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Country Strategy for
Development Cooperation with

NEPAL
2013–2016

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Abbreviations

ADB	Asian Development Bank
CA	Constituent Assembly
CPA	Comprehensive Peace Accord
CPI	Transparency International's Corruption Perception Index
CSO	Civil Society Organization
DDC	District Development Committee
DRR	Disaster Risk Reduction
DP	Development Partner
EU	European Union
EFA	Education for All
FAO	Food and Agricultural Organization of the United Nations
GESI	Gender Equity and Social Inclusion
GoF	Government of Finland
GoN	Government of Nepal
GDP	Gross Domestic Production
HDI	Human Development Index
HIV/AIDS	Human immunodeficiency virus / Acquired immunodeficiency syndrome
HRBA	Human Rights Based Approach
ICI	Institutional Cooperation Instrument
ICIMOD	International Centre for Integrated Mountain Development
IDPG	International Development Partners Group
IFAD	International Fund for Agricultural Development
INGO	International Non-Governmental Organization
IWRM	Integrated Water Resources Management
JASR	Joint Annual Sector Reviews
JFA	Joint Financing Arrangement
LDC	Least Developed Country
MDG	Millennium Development Goals
MFA	Ministry for Foreign Affairs of Finland
NASA	National Student Achievement tests
NER	Net enrolment ratio
NGO	Non-Governmental Organization
NHRC	National Human Rights Commission
NPC	National Planning Commission or National Project Coordinator
NPD	National Project Director
ODA	Official Development Aid

ODF	Open Defecation Free
OECD/DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
SC / SB	Steering Committee / Supervisory Board
SWAp	Sector-Wide Approach
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UN-HABITAT	United Nations Human Settlements Programme
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
USA	United States of America
VDC	Village Development Committee
WASH	Water, Sanitation and Hygiene
WB	World Bank
WHO	World Health Organization
WUMP	Water Use Master Plan

Projects

FRA	Forest Resources Assessment Project
LFLP	Leasehold Forestry and Livestock Development programme
MSFP	Multi-Stakeholder Forestry Programme
RVWRMP	Rural Village Water Resources Management Project
RWMP	Regional Waste Management Project
RWSSP	Rural Water Supply and Sanitation Project
SEAM	Strengthening Environmental Administration and Management at Local Level
SSRP	School Sector Reform Programme
TEVT	Technical Education and Vocational Training
UNICEF WASH	United Nations Children's Fund's Water, Hygiene and Sanitation programme

1 Executive Summary: NEPAL

Nepal has undergone a radical political transformation since 2006. Dramatic changes marked by the end of the civil war and abolition of the monarchy. However, eight years after signing the Comprehensive Peace Accord (CPA) the socio-political and economic situation remains fragile and the economic aspirations of the people are yet to be met. The political transformation process towards entrenching a functioning democracy has been marked by prolonged political rivalry. The struggle for human rights in Nepal for liberation, entitlements and social opportunities still remains unfinished. The failure of the Constituent Assembly (CA) to deliver the Constitution by the deadline in May 2012 has left Nepal in a political vacuum. A credible, free and fair election depends on the ability of the political parties to create a secure environment for political actors and voters.

Nepal still belongs to the Least Developed Countries (LDCs) group and remains among the poorest countries in South Asia. Many political, institutional or cultural factors, such as access to education and health facilities, hygiene facilities or employment opportunities, play a role in the increase of poverty. There is a pressing need to increase delivery on aspirations for the transformation of Nepal in terms of rights, equality, inclusion and embarking upon the fundamental political, socio-economic and governance transformations outlined in the CPA and the Interim Constitution.

The overall development goal of the Government of Nepal (GoN) is to attain poverty reduction through sustainable, inclusive and equitable growth. In the current Three Year Plan ending in July 2016 the GoN stresses employment generation, infrastructure development and agriculture as the engines for development. Nepal is thriving to achieve the Millennium Development Goals (MDGs) by incorporating them in the Three Year Plans and annual budgets. Despite this positive national trend, wide disparities between rural and urban areas still persist at the national level.

The Finnish Country Strategy for Nepal aims to address the most marginalized and vulnerable people in the society by enhancing their livelihoods and improving their access to basic services. Human rights, gender and other cross-cutting objectives are systematically mainstreamed into programming and planning of the Finnish development cooperation. In the country consultations between Nepal and Finland in January 2013 it was mutually agreed that Finland will continue to support education, water supply & sanitation and forestry sectors. Main thrust of the Finnish development assistance will be directed to remote rural areas. In parallel, efforts are made to strengthen coordination between central government and local administration. In close cooperation with other development partners Finland continues to support Nepal's peace process, transition to democratic federal state and promotion of the rule of law. Maintaining stability and peace is prerequisite for achieving development.

The objectives of the Finnish Country Strategy with Nepal:

- ▶ to promote equitable and inclusive access to quality education
- ▶ to increase access to safe drinking water and sanitation especially in the rural areas;
- ▶ to promote good governance through capacity building for public institutions and civil society;
- ▶ to enhance management of natural resources, especially forests;
- ▶ to facilitate economic empowerment especially for women and marginalized groups.

Increased attention is placed upon human rights based approach and related themes. The new projects started during the programme period are “Strengthening Rule of Law and Human Rights Protection System in Nepal”, “Support to Components of UN Women Nepal Country Office Strategic Note and Annual Work Plan 2014-17”, “Technical Assistance for the TEVT (Soft Skills) Development in School Education in Nepal”. In addition, additional support is considered to Peace process (e.g. Nepal Peace Trust Fund, IDEA Nepal branch) and for environmental conservation.

Regarding public financial management, these issues are an element of nation-wide programmes that Finland supports in education and forestry sectors.

Finland will strengthen results based approach to planning, monitoring and evaluating the interventions and reduce the number of interventions. Furthermore, targeted policy dialogue is conducted with government institutions, multilateral development partners and CSOs.

2 Country Analysis

Nepal is a land-locked country between two giant neighbours, India and China. With an area of 147,181 sq km, Nepal is home to 26.6 million inhabitants representing over 120 ethnic groups and 100 languages. The population density is 181/sq km and an average family size is 4.7. The share of female population is 51% and 48% of the people are children and youth under 18 years. Around 83% of the population live in rural areas and the remaining 17% reside in urban areas. In addition, some two million Nepalese have migrated to live outside the country mostly as labour migrants.

Nepal is divided into five development regions and 75 districts comprising 58 municipalities (cities and towns) and 3 915 village development committees (VDCs) with some 6000 inhabitants on average in each VDC. The results of the Census and Household Survey of 2011 were published in December 2012.

2.1 POLITICAL, SOCIAL AND ECONOMIC DEVELOPMENT

In the last two decades Nepal has undergone dramatic political changes from an absolute monarchy to a constitutional monarchy and currently it is on its way to a federal republic. The latter change was a result of an armed conflict between the Maoists and the Royal Nepalese Army (1996–2006). One of the reasons for people's uprising was the Government's failure to deliver basic services to the marginalised and disadvantaged groups of society.

Eight years after signing the Comprehensive Peace Accord (CPA), the political situation is still fragile. In May 2012, the Constituent Assembly (CA), elected in 2008, informed that it had not managed to complete its assignment to deliver the Constitution after four years of work. The dissolution of the CA leaves Nepal in a political vacuum because elected local governments in districts and VDCs had also been absent since 2002.

Despite the failure to deliver the Constitution, some bold political decisions have been taken recently and the integration and rehabilitation of Maoist combatants has been completed. An important symbolic gesture was the handing over of Maoist arms to the Nepal Army. However, some crucial elements are still lacking. These include the formation of the Truth and Reconciliation Commission and the Commission on the Investigation of Disappeared Persons, which are still pending because a political consensus has not been reached.

Nepal's Gross Domestic Product (GDP) is USD 710 per capita. The growth for 2011/12 was 4.6%. The annual inflation rate of about 10% remains a challenge.

A heavy reliance on tourism and agriculture makes Nepal's economy very sensitive to climate variability. Migrant workers' remittances form a significant part of the country's GDP. Nepal is heavily dependent on external aid, which has multiplied after the PCA was signed.

Agriculture remains the most important sector of the economy with a share of 33% of GDP. The present Three Year Plan prioritises agriculture that gives employment - though often only part-time - for about 80% of the population. The share of industry of the GDP is only 6.4% and its growth has been constrained by power and fuel shortages, labour tensions, and

disruptions caused by frequent strikes and road blocks. Remittances sent to the country by immigrant workers make up about 23% of GDP.

Corruption remains rampant in Nepal. In the Transparency International's Corruption Perception Index (CPI) Nepal's score is 154 out of 183 countries ranked. More alarmingly, corruption has been growing since 2004. In Nepal corruption is by no means limited to government bodies. It is a major problem also in the private sector as well as civil society, which includes about 50 000 civil society organisations.

Lack of access to arable land, basic services (water and sanitation, secondary education) and economic opportunities (forestry, commercial agriculture) leads to migration to urban centres and abroad. Over half of the population is concentrated in the southern plains and in the Kathmandu valley. Poverty among the rural poor in the remote mountainous regions is prevalent. Female headed households and marginalised ethnic groups in remote villages have minimal opportunities for economic activity. Low literacy rates and limited availability of primary and vocational education leaves a large part of the young population unskilled and unemployed or seeking the lowest paid jobs

Poverty has dropped from 42% in 1996 to 25% in 2010. Nepal has also made significant progress in access to health care, education, and drinking water. In addition, the GoN has made notable efforts to improve gender equality and empower women.

About 36% of the population is still deprived of the minimum food requirement, and 47% of children under five years are stunted. In addition, 46% of the Nepalis are either unemployed or underemployed.

Social development indicators also reveal unequal progress in gender, ethnic, religious and caste groups, and geographical regions. Despite GoN's efforts to improve gender equality, discriminatory structures and practices continue to limit women's progress. Life expectancy seems to be largely determined by social group and caste. The rural poverty rate is more than three times higher than the urban poverty rate.

2.2 DEVELOPMENT SCENARIOS FOR THE COUNTRY

At the moment it is uncertain when the new Constitution will be promulgated. So far there seems to be no exit from the political deadlock. New elections would probably only result in a political set-up where it is more difficult to agree on the Constitution. It is estimated that even in the best scenario it will take 10 years to implement the federal structures throughout the administration after the promulgation of the Constitution.

The 13th GoN Development Plan (TYP 2013-16) sets 6 % target for GDP growth which exceeds the level reached in last years. In spite of all the efforts of the GoN the growth in agriculture and industry is likely to remain modest. Inflation may be slightly lower - at 7-8% - than in the past.

While the development of agriculture is crucial to provide food and employment to the growing population, hydropower is the greatest potential for Nepal's economy in the long run. The estimated economically exploitable hydropower potential is 83 500 MW, of which only

0.5% has been harnessed. However, in present circumstances there is no immediate solution even for the acute energy shortage.

Remittances will remain the lifeline of Nepal's economy. Their present annual growth rate of 37% indicates that the importance of remittances for the economy will grow further. The impacts of remittances to the national economy could be improved by investing in the provision of vocational training targeted at prospective emigrants. Also more options should be made available for the investment of remittances in Nepal. At the moment some 80% is spent on private consumption.

After the formal peace process has been completed, the needs and aspirations of the people are to be addressed. This can be done by directing peace dividends to develop the educational system, health care, water supply and sanitation. In a fragile country like Nepal, focusing on basic services sectors such as education and water and sanitation has been more successful than for example in the environment sector, which requires more advanced and developed administration. Rapidly advancing climate change and environmental degradation will diminish especially the poorest rural populations' income opportunities. These issues remain major concerns for the GoN as well as many Development Partners (DPs), including Finland.

3 The Development Context

3.1 NATIONAL DEVELOPMENT FRAMEWORK; DONOR HARMONISATION AND DIVISION OF LABOUR

Since 1956 the GoN has compiled periodic plans, which have normally covered five years. Since the 10th periodic plan (2002-2007), the GoN has given emphasis on poverty reduction and equitable growth aiming at a greater strategic presence of the state in remote areas and among socially marginalised groups.

Due to the volatile political situation the past three plans have been only for three years each. The present Three Year Plan (2013-2016) seeks to boost economic growth through creating employment to Nepali people and to develop the infrastructure needed for modernisation. Agricultural development is important to address poverty, food security and socio-economic inequality. Public and private sectors and cooperatives are identified as three pillars of development to reduce the rural-urban gap. In particular, the GoN's strategy envisages tangible improvements in the living standards of the poor, disadvantaged and socially excluded sections of the population.

Nepal is one of the 189 countries committed to achieve the Millennium Development Goals (MDGs) by 2015. In lack of long-term development policies and strategies, the MDGs constitute the principal guidance for the development partners' work. Nepal has made significant progress in its recovery from the decade-long civil war, and in promoting peaceful and equitable social and economic development.

Nepal is on track to achieve the poverty incidence target of 21% and hunger target of MDG 1 through sustained efforts but seems unlikely to achieve the employment target. The country is likely to achieve the primary and secondary education targets for gender equality but unlikely to achieve universal primary education with its current enrolment rate of 95.5% (against 97% target). The progress on health MDGs is good and the under-five mortality (and tuberculosis), maternal mortality and malaria targets are likely to be met, but targets will not be met concerning HIV/AIDS. As for environmental sustainability - Nepal has already met the target of 40% forest coverage, 85% of the present population (against 73% target) having access to sustainable and improved drinking water facilities, and 62% (against 54% target) of the population having sanitation facilities. However, the national targets to reach full coverage in both water supply and sanitation by 2017 may be challenging to achieve in the most remote areas.

Planning of donor finance is presently coordinated by the National Planning Commission, while the Ministry of Finance is in charge of the implementation of bilateral development programmes as the signatory body. The Social Welfare Council of the Ministry of Women, Children and Social Welfare is the competent authority for INGO and NGO projects. However, the Cabinet recently decided that the Ministry of Foreign Affairs is to decide on aid policy and donor relations.

Foreign aid continues to play an important role in Nepal's progress. The share of foreign loans and grants was 18% of the total expenditure of the 11th Plan (2007-2010), which represents about 5% of GDP. However, to put foreign aid in a perspective: the volume of remittances per

month equals to the development grants received by Nepal in a year. Development cooperation in Nepal is characterised by the presence of few bilateral donors but a wide variety of UN specialised agencies that are 19 in total. Among the biggest donors in 2010-2011 were WB, ADB, UN, UK and Japan. Finland was ranked 12th.

The EU is currently finalising its development cooperation plans for 2014-2020. Finland will participate in the country-level coordination. The development policies of the EU and the Member States are to complement and support one another. There is a plan to move on to joint programming in 2016 to support the GoN 14th Plan. Both the EU and Finland have bilaterally supported the peace process and the education and human rights sectors. The EU funding has been substantial.

The International Development Partners Group (IDPG) convenes all the important donors fortnightly. Donor harmonisation and joint programming with other development partners take place to a varying degree in the most important sectors of Finnish cooperation; education, water, sanitation and hygiene (WASH) and forestry. Joint programming in the education sector among donors started in 1999. Presently Finland is one of the nine pooling DPs (with Australia, Denmark, Norway, UK, EU, UNICEF, ADB, WB) in the education sector with a relatively small financial contribution. However, substantial technical assistance is provided through different channels to the implementation of the ongoing School Sector Reform Programme (SSRP).

In the forestry sector the following DPs are present: UK, Japan, Switzerland, Finland, USA, UN (UNDP, FAO, IFAD), and WB. Finland, together with the UK and Switzerland, has started to finance the Multi-stakeholder Forestry Programme (MSFP), planned to evolve into a National Forestry Programme managed by a national entity in four years. In the meantime, the UK and Finland have delegated MSFP administration to Switzerland. Finland's share of MSFP budget is about 22%.

In WASH, Finland is present together with WB, ADB, UN (UNICEF, WHO and UN-HABITAT), UK and USAID. Apart from two bilateral projects, Finland is financing UNICEF's WASH for All-programme, which is working together with related GoN bodies and DPs to establish a national WASH sector programme. Finland is the biggest donor in rural WASH.

3.2 HUMAN RIGHTS BASED APPROACH AND THE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY

Following the CPA, the Interim Constitution of Nepal (2007) aims to protect and promote multi-party democracy, fundamental rights of the citizens, independence of the judiciary, and a number of national human rights institutions, including the National Foundation for the Development of Indigenous Nationalities, National Women's Commission, National Dalit Commission, and the National Human Rights Commission as a constitutional body with full autonomy. In order to implement the provisions of the CPA and the Interim Constitution, many new laws, policies, strategies and action plans have been adopted. Though their implementation still leaves space for improvement, Nepalese institutions are gradually starting to be aware that different sectors and programmes aim at the realization of human rights.

Impunity is widespread at all levels. Lack of access to justice and obedience to the law destabilises the democratic foundations of the state. The culture of accountability and rule of law

is challenged by failure to investigate or prosecute cases, frequent case withdrawals, failure to execute court judgements, and lack of effective implementation of the recommendations issued by the National Human Rights Commission and Universal Periodic Review - including those calling for justice for victims of war-time violations.

Gender equity is well outlined in different GoN plans, for example the National Action Plan for UN Resolutions 1325 and 1820 - the first in South Asia - and a very ambitious quota policy on gender equity in government bodies. However, much remains to be done to uproot gender-based discrimination in homes, schools, workplaces and public services. In spite of progress made in improving legislation, for example, by criminalising caste-based discrimination, attitudes and practices that sustain inequality are deep-rooted.

Due to its geography and geology, Nepal is extremely vulnerable to natural hazards, which will be aggravated by climate change; Nepal has been ranked 4th in the world in vulnerability for climate change, and its neighbours Bangladesh and India are ranked 1st and 2nd respectively. Therefore, weather-borne hazards should be addressed primarily as a regional issue. The importance of climate resilience and disaster risk reduction considerations has been recognized by the GoN, which has been active also internationally.

4 Finnish Cooperation to Date and Lessons Learned for the Future

4.1 FINNISH COOPERATION PROGRAMME TO DATE AND CONTRIBUTION TO COUNTRY-LEVEL RESULTS

The cooperation started in 1983, and Nepal is now one of Finland's seven long-term development cooperation partner countries. The main sectors of cooperation have been education and natural resources (water & sanitation, forestry, environment). In addition, Finland has supported Nepal's peace process, human rights, and democratic development. Finland has used all available instruments in the development cooperation toolbox except budget support.

Two recent evaluations of Finnish cooperation in Nepal are available: Nepal Country Programme 2002-2010 evaluation and OECD/DAC Peer Review. These are discussed below and in section 4.2. According to these evaluations Finnish contribution to Nepal's development has been successful and effective. Finland is commended for its contribution to Nepal's peace process. The Government of Finland (GoF) is also acknowledged as an advocate in politically sensitive areas, such as human rights. The Embassy of Finland in Kathmandu is acknowledged for its close relations with the GoN, based on regular contacts, close communication and joint problem-solving. The evaluations appreciate that Finland has concentrated its work on previously neglected population groups living in the remote areas of the country. Working in the remote areas is considered to be a specific Finnish strength.

Key lessons learnt from the main cooperation sectors are discussed below.

Finland has cooperated in the **Education Sector** in Nepal since 1999 throughout the years of the Maoist conflict. The Education for All (EFA) programme established a mechanism to support universal primary education and protection of education as a basic service. Finland continued its cooperation in the sector through participation in the pooled fund mechanism together with other donors for the implementation of the School Sector Reform Plan (SSRP), a Sector Wide Approach programme (SWAp) since 2009. Aiming at the realisation of the right to education for all, the SSRP SWAp has successfully promoted the universal access to basic education and achieved the gender parity in enrolment at all levels (primary to secondary levels).

Finland has paid special attention to children belonging to marginalised groups and their rights to quality education. The mid-term review of the SSRP in 2012 points out that more intense focus should be given to capacity development of the Ministry of Education and other parts of education governance. The focus in the SSRP is gradually shifting from the promotion of universal access to qualitative issues such as ways to assess and improve learning achievement. Finnish technical support and expertise to conduct National Assessment for Students Achievement (NASA) is realized the most prudent work in the sector. Institutionalization of NASA is now a key priority for the GoN and a high agenda for dialogues among the Government and DPs. In parallel, there is wide agreement that the present form of basic education provides inadequate labour market skills. As part of its contribution to SSRP goals, Finland is providing technical assistance for the expansion of skills development within the general education system.

Finnish development cooperation with Nepal in the **water, sanitation and hygiene (WASH) sector** started in the late 1980s. The bilateral interventions have provided the following lessons:

1. Development of community-based approaches and management models of rural infrastructure are key for ensuring sustainability;
2. The human rights based approach has been a part of interventions since the beginning, manifested through mainstreaming of gender and social inclusion by step-by-step approach and working in the most remote and poorest areas;
3. The provision of support to the GoN in developing decentralised working and funding modalities based on self-governance build strong ownership and ensure accountability and transparency;
4. The introduction of appropriate technologies in the sector, for example for rainwater harvesting and arsenic mitigation, is well adjusted for local conditions.

The strength of the Finnish bilateral projects is in providing first hand operational lessons learned for the national policy debates on how to provide multiple benefits to disadvantaged and poor communities in remote locations. The bilateral projects are complemented by NGO projects. Also collaboration with UNICEF's WASH programme focusing on the national policy level complements well the efforts to move towards a SWAP in the water sector in Nepal.

The Nepal country programme evaluation in 2011 called for more strategic ambition in the water programmes in order to address fundamental, long-term environmental constraints considering entire catchment areas for holistic water supply and climate proofing. This is taken into account in the planning of further phases of on-going water sector programmes to the extent it is feasible with current resources.

Forest sector cooperation started in 1983. Finland supported the drafting of the Master Plan for Forestry Sector, which has been the basis of Nepal's National Forest Policy since 1989. The Master Plan gave priority to meeting the needs of rural people for fuel wood, timber, fodder and other forest products. Conservation was given secondary priority, and only then the commercial interests of forests were considered. The Master Plan established a solid foundation to address the needs of rural poor through community forests.

The key lessons learned from the past forest sector cooperation between Nepal and Finland include:

1. Increased participation is a key to promoting the forest sector, the most successful component of the Forestry Sector Master Plan (1988-2010) was community forestry. Improved user rights have definitely been the fundamental success factor;
2. Further transparency should be expected;
3. Cross-sector coordination is a cornerstone for successful forestry in Nepalese conditions. Needs and tradition require a tight linkage with watersheds, agriculture and livestock;
4. Information base and monitoring skills are crucial technical components in successful forest policy formulation and good management. Finnish supported forest resource assessment can be regarded to have been an important capacity building effort;
5. Long-term commitment is necessary for improved forest governance and institution building.

Finland's cooperation for **peace and human rights** programme started in 2006. The cooperation and supports for peace process has been provided mainly through the Nepal Peace Trust Fund (NPTF), IDEA International and OHCHR. UNDP and the National Human Rights Commission are the main partners in the field of human rights protection and promotion. Integration of Ex-Maoist Combatants Army into Nepal Army and CA election held on November 2013 are some of the remarkable achievements supported by the programme in regards to establishing sustained peace in the country. However, efforts for establishing transitional justice mechanism and rule of law are high priority.

According to the recent evaluation (Evaluation report 2012:7 Finland's Contribution to Building Inclusive Peace in Nepal), Finland responded to a complex post-conflict situation with a relevant multidimensional strategy and a good mix of projects and implementing agencies as well as political dialogue in coordination with the EU countries and other like-minded countries. While the programme has been cost-efficient and strategic and it has contributed to peace, security and inclusive democracy, more of the resources should in the future reach the actual beneficiaries, namely conflict-affected and vulnerable groups including women.

4.2 AID EFFECTIVENESS: KEY LESSONS AND RECOMMENDATIONS FOR FINLAND

As noted by the OECD/DAC Peer Review, the Finnish approach allows a flexible mix of tools to adapt to a challenging environment, including well-targeted partnerships with specialised multilateral agencies. Even greater impacts and influence could be potentially achieved if Finland enhanced its contribution to the governance of joint initiatives. According to the review, the gender perspective is generally well integrated into the different tools that Finland uses in Nepal.

The evaluation suggests that there are too many sectors and projects that Finland supports. There is a commitment to gradually reduce the number of both - sectors and projects. The environment sector will be phased out by 2014 and the future of the water and sanitation sector will be reassessed during the next few years. The number of interventions in the forest sector may also be diminished after 2014.

In accordance with the recommendations, Finland should consider developing stronger networks and information-sharing mechanisms not only inside the Ministry for Foreign Affairs but also with external actors to ensure that the lessons learnt and best practices are shared throughout the development community. In view of this and to increase effectiveness Finland will continue to actively engage in sector working groups and in dialogue with the EU and multilateral organizations (WB, ADB, UN) to advance the Country Strategy objectives.

However, in order for Finland to be able to maximally engage in policy dialogue, and to take sector leads, the growing need for human resources in the Embassy will need to be assessed.

5 Objectives of the Finnish Development Cooperation with Nepal

5.1 COUNTRY DEVELOPMENT GOAL

The Country Development Goal of Nepal is poverty reduction through sustainable, inclusive and equitable growth. Finland supports Nepal in achieving its Country Development Result by setting six objectives, which are introduced in chapter 5.3 below.

The Nepalese National Planning Commission has set baselines to 2011 and targets up to 2030 for three indicators. In addition to these three indicators, the MFA will monitor the standard indicators of GoF Country Strategies.

5.2 COUNTRY DEVELOPMENT RESULTS AND FINLAND'S STRATEGIC CHOICES

The present GoN Three Year Plan emphasises employment generation, infrastructure development and agriculture as the main vehicles of development. Finland as a small DP cannot induce a big difference in the mainstream of these sectors. Finland's strategic choice is to contribute in the important but often neglected fringes of the same sectors, that is, in education, water and forestry that have a direct impact on the lives and wellbeing of the poorest rural populations and the most marginalized groups. It should be noted that WASH remains as a biggest element of the water sector cooperation but based on Nepal country programme evaluation in 2011, International Strategy of Finland's Water Sector and de facto project portfolio, the sector of cooperation is water.

The choice of sectors will be accompanied by targeted interventions to support the peace process and promote human rights in order to help advance the necessary key foundations that are a prerequisite for sustainable development in the country. Given the current commitments agreed upon in the country consultations in November 2010 and January 2013, the above-mentioned sectors remain the focus of the Finnish cooperation with Nepal.

Finland chooses the following development results to support the attainment of the Country Development Goal:

DEVELOPMENT RESULT 1: GOOD GOVERNANCE AND RULE OF LAW PREVAILING THROUGH RELIABLE STATE INSTITUTIONS

During the transition from the post-conflict situation to a steadier phase of development Finland will, in cooperation with development partners and CSOs, seek ways to improve the development of accountability of public institutions and promotion of human rights and good governance. This will particularly enhance women's opportunities and capacity to participate in decision-making and promote their access to justice. Women's better access to livelihoods will be supported through the UN Resolution 1325 programme. Elections at local level and transitional justice are remaining actions for the completion of the peace process.

The new projects started during the programme period are “Strengthening Rule of Law and Human Rights Protection System in Nepal”, “Support to Components of UN Women Nepal Country Office Strategic Note and Annual Work Plan 2014-17”, In addition, additional support is considered to Peace process (e.g. Nepal Peace Trust Fund, IDEA Nepal branch).

DEVELOPMENT RESULT 2: REALISATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS WITHIN THE CONTEXT OF ECONOMIC EMPOWERMENT AND ADEQUATE SERVICE DELIVERY

Finland focuses on assistance for basic services (particularly water and sanitation and education) on a non-discriminatory basis, empowerment of the most vulnerable persons, and support to the implementation capacity of the public authorities. The most pronounced disparity in poverty in Nepal exists between urban (8 %) and rural (28 %) areas, which is why Finland concentrates its development efforts to rural areas, especially western and far-western Nepal, where the most marginalised groups live. Water projects facilitate access to safe drinking water for the 15% of the population who are not yet covered. In the projects financed by GoF, sanitation interventions are carried out jointly with drinking water schemes, and both are targeted at the extremely marginalised groups.

In the education sector Finland will support the development of vocational training, specially integration of soft skills across the general curricula of secondary grades as a means to increase the skills base of young people, so that more employment opportunities will be available for them. The education programme is designed to facilitate access to basic education for the final 5% of the Nepalese population who are out of school for various reasons- including people at risk of multiple discrimination, such as Dalit girls, children with disability, other marginalized groups and those from hard to reach areas.

New project during the programme period is “Technical Assistance for the TEVT (Soft Skills) Development in School Education in Nepal”.

DEVELOPMENT RESULT 3: NATURAL RESOURCE MANAGEMENT CONTRIBUTING TO RURAL LIVELIHOODS AND HEALTH THROUGH INCLUSIVE GREEN ECONOMY

If benefits are divided equally and managed sustainably, natural resources can provide many employment opportunities for poor people. In the forest sector, Finland will focus on promoting community forestry as a vehicle for both to generate employment and to promote sustainable management. Improved water resources planning and management are essential for the rural livelihoods of the poorest people.

Nepal is one of the most vulnerable countries to the effects of climate change and natural disasters. Sustainable natural resource management is instrumental in climate change adaptation and in disaster risk reduction.

Cooperation with CSOs can also be considered as a strategic choice. In Nepal such CSOs as forest and water user groups play an important role in reaching the most marginalised and deprived groups. CSOs can also contribute to increasing accountability of public institutions.

New project during the programme period is considered related to environmental conservation.

5.3 FINLAND'S OBJECTIVES

Finland chooses the following six objectives that contribute to achieving the three Country Development Results described in more detail above. Each objective is presented under the Country Development Result it contributes to.

COUNTRY DEVELOPMENT RESULT 1: GOOD GOVERNANCE AND RULE OF LAW PREVAILING THROUGH RELIABLE STATE INSTITUTIONS

FINLAND'S OBJECTIVE 1: Capacitated, strengthened and transparent public institutions, public administration, CSOs and inclusive policy-making processes

Through this objective Finland intends to contribute to the development of more transparent, accessible and accountable justice, security and human rights institutions. These are of key importance for achieving the rule of law in the country. Key for the fulfilment of human rights will be capacity building of the 'duty bearers' - the institutions in charge - on the one hand, and the awareness of the general public, especially marginalized groups - the 'rights-holders' - of their rights with regard to good governance on the other hand.

Specific objectives are:

Specific objective 1.1: Capacitated, accessible and accountable justice, security and human rights institutions

Finland together with other development partners and UN agencies continues its supports to improve the work of Nepal Peace Trust Fund, the National Human Rights Commission and other similar national entities through policy dialogue with GoN authorities. Finland provided additional financial support to UNDP for the cost-extension phase of on-going NHRC's capacity building project. Also Finland is the main contributor for UNDP led Rule of Law and Human Rights programme which is implemented by Supreme Court. However, the remaining challenges concerning impunity, delays in the formation of new elected government and lack of Constitution pose crucial risks for reaching the targets.

Specific objective 1.2: CSOs representing women and vulnerable groups have the capacity to contribute to democratic development, policy definition processes and accountability of public administration

Finland promotes the role of CSOs as vehicles for development and in reaching the poorest and most marginalised groups. Both Nepalese and Finnish CSOs will be deployed. Financial support is provided to UN Women for women's capacity building, particularly for the implementation of National Action Plan (NAP) on UNSCRs 1325 and 1820. Finland will also fund water and forest sector projects to capacitate CSOs such as forest user groups and water user groups that play a crucial role in reaching the most marginalised. Important support will also be provided through the NFA's NGO unit (KEO-30) in financing Finnish NGOs that work in Nepal. Risks include UN Women's capacity as a new organisation in Nepal to coordinate and manage piloting in the districts as well as the Government's willingness to include CSOs as partners in processes concerning them.

COUNTRY DEVELOPMENT RESULT 2: REALISATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS WITHIN THE CONTEXT OF ECONOMIC EMPOWERMENT AND ADEQUATE SERVICE DELIVERY

FINLAND'S OBJECTIVE 2: Equal and universal access to relevant quality education

Primary School enrolment rate has reached 95.5% but access to school in the most remote areas and for the most marginalised groups remains a challenge that Finland wants to help Nepal to overcome. In general, the focus is shifting towards the quality of public education for all, where emphasis is put on the quality of teaching/pedagogy, teaching materials, and relevance of the content (skills development) on a non-discriminatory basis. The challenges ahead relate to keeping children in school after the first years of education. Improvement of teaching and learning practices and the relevance of education are expected to be key issues in the coming years.

Specific objectives are:

Specific objective 2.1: Effective implementation of education sector policy and plans leading to full participation and quality education for all (including marginalized groups)

Finland continues its financial support to the School Sector Reform Programme (SSRP). Finland actively participates in the work of the school sector donor group and maintains active policy dialogue with development partners in the group as well as with the GoN in order to improve the quality of education and universal access to it. Technical assistance (TA) will support sector approach. The TA from 2012 to 2015 is directed to developing soft skills for secondary education. Also a number of Finnish funded NGOs support the education sector. Collaboration with them provides an opportunity to reach the most marginalised groups, but more work is still needed to ensure harmonised approach. It is assumed that the GoN and Parliament maintain strong ownership and approve education system restructuring and GoN funding continues to cover a minimum of 75% of the budget. Also the Embassy of Finland - within the framework of its resources - takes care for the policy dialogue at sector level.

Specific objective 2.2: Soft Skills training for young people facilitate the transit from school to work

Vocational skills (soft skills) are required in Nepal and in other countries where millions of Nepali youth work at the moment in the lowest paying jobs. In order to facilitate the integration of the young to labour markets, Finland supports provision of soft skills and vocational training through the GoN Ministry for Education pilot project later to be mainstreamed under the SSRP. Finland provides TA for local level development and for national level policy and for instruments, and supports these efforts by policy dialogue.

FINLAND'S OBJECTIVE 3: Equal and sustainable access to safe and potable water in rural areas

Access to clean water and sanitation are basic human rights that have important secondary development impacts on the lives of the poorest rural populations. Finland concentrates its efforts on the most remote rural populations (especially in Far-Western and Western Nepal) that are the furthest behind in this respect.

Major risks lie in the divided ownership in the WASH sector between two Nepalese ministries. Therefore Finland conducts active policy dialogue, in partnership with UNICEF, to advance water sector development in Nepal in general and to secure resources for rural

WASH in particular. Currently Finland is the biggest rural WASH donor in Nepal and actively engages in dialogue and coordination with other donors and (I) NGOs.

Specific objective are:

Specific objective 3.1: Water systems are working and reach all rural populations in project working areas

Achieving sustainable operation and maintenance of water schemes is challenging in the remote areas. Therefore, in projects supported by Finland particular attention is paid to enhancing and strengthening district and community level responsibilities by working through local user groups and by capacitating them to contribute, construct, operate and maintain systems beyond project support. Also great care is taken to ensure that systems are child- and disability-friendly and gender sensitive to ensure access for all groups.

Specific objective 3.2: Sustainable sanitation available at all institutions and households in project working areas

Very good progress has been achieved in terms of sanitation during last years. In the end of 2013, eleven out of 75 districts and 1059 out of 3915 VDCs have been declared Open Defecation Free (ODF). GON has strong ownership when it comes to sanitation. Both bottom up and top down approaches are in practise and this has created a progressive way forward to national target. However, full coverage till 2017 seems extremely challenging and Finland remains committed to support Nepal both in central and lower levels of administration to achieve this important target in the project working areas.

FINLAND'S OBJECTIVE 4: Economic empowerment, especially for women and easily marginalised groups

Increasing employment opportunities for women is vital for improving their situation and control of their own lives. In all sectors there is room to support economic empowerment that also has wide-ranging development impacts in the lives of women and their families. Economic empowerment of the ethnic groups and lower castes is also important as their inclusion to Nepalese society can be facilitated through economic activities. Active participation of women and marginalised groups in planning and service provision enhances their influence in local development.

A specific objective is:

Specific objective 4.1: Development of entrepreneurial activity and employment generation, especially women's entrepreneurship, and improved livelihoods for easily marginalized groups

The development of SMEs managed by women brings not only income and improved livelihood to their families but also creates employment for other women. Sustainable management of natural resources will contribute to the improvement of the livelihoods of marginalised groups and help to reach the poorest of the poor in Nepal.

COUNTRY DEVELOPMENT RESULT 3: NATURAL RESOURCE MANAGEMENT CONTRIBUTING TO RURAL LIVELIHOODS AND HEALTH THROUGH INCLUSIVE GREEN ECONOMY

FINLAND'S OBJECTIVE 5: Inclusive management of forest resources and environmental administration

In forest management and environmental administration, urgent capacity and management practices improvements are required in order to improve sustainability of resources and rural livelihoods. Finland maintains active policy dialogue to promote sustainable and inclusive forest management. Currently Finland is one of three donors supporting the Multi Stakeholder Forestry Programme (MSFP) that, among other things, aims at preparing a new forest strategy for Nepal. This is a key step in moving towards a sector programme. The results by two other Finnish supported forest interventions - Forest Resources Assessment project (FRA) and Leasehold Forestry and Livestock Development Programme (LFLDP) with IFAD and FAO - will contribute to MSFP.

As Finland's support to the environment sector will expire by 2014, Finland focuses on policy dialogue to promote the sustainability of the results achieved during the ten years of involvement in developing models and good practices for local environmental management in eastern Nepal and strives to ensure that the lessons learnt will be applied.

Specific objectives are:

Specific objective 5.1: The GoN and non-state actors define and implement inclusive forest sector policies, strategies and plans at national, district and local levels that contribute to climate change adaptation and disaster risk reduction

Forest planning in Nepal needs to adopt a comprehensive and inclusive approach so that the sector can make use of the best potential benefits it may bring to the poor and marginalised communities. Finland will promote this through policy dialogue with the GoN and DPs especially through the MSFP where there is an important community forestry component and will finance the preparation of a new forestry strategy. Finland has long-term experience from Nepal's forest sector based on its support to prepare the Forest Sector Master Plan 1989-2011. Finland will continue to support the development of the forest sector towards a full-fledged sector programme led by the GoN. A key step in this process is the establishment of a national legal entity to serve as a service centre for forest management by private and communal actors and a host of forest information system. Other forest sector projects (FRA and LFLDP) supported by Finland provide important contributions to these processes. Risks include corruption and lack of updated information in the forest sector and sector development in general.

Specific objective 5.2: Capacitated rural communities with technical assistance and sufficient forest resources to benefit from local forest management and processing of forest products and a forest-related value chain

Forest user groups in community forests are the key for ensuring sustainable management of forests and income and employment generation for the most marginalised groups. Finland will promote, through policy dialogue with the GoN, enlargement of forest areas to be given for community forest management. Through the MSFP, Finland will build user groups' capacity to plan and manage forest resources and develop forestry-related new jobs and income opportunities. There is a risk that the Government is not willing to expand areas given to community forest management as there are competing interests for forest management.

Specific objective 5.3: National model for local environmental administration demonstrated through functional pilots in project areas

Finland has supported a local environmental administration project (Strengthening of Environmental Administration and Management, SEAM) for 10 years. The project has developed models for national level guidelines and good practices for local administration. The challenge during the remaining period of implementation (until end of 2014) and beyond is to ensure their use and replication at the national level. Finnish policy dialogue with the GoN and development partners will focus on this and to guaranteeing sufficient budget resources to develop environmental administration nationally. There is a risk that the Government is not willing and capable to embrace these models and practises.

FINLAND'S OBJECTIVE 6: Strengthened WASH policy, planning and management

Specific objectives are:

Specific objective 6.1: Development of WASH sector policy, strategy and establishment of sector coordination framework and joint review practises that recognise the importance of rural WASH

Access to sanitation is a basic human right that many people still lack in the most remote areas, and this causes serious negative repercussions in health indicators and children's school attendance and causes expenses to the poorest families. Finnish water projects have made excellent progress to promote sanitation through a comprehensive behavioural change approach, achieving sustainable improvements in sanitation and hygiene with significant health benefits for the most marginalised groups in Nepal's rural areas. Finland will promote these experiences through policy dialogue in the WASH sector and strengthen WASH sector approach at national and district levels. Projects supported by Finland (RVWRMP, RWSSP) and UNICEF WASH coordinate efforts to harmonise their approaches to rural WASH. Joint meetings are held and joint reviews will be arranged to enhance sector-wide development.

Specific objective 6.2: Integrated water resources management (IWRM) institutionalised at district and VDC levels in project areas

Water resource protection and better planning were raised as issues in the recent Nepal Country Programme evaluation. Therefore more emphasis will be placed on ensuring sustainability of water resources through better planning and management at local level in the poorest regions of the country. This will include local user groups' capacity building and have multiple development impacts through improved access to drinking water, irrigation, and renewable energy, all of which will alleviate poverty, increase food security and give opportunities for new entrepreneurial activities. Finland focuses on putting water issues in a broader perspective as a basic resource for rural livelihoods, as a human right to a healthy environment and dignity, and in the context of both climate change adaptation and mitigation.

Nepal has approved a national Sanitation and Hygiene Master Plan (SHMP) in 2011 with significant support from projects funded by Finland. Development of district and local level WASH is still underway but the community-led and district level supported approach seems to be highly successful, producing strong local ownership. Therefore health indicators should soon start to improve in the poor regions and children's, especially girls', school attendance should rise. There is risk caused by two competing sector ministries dealing with water and sanitation in Nepal. Finland in partnership with UNICEF will continue policy dialogue to

enhance alignment of WASH planning and ensuring that it reaches the most marginalised groups in the rural areas. Other risks arise from the difficulty to maintain achieved results, which requires both systematic maintenance activities as well as small-scale financial management by the user groups.

5.4 HUMAN RIGHTS BASED APPROACH AND THE THREE CROSS-CUTTING OBJECTIVES OF THE FINNISH DEVELOPMENT POLICY AS PART OF THE COUNTRY STRATEGY

In this Country Strategy, the human rights based approach (HRBA) is understood as an objective promoting the right to basic services for all. The education and water sectors promote universal access to primary education, drinking water and sanitation. The programmes are monitored by indicators specifically designed to assess progress towards inclusion and equality.

All programmes promote meaningful and effective participation by local people: ownership of interventions by water users' committees in water projects; community forestry user groups in the forestry sector; and decentralization of responsibility to school management committees in education.

All programmes move gradually towards sector-wide approaches, increasing the Government's responsibility for programme implementation and supervision. Finland actively supports this better accountability particularly in the water sector. Broad-based coordinated programmes help state institutions to provide services and ensure access to justice system and monitor how well the State meets its legal obligations towards the citizens. The rule of law and human rights programme strengthen the state institutions' capacity to reform and implement legislation, vulnerable people's access to security and justice system, and the capacity of human rights institutions, media and CSOs to report and monitor the status of human rights obligations. Taking this into consideration, Finland is participating in a UNDP-led initiative to promote access to justice and the rule of law programme.

Finland promotes the peace process, justice and the rule of law to make state institutions and development more sustainable and feasible. The promotion covers the political dialogue and technical assistance in close cooperation with the donor community. Gender equality is included in all programmes as a cross-cutting issue and/or as one of the core objectives (for example GESI strategies in water & sanitation projects). A specific project through UN Women strengthens the GoN, UN and CSOs capacity to address gender issues as part of the peace and security agenda. Finland is supporting climate related risk reduction through a separate Regional Programme with the International Centre for Integrated Mountain Development (ICIMOD), which includes Nepal, Bangladesh, Bhutan, China (Tibet), India, and Pakistan. The programme strengthens national hydro-meteorological services and establishes a Regional Flood Information System for Hindu Kush-Himalayan Region. However, climate resilience and disaster risk reduction will be an integral part of any intervention planned and implemented under the Nepal - Finland Country Strategy. Specific components have already been dedicated to address climate change in water and forest sector programmes. Also the planned collaboration with the Finnish Meteorological Institute in Nepal and Bhutan using the ICI instrument supports this regional climate change related approach by Finland.

5.5 POVERTY REDUCTION AS PART OF THE COUNTRY STRATEGY

Focusing on girls' education continues to be the single most effective measure to reduce poverty. While gender parity has been achieved at all levels of school education, a gap still remains at the higher secondary education and above. In secondary education special attention needs to be given to the development of technical education and vocational training (TEVT) modules that attract both boys and girls. Vocational education that Finland supports through both education budget and technical assistance will improve youth employment.

A major land reform is not expected in the planning period. Community forestry will continue to provide access to natural resources for a large number of landless people to improve their livelihoods. Community forestry in Nepal is sometimes claimed not to contribute to the poorest segment of the population, but this is rather caused by the culture of exclusion in society than by the nature of community forestry as a practice. In interventions supported by Finland, special consideration will be given to access by Dalits, indigenous groups and other marginalised groups to the benefits of community forestry. Lessons learned from the Leasehold Forestry and Livestock Development Programme (2009-2014), funded by Finland, dedicated specifically to the poorest segment of society will be applied.

Apart from community and leasehold forestry, private forestry and forest-based industries are generating employment in rural areas. As Nepal possesses about 300 non-timber forest products, forest-based industries create good prospects for poor families also as entrepreneurs through cottage industries.

Access to safe drinking water and sanitation contributes to poverty reduction in two ways: through people's improved health and working capacity, and through extra hours for productive activities. Planning, implementation, operation and maintenance of water projects by a community require active involvement of all local actors in order to achieve community ownership and to guarantee sustainability and functionality of structures. In water projects the entire population of the project area are beneficiaries, including marginalised groups.

Planning and implementation of both community forestry and water projects requires organisation of the community and mobilisation of local resources, which will facilitate the community later to take up other poverty alleviation efforts.

6 Management of Strategy and Programme Implementation

6.1 PARTNERSHIPS

Multilateral organisations, such as WB, ADB and various UN organisations like UNDP, UNICEF, FAO and IFAD, continue to be important partners to advance joint objectives on transparency and good governance as well as human rights. In line with the emerging and on-going SWAP modalities and (Joint Financing Arrangements (JFA), Finland will actively participate in the local donor meetings in its sectors and also the joint quarterly meetings, joint annual consultations and reviews. Finland will be visible as a development partner particularly in the education, water and forestry sectors. Consultant companies as implementers of bilateral projects in the field are important partners to disseminate Development Policy Programme values in day-to-day work.

Finland has a strong relationship with, and is valued by, Nepalese CSOs. These partnerships support implementing Finland's human rights based approach and accountability. Even stronger synergies with Nepalese and Finnish CSOs will be identified and developed during the country programme implementation period. One of the purposes of the Country Strategy is to streamline GoF assistance, which may slightly reduce the number of implementing partners in the future. However, Finland will work closely with CSO networks and federations, journalists, trade unions, media and human rights organizations.

6.2 AID MODALITIES, IMPLEMENTATION AND AID EFFECTIVENESS

The Ministry of Finance is responsible for the monitoring and evaluation of the Paris Declaration on Aid Effectiveness in Nepal. Currently most of the Finnish funding to Nepal is through bilateral projects. In the context of the fragile post-civil war environment, this has been considered the most effective way to ensure that the support reaches the target population. Finland is willing to use local systems whenever they seem to be reliable options. Actually, Finland is among the donors who are the most keen to use country mechanisms being a donor in two out of three recognised SWAPs of Nepal (SSRP and Nepal Peace Trust Fund). Finland's use of country systems at district and VDC level in its water projects has been commended as models of best practises. Finland is not only waiting for sectoral programmes to emerge but is actively working through its ongoing projects in forestry and water sectors to harmonise approaches and working modalities, to strengthen the country systems in general, and to strengthen the role of local organisations, civil society and private sector as stakeholders, in particular.

Support to human rights, peace process and the rule of law is currently channelled through different modalities, which will be streamlined to socio-political restructuring of the country. In future, a new comprehensive institutional support to address social justice and rule of law related issues will be explored in collaboration with UNDP.

The annual level of NGO financing was about EUR 4.7 million in 2013 compared to EUR 17 million to multi- and bilateral support. There is a need to develop stronger synergies with Nepalese and Finnish NGOs and multilateral partners towards common goals. The NGOs'

work often differs from other support by Finland and is currently not always in line with national plans. In future, alignment with and contribution to the Country Strategy will be considered as one criterion for financing NGO projects by the GoF.

The Institutional Cooperation Instruments (ICI) will be used as an instrument for capacity building projects, which complement the Country Strategy objectives.

Finland provides data on present and planned financial contributions to the National Aid Management Platform of the Ministry of Finance, making its funding transparent and predictable.

6.3 MAIN FORA OF POLITICAL AND POLICY DIALOGUE

Nepal's priorities are laid down in periodic development plans, which form the basis for the dialogue and cooperation. These priorities are addressed through dialogue between the Embassy and the Ministry of Finance, the National Planning Commission and relevant GoN ministries. Bilateral negotiations between the GoN and the GoF have been held in 2000, 2003, 2007, 2010 and 2013, laying the ground for the Country Programme. The latest negotiations were held in January 2013 in Nepal.

Ministerial visits between the countries enable timely discussion on current political and development issues and review and updating of programme strategies. High level exchange is planned to continue throughout the programme period.

The EU Heads of Missions as a group approach the GoN on political issues including peace and human rights questions. The International Development Partners Group (IDPG), which comprises most foreign missions, holds meetings to review and discuss political and development themes, which may be taken up with the GoN. The UN Resident & Humanitarian Coordinator represents multilateral organisations in the IDPG. Policy dialogue - including with the multilateral organisations - is also held in thematic subgroups of the IDPG and UN thematic groups, such as rule of law and democratic governance and disaster risk reduction groups. Multilateral organisations are part of SWAPs, for example in education (UNICEF and UNESCO) and WASH (UNICEF). Finland actively participates in their meetings to promote Country Strategy objectives through policy dialogue.

6.4 INTERNAL MANAGEMENT ARRANGEMENTS

The Country Program is implemented by a team of civil servants in the Ministry and in the Embassy. The Internal Management Arrangements are defined and regularly updated by the MFA Department of Asia and Oceania and the Embassy of Finland in Kathmandu. The expertise available in the Unit for Sectoral Policy will be systematically used to support the implementation and updating of the Strategy. The members of the team will participate in skills training based on the needs identified. Division of labour within the team, including issues of delegation, will be further clarified.

7 Strategic Steering

7.1 MONITORING AND REPORTING OF RESULTS AT COUNTRY LEVEL, AND OF FINLAND'S PERFORMANCE

The status of human development in Nepal will be assessed and reviewed based on the UNDP capability development approach focusing on:

1. wellbeing of people in terms of access to and availability and quality of basic services;
2. empowerment and agency of the people, especially participation and representation of marginalised and deprived groups in the community and state structures; and
3. justice for each citizen without any discrimination, abuse, exploitation, harm or exclusions.

The progress of Nepal's peace process and human rights situation is followed from national and international reviews and assessments, such as the UNDP Human Development Report, the MDG Progress Report, the national census and disaggregated national surveys, national reporting to UN human rights conventions, and their recommendations. Finland also participates in relevant EU and donor groups in Nepal. Economic relations are monitored by following investments and trade statistics.

Indicators to be used for monitoring the progress of projects funded by Finland have been established. The indicators include disaggregated data on women and men, ethnic and disadvantaged groups and geographic areas to the extent possible.

The general progress of the Country Strategy is followed through biannual reporting by the Embassy and the MFA as well as through monitoring missions. Donor coordination and cooperation is followed through joint reviews, assessments, working groups and modalities. The periodic reporting of the programme follows the Nepalese fiscal year (mid-July to mid-July).

The impact of Finnish aid and policy dialogue to Nepal's development plans is assessed through reports from the Embassy as well as Country Programme evaluations. The results of individual interventions and sector programmes are followed through Steering Committee participation, project meetings, mid-term reviews and evaluations.

Finland participates in joint evaluations in sectors it works in, actively promotes collaboration and coordination among donors, and enhances the harmonisation of working modalities and approaches within its own projects in each sector.

A mid-term review of the Country Programme could be fielded in 2014 or 2015 to assess the general progress of the programme and Finnish contribution and specifically some of its components, which may not be subject to regular monitoring.

Fragmentation is a challenge, but there is a plan to reduce it by 2016. The environment sector will be phased out by 2014 and the number of for example forest sector interventions may be reduced. Also water sector projects in their current form may be phased out after 2017 if full coverage to clean water and sanitation will be reached.

In 2012 eight interventions from Finland's bilateral country budget in priority sectors (education, forestry, water and sanitation) were under way and by 2016 their number is estimated to be reduced to six. The average size of annual payments in priority sector interventions in 2012 is EUR 1.7 million, while in 2016 it is expected to be EUR 3.3 million.

7.2 RISK MANAGEMENT

The risk scenario changed fundamentally in 2012. While the risk of returning back to an armed conflict was virtually eliminated by handing over of the Maoist arms to the Nepal Army, the failure of the CA to promulgate the Constitution created new ones. The political vacuum is likely to aggravate corruption. Uncertainty around federal structures, and especially the fate of districts in the administrative model of the Federal Republic of Nepal, is a big concern as most GoF supported interventions are implemented by the District Development Committees. Prevailing impunity is also a risk for national safety.

To mitigate the risks, the GoF will join the forces with other DPs to do policy advocacy in the GoN and especially in the Ministry of Federal Affairs and Local Development, which is the main partner in most field projects supported by Finland. On the other hand, in this situation it is crucial to strengthen local groups (Water Users Groups, Community Forestry Users Groups and School Management Committees) to take full responsibility for their schemes with or without support from districts or the federal state.

Risks related to Finland for Country Programme implementation mostly have to do with having sufficient and qualified human resources to implement the programme both at the Embassy and in Helsinki.

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