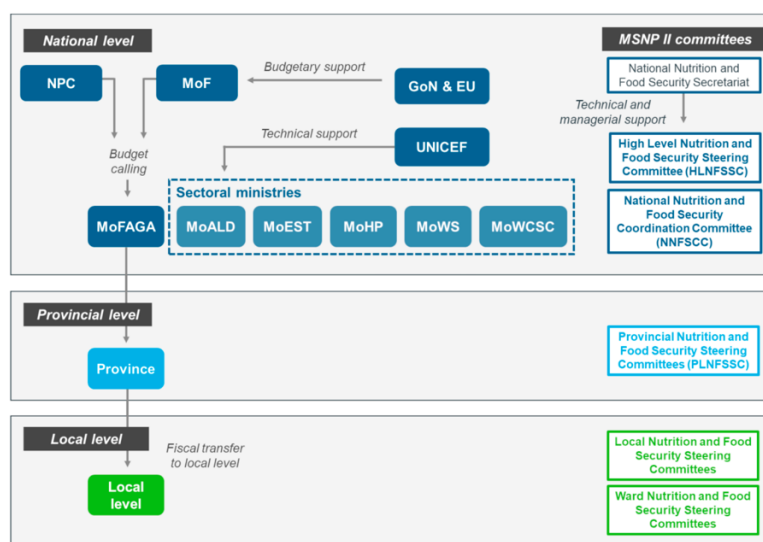
MSNP-III acknowledges that the human resource structure required for effective oversight and implementation requires considerable strengthening at every level (federal, provincial and local). Going forward the focus will be on strengthening capacities to mainstream nutrition within sector ministries, as well as ensuring that nutrition is increasingly central to core development planning and budgeting processes at both provincial and local levels. Confirmation of government commitment to adequately remunerate and support both local level MSNP volunteers (renamed MSNP Facilitators) and female community health volunteers will be a key step forward for effective implementation of the MSNP-III.

Sector Governance (including civil society)

MSNP-II was deployed in the context of nascent federalism and has clearly demonstrated an opportunity to mainstream nutrition as a cross cutting priority for human development and the reduction of inequalities (based on gender, age, disability, among others) at all administrative levels. Ensuring policy coherence and optimal synergies across horizontal sectors as well as vertical levels of government is therefore key to the effective implementation of the MSNP. Only coordinated and collaborative long-term engagement of multiple sectors represented by Government and non-government (including organizations of women, youth and persons with disabilities) actors can effectively address and reverse the trends of malnutrition in Nepal. In practice, while substantial efforts have been made to establish a corresponding system of nutrition governance, progress towards such a convergent approach has proven to be difficult to track with sectoral ministries having their own broader mandates and priorities to pursue. A key lesson learned is that nutrition outcomes which are not visible at local level, can be poorly prioritised and financed as compared to more visible investments in infrastructure.

The flow-chart below provides a snapshot of existing governance arrangements³⁸. At national level, the NPC has been supported by EU and UNICEF to take on a stewardship and coordination role³⁹, while technical and managerial oversight in the implementation of MSNP-II is provided by two committees: 1) the High-Level Nutrition and Food Security Steering Committee (HLNFSSC⁴⁰), and 2) the National Nutrition and Food Security Coordination Committee (NNFSSC⁴¹).

As Nepal transitions from a unitary form of government to federalism, improving nutrition governance requires (i) clarifying roles, responsibilities and coordination mechanisms between federal/national and provincial and local Governments (including PLNFSSCs and LNFSSCs⁴²); (ii) ensuring availability and adequacy of both financial and human resources, particularly at local level; (iii) understanding and championing a coordinated multi-sectoral gender-responsive and inclusive approach to nutrition by political, bureaucratic and technical stakeholders at all levels of Government; and (iv) tailored and evidence-based, multi-sectoral plans of action for nutrition at local level with availability of resources and capacities to drive implementation.



³⁸ Source: World Bank (2022)

³⁹ EU supported TA from UNICEF has contributed to build the capacity of the NNFSS to facilitate join meetings and to improve overall coordination across MSNP sectorial ministries.

⁴⁰ This is the highest-level Government body chaired by the Honourable Vice Chairman of NPC and members include Members of the NPC

⁴¹ The Coordination Committee aims to meet once a quarter to take stock of MSNP-III implementation.

⁴² At the sub-national level, the constitution, functionality and outputs of these committees often remains unclear.

An emergent risk is the perceived divide between nutrition specific interventions integrated within service delivery through the health system; and, the various nutrition sensitive interventions through other sectors associated with the transfer of resources by MoFAGA (in the form of a conditional grant primarily derived from EU support in the past) from federal to local level. In this regard, it will be crucial for technical support to align closely with the ongoing (and EU supported) ‘Provincial and Local Governance Support Programme’ (PLGSP) efforts across critical dimensions including institutionalisation of fiscal federalism and local service delivery mechanisms. Likewise, ensuring coherence and synergies with the recently developed ‘Food Systems Transformation Strategic Plan (2023-2030)’, also led by NPC, will be key⁴³.

Inclusiveness, Gender Equality and Women and Girls Empowerment: Malnutrition has complex causes, and prevailing cultural practices around gender preference, and taboos around food and hygiene, including during pregnancy, have strong effects on the nutritional status of women and young children⁴⁴. While MSNP-III spells out a strong commitment to reaching the most marginalised and poorest segments of the population while taking into account gender related factors, as evident with MSNP-II, the greatest challenge will be to translate such commitments into practice and to move beyond an over simplistic understanding of ‘the poor’ or ‘women and children’ as a discrete ‘sector’. With regard to tackling economic inequalities, moving beyond an overly simplistic understanding of poverty targeting narrowly based on geographic targeting towards a more rights based and universal, inclusive approach⁴⁵ presents an important strategic entry point for engagement, particularly given the incorporation of a child cash grant in MSNP-III.

In the case of gender, such a shift of attention to policy coherence across the policy landscape would involve moving beyond a narrow focus on interventions associated with the Ministry of Women, Children and Senior Citizens (including key initiatives to tackle drivers of gender inequality such as under-age marriage, gender based violence and exclusionary practices), to an approach that more explicitly ensures the integration of gender across all sectoral areas in the plan. The intention of MSNP-III to be “gender transformative” is encouraging. Indeed, Nepal’s 2015 Constitution promotes equality and inclusiveness, creating a strong legal framework and policy commitments for gender equality and social inclusion. In particular, Nepal’s ongoing transition to a Federal Republic and the quota system for all elected positions offer opportunities for women and marginalised communities for official representation and participation at all levels of government.

Contribution to Sustainable Development / Environmental Protection and Fight Against Climate Change: As stated in the 15th 5YP, Nepal has ratified the Paris Agreement on climate change and prepared a roadmap for its implementation, including a ‘nationally determined contribution’ roadmap. Furthermore, the promotion of climate smart agriculture is identified as a priority area of intervention in the MSNP-III, although it remains unclear how local level adaptation plans will be articulated with MSNP related priorities in municipalities. While the 15th 5YP recognises ‘biodiversity and natural environment as the backbone of the country’s tourism development’ there are considerable opportunities to strengthen the linkage with a sustainable food system approach to achieve healthy diets⁴⁶.

Assessment of the statistical and monitoring systems: National, Provincial, Local and Ward level Nutrition and Food Security Steering Committees have proven to be important platforms to review the performance of the Government’s and non-government actor’s interventions in support of MSNP-II at each of their levels. Nevertheless, there are considerable opportunities to strengthen data/information on Government and non-government stakeholders’ alignment with the MSNP-III. The MSNP-II introduced a detailed results framework

⁴³ In September 2022, Nepal held its 4th round of Food System Dialogues, with Nepal selected by the recently established UN Food System Coordination Hub to be a model country for the initiative and thereby receiving funding to accelerate local level actions. The Food System Transformation Strategic Plan (2023-2030) prepared by NPC envisages establishment of Food Councils and Coordination Committees at various levels of government. Of core relevance to MSNP-III will be the evolution of government thinking with respect to establishing a public distribution system along the lines of an Indian model and using an elaborate poverty targeting mechanism (following a high level WFP supported Study Tour in 2022), as foreseen in the “Right to Food and Food Sovereignty Act (2018)”.

⁴⁴ Sector analyses on gender equality and women’s empowerment, including nutrition, 2022, Commissioned by Nepal EU Delegation

⁴⁵ While there are pronounced inequalities between provinces and these should certainly be addressed, at the same time the less visible inequalities that persist in every province and municipality should not be neglected. While stunting prevalence is comparatively higher in mountainous areas, still the number of stunted children in mountainous areas is much less than those in non-mountainous areas.

⁴⁶ In this respect, the 15th FYP states recognises that: ‘Uncontrolled use of pesticides, antibiotics, hormones, and adulteration in agricultural products from some commercial pocket areas have also adversely impacted the supply and availability of safe, hygienic, and nutritious food items’.

that considerably clarified sector-wise, nutrition-specific and sensitive outcome and output indicators with baselines and annual targets together with sources of data and reporting responsibilities. While MSNP-III builds on this and marks further progress in aligning indicators with sectoral information systems, there remains scope to considerably strengthen optimal capacities to manage national gender-responsive and inclusive monitoring and evaluation systems at various levels, in accordance with national guidelines to measure programme delivery and sectoral performance.

The use of a web-based reporting system managed by MoFAGA is required for reporting by all local levels on MSNP-II, with opportunities to strengthen the utilisation of this mechanism during MSNP-III. At the local level, all municipalities are expected to provide quarterly and annual physical and financial progress reports to district coordination committees at provincial level and federal sectoral ministries. For conditional grants allocated to nutrition, local level governments are expected to report expenditures on the online reporting platform. The sectoral ministries at the federal level are expected to provide a comprehensive report of their performance to NPC. Health sector services are reported on the Health Management Information System (HMIS) managed by MoHP, while the Education Ministry reported on its sectoral performance through the Education MIS (E-MIS). MoWSS employs NWASH software to secure GIS based WASH data from local level governments. Other ministries including MoALD and MoWCSW do not currently have robust monitoring and evaluation or review process at local level⁴⁷.

The proposed action will support government efforts to generate a simplified reporting platform (including a consolidated dashboard aligned with the MSNP-III results framework) thereby enhancing abilities to capture the performance of priority nutrition interventions. Challenges associated with ensuring that policy is evidence based, are also exacerbated by the devolution of decision making on service delivery to the local level. The MTR of MSNP-II highlighted a concern that existing information systems are weak in terms of both poor quality and insufficiently disaggregated data as well as inadequate analysis and uptake at various levels of government. Increasing recognition across government of the importance of measuring the effectiveness across nutrition pathways of different interventions will provide a vital foundation for strengthening gender-responsive and inclusive accountability mechanisms⁴⁸.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed budget support contract.

2.3.2 Macroeconomic Policy

Nepal pursues satisfactory progress in the maintenance of stability-oriented macroeconomic policies. The three year IMF Extended Credit Facility (ECF) programme (of about USD 395.9 million) on-going since January 2022 provides an anchor for Nepal's macroeconomic stability oriented policies to continue in the near future. The Extended Credit Facility aims to: (i) contain spending while maintaining social spending e.g. to contain injection of funds which had taken place as COVID recovery measures such as the rapid credit growth to private sector which had increased to 100% of GDP; (ii) make policy making stronger (to build resilience), (iii) ensure financial sector stability, with several measures related to the Nepal Rastra Bank (central bank) and its supervision of commercial banks included in the programme. A disbursement of about USD 110 million took place at the start of the ECF. And in May 2023, the IMF Board approved the 1st and 2nd reviews under ECF together with the 2023 Article IV staff report, confirming that the Nepali authorities have taken decisive actions to maintain a stable macro-economic environment in the context of post COVID and global shocks. The latter assessment opens the way for Nepal to access a further USD 52 million disbursement within the ECF.

Overall, macroeconomic (stability) fundamentals are on track, imbalances from the post-pandemic economic recovery response (such as the rapid credit growth) have been brought under control through tighter monetary policies, the level of foreign currency reserves has recovered back to comfortable levels, and inflation is stable. Following a strong post-pandemic recovery, real GDP growth is projected to soften to 4.2% in FY 2022/23 vs. 5.8% in FY2021/22, reflecting the impact of external shocks and necessary policy adjustment but growth is supported by the ongoing recovery of tourism, strong agriculture sector performance in the first half of the year and resilient remittances.

The much-needed monetary policy tightening last year helped stabilize the external position and is contributing to lower inflation, while the recent mid-year budget review is expected to address near-term fiscal risks stemming

⁴⁷ MoWCSW has indicated plans to develop an online system of reporting with the support of Winrock International (World Bank, 2022)

⁴⁸ Currently there remain very basic gaps in information, exemplified for instance by the lack of national coverage data on the proportion of children under five with severe acute malnutrition accessing life-saving treatment

from lower-than-expected revenue growth (-15% for the first six months of FY2022/23 compared to the same period a year ago, leading to a budget cut of 13% to maintain fiscal deficit and debt sustainable). From FY2021/22 the central bank shifted from the previous accommodative policies adopted during the peak of COVID - which resulted in high credit growth - to more cautious policies aimed to preserve the credibility of the exchange rate peg, contain inflation and progressively improve financial supervision of commercial banks. Policy rates were raised in August 2021, February 2022 and July 2022 to curb excessive credit growth and encourage deposits. Through such measures the buffer of foreign exchange reserves increased, and reserves were at 9.4 months of imports in mid-January 2023, much above the 5.5 months recommended by the IMF and above the Nepal Rastra Bank target of 7 months of imports cover.

Inflationary pressures are therefore being managed and inflation is expected to remain between 6-8% in the present fiscal year (Nepal's Rastra Bank target is to reduce inflation and maintain it below 7%), despite international inflationary pressures to which Nepal is vulnerable as an import dependant country. The budget deficit is expected to remain at about 5% of GDP, which is lower than the previous fiscal year (-6.3% in FY21/22) and is forecasted to converge after 2024 to 4.5%.

Economic activity is supported by tourism, remittances (with a strong recovery since mid-2022), and private consumption post-pandemic. However, government policies adopted to reduce credit growth, and to reduce the previous surge in imports, had its impact on the economy as well, and Nepal's growth slowed in the first half of the fiscal year 2022/23.

Overall debt distress and external debt distress are considered low and this outlook is expected to continue. Debt to GDP (stock) was 44% and debt service is estimated at 1.93% of GDP, following the IMF's February 2023 assessment. As further confirmed by the Extended Credit Facility review, Nepal's macroeconomic framework is on a sustainable path with risks mitigated and several agreed measures to be adopted which should further consolidate macroeconomic fundamentals.

In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.3.3 Public Financial Management

Progress in public financial management has been consistently assessed as relevant and credible in the context of yearly assessments to ascertain continued eligibility for the on-going budget support programmes with Nepal. The most recent assessment is the Public Finance Management and Transparency Assessment report (from April 2023) which focuses on reviewing progress specifically over the past year i.e. from January 2022 to January 2023.

PFM financial, and technical support (through the World Bank) as well as continuous dialogue between government of Nepal and donors and international development agencies including the IMF and World Bank (which manages the PFM Multi-donor Trust Fund) have helped keep on track the implementation of reforms both broad and focused on key weaknesses.

The Public Financial Management Reform Strategy is in the process of being updated, a draft was shared with development partners in mid-October 2022, and the Government with PFM Multi-donor Trust Fund support conducted a PEFA assessment in 2022 now being finalised for peer review. The PEFA results will also inform the finalisation of the revised Public Financial Management Reform Strategy, ensuring its relevance. The PEFA 2022 report and the revised Financial Management Reform Strategy are two much-expected documents to better integrate fiscal federalism and to reconfirm PFM reform directions. Approval of PEFA is ongoing, as are the discussions on the review of the PFM reform.

Key achievements compared to targets in last year's follow-up PFM matrix confirm the credibility of the PFM reform agenda in Nepal. This includes: finalisation of the Citizens Engagement Strategy; progress on a) tax exemptions; b) the establishment of a fiscal risks' register and c) the development of a domestic revenue mobilisation strategy; roll-out of the medium-term expenditure framework guidelines at the three-tiers of the government; the Project Bank's Standard Operating Procedures (SOPs) were issued, and the management information system populated; Internal Control Framework and guidelines were developed based on international standards and the Internal Audit Code of Conduct was approved by Cabinet in May 2022; Public Debt Management Act was adopted by Parliament in September 2022; the Public Assets Management System (PAMS) was rolled out at federal and provincial levels and the Financial Management Information System (FMIS) was interfaced with major PFM IT systems.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4 Transparency and Oversight of the Budget

The entry point is considered to be met, as the Enacted Budget (the ‘Red Book’) for Fiscal Years 2020/21, 2021/22 and 2022/23 were published on the website of the Ministry of Finance in May 28, 2020; May 29, 2021 and May 29, 2022: <https://mof.gov.np/site/publication-category/28> (only available in Nepali). Similarly, the Office of the Auditor General (OAG)’s 57th Annual Report 2020, 58th Annual Report 2021 and 59th Annual Report 2022 were also published on the OAG’s website <https://oag.gov.np/menu-category/926/en> on 15 July 2020, 20 August 2021 and 13 July 2022 respectively.

The performance of Nepal under the Open Budget Index remains stable over the past few years (i.e. 39/100 in 2021) and International Budget Partnership gave in 2021 a positive appraisal on Nepal’s transparency during COVID as OAG conducted regular COVID audits. The preliminary PEFA 2022 assessment shows also slight improvements.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this action reflects that of the MSNP-III, namely “to improve nutrition status of Nepali citizens throughout the life cycle”.

The Specifics Objectives (Outcomes) of this action, reflecting those of the MSNP-III, are to:

1. Increase equitable access to and utilisation of quality nutrition-specific and nutrition-sensitive services for the Nepali people; and
2. Improve the understanding, behaviour and practices around health, nutrition, and Water, Sanitation, & Hygiene (WASH)

As part of the TEI on green recovery, Germany (through KFW) intends to support the social protection component of MSNP-III, contributing to specific objective 1.

The **Induced Outputs** of this action focus on supporting:

- 1.1. enhanced availability and quality of nutrition-specific and nutrition-sensitive services with a strong focus on reduced inequalities, particularly for women, girls and persons with disabilities;
- 1.2. Strengthened nutrition friendly, gender-responsive and inclusive governance mechanisms at all levels of government, including multi-sector human resources and knowledge management systems; and
- 2.1. Expanded social and behaviour change (SBC) interventions on health, nutrition and WASH related knowledge, behaviour and practices with a gender transformative and disability inclusion approach.

The **Direct Outputs** resulting from the EU Budget Support include:

1. Linked to Induced output 1.1, increased fiscal space and predictability of funds for availability and quality of nutrition services;
2. Linked to Induced output 1.1, Strengthened capacities (both technical and functional) of relevant stakeholders across all sectors and levels, particularly provincial and local level governance institutions and systems, on integration of local service delivery mechanisms, and their implementation and monitoring while adhering to gender transformative and disability sensitive approaches; and
3. Linked to Induced output 1.2, Improved and coordinated policy dialogue with a strong focus on reducing inequalities and incorporating gender transformative and disability sensitive approaches to ensure inclusive governance mechanisms;
4. Linked to Induced output 1.2, Enhanced joint sector review mechanisms, with more credible performance assessment and reporting systems to ensure accountability and transparency;
5. Linked to Induced output 2.1, Enhanced capacities of national stakeholders on design and operationalisation of an inequality sensitive, nutrition related strategic information management system.

3.2 Indicative Activities

Activities relating to Direct Output 1

- Regular monitoring with respect to macro-economic and PFM, as well as budget transparency;

- Provision of technical support to advance efforts to resolve the challenge encountered with costing and resource tracking for MSNP-III, and by facilitating a lesson learning process with regard to best practice in gender responsive budgeting and auditing initiatives (both in Nepal and regionally / globally);
- Preparation of the disbursement files.

Activities relating to Direct Output :

- Strengthening both technical and functional capacities to ensure the effective gender-responsive and disability inclusive integration of nutrition specific services across the national health system; assess MSNP-III related capacity gaps and develop a comprehensive plan for tackling them, strengthening both technical and functional capacities required to deliver on MSNP-III outcome areas relating to nutrition sensitive services, governance and public finance (including alignment with efforts of the PLGSP regarding evolving institutionalisation of fiscal federalism and intergovernmental transfers and local service delivery mechanisms);
- Supporting national efforts to strengthen the policy coherence between MSNP-III and both the Food Systems Transformation Strategic Plan (2023 – 2030) and the Right to Food and Food Sovereignty Act (2028) with respect to sustainable and inclusive food systems for healthy diets and good nutrition in alignment with MSNP objectives;
- Technical support for the operationalisation of government commitments to strengthen legislation (and corresponding regulatory systems) with regard to addressing all forms of malnutrition – in particular legislation relating to regulation of marketing for breastmilk substitutes and aggressive marketing of unhealthy food to children;

Activities relating to Direct Output 3:

- Regular dialogue with the government, focusing on policy framework; results and disbursement conditions of the Sector Reform Performance Contract (SRPC) and adequate implementation of complementary measures;
- Participation as appropriate in federal and provincial level coordination mechanisms, sector meetings / reviews and technical working groups;
- Supporting efforts to advance policy uptake of evidence pertaining to the significance of various options with regard to the child cash grant (targeting, level of transfer, conditions or not etc.) in line with the rights based approach of the “Right to Food and Food Sovereignty Act (2018)”.

Activities relating to Direct Output 4:

- Technical support and capacity building to further develop the web-based reporting system;
- Monitoring of performance targets and indicators to be used for disbursement.

Activities relating to Direct Output 5:

- Support national stakeholders to design and operationalise a strategic knowledge management system for the MSNP-III;
- Put in place decentralised nutrition information hubs to accelerate the generation of evidence as to what works, drive learning opportunities and reinforce accountability mechanisms at all levels and with a strong inequalities focus based on gender, disability and age, among others.

The commitment of the EU’s contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member’s meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required.

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality and women's rights will be a significant objective of the action.

Women's control over decision-making on health and nutrition related issues is low, and this is worsened by intersecting forms of discrimination such as age, disability, caste, ethnicity, geographic location and income, among others. Despite the progressive commitments laid out in Nepal's 2015 Constitution and the Gender Equality Strategy (2020), weak capacities for implementation, enduring social norms devaluing women and harmful cultural practices continue to present considerable barriers for women and girls to enjoy their right to health and well-being. The proposed action will simultaneously focus on opportunities at all three levels of government to support meaningful leadership outcomes with regard to the quota system for women - particularly those from poor and marginalised communities related to nutrition. In line with the EU's Gender Action Plan (GAP III) together with the recently launched EU programme 'Empowered Women, Prosperous Nepal' (2023-2026), opportunities will be identified to sensitively advance the introduction of gender transformative approach with a special focus on youth as agents of change. This will be undertaken in the context of addressing the core challenges of reducing the unequal share of unpaid and undervalued household and care work that women undertake while ensuring freedom from all forms of gender based violence and strengthening women's voice and political representation at every level. As highlighted by the detailed EU country level Sector Gender Analysis (2022) these challenges can be considered as basic causes and hence prerequisites for ending malnutrition and strengthening the gender responsiveness of sectors beyond a narrow approach that primarily concentrates on improved nutrition services for women in the context of their reproductive roles as mothers⁴⁹. Including men and boys in nutrition discussions at the household level is key. At the same time, the scaling up of interventions to advance healthy diets and good nutrition that adolescent girls, pregnant and breastfeeding women and their children will also be accelerated in line with the targets of MSNP-III.

In particular, this action is aligned with the following thematic area of engagement of the EU's GAP III and the GAP III Country Level Implementation Plan (CLIP) (2021-2025): "Promotion of economic and social rights and empowerment of girls and women".

Human Rights

This action is aligned with the EU's Action Plan on Human Rights and Democracy 2020-2024.

The Prime Minister of Nepal has stated that nutrition must be seen 'as the foundation of human rights' and the MSNP-III explicitly highlights 'respect, protection and fulfilment of human rights' as a core value. The rights to food sovereignty, food security, equal access to free basic health and nutrition services, clean drinking water, and sanitation are all enshrined as fundamental human rights in Nepal's 2015 Constitution. Given that the root causes of malnutrition include multi-dimensional poverty, inequality and discrimination, the proposed action builds on the commitment of the Commission to adopt a human rights-based approach to development cooperation which will ensure respect for all human rights, participation, non-discrimination, accountability and transparency throughout the action. In line with the human rights-based approach methodology, the proposed action will abide by the 'do no harm principle' to avoid unintended negative impacts in terms of human rights. Given that the majority of the population is unable to afford a healthy diet, strengthening coherence between MSNP-III and both the Right to Food and Food Sovereignty Act (2018) and the Social Security Act (2018), together with the Integrated National Framework on Social Protection (2022) present important areas of opportunity for EU policy engagement.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that specific attention will be given to the commitment of MSNP-III to support "a disability friendly continuum of care and services", as part of its promotion of Gender Equity and Social Inclusion (GESI). In addition, this action seeks to contribute to the commitment set out in the current Government 15th National Development Plan (2019 -2024): "To dignify and promote the rights of persons with disabilities, the country must emphasise inclusion, equity and participation".

Analysis of disability issues impacting nutritional status and norms/root causes of the discriminatory practices, to identify specific social barriers for persons with disabilities will be advocated as part of the policy dialogue. Specific interventions should be promoted to address these barriers in implementation and monitoring, leading to

⁴⁹ As the study pointed out, unfortunately the situation of 'men's indifference to nutrition' persists and there is a pressing need to sensitise men to engage in and assume co-responsibility for the nutrition agenda.

progress towards transformative change. Systematic collection of disability disaggregated data is foreseen in the monitoring framework of MSNP-III for all impact indicators.

Reduction of inequalities

As per the Inequality Marker, this Action Document has been labelled as an I-2. National data on inequalities in terms of various nutrition outcomes reveals a picture of stark disparities and highlight the entrenched intersection of wealth, gender, disability, education, caste, ethnic and spatial inequalities. Stunting for example, is particularly high among children of the lowest wealth quintiles households (36.9% and 28.4% respectively for the 2 lowest wealth quintiles, compared to the national average of 24.8%). More disaggregated data at the provincial and local level will be key to drive political commitment and accountability and ensure that marginalised and vulnerable populations are not left behind. Correspondingly, the hallmark of the EU approach will be a focus on implementation of integrated local development plans, unleashing local potential and greater accountability to local populations. Strengthening the evidence and advocacy base with respect to the potential for social protection to address nutrition inequalities – in particular via a scaled up child cash grant – will be a policy priority, advanced in partnership with KfW and UNICEF.

Democracy

The implementation of Nepal's federal constitution (2015) presents opportunities to address the long standing root causes of poverty, gender inequality and social exclusion by strengthening the representation of women and historically disadvantaged groups (including persons with disabilities), while strengthening horizontal and vertical accountability to all citizens. A key challenge to be addressed in the context of support to the MSNP-III will therefore be strengthening of lines of accountability and in particular, supporting the creation of greater space for meaningful civil society, particularly organisations of women, youth and persons with disabilities engagement.

Conflict sensitivity, peace and resilience

The action will contribute to strengthen the nutritional services at local government level and to reduce disparities between them, contributing to a decrease of the flaring up of political agitation and conflict. Respecting local differences and allowing local governments and communities to make their own informed choices is a guiding principle of the plan. In the context of Nepal, it will also be important to promote evidences to demonstrate the advantages of a rights based and inclusive lifecycle approach to tackling inequalities whereby the risks of exclusion, stigma, high costs and corruption associated with a more rigid poverty or geographically targeted strategy may be avoided.

Disaster Risk Reduction

MSNP-III explicitly incorporates enhanced nutrition preparedness and response during emergency as a core component. Strengthening functional capacities of nutrition clusters at provincial level and ensuring that local governments have developed nutrition-sensitive emergency contingency plans are key indicators included in the results framework of the MSNP-III.

3.4 Risks and Lessons Learnt

Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Risk 1: Federalisation process slower than expected, affecting technical and functional capacities. Difficulty in implementing depending on type of source of funding (nutrition-specific interventions delivered by health system and nutrition-sensitive interventions through resources through MoFAGA). Confusion at various levels of government with respect to implications of	M	M	Complementary support designed strategically to provide support to strengthen capacities to delivery both nutrition specific and sensitive interventions. Building on existing initiatives to assess MSNP-III related capacity gaps, priority will be given to governance and public finance including alignment with efforts of the PLGSP regarding evolving institutionalisation of fiscal federalism and intergovernmental transfers and local service delivery mechanisms. Regular evidence-based advocacy and policy consultation

strengthening nutrition within sector plans and budgets.			with government to closely monitor policy coherence and optimal nutrition- sensitivity across all key sectors as well as support to policy ownership at various levels.
Risk 2: Delays in launching effective, inequality / gender sensitive and user friendly M&E system, especially at local level, undermines lines of accountability.	M	H	Complementary support incorporates efforts to reinforce government capacities in these areas, including significant technical support to integrate a nutrition perspective into the M&E processes at local level through the introduction of a simple dashboard (functioning as a concise checklist)
Risk 4: Insufficient attention to ensuring gender and inequality responsive engagement and consultation with local communities, which would ensure buy in, inclusion and cultural appropriateness of the interventions at local level.	M	H	Ensure strong synergies with ongoing EU programme 'Empowered Women, Prosperous Nepal' (2023-2026) and identify opportunities to sensitively advance the introduction of gender transformative approach with a special focus on youth as agents of change.
Risk 5: Government shows weak commitment to make the most of opportunities to reform social security in line with rights based, lifecycle approach in support of nutrition and food security, particularly with respect to women and children.	M	H	Complementary measures include technical support to advance policy uptake of evidence pertaining to the significance of various options with regard to the child cash grant (targeting, level of transfer, conditionalities or not etc.) in line with the rights based approach.
Risk 6: Inadequate attention to double / triple burden in the context of Nepal's 'nutrition transition' with rapidly increasing consumption of ultra-processed foods, undermines progress.	H	H	Technical support for the operationalisation of government commitments to strengthen legislation (and corresponding regulatory systems) with regard to addressing all forms of malnutrition – in particular legislation relating to regulation of marketing for breastmilk substitutes and aggressive marketing of unhealthy food to children.
Risk 7: Absence of comprehensive knowledge management system for MSNP-III presents a barrier to learning and undermines the extent to which decision making can be evidence based.	M	M	Technical support provided to stakeholders at relevant levels to design and operationalise a strategic knowledge management system for the MSNP-III, including decentralised nutrition information hubs to accelerate the generation of evidence as to what works, drive learning opportunities and reinforce accountability mechanisms at all levels and with a strong inequalities based on gender, disability and age, among others.
Risk 8: Policy fracture develops between MSNP-III and high level policy priorities related to the right to food, food sovereignty and food systems as well as prevention and control of NCDs. At fiscal level, MSNP-III fails to resolve the strategic and technical questions on what constitutes a nutrition relevant investment and how to track resources.	M	M	Supporting national efforts to strengthen the policy coherence and synergies between MSNP-III and both the Food Systems Transformation Strategic Plan (2023 – 2030) and the Right to Food and Food Sovereignty Act (2028) with respect to sustainable and inclusive food systems for healthy diets and good nutrition in alignment with MSNP objectives. Provision of technical support to advance efforts to resolve the challenge encountered with costing and resource tracking for MSNP-III, and by facilitating a lesson learning process with regard to best practice in gender responsive budgeting and

			auditing initiatives (both in Nepal and regionally / globally).
Risk 9: Environmental fragility and increased risk of natural disasters exacerbated by climate change.	H	M	The EU will support the government to strengthen prevention, mitigation and disaster risk reduction across the MSNP-III, so as to deliver on targets related to emergency nutrition preparedness.

3.5 The Intervention Logic

The underlying intervention logic for this action is aligned with that of the Government's national commitment for nutrition, and builds on the sustained efforts of EU financed programmes since 2011 in support of Government efforts to advance and implement its national multi-sectoral nutrition policy. Hence, the intervention logic centres on financing for results and capacity development by utilising both budget support and complementary measures to strengthen the comprehensive and holistic approach of Nepal's MSNP-III.

If the availability and quality of nutrition services are enhanced, with a strong focus on reducing inequalities, particularly for women, girls and persons with disabilities,

If nutrition friendly, gender-responsive and inclusive governance mechanisms are strengthened at all levels of government, including multi-sector human resources and knowledge management systems. If joint sector review mechanisms, with more credible performance assessment and reporting systems are enhanced; and if capacities of relevant stakeholders across all sectors and levels are strengthened on integration of local service delivery mechanisms, and their implementation; and if policy dialogue is improved and coordinated with a strong focus on reducing inequalities and incorporating gender transformative and disability sensitive approaches,

Then Nepali people will have an equitable access to nutrition services and will be able to better utilise them.

This is because this combination of modalities will ensure, through financial transfers (increasing fiscal space and predictability of funds) combined with policy dialogue and technical assistance for capacity development, that increased numbers of citizens will have been equitably reached via a range of public services prioritised by the MSNP-III to improve nutrition.

And because the complementary support component of the action will continue to harness the opportunities unleashed by the federal transition and take forward the recommendations of MSNP-II MTR for reinforcing nutrition governance.

In particular the focus will be on strengthening efforts to ensure that areas of intervention prioritised by MSNP-III are effectively mainstreamed in local level planning processes as well as sectoral strategies and annual plans (with performance measured using the same indicators as those agreed in the MSNP-III). Assisting in the clarification of roles and responsibilities for policy implementation, M&E and accountability mechanisms at all levels, as well as across different stakeholders including civil society and the private sector, will also be key to the intervention logic. The creation of a common understanding among all stakeholders of the MSNP as a strategic plan (and not a time bound programme) in alignment with and to deliver on national commitments will be crucial in this regard.

If social and behaviour change (SBC) interventions are expanded on health, nutrition and WASH related knowledge, behaviour and practices with a gender transformative and disability inclusion approach. And if capacities of national stakeholders are enhanced on design and operationalisation of an inequality sensitive, nutrition related strategic information management system.

Then there will be better understanding, behaviour and practices around health, nutrition, and Water, Sanitation, & Hygiene (WASH).

Ultimately, the nutrition status of Nepali citizens throughout their life cycle will be improved. And international evidence confirms that such achievements can be expected to further accelerate efforts to eradicate poverty and reduce inequalities based on gender, disability and age, among others, thereby promoting sustainable and inclusive growth in Nepal.

The generation of convincing gender-responsive and inclusive evidence to confirm the effectiveness of nutrition related investments is also expected to play a crucial role in terms of sustaining political and financial commitment to the MSNP. Where appropriate, the programme will pay attention to 'budget work', which can include budget analysis, but also encompasses work such as expenditure tracking of various sorts, assessments of the impact of government expenditures, community education about the budget, advocacy related to the way the budget impacts

for example the poor and/or the populations living in vulnerable situations with particular attention to women and persons with disabilities, among others.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest.

New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy	To improve nutrition status throughout the life cycle by ensuring universal access to quality nutrition-specific and sensitive services and strengthening enabling environment for nutrition	1. Prevalence of stunting (height for age) among children under 5 years of age, disaggregated by sex, and disability status (SDG 2.2 and) GERF 1.25)	1. 24.8 % ((M: 24.7%, F: 25%) (Nepal Demographic and Health Survey, NDHS 2022)	1. 20% (July 2026), 19% (July 2027)	1. NDHS, Multiple Indicator Custer Survey, MICS
		2. Prevalence of wasting (weight for height) among children under 5 years of age, disaggregated by sex, and disability status (SDG 2.2)	2. 7.7% (M: 8.5%, F: 6.9%) (NDHS 2022)	2. 5% (July 2026), 4% (July 2027)	2. NDHS, MICS
		3. Percentage of children aged 6-23 months having minimum acceptable diet (disaggregated by sex) (MSNP-III)	3. 31% (M : 32.3%, F : 29.5%) (MICS 2019)	3. 38% (July 2026), 40% (July 2027)	3. MICS

		4. Percentage of women (15-49) having minimum dietary diversity (MSNP-III) (disaggregated by ethnicity and income when available)	4. 50% (NDHS 2016)	4. 65% (July 2026), 75% (July 2027)	4. NDHS
Expected Outcomes of the policy	1.increase equitable access to and utilization quality nutrition-specific and nutrition-sensitive services for the Nepali people,	1.1. % of population using safely managed drinking water (SDG 6.2), disaggregated by sex and income when available	1.1. 78.7% (MICS 2019)	1.1. 85.75% (July 2026), 94% (July 2027)	1.1. NDHS
	2.Improve the understanding, behaviour and practices around health, nutrition, and WASH,	2.1. Percentage of children (0-5 months) exclusively breastfed, disaggregated by sex, and disability (MSNP-III)	2.1. 56.4% (NDHS 2022)	2.1. 70% (July 2026), 85% (July 2027)	2.1. NDHS
		2.2. Percentage of girls/women aged 15-49 years reporting menstruating in the last 12 months and using menstrual hygiene materials with a private place to wash and change while at home (disaggregated by disability)	2.2. 83.1% (MICS 2019)	2.2. 95% (2027)	2.2. MICS, NDHS
Induced Outputs	1.1. Enhanced availability and quality of nutrition-specific and nutrition-sensitive services with a strong focus on reduced inequalities, particularly for women, girls and persons with disabilities;	1.1.1. Number of women, adolescent girls and children under 5 reached by nutrition specific services with the EU support (GAP III indicator aligned with GERF 2.33)	1.1.1. Tbd	1.1.1. Tbd	1.1.1 Web-based Reporting System (WBRS)
		1.1.2. Percentage of children under five with severe acute malnutrition accessing treatment (coverage), disaggregated by sex, and disability	1.1.2. Tbd	1.1.2. Tbd	1.1.2. WBRS
		1.1.3 Number of children receiving child grant, disaggregated by sex and disability, Dalit/non Dalit)	1.1.3 794,221 (Department of National ID and Civil Registration, DoNIDCR)	1.1.3 tbd	1.1.3. DoNIDCR
	1.2. strengthened nutrition friendly, gender-responsive and inclusive governance mechanism at all levels of government, including better management of multi-sector human resources and	1.2.1. Extent to which schools monitor the provision of safe water and sanitation facilities for menstrual hygiene management (GAP III indicator)	1.2.1. Tbd	1.2.1 Tbd	1.2.1 Education Management Information System (MIS)

	strengthened knowledge management systems (linked to specific objective 3);				
	2.1 expanded social and behaviour change (SBC) interventions on health, nutrition and WASH related knowledge, with a gender transformative and disability inclusion approach.				
Direct Outputs	1 Increased fiscal space and predictability of funds for MSNP-III;	1.1.1. Percentage of municipalities allocating 15 % of social sector programmes budget for MSNP implementation	1.1.1. Tbc	1.1.1. 92% (2027)	1.1.1. WBRS
	2 strengthened capacities (both technical and functional) of relevant stakeholders across all sectors and levels, provincial and local level governance institutions and systems, on integration of local service delivery mechanisms, and their implementation and monitoring while adhering to gender transformative and disability sensitive approaches;	1.4.1. Number of initiatives successfully completed with the support of this Action to improve local service delivery mechanisms, and their implementation and monitoring processes	1.4.1. 0 (2023)	1.4.1. Tbd (2027)	1.4.1. Progress updates; Minutes of meetings
	3 Improved and coordinated policy dialogue with a strong focus on reducing inequalities and incorporating gender transformative and disability sensitive approaches;	1.2.1. Number of formally agreed policy recommendations aimed to address reduction of inequalities or incorporate gender transformative and disability sensitive approaches	1.2.1. 0 (2023)	1.2.1. 2 (2027)	1.2.1. Minutes of policy dialogues
	4 Enhanced joint sector review mechanisms with more credible performance assessment and reporting systems;	1.3.1. Number of annual Joint review conducted based on an improved performance assessment framework	1.3.1. 0 (2023)	1.3.1. 2 (2027)	1.3.1. Review report
	5 Enhanced capacities of national stakeholders on the design and operationalisation of an inequality sensitive, nutrition related strategic information management system;	2.1.1. Status of inequality sensitive, nutrition related strategic information management system	2.1.1. Non existent (2023)	2.1.1. System fully operational (2027)	2.1.1. List of users

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Nepal

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 21 000 000, and for complementary support is EUR 2 000 000. This amount is based continuing the previous level of support to Nepal's nutrition sector and on an assessment of an effective strategic balance between direct financial support to be paid in 3 tranches and a three-year period of complementary technical support covering the period 2024 to 2026.

Financial allocations will be spread across variable tranches indicators to reflect priority areas of focus. Overall, the amount allocated to budget support corresponds to approximately 5% of the yearly MSNP estimated costs and 16% of the total resources expected by the government from external DPs in the MSNP-III estimated cost by funding source, over the first 3 years of the plan.

The programme is expected to be implemented over four years, with three foreseen budget support payments. The indicative share of the fixed and variable tranche is 40% fixed tranche (EUR 8 million) and 60% variable tranche (EUR 13 million).

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions.

The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Multi-Sector Nutrition Plan III (2023-2030) and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following policy priorities: inclusiveness, result-based orientation, governance, evidence-based planning and budgeting.

c) Modifications.

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing ex-ante, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors

beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3 Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Nepali Rupee will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

4.4 Implementation Modalities for complementary support to a BS

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁵⁰.

4.4.1 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Internationally recognised expertise and extensive working experience in the nutrition as well as experience in the integration of the gender and disability inclusion approach in this sector;
- Sufficient logistical and management capacities in Nepal to deploy nationwide, proven by offices in at least 3 provinces;
- Managerial capacity, expertise and long-standing experience of at least 3 years in directly implementing nutrition interventions and liaising with relevant stakeholders (including government institutions, NGOs, local communities, the private sector and other DPs and UN agencies) in Nepal.

The implementation by this entity entails contribution to all specific objectives, and in particular SO2 (scale up social and behaviour change), Induced output 2.1 (social and behaviour change interventions) and to the direct outputs 4 (strengthening capacities) and 5 (framework for nutrition related information management).

4.4.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case this action cannot be implemented in indirect management due to circumstances outside of the Commission's control, it will be implemented in direct management (procurement). This implementation will contribute to the achievement of the four specific objectives specified in 3.1.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

⁵⁰ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in EUR
Budget support - cf. section 4.3	21 000 000	
Objective/Outputs 1 to 4 composed of		
Indirect management with an entrusted entity - cf. section 4.4.1	2 000 000	2 000 000
Totals	23 000 000	2 000 000 (+ 10 000 000 in parallel funding from KfW)

4.7 Organisational Set-up and Responsibilities

The indicative steering arrangements for this programme will both harness and strengthen the existing multi-sectoral institutional architecture adopted by MSNP-II, and as summarised in Section 2.2 above, with the highest level of coordination mechanism for MSNP-III being the High-Level Nutrition and Food Security Steering Committee, chaired by the Honourable Vice-Chair of the National Planning Commission (NPC) as the apex advisory body of the government. The European Union will participate in this Steering Committee. With the envisaged role of the Ministry of Home Affairs with respect to social protection as a priority sector for Nutrition it will be important to ensure that their engagement at the highest level is secured. It's also important ensuring that the EU, as part of its policy dialogue, participates in the National Nutrition and Food Security Coordination Committee to review progress and strategize future actions (chaired by the Honourable Member of the NPC). Within this and other existing structures as well as through bilateral meetings, the EU Delegation will ensure regular policy dialogue with government, development partners and civil society, particularly organisations of women, youth and persons with disabilities. External technical support will be paramount to the achievement of expected results and will contribute directly and effectively through-out the time frame of the action to the significant reinforcement of the National Nutrition and Food Security Secretariat (NNFSS) as well as the governance structure at provincial and local levels. Yearly meetings to review this support with the Government will be held.

The Ministry of Finance will be responsible for formally requesting the annual disbursements and providing adequate reporting demonstrating the fulfilment of the agreed disbursement conditions.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the action as follows: The Nutrition and Food Security Steering Committees set up at all levels of government have proven to be important platforms to review the achievements during MSNP-II implementation. The MSNP-II saw the introduction of a detailed results framework that considerably advanced clarification of sector-wise, nutrition-specific and sensitive outcome and output indicators with baseline and annual targets together with sources of data and reporting responsibilities. Local governments have used a web-based reporting system set-up and managed by MoFAGA during MSNP-II.

While MSNP-III builds on this there are considerable opportunities to strengthen data/information on stakeholders' contribution to MSNP-III. MSNP-III M&E framework marks further progress in aligning indicators with sectoral information systems. However, there remains scope to considerably strengthen optimal capacities to manage national M&E systems at various levels, in accordance with national guidelines to measure programme delivery and sectoral performance.

At the provincial and local level, all local levels are expected to provide quarterly and annual physical and financial progress reports to district coordination committees at provincial levels and federal sectoral ministries. For conditional grants allocated to nutrition, local levels are expected to report expenditures on an online reporting platform. The sectoral ministries at the federal level are expected to provide a comprehensive report of their performance to NPC. MSNP indicators will be included in the sectoral information system to track sectoral progress. Health sector services are reported on the Health Management Information System (HMIS) managed by MoHP, while the Education Ministry reports on its sectoral performance through the Education MIS (E-MIS). MoWSS employs NWASH software to secure GIS based WASH data from local levels. Other ministries including MoALD and MoWCSW do not currently have robust M&E or review process at local levels.

Moreover, the Nepal Nutrition and Food Security Portal will be further strengthened for knowledge management and as a common dissemination platform to publish reports and make information accessible to all the relevant stakeholders at all levels.

It is also envisaged to develop an integrated nutrition information management system (INIMS) under the leadership of NPC to link the sectoral information and data and track the progress. This could include a consolidated dashboard aligned with the MSNP-III results framework. The INIMS will be hosted by the National Nutrition and Food Security Secretariat. Additionally, feedback mechanisms within three levels of government and between the stakeholders will be strengthened for timely course correction.

Monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated at least by sex.

5.2 Evaluation

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components through a joint mission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that MSNP-III covers a period of 8 years, and the action only supports the first 3 years of the plan.

The evaluation of this action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment, disability inclusion and reducing

socioeconomic inequalities. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

The evaluation plan could assess the distributional impact of activities undertaken on the bottom (poorest) 40 per cent or socio-economically disadvantaged individuals, households or groups. This can be done through an ex-ante or ex-post Distributional Impact Assessment tool (DIA). The DIA analysis looks at the effective targeting of beneficiaries of development interventions, identifying if more than 40 per cent of beneficiaries are at the bottom two quintiles of the income or wealth distribution. It also allows to evaluate whether effective targeting has been done towards women, children and youth or other disadvantaged groups (e.g. ethnic minorities) or at territorial level.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.