



**EU & NEPAL
COOPERATION**



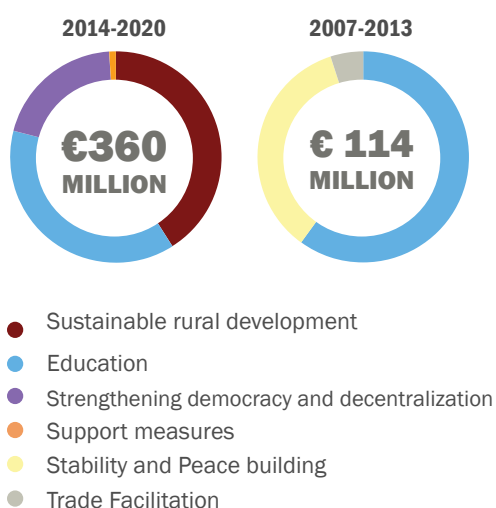
Partnership · Cooperation · Development

THE EU AND NEPAL

The EU and Nepal are partners and friends. Education, sustainable rural development and democratic governance are our main fields of cooperation in which we will invest €360 million during the period of 2014–2020 in supporting Nepal's vision to transform into a more prosperous democratic country with better opportunities for all.

The recent earthquakes have dramatically reminded us that natural disasters are a constant threat to achieving these goals. That is why fostering resilience is a crucial element of our partnership. We firmly join hands in this hour of need. With collective efforts of the Government, the Private Sector, Civil Society and Youth Groups as well as Development Partners it is possible to overcome the trauma, to rebuild better and to emerge stronger from the natural disaster.

EU cooperation to Nepal



Message from the Head of Delegation

This brochure provides a short overview of the cooperation and partnership of the European Union with Nepal. It presents our priorities for contributing to the country's development, which are aligned with the Government of Nepal's policies and plans to eradicate poverty and to help transform the young republic into a prosperous democratic country.

In its over six decades of existence, the European Union (EU) has been promoting economic prosperity, social inclusion and stability as well as democratic and accountable institutions both within and outside Europe. Working around shared principles of democracy, respect for liberties and human rights, the EU family and its 28 Member States is the world's largest donor of development and humanitarian assistance, because our solidarity does not end at Europe's borders but has a global reach.

In the context of Nepal, the EU will focus mainly on three crucial cooperation sectors in 2014-2020: education, sustainable rural development and democracy and decentralisation with a very substantially increased aid volume of €360 million.

Nepal has arrived at a very important juncture in its history with the promulgation of the new Constitution on 20 September 2015. While every new beginning comes also with a new set of challenges the country can reach



The EU in Nepal team and colleagues from HQ with the EU Commissioner for International Cooperation and Development, Neven Mimica, in the centre.

“Our aim is to contribute towards improving the economic and social status of the most marginalised and vulnerable Nepalese citizens”

out in an inclusive way to create and expand opportunities for all Nepali people in a harmonious way. It is possible in a collective effort and the EU stands ready to support and to contribute to this process.

2015 has also seen the terrible effects of a daunting natural disaster, when the earth trembled in the spring of this year. It is time to expeditiously join hands to progress with the reconstruction of a more resilient Nepal and to build back better, while not forgetting still existing humanitarian needs. The EU pledged €118 million support during the International Conference on Nepal's reconstruction in June 2015.

Our partnership goes beyond development aid and humanitarian assistance; building on Nepal's own strengths and fostering win-win situations are the best ways to ensure sustainable development. The EU market is the second biggest for Nepal's exports and is therefore directly contributing to job creation in the country. As Nepal enjoys privileged access to EU markets important opportunities for trade and investment remain to be tapped.

Tourism is another sector that has huge potential for growth and job creation. Every fifth of the 800,000 tourists who visited Nepal in 2012 came from the EU. While the earthquakes and the recent troubles on Nepal's

border have dampened the outlook for 2015, it has the potential of becoming the key engine of Nepal's economic growth in the years to come.

2015 marks the beginning of a new global agenda guided by the Sustainable Development Goals. The achievements made with the Millennium Development Goals are a good basis to work on this new, more comprehensive set of 17 goals.

Regardless of the areas in which we are working be it together with the government, with civil society partners or the private sector, our major aim is to contribute towards improving the economic and social status of the most marginalised and vulnerable Nepalese citizens. That is also why human rights are a cross cutting theme of our work, because decent treatment of the weakest in a society is the ultimate benchmark of meaningful development.

We believe in a resilient, prosperous and democratic Nepal and our partnership can contribute to a promising future for all Nepalis.

H.E. Rensje Teerink
Ambassador, European Union Delegation to Nepal

The EU and MS work together

The EU together with its Member States is the biggest donor in Nepal. We have recently started to work on a Joint programming strategy for Nepal.

JP FOR BETTER COORDINATION

Joint programming (JP) aims to enhance coordination, reduce complexity and increase impact and leverage of development cooperation. It is based on the commitments agreed by the wider donor community in 2011 in the Busan Partnership for Effective Development Cooperation, and the EU Agenda for Change endorsed by European Ministers in 2012.

The EU is actively participating in the various coordination platforms such as Local Development Partners Meeting (LDM), Nepal Portfolio Performance Review (NPPR) and the International Development Partners Group (IDPG) and believes in the importance of strong country led ownership.

Gender

While women and girls comprise more than half of the population in Nepal and are a driver of development they are often disadvantaged. EU development cooperation with Nepal puts emphasis on gender equality through:

- Systematically making gender equality a topic of political dialogue with Nepal;
- Addressing the specific concerns and needs of women and girls in all development operations ('mainstreaming');
- Financing targeted actions to help women and girls.

EU-Nepal Trade

Trade and investment are important tools for development. Nepal is a least developed country (LDC) and benefits from the special arrangements initiated by the European Commission for LDCs: the Everything but Arms regulation (EBA), which provides the most favourable trade regime available to the country, granting duty-free access to imports of all products from Nepal.

In 2014, EU-Nepal trade amounted to €222 million; of which Nepalese exports to Europe were worth €134 million and imports worth €87 million (see graph). Overall, the EU is the third main trade partner with Nepal; the second major export partner and the third major import partner. The EU mainly imports textiles and clothing from Nepal and exports machinery and transport equipment, chemicals, agricultural products and other manufactures.

THE TRADE FACILITATION AGREEMENT

In 2013, the 9th Ministerial Conference of the World Trade Organization (WTO) concluded with the adoption of the Agreement on Trade Facilitation. This agreement will improve customs procedures and transparency, accelerating the cross-border movement of goods, which means fast and more efficient trade.

The EU already supports programmes on trade facilitation. For example, at the request of the Government of Nepal, the EU provides WTO-related assistance in the areas of compliance with food and technical standards, legislative review and public awareness. The EU will keep on supporting Nepal's efforts to enhance trade facilitation.

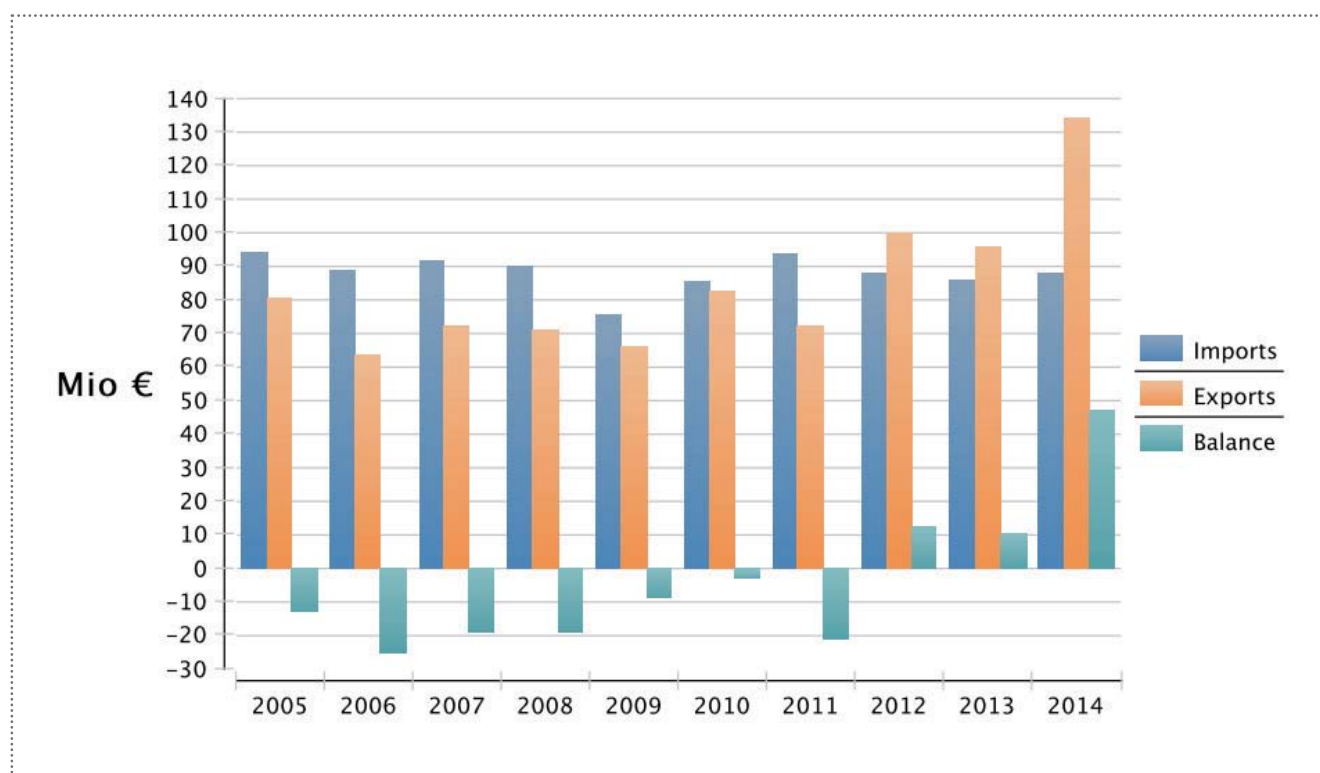


EU Trade Commissioner Cecilia Malmström during the launch of the "Trade for All" strategy

Total goods: EU-Nepal Trade flows and balance, 2005 - 2014

Source: Eurostat Comext

Statistical Regime 4





Direct beneficiaries of Agriculture and Trade facilitation projects

In mountainous Nepal many communities depend on subsistence farming, which is hardly enough to sustain their own food needs for half a year, one of the reasons why enhancing agricultural productivity is so important. The EU aims at positive changes for the rural economy by fostering competitiveness of the agricultural sector and sustainable management of natural resources, nutrition and climate action, and the creation of new job opportunities.

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Sustainable rural development is the EU's largest cooperation focal sector in Nepal for the period 2014-2020. Up to €146 million will be invested in programmes and projects related to agriculture, food security, nutrition and other rural

development themes. Special focus is being given to boost agricultural productivity and value added, job creation, market access infrastructure and nutrition. Country owned strategies guide this cooperation. Two major documents in this context are the Multi-Sector Nutrition Plan (MSNP) and the Agricultural Development Strategy 2015-2035 (ADS). Already in the design phase of these plans we worked closely together with the Government of Nepal and other stakeholders and our intention is to also join hands for the implementation. With the Annual Action Plan 2014 the implementation of the agenda has started with the Partnership for enhanced Nutrition in Nepal: support by the EU and UNICEF (€22.6 million EU contribution), a multi-sector intervention which aims at strengthening the governments overall coordination and supervision capacity. Nutrition is not just a matter of food and calories, it is about more productive and resilient future citizens which are the key for development.

CREATING EMPLOYMENT AND INCOME IN RURAL AREAS

A number of ongoing projects and programmes complement this engagement. Diversifying sources of income is crucial to improve the challenging living conditions in rural areas. Our €6 million economic and trade cooperation, for instance, aims to inspire employment generating economic growth, enhancing production standards and has a special focus on the coffee value chain. The private sector is a key partner and we closely work together with Nepal's business associations. Without reliable energy rural development is not possible. Together with the European Investment Bank and the German Kreditanstalt fuer Wiederaufbau the EU leverages through an innovative blending approach an important hydropower and transmission lines project and in the past we piloted solar power in the country. Projects such as ANEP have proved effective in increasing income amongst small-holder farmers and vulnerable households.

CLEANER AND SOCIALLY RESPONSIBLE PRODUCTION

Innovative, environmentally friendly and safer production techniques, which reduce economic, social



I managed to save 795 EURO and I can easily afford my children's boarding school fees and I can also pay for health expenses.

Chandra Neupane is a 28 year old Community Business Facilitator from Amrauth-5 in Nawalparasi district. Chandra was trained as a Community Business Facilitator, a person who receives a commission for selling agricultural inputs like seeds and fertilizers to

farmers. She established business relationships with companies and she gets inputs on credit to sell to farmers. In order to ensure inputs are affordable for farmers, she keeps the same price. Once she has cleared her stock, companies pay her a commission. Chandra's involvement as a CBF has increased her confidence. In the last year, she started rearing livestock, poultry and a fish hatchery. These business activities have enabled her to increase her income dramatically: she is now earning 160 EUR per season.

Making a difference

The Agriculture and Nutrition Extension Project (ANEP) has impacted across the rural and urban target population in terms of increasing productivity and introducing environmentally sustainable agriculture technologies. Over 60% of ANEP farmers come from disadvantaged ethnic/caste groups and over 60% of ANEP trained people are women. When income increases amongst small-holder farmers, the food security and nutrition of the poorest and most vulnerable households increases.

and environmental costs to enhance profitability, are the mission of our sustainable consumption and production (SCP) cooperation with the SWITCH-ASIA programme. With so far 8 projects these pilot actions include the promotion of cleaner and better production of bricks, paint, beaten rice and pashmina contributing to a healthier work and living environment.

CLIMATE CHANGE ADAPTATION AND RESILIENCE

Rural development and climate change adaptation are intrinsically linked. Working together with partners such as DFID and UNDP the EU supports with € 7.6 million the Nepal Climate Change Support Programme (NCCSP) which amongst others contributes to a more resilient Nepal by focusing on adaptation measures at the local level. Mainstreaming climate change actions in sectors such as agriculture, forestry, water, and energy is key to enhance resilience.



Andreas Roettger, Head of Cooperation, interacts with school children

Education is fundamental for development and a key component of the EU's support to reduce poverty in Nepal. In partnership with the Nepalese authorities, civil society and development partners, the EU in Nepal will invest up to 38% of its country allocation for the period 2014-2020 in education.

Education drives development and knowledge opens new perspectives catalysing innovation. The EU has supported Nepal's education sector for almost two decades with more than €100 million so far and has allocated €136 million for the next seven year phase. We work together with the government as well as civil society and other stakeholders. The trend in this sector is positive: in an inclusive way, more and more girls and boys are completing their education, more adults are reaching literacy, technical education and vocational training will respond better to labour market needs and requirements, and teachers are improving their skills. But the efforts need to continue.

QUALITY EDUCATION FOR ALL

The EU is currently supporting Nepal's School Sector Reform Programme (SSRP), through budget support contributing to creating a capacity-building environment towards a more inclusive and efficient education system. This seven year programme is facilitating access to and improving quality of education especially for children from marginalized groups and has seen significant progress in terms of access and through the establishment of gender parity at all levels. The EU also funds relevant complementary civil society projects via calls for proposals. The SSRP follows a so-called Sector Wide Approach

(SWAp), bringing key stakeholders together, government, teacher and parent organisations, civil society as well as development partners, and enhancing coordination, impact and results of the reform programme.

The 2015 earthquakes fully destroyed around 35,000 classrooms. The post-disaster context has brought a need for the reconstruction of education infrastructure on a large scale. Temporary learning spaces are required to bridge gaps.

This disaster and the situation in the Terai since August 2015 is putting in jeopardy the future of millions of children in Nepal. In the last six months since April 2015, across the country schools have remained open for about half the number of days they were meant to. Global experience has shown that when children are out of school for an extended period, there is a risk that they drop out of school altogether. Children from vulnerable groups are most at risk of remaining out of school.

Therefore, more than ever cooperation in the education sector is needed and the EU will continue to support the Government of Nepal in addressing these challenges and in consolidating the accomplishments already made under the SSRP as well as in advancing quality and inclusion further. We are actively contributing to the next phase of the school reform.



Nothing beats seeing teachers and students light up when they are having fun in lessons and learning new ideas and skills. It is all an absolute delight and makes the hard work well worth it.

“When I first arrived in schools, lessons consisted of a teacher lecturing whilst children sat and listened often looking bored and uninterested”, remembers VSO volunteer Beth Stillings Cohen, who joined as a teacher trainer in three schools of Pokhara.

After two years of placement, Beth could see the changes happening in the classroom. Not only was there an increased access of children from marginalised and disadvantaged communities, but also a child friendly learning environment was now in place, a radical paradigm shift in pedagogy.

Making a difference

Voluntary Service Overseas (VSO) implemented an EU funded project which supported the district education offices by supplying education and management experts to support school improvement. They managed to increase the capacity of district education authorities and schools to implement the SSRP and ensured **quality and inclusive education for girls, Dalits and children with disabilities in 72 schools** with maximum enrolments. **29565 marginalised children were reached** and **2059 education managers and teachers were trained** in planning and delivering quality child-friendly education.

GLOBAL PARTNERSHIP FOR EDUCATION

The EU also contributes as a main donor to the Global Partnership for Education (GPE) and is a pooling partner in Nepal. GPE is a global collaborative initiative which aims to deliver the most important result: children in school and learning, with a focus on the poorest and marginalized ones. GPE has reinforced the SSRP with US\$ 120 million and will continue supporting the school sector reform with US\$ 59.3 million for the coming three years.

VOCATIONAL TRAINING FOR EMPLOYMENT

At the same time the scope of the EU Nepal cooperation will expand to technical vocational education and training (TVET), linking it better to the Nepali job market needs, very much in demand in Nepal, and needed in order to improve productivity and create better employment opportunities. We focus on tourism, agriculture and construction.

HIGHER EDUCATION EXCHANGE PROGRAMMES

Nepal is eligible for Erasmus for all, the EU's very competitive higher education exchange and mobility programme. In 2015, 26 Nepali students won scholarships to study Joint Masters and Joint Doctorates in prestigious academic institutions in the EU Member States. This programme broadens the horizon of higher education aspirants and deepens dialogue, friendship and understanding between people and cultures.



Interaction programmes on Governance, Human Rights and Democracy.

The second Constituent Assembly promulgated the new Constitution in September 2015, launching the process of state restructuring, an important step towards a more inclusive, democratic and prosperous Nepal. However, the start has brought with it new challenges, including a fuel crisis, and it will be important to ensure political stability and to foster institutional capacity and accountability to achieve sustainable and equitable development.

The EU is committed to assist Nepal in its democratic transition and decentralization building on the work done to support the peace process, elections and governance. Overall up to €74 million, i.e. 20 percent of the country allocation for 2014 -2020 stand ready for this third focal sector of our cooperation.

We are a partner of the Nepal Peace Trust Fund, a unique cooperation mechanism bringing together government, civil society and development partners,

which made critical contributions in consolidating the peace process. In addition, the EU worked together with the National Election Commission on electoral support and backed fair and credible elections in November 2013 by sending an Election Observation Mission.

The new Constitution charts the way for federalism and decentralization. This will bring with it huge demands for capacity building at the provincial and local level and also a number of elections. The EU will continue to engage with Nepal in this important process to consolidate its young democracy.

At the same time Public Financial Management reforms will continue and likely broaden and deepen. Effective delivery of basic public services notably to the most vulnerable indeed crucially depends on efficient and appropriate use of public money. We believe that strong, accountable and transparent institutions are a key factor for the development of any country and will continue to invest in good governance cooperation with the Himalayan Republic, because it yields high dividends for all Nepali people.

HUMAN RIGHTS & DEMOCRACY

Social inclusion and equity, tolerance, freedom from want and fear and the right to peacefully express oneself are amongst the universal values and goals to strive for to achieve genuine development. The period of transition and constitutional development in Nepal has an important human rights dimension and is an opportunity to foster these values and to improve the status of marginalized and disadvantaged groups. The EU engages with Nepal in human rights dialogues and supports civil society's crucial role in this area.



The European Instrument for Democracy and Human Rights (EIDHR) has since 2003 funded more than 90 human rights projects. While working on a diverse set of themes, these projects shared in essence a common vision: to support the most vulnerable in the country and to address discrimination. The peace process was an important milestone and some projects worked for instance with youth formerly associated with armed groups or on transitional justice. Gender and caste-based discrimination, take the example of many Dalit

women or Chaupadi practices, featured prominently on the agenda, as well people with special needs. Support to human rights defenders and the role of the media, but also governance projects at the local level for instance on integrity and accountability to ensure better public service delivery, complemented this cooperation. The EU is dedicated to continue working with all stakeholders involved on human rights in Nepal.

Making a difference

The EU joined hands in June 2011 with the NGO Federation of Nepal to improve economic and public finance governance in ten districts of Nepal. The project contributed to improve transparency, accountability at local level for citizen-centred local governance.

The CWG from Gankhu VDC Gorkha took action against the misconduct and irregularities taking place in the VDC. They checked and controlled the quality of development works taking place in the VDC, like dam building in Boksikhola, construction of gravel motorway Gairigaun to Udindhunga, and the construction of memorable buildings in Gankhu ward no 2.

- The marginalized communities were more aware of public service entitlements and their participation in local development process was improved •
- Local authorities started to better address the demands of marginalised communities •
- Public pressure for good governance and participatory development process increased at local level •
- Citizen Watch Groups and Civic Networks were trained in order to deal with local authorities •



STRENGTHENING CIVIL SOCIETY ORGANISATIONS (CSOs)

Effective Civil Society Organizations are a key development stakeholder and crucial for a vibrant democracy. They contribute to policy dialogue and oversight, give grass root level feedback and can complement the provision of basic services. Through regular calls for proposals the EU works with CSO to provide grants for projects and to strengthen their capacity. The themes are aligned to the focal sectors of our cooperation with Nepal.

In addition, the EU and its Member States together with CSO are elaborating a roadmap, a joint effort towards a common strategic framework for engagement with local civil society. By establishing dialogues and discussions on different issues and sectors, this exercise improves the reliability of cooperation with civil society and promotes better coordination within development partners and other actors.



MIGRATION FOR DEVELOPMENT

The EU acknowledges migration as a major challenge and at the same time a great opportunity for Nepal's development in the coming years. Around 2 million Nepalese live and work abroad and this figure excludes India. Their role in poverty alleviation and development is important in particular through ensuring good use of the remittances –which accounted for 28% of the GDP in 2013/14- and a productive reintegration into the job market after returning from abroad.

The EU programmes related to migration in Nepal aim at fostering the links between migration and development. Our support in the area of migration is a growing area of intervention in Nepal and, in fact, a cross cutting issue in our future programmes under the three focal sectors.



HUMANITARIAN SUPPORT

Since 2001, the EU's humanitarian support amounts to over €80 million and the EU has a dedicated office, the Commission's Directorate-General for Humanitarian Aid, or ECHO. To foster resilience and in complementarity to our development cooperation ECHO has provided almost €18 million for disaster-preparedness efforts. During Nepal's internal conflict, and up to 2011, ECHO supported with €35 million thousands of conflict-affected people, especially in rural areas, by providing health care as well as water and sanitation facilities.

Nepal has been hosting over 107,000 Bhutanese refugees since they sought asylum in the early 90's. Since 2008 the EU has been one of the main donors not only for maintaining the civilian and humanitarian nature of the refugee camps, but also for the implementation of a much needed durable solutions.



"EU Commissioner Stylianides (r) in Nepal"

HEALTH

The EU is a major partner of the Global Fund Against Aids, Tuberculosis and Malaria (GFATM) since 2001. The EU has committed €370 million for the period 2014 to 2016. The aim is to support partner countries' health systems so that they can ensure better access to quality basic health services for all. The EU provides also funds to GAVI, the world's organisation for immunisations. Both GAVI and GFATM are active in Nepal. The EU has contributed US\$ 8 million to Nepal through the Global Fund over the last 10 years.



EU with Nepal from day one

In its initial response to the first massive earthquake of 25th April 2015, the EU Civil Protection Mechanism was activated and the European Commission's Humanitarian Aid department (ECHO) released €6 million to help address the most urgent needs, including clean water, medicine, emergency shelter and household items. The total initial EU aid following the earthquakes amounts to €22.6 million including early recovery and rehabilitation.

Within hours of the first earthquake, EU humanitarian aid and civil protection experts were deployed to the disaster area, to help in evaluating the needs and coordinating the humanitarian response. Both EU Commissioner for Humanitarian Aid and Crisis Management, Christos Stylianides, and EU Commissioner for International Cooperation and Development, Neven Mimica visited Nepal and

expressed EU's solidarity in the aftermath of the earthquakes.

The EU proactively participated in the successful and timely Post Disaster Needs Assessment (PDNA), which was led by Nepal's National Planning Commission and presented at the International Conference on Nepal's Reconstruction (ICNR) on 25th June 2015. The EU pledged during the ICNR as post disaster support (i) for the reconstruction €100 million budget support (State Building Contract) and €5 million for complementary measures (ii) €7 million for early recovery (temporary learning spaces, logistic support) and (iii) additional €6 million humanitarian support. This makes the EU a major stakeholder in this post disaster context.



“Within hours of the first earthquake, EU humanitarian aid experts were deployed to the disaster area and the EU is firmly committed to contribute to the reconstruction of a more resilient Nepal”

Strong Government-led coordination as well as the use of country systems and the strengthening of the implementation capacities of the local administration in the districts and villages will be crucial for an effective, accountable and swift recovery.

The positive attitude, ingenuity and determination of the Nepali people, as for instance demonstrated by the emergence of “Youth Group Movements” will be a key asset in driving this process. Relief operations need to continue for some time but, equally important, the larger development agenda for the rest of the country should not be forgotten. This is why the EU will launch, together with the Government and UNICEF the “Partnership for enhanced Nutrition in Nepal” -an investment in the future generation of Nepalis.

This publication has been produced with assistance of the European Union.

The European Union is an alliance of currently 28 Member States who have decided to gradually link together their know-how, resources and destinies. Founded on the 9th of May 1950 by initially 6 Member States and successively enlarging since then, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.



DELEGATION OF THE EUROPEAN UNION TO NEPAL

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