Nepal and the EU

Political relations

The European Union's political and economic relations with Nepal were established in 1973 and are guided by its fundamental principles to achieve peace, stability, democracy, human rights and prosperity. With the ratification of the Lisbon Treaty in 2009 by all the Member States of the European Union and the creation of the European External Action Service in December 2010, the European Union ushered in a new era of cooperation and the strengthening of European institutions. With these changes came a change of name and responsibility: the Delegation, which formerly represented the European Commission to Nepal, is now a fully -fledged diplomatic mission and has become the Delegation of the European Union to Nepal. The incumbent EU Ambassador to Nepal, Ms. Veronica Cody, submitted her credentials to President Bidya Devi Bhandari on 23 October, 2017.

Political relations between EU and Nepal have progressed over the past decades, to become an increasingly relevant partnership focusing on mutual respect. Annual Joint Commissions are the most visible feature of an ongoing dialogue following the entry into force of an EU-Nepal Co-operation Agreement in 1996. During meetings of the Joint Commission, the Government of Nepal and the EU counterparts exchange views on issues of common concern such as peace and stability, development, human rights and trade. They also take the opportunity to review current projects being implemented through EU assistance, as well as any new ones being considered.

Political relations are further strengthened through regular visits of EU Parliamentarians to Nepal and exchange of visits of high ranking officials and political personalities between Nepal the EU headquarters. The EU has been an ardent supporter of peace and stability in Nepal. Following the historic peace agreement in Nepal in 2006, two Constituent Assembly elections have taken place and in 2015 the country promulgated its new Constitution, an important milestone in its history. EU Election Observation Missions observed both the elections to help ensure free, fair and impartial elections, during the country's critical transition.

The EU has reaffirmed its commitment to assist the elected Government of Nepal. The EU remains a consistent supporter of a democratic and inclusive constitution. The EU's political relation with Nepal, along with its development cooperation efforts, aims to build stability and economic, environmental and social development in Nepal.

The European Union - including the EU Delegation and the EU Member States - is the biggest provider of development aid to Nepal. There has been a significant increase in the volume of aid over the last
four decades of EU-Nepal cooperation. Through the years EU-Nepal cooperation has seen important changes, reflecting the constant assessment and adoption of appropriate strategies required to maintain an effective development agenda. This is translated, among other things, in a move from individual project support, to a more holistic sector budget support which the EU is currently pursuing in Nepal. The overall development cooperation strategy has been worked out jointly with the Government of Nepal. The Multiannual Indicative Programme (MIP), which covers a period of seven years, guides the development assistance of EU to Nepal.

In the context of Nepal, the European Union has been focussing mainly on three sectors: education, rural development, strengthening democracy and decentralisation. Following the devastating 2015 earthquakes reconstruction also became an important focus. Apart from these sectors, we are also active in areas as varied as the protection and promotion of human rights, food security, conservation of the environment, safe migration, assisting to ensure transparent and effective public finance management, energy, and introducing sustainable production and consumption practices. We are also working with the Government of Nepal and local communities in disaster risk reduction and climate change adaptation and mitigation. The EU has tripled its assistance to Nepal from € 120 million to € 360 million for the period 2014-2020.

With the overarching goal of poverty reduction the EU has been working closely with the Government but also through International Organisations, jointly with EU Member States and with civil society and the private sector to advance development in areas such as basic and primary education, integrated rural development, trade and economic capacity, human rights, preservation of the culture of indigenous communities, energy, climate change and environmental conservation, urban development, food security, conflict mitigation, and peace building among others.

**Trade and economic relations**

As a Least Developed Country (LDC) formally recognised by the United Nations, Nepal is one of the beneficiaries of the special arrangements for LDCs initiated by the European Commission in February 2001: the Everything But Arms regulation, commonly known as EBA. This initiative provides the most favourable trade regime available to Nepal, granting duty-free access to imports of all products from Nepal, except arms and ammunitions, without any quantitative restrictions (with the exception of bananas, sugar and rice for a limited period). Furthermore, in November 2011, the European Commission adopted and published the reformed Generalised System of Preferences (GSP) rules of origin. The new simpler and more development-friendly rules of origin is in place since 1 January 2011.

In 2015, EC-Nepal trade amounted to € 370 million; of which Nepalese exports to Europe were worth € 99 million and imports worth € 272 million. Overall, the EU is the third major trade partner with Nepal; the second major export partner and the third major import partner. The EU imports mainly textiles and clothing from Nepal and exports mainly machinery and transport equipment, chemicals, agricultural products and other manufactures.

Nepal needs a comprehensive and socially inclusive economic development strategy in order to improve its competitiveness and increase investment opportunities. Major challenges include the energy infrastructure, a rapid adjustment to post-MFA (Multifibre Arrangement), capitalisation on trade opportunities in India and China, and compliance with WTO (World Trade Organisation) obligations. The country further needs to improve the investment climate and carry out legal and policy reform in order to develop a fair, open and competitive market economy.
The European Union has been supporting the integration of Nepal into the international economy to establish an enabling environment for the private sector and to foster improvement in competitiveness. Through WTO assistance, the European Union allocated €2 million to help Nepal tackle the issues of Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT) and enhance awareness amongst Government officials, the business sector and civil society about economic implications of the WTO agreement and to assist in building capacity to address issues that might arise through this participation.

For the period 2011-2013 the allocation of European Union aid to Nepal in this key area was substantially increased to represent up to 15 percent of the Country Strategy Paper budget.

The EU has allocated an amount of 6 million Euros for the Trade and Private Sector Development Programme (TSPD). The TPSD programme closely works together with organizations representing producers, exporters and importers. It covers key themes such as trade policy and capacity building, quality infrastructure and value chain development. A specific emphasis is on bringing productivity and exports of coffee from the Himalayan republic to a new level.

**Development and cooperation**

In Nepal poverty is widespread with 31 percent of the population estimated to be living under the national poverty line. Several factors contribute to poverty including political, institutional and cultural factors, such as access to education and health facilities, hygiene or employment facilities as well as differences in geography. Therefore, as one the biggest providers of development aid to Nepal, the European Union's overall objective in its cooperation is poverty reduction, through the promotion of sustainable development and economic growth in line with the Sustainable Development Goals with special attention being given to social inclusiveness and the environment.

Due to the current period of transition in Nepal, from conflict to peace, efforts have been made to strengthen the cooperation strategy in line with the commitments and fundamental principles underlying European Union cooperation policy. Nepal needs a solid and robust democratic system of good governance and a sustainable economic development strategy. In an effort to support this framework and as set out in the Multiannual Indicative Programme 2014-2020, the European Union has chosen to focus its activities on three focal areas: Sector (I) Sustainable Rural Development, Sector (2) Education, Sector (3) Strengthening Democracy and Decentralization. Following the devastating 2015 earthquakes reconstruction also became an important focus.

As estimated in the multiannual indicative programme 2014-2020, which has been designed in close consultation with the Government of Nepal and the donor community, the country will receive an indicative budget of €360 million in these main areas of support. This financial envelope is three times higher than 2007-2013. Additionally, and in view of the challenges facing Nepal, other cooperation projects and actions under complementary financial instruments or thematic programmes will be supported in non-focal areas.

**EU contribution to recovery and reconstruction**

The European Union has allocated 12.66 billion Nepali rupees (€ 105 million) to support the Government directly through budget support in implementing recovery and reconstruction efforts, with strong focus on the promotion of resilience and disaster preparedness, the most vulnerable
people as well as the principles of transparency and accountability in public finance management. An additional amount of around 3.20 billion Nepali Rupees (€ 26.5 million) complements the reconstruction efforts with EU funded actions dedicated to relief, early recovery and humanitarian operations, including the provision of 650 Transitional Learning Centres.

It has already provided NPR 6 billion (€ 50 million) as first tranche of the Nepal - EU Action for Recovery and Reconstruction (NEARR) budget support programme. This delivers on the pledge made by EU Commissioner Neven Mimica in June 2015 during his visit to the country for the International Conference on Nepal's Reconstruction to substantially support the start-up phase of the recovery.

The Post Disaster Recovery Framework (PDRF) of May 2016 guides the EU and the Government of Nepal's shared aspiration to help the earthquake-affected communities build their houses back better and safer. It also confirms some other important principles, such as ownership, accountability, transparency and an equitable focus on prioritising the most vulnerable. As reconstruction efforts are now being rolled out, scaled up funding is needed to accelerate the momentum to rebuild. The NPR 6.3 billion (€ 50 million) is an important contribution through Nepal's treasury during the start-up phase of the PDRF. In a second phase, later in the year, the EU is committed to inject another NPR 6.3 billion (€ 50 million), provided important progress is made in accelerating reconstruction through PDRF implementation, including transfer of the first tranche of the housing grant to at least 200,000 households.

**Education**

In Nepal some level of joint funding for education has been practiced since 1998, which has evolved into a well-developed sector-wide approach (SWAp) modality where development partners, including the European Union, rely on Government of Nepal systems to account for and report on the use of resources. All participate alongside government partners in the Local Education Group, which is co-chaired by the EU since August 2016, in well-established mechanisms of joint reviews and meetings. Education has been a key component of the EU's financial assistance to Nepal since the late 1990s through the provision of sector budget support via three sector support programmes since 2007, including the School Sector Reform programme (SSRP 2009-16). The main achievements of the SSRP include improved access across the board, sustained maintenance of gender parity at all levels, the continued increase in new entrants in grade 1 with early childhood experience, and improved participation of the Dalit population at primary level.

A new Education Sector Plan, the School Sector Development Plan (SSDP), will guide the reform efforts in the years to come. The SSDP will run from July 2016 to 2023, in line with Nepal's vision to graduate from least developed country status. It builds on lessons and gains of the SSRP, continuing the Government of Nepal's aim to ensure universal access to quality education, in line with SDG 4, and improve the quality, equity, relevance, efficiency and effectiveness of education service delivery. It will reform and develop the education sector in line with the new constitutional mandate, by revising policies, rules, regulatory frameworks and procedures to enable the transition to a decentralised, federal structure of governance.

The SSDP will also address the post-earthquake reconstruction and recovery needs of the country, as identified in Government of Nepal's Post Disaster Recovery Framework (PDRF, 2016), which will require building back better in earthquake-affected areas, reaching out to marginalised populations, strengthening planning and management capacities at all levels, and ensuring better quality teaching and better learning outcomes.
For the European Union Education remains one of the priority sectors under the Multi-Annual Indicative Programme (MIP) 2014-2020, with a total indicative amount of €101.4 million for the period to support the policies and priorities of the Government of Nepal in the school sector (under the umbrella of the SSDP) and for Technical and Vocational Education and Training (TVET).

**Governance and justice**

As a global actor, the European Union has been involved in bringing stability and peace building to Nepal after the decade of conflict which ended in 2006 through technical and financial assistance. This support amounted to approximately 30 percent of the budget outlined in the Country Strategy Paper 2007 -2013. The European Union has contributed €22 million to support the Government of Nepal in the implementation of the Comprehensive Peace Agreement. The main support instrument has been the Nepal Peace Trust Fund (NPTF) and the EU represents as chair the donors in this fund.

The NPTF has played an important role in strengthening the role of the state, enhancing the consolidation of the peace process and providing a critical contribution to make the process irreversible. As one of its major donors, the European Union is supporting activities under three different areas, including: conflict affected persons and communities; security and transnational justice; and, peace building initiatives at national and local levels.

The NPTF was supported by 8 donors in its phase I and II. For the last phase (phase III) EU and USAID remain as sole Development partners.

With the 10th anniversary of CPA being commemorated in 2016, there is the opportunity to reflect on the achievements and the way forward to secure lasting peace in Nepal. The EU together with other DPs will support the organisation of a national wide conference for this commemoration.

In the new cooperation strategy 2014-2020 support to democracy and governance is focal area that has been allocated with an envelope of € 34 million. This fund will provide support to the Government of Nepal for the transition to federalism and enhance decentralisation in the country, and to strengthen public financial management (PFM) in Nepal. New programs under these thematic areas will be jointly identified with the GON in the next years.

**Human rights and democracy**

Article 21(2) of the Treaty on European Union (TEU) defines democracy, rule of law and the universality and indivisibility of human rights and fundamental freedoms as guiding principles of the EU’s external action. Funding has been mobilised for supporting the civil society, international organisations and human rights defenders for promoting and supporting democracy and human rights.

With the European Instrument for Democracy and Human Rights (EIDHR) as main and globally operating financing instrument key themes supported are democracy, human rights, rule of law and the respect for internationally recognised universal standards. Concrete priorities are established based on the specific needs of a country and Human Rights Country Strategies (HRCS) prepared by the EU Delegations together with the EU Member States. The objectives of the EIDHR aim at:

- enhancing respect for human rights and fundamental freedoms, as proclaimed in the Universal
Declaration of Human Rights and other international and regional human rights instruments; 
- strengthening the protection, promotion and monitoring of these rights and freedoms, mainly 
  by providing support to relevant civil society organisations (CSOs), human rights defenders and 
  victims of repression and abuse;
- support democracy in third countries, by enhancing participation and representation and 
  strengthening the overall democratic cycle, in particular by emphasising the need for a vibrant 
  civil society, increasing respect for the rule of law and improving electoral processes, including 
  through election observation missions.

The EIDHR instrument is designed to help civil society become an effective force for liberty, tolerance 
and respect of individual dignity and human rights. It is complementary to other cooperation with a 
country, ensuring coherence and synergy between the various forms of bilateral engagement and 
cooperation including programmes such as ‘Civil Society Organisations and Local Authorities’ 
(CSO&LA), ‘Global Public Goods and Challenges’ under the Development Cooperation Instrument and 
interventions through the Instrument contributing to Peace and Stability (IcPS).

The EIDHR instrument can grant aid where no established development cooperation exists, and can 
intervene without the agreement of the governments of third countries. It can support groups or 
individuals within civil society defending democracy as well as intergovernmental organisations that 
implement the international mechanism for the protection of human rights.

The new EIDHR Multi-annual Programming 2014-2017 has identified five objectives of the EIDHR 
programme:

1 - Support to human rights and human rights defenders in situations where they are most at risk

2 - Support to the EU human rights priorities that include protecting human dignity; abolition of the 
  death penalty; combating torture and other forms of ill treatment; protecting and promoting 
  children’s rights; protecting women’s rights; fighting discrimination in all its forms; fighting against 
  impunity; promotion and protection of freedom of religion or belief; promotion of economic, social and 
  cultural rights; promoting respect for international humanitarian law.

3 - Support to democracy

4 - EU election observation

5 - Support to targeted key actors and processes, including international and regional human rights 
  instruments and mechanisms

Nepal is benefitting from both country specific allocations and global allocations available under the 
EIDHR. Projects are selected through call for proposals published almost every year.

Other thematic instruments

Regional Programmes for Asia, include the Aid To Uprooted People Programme, through which 
the European Union supports Bhutanese refugees currently living in camps in Nepal. Nepal benefits 
also from other important regional programmes such as SWITCH Asia, which focuses on sustainable 
consumption and production to balance economic needs with environmental requirements and 
supports innovative pilot initiatives through annual call for proposals, the Asia Investment Facility 
(AIF), which provides blending support for infrastructure projects, for instance in the energy sector.
and Aid for Trade initiatives.

The Non-State Actors and Local Authorities (NSA-LA) Programme complements the focal areas of bilateral EU Nepal cooperation (education, rural development, democratic governance). Since 2007 approximately €2 million have been allocated per year to strengthen non-state actors in Nepal through different call for proposals launched every second year in different areas.

**Humanitarian aid**

The European Union as a whole is the world’s largest donor of humanitarian aid.

The EU’s humanitarian assistance is based on the principles of humanity, neutrality, impartiality and independence. Every decision ECHO takes adheres to these four principles which are at the heart of the European Consensus on Humanitarian Aid. As such, ECHO’s humanitarian aid is distributed without any regard for any political agenda, and without exception seeks to help those in the greatest need, irrespective of their nationality, religion, gender ethnic origin or political affiliation.

ECHO’s funding is channelled through a network of over 200 partners which comprises international non-government organisations, the Red Cross and Red Crescent movement, and the United Nations’ humanitarian agencies. But ECHO is not just a donor, it also has a large team of field advisors throughout the world. Immediately following a disaster, these experts go to the field to assess the needs and then monitor the implementation of funded projects. You can find out more about the work of ECHO’s South Asia office in New Delhi here. For more information on ECHO, please also consult our website.

**ECHO in Nepal**

ECHO has been working in Nepal for many years, funding over €72.2 million of humanitarian operations since 2001. These funds have been used to support thousands of conflict-affected people in remote areas by providing healthcare as well as water and sanitation facilities, to assist refugees from Bhutan, and to implement community-based disaster preparedness projects.

Committed to increase the resilience of vulnerable communities to natural disasters, ECHO is also a member of the Nepal Risk Reduction Consortium (NRRC), funding activities which strengthen populations’ capacity to withstand and recover from recurrent floods and landslides. These include community-based disaster management, flood management & early warning systems, school-focused disaster management, livelihoods-focused disaster risk reduction, disability inclusiveness, and improving national emergency response capacity. As part of its earthquake preparedness programme, ECHO is also working with the World Health Organisation and NGOs to bolster the health emergency preparedness and response capacities in the capital city, Kathmandu. This cooperation was of critical, lifesaving importance during the 2015 earthquakes.

Since 2001, ECHO has contributed almost €15 million to disaster preparedness and risk reduction activities in Nepal, including €3.28 million allocated for 2013-2014. Its sustained advocacy efforts have contributed to the formulation of the "National Strategy for Disaster Management in Nepal".

To know more about our latest activities in Nepal, please have a look at our factsheet.
Documents

Multi-annual Indicative Programme (MIP) 2014-2020 Nepal
EU and Nepal Cooperation

See also

More on ECHO in Nepal
www.eeas.europa.eu

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