Swiss Cooperation Strategy for Nepal

2013-2017

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Our rapidly changing world and the joint learning processes we have with our partners force us to periodically rethink our priorities and values. The Swiss Message to Parliament on International Development 2013 – 2017, is such a "re-think" which has been informed by the lessons of our partnerships, and in turn informs the strategic foundations of our country programmes. It is thus noteworthy that this particular country strategy, wrought in collaboration with our oldest partner of all, Nepal, very nearly coincides with the Messages' time horizon, and as such will become a vivid expression of its vision.

Although the areas in which our two countries could cooperate are legion, the available means remain limited, and accordingly, particular themes must be singled out as priorities. In this country strategy, these are Inclusive Socio-Economic Development and Improved Public Service Delivery. They were chosen on the basis of three lenses: (1) development issues where considerable urgency has been identified; (2) the particular expertise which Switzerland possesses to address such issues; and (3) the geographical and topical areas in which Nepal and Switzerland have already been collaborating.

At this juncture in Nepal's history, it is a considerable privilege for Switzerland to contribute to the next crucial chapter of our partner's development which will be written over the coming few years – and my personal honour to witness the unfolding cooperation between our two countries as this happens.

Swiss Agency for Development and Cooperation

Martin Dahinden
Director

FOREWORD

Switzerland and Nepal look back on more than half a century of friendship and joint developmental cooperation. It is thus with pleasure that we regard the publication of the Swiss Cooperation Strategy for Nepal 2013 – 2017 as a mutual reaffirmation of our countries' commitment to the legacy and on-going success of this relationship.

This cooperation shall support Nepal in its own efforts to combat poverty, to foster socio-economic development and to build a more functional and inclusive state responsive in particular to the needs and the rights of the disadvantaged and marginalised groups of the population.

In doing so, we recognise that Nepal's greatest resource are the women and men of this country and that responding to their aspirations for prosperity, social services, peace and the rule of law is the ultimate goal of our joint collaboration.

Their vision, expressed through democratic and participative processes, will be our guide.

To them we will be accountable.

Federal Department of Foreign Affairs
Government of Switzerland

Ministry of Finance
Government of Nepal

Yves Rossier
Secretary of State

Shanta Raj Subedi
Secretary

Two bridges constructed over the Doti Khola in Dadeldhura district
Trail Bridge Sub-Sector Programme

1. CONTEXT ANALYSIS

Nepal has made substantial political progress since the Comprehensive Peace Agreement (CPA) was signed in 2006. Parliamentary and Constituent Assembly (CA) elections were held in 2008, and Nepal was declared a federal democratic republic shortly thereafter. The voluntary retirement and integration of Maoist ex-combatants into the National Army in 2012 was another important milestone in the peace process. However, besides these, progress has slowed sharply. The CA failed to promulgate a new constitution in May 2012, leading to its dissolution. New CA and parliamentary elections have been announced, but the Constitution drafting process will need to be re-initiated. This in turn means that the establishment of transitional justice mechanisms will be further delayed.

Nepal is in a phase of its history in which all political and civil society actors need to achieve a consensus on how to transform Nepal into a prosperous Federal State – a cause which its development partners are ready to support. Many fundamental political, socio-economic and administrative reforms outlined in the 2006 CPA and the 2008 Interim Constitution still need to be implemented in order to achieve better rule of law, equity and inclusion. The country's transition to an inclusive democratic federal state and the formation of a proficient administration will need political will and discipline for many more years. At the same time, other issues need to be addressed too: the public institutions need to guarantee human rights, rule of law and an independent judiciary. They must enact and enforce legislation to ensure social justice and equity, asserting more democratic control over the security sector actors. Unless tangible

improvements are achieved in these governance and peace-related issues, socio-economic development will remain sluggish. However, disappointment with the failed constitution drafting and the perpetual political brinkmanship could further undermine the already waning popular support for public authorities and political parties, and open a space for new political forces to rise around identity and other issues. The political panorama would become even more complex and place the political consensus even further out of reach.

Nepal is rich in geographic and social diversity. However, with over 125 different ethnic groups and castes, and 123 languages spoken on a daily basis[1], the country has to respond to the challenges of its ethnic and social complexities as well as economic inequalities. Additionally, society suffers from a legacy of unequal access to political, social and economic opportunities; many of the root causes of past armed conflicts remain unresolved and insufficiently addressed.

Commemoration of the Disappeared People
Advocacy Forum, Nepal

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[1] 2011 Census, info released by Central Bureau of Statistics (CBS) in November 2012

Unequal access to opportunities still persists. Despite some positive efforts including reservation, quotas and targeting, discriminatory factors, including gender, caste, ethnicity and religion remain an important concern. Nevertheless, economic and various sub-national factors also pose serious challenges and fundamentally shape identities and local power relationships. Impunity prevails and Nepal's rank in the Corruption Perception Index (CPI) is among the lowest; the political will appears to be insufficient to tackle such issues. There is still little public awareness of violence in its different forms, among which gender-based domestic violence and crime are increasing rapidly. Meanwhile, economic migration continues unabated, and the absence or return of migrants, mainly men, exacerbates many of these problems.

Despite these challenges and constraints, Nepal has improved its Human Development Index standing over the last three decades and its progress on the Millennium Development Goals has been remarkable in the areas of poverty reduction, education, gender equality and health. However, Nepal, with a Gross Domestic Product (GDP) per capita of USD 735 in 2012[2] (up from USD 350 in 2006), remains one of the poorest countries in Asia. In 2011, 25 percent of the population still lived below Nepal's official poverty line (19,261 NPR per year/person), down from 53 percent in 2003/2004. Poverty is unevenly distributed: it is higher in rural areas than urban areas; it affects Dalits more than other groups, and households headed by an illiterate person have a 4.5 times greater likelihood of being poor than those headed by persons who completed secondary school. The social

and economic vulnerability of many of the country's inhabitants, especially Disadvantaged Groups[3], is exacerbated by the remoteness of markets and their lack of access to basic services, to economic and natural resources, as well as increased indebtedness. Moreover, Nepal is extremely vulnerable to climate change and natural disasters such as earthquakes, landslides and floods. These natural phenomena, together with political crises and lack of economic opportunity, may give rise to internally displaced persons and refugees facing major economic and social difficulties. The international donor community stands ready to complement the support provided by the Government of Nepal (GON) to such vulnerable groups of the population.

Nepal's GDP growth averaged only four percent over the past decade[4], achieving 4.6 percent in 2011/2012. The inflation rate has stabilised at around nine percent, and the fiscal deficit has been contained at below four percent of GDP[5]. According to the 2011 World Bank (WB) / International Monetary Fund (IMF) Debt Sustainability Analysis, Nepal passes the standard stress test and its risk of sovereign default is assessed as moderate under the special financial stress scenario. The main sectors of Nepal's economy are foreign employment, agriculture, construction, financial and other services. Due to the structural weaknesses of the economy and prevalence of disincentives to investment, there are not sufficient gainful employment opportunities for the hundreds of thousands of young adults entering the labour market each year. Migration to India or overseas is therefore often chosen as a way out of poverty, despite its high social cost. An estimated 1.9 million Nepalese work abroad[6] and,

2   Ministry of Finance/CBS, Economic Survey Fiscal Year 2010/11
3   Disadvantaged Groups are defined as groups suffering simultaneously from poverty and discrimination
4   Ministry of Finance/CBS, Economic Survey Fiscal Year 2010/11
5   Nepal Rastra Bank 2011/2012
6   2011 Census

together with the money brought back by seasonal migrants remaining less than six months abroad, their remittances account for up to nearly 23 percent of GDP[7]. Landlocked between China and India, Nepal is particularly dependent on maintaining good relations with its two powerful and influential neighbours.

It is Nepal Government policy that the national authorities coordinate the development process in line with the Busan principles of development effectiveness. Notwithstanding the prevailing fiduciary weaknesses, donors and International Non-governmental Organisations (INGOs) will increasingly have to shift from direct implementation towards modalities in which leadership and coordination lie with the State, a trend requiring careful monitoring of public financial management.

Khotang potato market
Embassy of Switzerland in Nepal

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[7] MoLTM, IOM 2010, Foreign Employment, Remittance and its Contribution to the Economy of Nepal

2. NEPALESE NATIONAL PRIORITIES AND SWISS FOREIGN POLICY OBJECTIVES

The immediate and medium term national priorities outlined by the GON rest on four pillars:

i) The further consolidation of the peace process;

ii) The final drafting and subsequent implementation of the new constitution, establishing Nepal as a federal democratic republic and the organisation of elections;

iii) The strengthening of governance to enhance the rule of law and reduce discrimination and fiduciary risks in public finance management, and

iv) Economic development through investments in production of hydropower, the expansion of tourism, the modernisation and commercialisation of agriculture and the provision of basic rural infrastructure. This pillar aims at achieving food security, higher employment rates, especially for youths, and enhanced access to socio-economic services and to markets.

The Swiss engagement in Nepal dates back to the 1950s: supporting livelihood programmes in rural areas and vocational skills development, including a significant contribution to improving the social and economic situation of Tibetan refugees in Nepal. Since 2005, Switzerland has additionally been engaged in peace building, human rights and state building activities, based on a coherent whole-of-government approach. An Embassy of Switzerland was opened in

Kathmandu in August 2009. Nepal is a priority country for the Swiss Agency for Development and Cooperation (SDC) and the Human Security Division (HSD), and this Programme is a core component of SDC's increased focus on states in transition and fragile contexts. It also covers a broad range of instruments and topics that are part of HSD's mandate[8] and where Switzerland has special know-how and/or credibility, such as federalism and dialogue facilitation.

In the Dispatch on the Swiss International Cooperation for the years 2013-2016, a high priority is afforded to preventing and overcoming crises, conflicts and catastrophes, to supporting democratic systems and to providing access to resources and services for all. The current strategy was designed bearing in mind these priorities as well as those of the above-mentioned civilian peace building and human rights bills, emphasising the strong link set between creating an enabling environment based on, on the one hand, democratic principles, good governance and peace, and reducing

Irrigation pond
Local Infrastructure for Livelihood Improvement

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[8] Bill to Parliament concerning the continuation of measures relating to civilian peace building and the promotion of humanrights, 2012-2016

poverty with specific measures that provide income and access to public services for the people facing poverty and discrimination, on the other. In Nepal this will be done through programmes in the fields of State reform, local administration and participation, and agriculture and food security, combined with fostering economic growth and employment through vocational training, transformation and marketing of rural products, as well as communication infrastructure.

In line with its foreign policy, including its development objectives[9], Switzerland would like to see a peaceful, democratic and developed Nepal taking its place in the Asia-Pacific Region, which is of increasing global economic and political importance[10]. Switzerland is a member of ASEM (Asia-Europe Meeting), strongly supports the International Centre for Integrated Mountain Development (ICIMOD), and closely follows developments in other multilateral forums

such as the South Asian Association for Regional Cooperation (SAARC) and the Association of South East Asian Nations (ASEAN). Economic ties between Switzerland and Nepal are modest and could be intensified.

Nepal received foreign assistance of approximately USD 1.08 billion in the fiscal year 2010-11, corresponding to approximately 21 percent of the total national budget. Out of this, the World Bank provided USD 256.1 million, ADB USD 184.4 million, the United Nations (UN) Programme USD 112.5 million, the European Union (EU) USD 42.4 million and the Global Fund USD 19 million. The major countries providing bilateral assistance are the United Kingdom (USD 92.1 million), Japan (USD 58.7 million), India (USD 50.7 million), the United States (USD 48.5 million) and Switzerland which, with an annual budget of approx. CHF 35 million (USD 37 million), is the sixth-largest bilateral donor in Nepal.

An example of sustainably managed forest by communities
Multi-Stakeholders Forestry Programme

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[9] Aussenpolitischer Strategie 2012-2015 and Dispatch on Switzerland's International Cooperation in 2013–2016
[10] Asia-Pacific Strategy

3. RESULTS OF SWISS COOPERATION FOR NEPAL 2009-2012

The Swiss Cooperation Strategy 2009-2012 aimed to support socio-economic development, inclusive democratic State building and to promote human security in Nepal. It focussed on reducing poverty by empowering and enhancing livelihoods of Disadvantaged Groups, fostering inclusive development, and on consolidating the peace and State-building processes as well as promoting human rights to strengthen the transition of society and ensure sustainability of the development gains for the beneficiaries. Over a period of four years, the total expenditure in these areas has been approximately CHF 130 million.

This broad and ambitious approach would not have been possible without the long history of good collaboration and trust between Nepal and Switzerland in the field of development

and without the good coordination and complementarities between the different units of the Federal Department of Foreign Affairs (FDFA). These two factors have enabled Switzerland to intervene in sensitive issues such as State building, discrimination, rule of law and peace promotion as an integral part of its poverty reduction strategy in favour of women and men suffering from reduced access to political power, to resources and to services, mainly in rural areas.

As such, Switzerland's contribution to inclusive development and empowerment has been successful in many ways. Notably, the livelihood of Disadvantaged Groups was improved. Over 64 percent of the people benefitting from Swiss development interventions were members of these groups (44% in 2009); more than 39 percent of Disadvantaged Groups living in the sample road corridors of Swiss-supported cluster districts received two or more livelihood options (30% in 2012); the representation of discriminated groups[11] in Users' Committees[12] of Swiss-funded projects reached 49 percent, compared to 34 percent in 2010. The Swiss Programme also contributed to strengthening the effectiveness of local bodies in the central cluster districts in delivering services to the people: budget allocation and expenditure of District Development Committees (DDCs) and Village Development Committees (VDCs) directed to the needs of Disadvantaged

Public Hearing (Kavre)
Josef Zimmermann

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[11] Discriminated Groups refer to groups affected by discrimination based on gender, caste/religion or ethnic identity, such as women, Dalits, disadvantaged ethnic groups (Janajati)

[12] A Users' Committee is a committee formed by beneficiaries for the construction, operation, management, repair and maintenance of any project, in accordance with the specified GoN procedures.

Groups has doubled since 2010, and an increasing percentage of grievances put forward by them has been addressed by duty bearers, including local bodies which responded to 62 percent of the grievances.

Switzerland contributed substantially to the post peace-agreement negotiation process and fostered active participation of politically marginalised groups, while continuing to strengthen national facilitation capacities throughout the post-agreement period. Swiss expertise in peace-building and constitution-making and federalism also contributed to the quality of the reflections on possible solutions in the constitution-drafting process. An important instrument through which Switzerland has supported the peace process is the government-led and implemented Nepal Peace Trust Fund. This multi-donor fund has been particularly effective by increasing Nepal's ownership and leadership of the peace process, inter alia by assuming the monitoring of the Peoples' Liberation Army (PLA) cantonments and the integration and retirement of ex-combatants after the departure of the United Nations Mission in Nepal (UNMIN).

Results of international and national efforts in the field of Human Rights have been mixed. Despite concerns raised by western countries, including Switzerland, the mandate of the Office of the High Commissioner for Human Rights (OHCHR) was terminated at the end of 2011. After having played an important role in fact finding and awareness-raising, as well as being a watchdog and an advisor, OHCHR could not secure the required support of the government. The capacity of the National Human Rights Commission (NHRC) and the civil organisations remains weak although important external support has been provided.
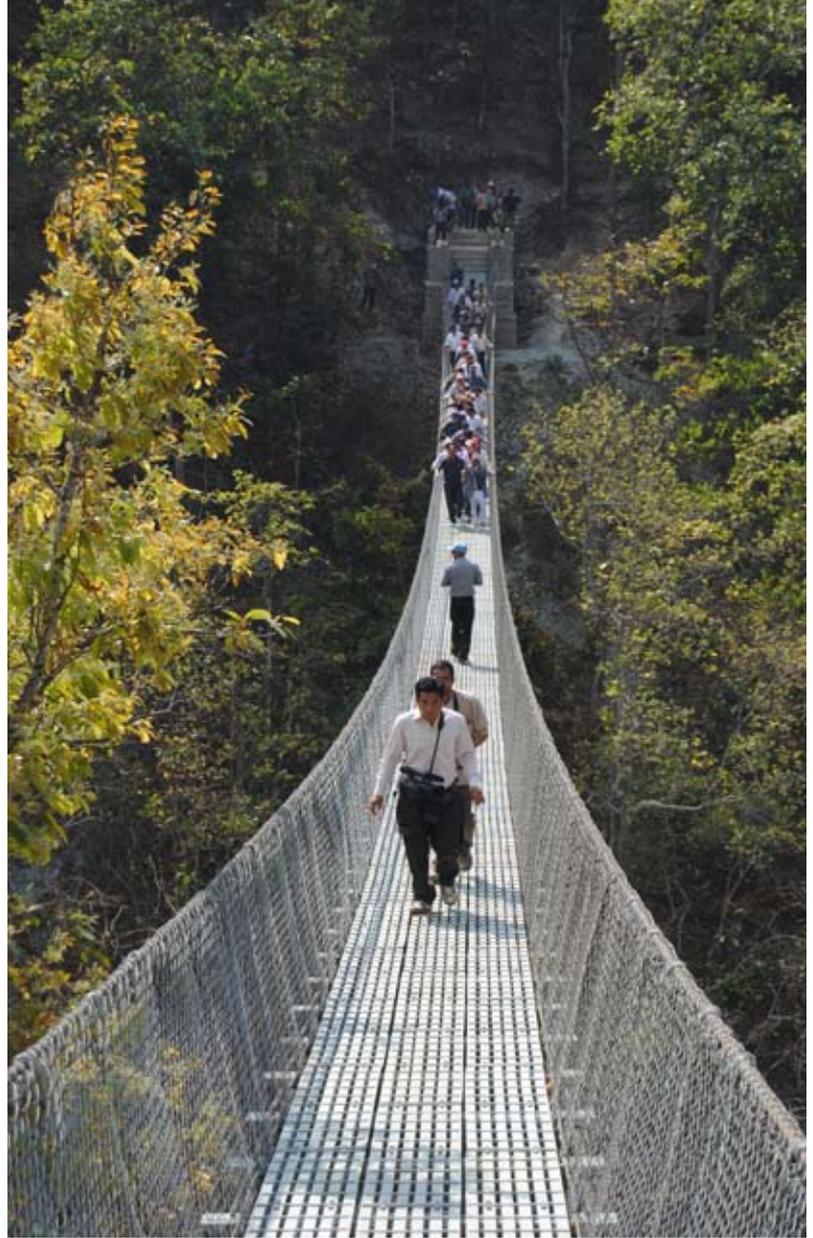
5000th Trail Bridge between Okhaldhunga and Khotang districts
Aman Jonchhe

The geographic concentration of the Programme (about 40% of SDC's budget is invested in the two Swiss-supported cluster areas) has enhanced both development effectiveness and Swiss visibility. Alignment with the national programme whenever possible and interconnected work at operational and policy levels were key factors in increasing effectiveness and up-scaling of the programme. Switzerland, as a trusted partner, increased its leverage by managing funds from other development partners. Working with a conflict-sensitive approach has also enhanced the effectiveness of the Programme by enabling Switzerland to engage with all the parties and to prevent an escalation of conflicts.

4. IMPLICATIONS FOR THE SWISS STRATEGY 2013-2017

Their parents worked in Decentralised Rural Infrastructure and Livelihood Programme road construction programme along the Triveni-Dunai Road.
Josef Zimmermann

The focus of the Swiss Programme on two Domains of Intervention, namely **1) State building, Human Security, Rule of Law - including Human Rights**, and **2) Inclusive Social and Economic Development, Public Service Delivery**, remains relevant because of the importance of securing gains in development through the transformation of society and a stronger service orientation of the state at local and national levels. Equally, Switzerland's investment into improving livelihoods opens doors and lends credibility to peace-building support and human rights advocacy; these efforts strengthen the beneficiaries' ability to hold the State accountable. It is essential that the Programme continues to target women and Disadvantaged Groups, and seeks to increase awareness for victims of human rights current and past - prior to the CPA - violations. As the

context analysis shows, root causes of the armed conflict persist, and unaddressed needs of victims may further exacerbate tensions between communities during the transition. The success of the Programme will lie in its capacity to tackle precisely the links between political, social and economical development rather than to deal with each of them separately.

The geographic concentration of the Programme (cluster approach) will continue to enable geographic focus and synergies, while generating concrete local field experience that can feed into the national policy dialogue.

More synergies will be sought between the two main Swiss Programme partners (SDC and HSD), particularly in regard to achieving the outcomes of Domain 1. Increased consideration will be given to the mutual influence of justice, violence and development. Enhanced focus on state building at the local level will allow the Programme to further improve its support to the transformation of Nepal into a democratic and federal republic. Thematically-focused human rights work, including dealing with the past, will complement the empowerment and poverty reduction of women and Disadvantaged Groups and contribute to eliminating all forms of discrimination.

The new Programme needs to give still more consideration to the fact that women and men of Nepal are willing to move to places where economic opportunities and better state services exist. There is a need to reach beyond

a traditional agricultural production-oriented development approach towards a post-harvest, transformation and market approach to provide increased income, and to offer an alternative to those considering migrating for economic reasons. Investment in the maintenance of infrastructure such as bridges, rural roads and irrigation channels on the one hand, and provision of skills training and support to entrepreneurship skills and market development on the other are also needed. This aims at enhancing people's access to gainful employment opportunities in Nepal and abroad.

The Government is the main interlocutor of Switzerland in designing and implementing the development programmes in Nepal. The use of government systems will be considered whenever possible, and the strengthening of public capacities, especially at the local level, is crucial for the sustainability and scaling up of good experiences, in particular in the provision of social services and infrastructure. The Nepalese civil society is also an important partner of the Swiss Programme, although some Civil Society Organisations (CSOs) have their own weaknesses, especially in the field of corporate governance and financial management. It will therefore be important to follow how these institutions succeed in improving their own management record and indeed how they themselves are impacted by the evolving political situation before deciding to shift significantly from public to civil society partners.

Scenarios for the medium term future of Nepal have been formulated together with their likely impact the Programme (Annex D). Possible responses by the Programme to these scenarios are also listed (Annex E), and will be applied as the evolution of the political and socio-economic context has changing implications for the implementation of the Programme.

Wheat harvesting in Dolakha district
Embassy of Switzerland in Nepal

5. PRIORITIES AND OBJECTIVES

I. Overall Goal

The overall goal of the Swiss Cooperation Strategy is to contribute to the transformation of Nepal into an inclusive and democratic federal state, which fosters human security and the rule of law, and to promote social, economic and political opportunities that enable women and men alike to make their own choices and sustainably improve their well-being.

Payment to road workers in Okhaldhunga District Road Support Programme

II. Domains of Interventions

The Swiss Programme is comprised of two inter-related domains of intervention. Within the first one, Switzerland wants to contribute to developing an effective and inclusive Nepali Federal State based on Human Security and the Rule of Law principles; within the second domain Switzerland seeks to contribute to people's increased well-being and

resilience, especially of Disadvantaged Groups, living in rural and small urban centres[13]. Using this point of departure, the Programme is able to establish a nexus between Nepal's political and social conflict - the quest for peace and better governance addressed under Domain 1, and it's social and economic conflict - the quest for equitable development and poverty reduction, addressed under Domain 2. It is thus through this linkage that Switzerland envisions widening and securing space for development and responds to Nepal's transition in a relevant way.

Domain 1: Inclusive Federal State, Human Security and the Rule of Law

Effective State institutions, at the central and local levels, are a precondition for positive political, economic and social development across the country. Moreover, due to the past armed conflict and the volatile transition phase, a culture of violence still persists. Violence is often perpetrated with impunity and there is little evidence of systematic efforts to deal with the social fallout. In addition, domestic and gender-based violence represents a serious problem. In sum, the prevalence of civil violence in Nepal makes a focus on human security highly relevant.

Applying lessons learnt during the past two Cooperation Strategies and making use of its own experience in the interrelations between different levels of a federal State, Switzerland will concentrate its efforts in supporting the consolidation of the State, with an emphasis on the local level and

[13] The government of Nepal has prioritised the promotion of 10-20 satellite towns/cities in the mid-hills. Sets of interventions related with governance, empowerment and environment will be implemented holistically across the provinces. However, clustering of interventions related to livelihoods will focus on all VDCs along the selected road corridor that promotes economic growth/development.

its articulation with national policies. This includes strengthening the capacity of public authorities to design and implement local development strategies, applying participatory methodologies, to ensure transparent and accountable management of financial resources, and also to provide accessible public services of good quality, corresponding to the demands and the rights of the people. Switzerland will also make use of its presence in the field and of its excellent relationships with public and private stakeholders to systematically address the different types of violence in a conflict sensitive way and to strengthen human rights mechanisms and practises at the local and national levels, with the aim to foster access to justice for victims of violence and human rights violations.

As a result of Swiss contributions, the following outcomes are planned (details: see Annex B)

Outcome 1.1 State Building
The elected representative, civil servants and civil society ensure that the constitution drafting, the election and the State restructuring processes, as well as State structures at the local level, are inclusive and well managed.

Outcome 1.2 Human Security
Stakeholders use non-violent means to deal with conflict, particularly related to resources, identity, gender and domestic issues.

Outcome 1.3 Human Rights
Relevant national institutions effectively promote and protect Human Rights, specifically those related to impunity, to discrimination and to the situation of migrant workers and refugees.

Domain 2: Improved Livelihood and Increased Resilience for People Especially Disadvantaged Groups Living in Rural Areas and Small Urban Centres
Within the second domain of intervention Switzerland will mainly focus on improving livelihood and increasing food security through better access to business services (training, advice) and to markets, as complementary initiatives to existing programmes focused on agricultural production and rural infrastructure. Sustainable management and legally secured use of natural resources including land, water and forest, with an emphasis on value chains of agricultural products, post-harvest systems and marketing will be supported. Switzerland will also foster access to skills development for sustainable gainful employment in Nepal and overseas, and increase entrepreneurship skills and market development as strategic orientations. To strengthen the synergies among the programmes of both domains and to enable beneficiaries to enjoy complementary livelihood options – economic, social and political – to sustainably improve their living conditions, Switzerland will continue applying a road corridor approach. This approach entails coordinating all activities supported by Switzerland in the areas adjacent to a given stretch of road, which is the natural access for the population to markets and public services; it is as such part of the geographical concentration strategy, centred on the socio-economic dynamics of the covered area rather than on the administrative boundaries of the district.

Road construction workers in Sindhuli district
Josef Zimmermann

These activities of Domain 2 will be implemented bearing in mind the social costs of migration and seeking ways to enhance the productive use of remittances. The capacity of relevant stakeholders - government, local authorities, civil society and the private sector – will be strengthened so that the economic gains are sustained and satisfactory basic services are delivered to the population. Special attention is given to women and Disadvantaged Groups, to ensure they receive an equitable share of the benefits.

As a result, the following outcomes are planned (see results framework Annex B for details).

Outcome 2.1 Inclusive Socio-economic Development

Disadvantaged Groups improve their livelihood and resilience.

Outcome 2.2 Public Service Delivery

Local governments (including provincial), and line agencies in cluster areas effectively deliver basic services in response to needs and demands of women and men, especially of Disadvantaged Groups.

III. Geographical Concentration

The Swiss Programme will be implemented countrywide with special emphasis on two cluster areas in central and western Nepal (see Map in Annex Ha). Livelihood-related projects will be implemented mainly in VDCs (or the respective successor local administrative structures) along road corridors that offer economic opportunities, particularly for Disadvantaged Groups.

The road corridor approach is not per se new, but it will mark an important extension to the cluster approach, which Switzerland has applied for a number of years. The selection of specific new road corridors will be made in 2013 based on an analysis of their potential for combining increased economic development activities, synergies among programmes and poverty reduction strategies, ensuring that Disadvantaged Groups are provided with multiple livelihood options.

IV. Finances

The overall budget for the implementation of the Swiss Programme in Nepal (funded by the South Asia Division and Humanitarian Aid (SDC), Human Security Division (Political Directorate) and Swiss Non-governmental Organisations (NGOs)) will range between CHF 35 and 40 million per year. The annual allocation of the South Asia Division for Nepal will progressively increase from CHF 30 to 37 million. The allocation of funds by Humanitarian Aid and the HSD will depend on needs, but could reach up to CHF 1.5 and 1.3 million respectively.

Programme wise, approximately 76 percent of Switzerland's budget will be allocated to improving livelihoods and increasing the resilience of communities, especially of the Disadvantaged Groups living in rural and small urban centres. Approximately 20 percent will be earmarked for contributing to an inclusive federal State, human security and the rule of law. The remaining 4 percent covers the salary of the national staff and office costs within the Embassy of Switzerland in Nepal.

6. PROGRAMME IMPLEMENTATION

The following guiding principles cut across all planned activities and are to be applied to the entire Programme. They are considered essential to the achievement of qualitatively high and sustainable outcomes. They provide the basis for a set of implementation modalities, which will be monitored and assessed as part of the results framework (see Annex A, for details):

Ownership and harmonisation: To implement the Programme, Switzerland will work on policy and operational levels with the GON, multilateral agencies, Swiss and INGOs as well as local CSO and private sector actors. Nepalese actors, particularly local and national authorities, should increasingly play a leading implementing role in programmes supported by Switzerland, with their capacity being strengthened as a result. Where appropriate, Switzerland will continue to provide direct support through its own activities. Due to its position within the development community as chair of selected donor working groups, Switzerland will also be able to contribute to joint/harmonised initiatives among development partners.

Equity and inclusion: Special emphasis on Disadvantaged Groups and gender equality will be ensured, as discrimination and reduced access to goods and public services remain one of the main causes of poverty and social tensions.

Governance, impartiality and conflict sensitivity: Fostering inclusion of all stakeholders in any given programme context will be achieved by applying principles of good governance such as non

discrimination, participation, transparency and accountability throughout the programme, as these principles contribute to enable the Disadvantaged Groups to receive an equitable share of development benefits. Conflict sensitive programme management, and particularly impartiality, are of key importance so that Switzerland remains accepted by all parties as a development partner.

Training graduate holding national skill certificate
Corinne Demenge

Migration and disaster risk reduction: Programmes will be adapted to the socio-economic changes caused by mobility and migration, wherever relevant. Considering risks as well as long-term cost/benefit ratios, programmes will also include measures to prevent, cope with and adapt to natural and human-made hazards.

Nepal remains in an unstable situation with multiple political, economic, environmental and social challenges ahead. Therefore, the implementation of the Swiss Programme shall be adapted to changing circumstances described in three scenarios (see Annexes D and E). The scenarios presented indicate general trends; they are not intended to be strictly exclusive of each other or to cover all possible options. An improvement in the context, in the capacities of implementing partners, and Nepal's increased commitment to promoting human rights and the rule of law would allow Switzerland to further align its Programme with the national priorities and to entrust the implementation of several additional projects to the GON.

Considering the complexity of the context and an increase of the available financial resources for the Programme, the quality of Swiss interventions will foremostly be ensured by strengthening the locally recruited personnel of the Embassy. This will be achieved by offering competitive salaries, and by training and hiring additional staff when necessary, be it for programme management or finance and administration.

Community members taking part in the construction of a Trail Bridge
Trail Bridge Sub–Sector Programme

7. PROGRAMME STEERING

Through continuous and pro-active steering, the management of the Embassy and the leaders of SDC-funded projects will ensure:

- the focus on the expected results of the Programme;
- the consistent application of the agreed guiding principles;
- the adaptation of the Programme to changes in the context, the needs of its beneficiaries and/or,
- the capacities of implementing partners.

The Embassy of Switzerland will monitor context, programme, ownership and harmonisation, as described in Annex C. To monitor the context, the Embassy of Switzerland will use different instruments such as global context monitoring (MERV) or local risk assessments in the field. Ongoing context analysis will also be made during cluster workshops and Basic Operating Guidelines (BOGs) groups meetings. Public fund management capacities of the government will be assessed based on the work of the donor coordination working group. Results in the programme, implementation modalities and donor harmonisation are measured quarterly by monitoring the results framework as well as by periodic review of the financial commitments and disbursements. Ownership will be checked against the Government's Red book, Nepal Portfolio Performance Review (NPPR), the Aid Management Platform, and harmonisation will be fostered by the International Development Partners Group (IDPG)

meetings. Incorporating learning and conclusions of the monitoring into programming remains an ongoing task; more emphasis will also be put on assessing impacts.

The Embassy will, within its available resources, also monitor the activities of the multilateral development institutions active in the country (UN system, WB, ADB) and provide inputs for the monitoring ensured by Switzerland at the board of these institutions.

Annual review meetings between the GON and Switzerland will be organized to monitor the progress in implementing the Strategy. A light internal mid-term review of the Swiss Nepal Programme will be conducted in late 2015. This review will be a key moment to adapt the Cooperation Strategy if, in the meantime, Nepal has approved a new Constitution and initiated the process of transforming the country into a federal state. Following this evaluation, HSD, in cooperation with the Asia Pacific Division (APD) and SDC, will assess the appropriateness of HSD's contributions and decide whether to adapt its contribution and define an exit strategy. Any decision to downscale the engagement of the HSD will include appropriate measures to ensure the sustainability of past achievements. Based on this review and on the evolution of the political and socio-economical context, outcomes and indicators may be reformulated and longer-term programme and funding options considered.

APPENDICES

ANNEX A: LIST OF ABBREVIATIONS

ADB: Asian Development Bank
APD: Asia Pacific Division
ASEAN: Association of South East Asian Nations
ASEM: Asia – Europe Meeting
BOGs: Basic Operating Guidelines
CA :   Constituent Assembly
CBS :   Central Bureau of Statistics
CCA: Climate Change Adaptation
CHF: Swiss Franc
CPA: Comprehensive Peace Accord
CPI: Corruption Perception Index
CSO: Civil Service Organisations
DDC: District Development Committee
DRR: Disaster Risk Reduction
EU: European Union
FDFA: Federal Department of Foreign Affairs
GDP: Gross Domestic Product
GoN: Government of Nepal
HSD: Human Security Division
ICIMOD: International Center for Integrated Mountain Development
IDPG: International Development Partners Groups
IMF: International Monetary Fund
INGO: International Non-Governmental Organisation
IOM: International Organisation for Migration
MDG: Millennium Development Goals
MoLTM: Ministry of Labour and Transport Management
NGOs: Non-Governmental Organisation
NHRC: National Human Rights Commission
NPPR: Nepal Portfolio Performance Review
NPR: Nepali Rupese
OHCHR: Office of High Commissioner for Human Rights
PLA: Peoples' Liberation Army
SAARC: South Asian Association for Regional Cooperation
SDC: Swiss Agency for Development and Cooperation
UN: United Nations
UNMIN: United Nations Mission in Nepal
USD: United States Dollar
VDC: Village Development Committee
WB: World Bank

ANNEX B: RESULTS FRAMEWORK

Domain of Intervention 1: Contribution to an Inclusive Federal State, Human Security and the Rule of Law		
(1) Swiss portfolio outcomes	**(2) Contribution of Swiss Programme**	**(3) Country development or humanitarian outcomes**
Outcome Statement 1.1 The elected representative, civil servants and civil society ensure that the constitution drafting, the election and the State restructuring processes, as well as State structures at the local level, are inclusive and well managed.	**Links between (1) and (3)** Switzerland will contribute to the national outcome by supporting the resolution of differences related with the constitution drafting and the restructuring at the national level, and helping establish the different state structures as envisaged by the new constitution, especially at the provincial/ local level. The issues on which Swiss support will concentrate will be selected after the 2013 baseline survey.	**Outcome statement** Inclusive and democratic constitution promulgated. New constitutional state structures are being established. Human and financial resources are distributed according to agreed constitutional competencies and responsibilities. This outcome is drawn from the major following reference documents: CPA (2006), Interim Constitution (2007); Three year Plan 2011 – 2013.
Indicators : 1.1.1 Number of political differences related to constitution drafting, power sharing, as well as to transition and State restructuring, that are resolved with Swiss supported facilitation mechanism and expertise, based on a baseline to be established in first quarter of 2013.[1] 1.1.2 Observers consider elections, including CA elections, free and fair; the level of participation in Swiss supported clusters areas is above the national average. 1.1.3 Quality[2] of involvement of government and other relevant actors in strategic discussions about the Security Sector, in which Switzerland / HSD played a role. 1.1.4 Number of Swiss supported districts complying with the MoFALD / LGCDP conditions for receiving financial transfer and being assessed positively as satisfying the MCPM requirements.	**Risks:** ● Protracted (two or more years) delay in constitution drafting, State restructuring process and elections. ● Failure to reach agreements among current and newly created political parties on the transition process. ● Lack of funds at local level due to failure to implement fiscal federalism. ● Increasing trend towards autocracy due to a landslide victory of a party in the elections. ● Excessive politicization and lack of independence of the judiciary.	**Indicators:** ● Constitution promulgated. ● Efficiency and quality of the resolution of key contentious issues related to the State restructuring process at national and provincial level. ● Quality of national debate on, and agreement on National Security Policy. ● Quality of the elections at all levels. ● Performance indicators are used in the MCPM assessment of VDCs. ● Number of local bodies that have institutionalised accountability tools like public audit/hearing. (Baseline 6 DDCs in 2010)
Outcome statement 1.2 Stakeholders use non-violent means to deal with conflict, particularly related to resources, identity, gender and domestic issues.	**Links between (1) and (3)** Switzerland contributes to achieving the national outcome through facilitation, and where relevant through mediation, targeted at preventing potential and resolving existing conflicts at national, (eventually provincial) and local level, particularly in Swiss supported clusters.	Nepalese society increasingly deals with conflicts, including domestic and gender-based conflicts, in a non-violent way.
Indicators: 1.2.1 Number of requests and % of conflicts and potential conflicts successfully addressed by key stakeholders (political and community leaders) through Swiss (HSD) supported facilitation.		**Indicators:** ● Number of conflicts and potential conflicts mitigated and mediated (Stats MoPR).

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[1] Political differences will be identified according to their relevance for supporting the national outcome. Upon request by key stakeholders, Switzerland will assess support options and define a baseline at the beginning of each intervention. Monitoring will be done quarterly.

[2] Quality: existence of a clear government policy, availability of resources, number of institutionalised meetings between the government and relevant actors

Domain of Intervention 1:   Contribution to an Inclusive Federal State, Human Security and the Rule of Law

1.2.2 Conflict related violent incidents reduced by 20% in Swiss supported cluster areas, compared to 2013 baseline. 1.2.3 Key components of the National Action Plan related to the Security Council Resolutions 1325 and 1820 (women and peace) implemented[3]. 1.2.4 Domestic and gender-based violence is increasingly being reported (5%/year) and dealt with (10%/year) in Swiss supported cluster areas.	**Risks** Increasing tension related to minority groups leading to resurgence of armed conflict. Lack of clarity and contestation of resource allocation in the new federal structure.	● Level of implementation of Security Council Resolutions 1325 and 1850 (women and peace). ● Increased complaints of gender-based violence registered in District Police Office and with paralegal committees.
Outcome Statement 1.3 Relevant national institutions effectively promote and protect Human Rights, specifically those related to impunity, to discrimination and to the situation of migrant workers and refugees. **Indicators** 1.3.1 The Universal Periodic Review recommendations related to the areas of refugees, migration, impunity and transitional justice mechanisms are implemented (UPR 2011)/ accepted (UPR 2015). 1.3.2 HR cases (humanitarian law; discrimination; TJ/DwP, etc) are effectively dealt with by the UN Human Rights Committee (at least 10 emblematic cases), by the national judiciary and civil society. 1.3.3 10% increase per year in legal counselling, paralegal and legal aid to migrant workers and detainees in custody. 1.3.4 Number of recommendations followed by the Government that were made by the NHRC, other relevant national bodies and civil society actors.	**Links between (1) and (3)** Switzerland contributes to the achievement of the national outcome by strengthening the national institutions and focusing on specific themes/ issues (related with human rights, impunity and discrimination) at the national level and in Swiss focal geographical areas. **Risks** ● Lack of political will; political parties coalesce to withdraw cases from courts, politicisation of commissions, and protracted implementation of UPR recommendations during transition. ● Dealing with the past bills are not approved and political parties put the emphasis on "reconciliation" at the cost of addressing justice. ● HR community and government averse to acknowledging and dealing with migrants' rights as human rights.	**Outcome statement** Relevant actors (State, human rights and civil society institutions) increasingly ● adopt and implement international human rights standards, ● promote and defend human rights, ● address conflict-related human rights violations. **Indicators** ● % of accepted UPR recommendations (2011) implemented and % of UPR recommendation accepted (2015). ● Number of new international Human rights agreements (incl. ICC) signed or ratified. ● Number of emblematic HR cases resolved by the National Judiciary in line with ratified International Human Rights Standards. ● Influence of transitional justice mechanisms and NHRC (% of recommendations implemented by GoN).

Lines of intervention (Swiss Programme)

Outcome 1.1 <u>State-building:</u> support to facilitation of political dialogue. Provision of expertise on state building and transition mechanisms (e.g. fiscal federalism) and support establishment of institutions, capacity and regulation at the local level (including provincial level). Monitoring and strengthening of civic oversight at local level (social accountability tools) by civil society. Support to Ministry of Federal Affairs and Local Development and local bodies for inclusive and effective policy implementation during the transition. <u>Elections:</u> Support to election preparation and observation (international and civil society), National Election Commission and voter registration. Support to people in Swiss intervention areas in order to allow for their active participation in elections, including local conflict mitigation mechanisms, and the exercise of their rights in the federal structure. <u>National Security Policy:</u> Capacity building of national institutions responsible for national security policy to discuss and draft legislation in line with international standards. <u>Political parties:</u> Work on demand with a few political parties to strengthen participative and inclusive leadership processes.

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[3] Key components refer to 1) Women representation in political parties and elections, 2) Sexual and gender-based violence 3), Women's access to free medical service and psychosocial counselling and legal aid, 4) Women's access to vital certificates including citizenship certificates.

Domain of Intervention 1:   Contribution to an Inclusive Federal State, Human Security and the Rule of Law

Outcome 1.2. Conducting baseline studies and support strengthening of conflict observatory mechanisms. Strengthening of facilitation and mediation mechanisms addressing communal and identity based violence in areas selected based on demand. Support civil society (sensitisation, lobbying with state actors) to mitigate and address violence related to communal, identity-based and resource-related conflicts. Support the implementation of the Security Council Resolutions 1325 and 1820 (women and peace) in key areas where Switzerland can add value. Increased strengthening of civil society organisations (including women rights defenders) to mitigate and address domestic and gender-based violence in the Swiss-supported clusters. Armed violence: Support to State institutions and civil society organisations to address armed violence.

Outcome 1.3. Support to the UPR process and monitoring (including by civil society). Strengthening of relevant civil society actors, including Human Rights defenders. Effort to ensure that Migrant Rights are increasingly recognised and treated as Human Rights. Capacity building of relevant national institutions and commission (NHRC, TRC and COD and others if relevant). Support national and non-governmental efforts related to transitional justice/dealing with the past. Technical support to relevant actors to ensure that national legislations and mechanisms are effective and in line with international Human Rights standards. Human Rights dialogue between Switzerland and Nepal, inter alia with emphasis on treaties such as the Geneva Convention of 1951 relating to the status of refugees, the International Criminal Court, and the New York International Convention of 2006 for the protection of all persons from enforced disappearance.

Resources, Partnerships (Swiss Programme)

The financial resources for this component reach a total of CHF 39 million, proceeding from the South Asia Division (CHF 32,5 m.) and HSD (6.5 m). The main partners are: Ministry of Federal Affairs, Local Development and General Administration, District Development Committees (DDCs), Ministry of Home Affairs, UNDP, UNHCR, OHCHR and selected national and international NGOs.

Domain of Intervention 2: Contribution to improved livelihood and increased resilience of people especially the Disadvantaged Groups living in rural areas and small urban centres

(1) Swiss portfolio outcomes	(2) Contribution of Swiss Programme	(3) Country development or humanitarian outcomes

Outcome Statement 2.1[4]
Disadvantaged Groups improve their livelihood and resilience.
 	
Indicators
2.1.1 Of all the people that benefit from Swiss development interventions, at least
   • 60% are from Disadvantaged Groups, and
   • 50% are women.
2.1.2 25% Increase in food security[5] in the focus provinces/cluster areas.
2.1.3 12 million person-days of short term employment (10 million person-days through rural infrastructure, 2 million person-days through forestry.)
2.1.4 25,000 youths are gainfully employed for at least six months after completion of skill training.
2.1.5 75% of UCs that have at least 1/3 women and proportionate representation of other members of discriminated groups in their executive board[6].
	Links between (1) and (3)
	Swiss portfolio outcomes contribute to achieve the country outcomes mainly in the selected cluster areas as well as linking it to selected country sector policies (transport infrastructure, forestry, agriculture and skills).
	
	Risks/Challenges
	● Political uncertainty continues or even deteriorates leaving the national counterpart weak in establishing law and order, delaying budget announcements and national plan formulations and ineffective implementation of any development activities.
	● Security risks and decreasing law and order situation constricting outreach of the Swiss Programmes.
		Outcome Statement
		Disadvantaged Groups have improved access to productive assets and employment opportunities.
		
		Indicators
		● Increase in per capita income (baseline US$ 472 per capita per year in 2011).
		● Increase in GDP/GNP.
		● Reduction in Gini Coefficient (baseline 0.35 in 2011).
		● Increase in overall employment.
		● Reduction in disparity between regional/ national averages.

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[4]   This outcome takes into account the (internal) mobility, migration and natural calamities.
[5]   For the purpose of this framework, food security is measured/ defined by better production and income. This will be measured by the % decrease in number of people below the poverty threshold in the sample VDCs of the road corridor.
[6]   We will also assess the number of decisions favourable to Disadvantaged Groups, as proxy for the influence / voice of the Disadvantaged Groups and women in these decision making bodies.

Domain of Intervention 2: Contribution to improved livelihood and increased resilience of people especially the Disadvantaged Groups living in rural areas and small urban centres

2.1.6 In 6 Districts, psychosocial referral systems to address social cost of migration are in place. 2.1.7 In comparison to neighboring communities, the communities in Swiss supported areas withstand external shocks (political, economic, natural disasters) by maintaining their livelihood.	• Agenda of social inclusion stalled, and the new ordinances do not take it into account, fuelling continued systemic exclusion.	

Outcome Statement 2.2 Local governments (including provincial), and line agencies in cluster areas effectively deliver basic services in response to needs and demands of women and men, especially of Disadvantaged Groups.	**Links between (1) and (3)** Swiss portfolio outcomes contribute to achieve the country outcomes mainly in the selected cluster areas and establish linkages to local State building as spelt out in domain 1.	**Outcome Statement 2** Local governments (including provincial), and line agencies effectively deliver basic services in an inclusive way.
Indicators 2.2.1 60% of all the service receivers satisfied with the delivery of basic services (access, agricultural extension services, forest, social welfare, water, health, education) by the provincial and local governments and line agencies. 2.2.2 All DDCs and at least 70% of the VDCs (including provincial once they are established) planning and spending their budgets according to an agreed/approved guideline. 2.2.3 75% of commitments made during public hearings and audits are addressed/ fulfilled in favour of Disadvantaged Groups. 2.2.4 All the 7 districts and 50% VDCs in the Swiss cluster (including provincial governments) have established contingency plans to respond to natural disasters[7].	**Risks/Challenges** • Delay (prolonged) in the establishment of the federal provinces and local governments resulting in confusion and decreased morale of the administration to deliver. • Framework conditions against decentralization and devolution of responsibility and authority of local governments.	**Indicators** • Number of local governments preparing their periodic plans (Baseline 16 DDCs out of 75) • % of women participating in the local planning process (Baseline 12% in 2010). • Number of people receiving social welfare packages (Baseline 1million in 2010). • Compliance by % of the local bodies in allocating and spending for the targeted programmes as per the national or provincial provisions.

Lines of Intervention (Swiss Programme)
- Improve access to income, opportunities and mobility through construction and maintenance of disaster resistant rural infrastructure.
- Support access, management and sustainable use of natural resources including land, water and forest with emphasis of value chains, marketing and post harvest systems.
- Improve access to skill development and gainful employment.
- Capacity building of relevant stakeholders for satisfactory and effective service delivery (beneficiaries, private sector and NGOs and government authorities).

Resources, Partnerships (Swiss Programme)
Over the 2013-2017 period, this component is expected to absorb 76% of the planned budget (CHF145 million). The Embassy will seek a balanced mix of aid modalities that will take the possibility of further funds from other development partners as well as the GON into consideration.

Human resources
The team of Swiss and National staff will implement the Swiss Programme. The Embassy will apply a portfolio management approach to development interventions and continue to enhance the role of the National Programme Officers as project portfolio managers. Workforce diversity will remain one of the priorities for human resource management at the country level.

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[7] Including awareness and capacity building and the existence of relevant plans, relevant institutional arrangements and stock piling (contingent on SDC Humanitarian Aid budgetary availability).

Implementation Modalities (External): Contribution to effective aid for consolidation of peace and poverty reduction	
Strategic Outcomes	**Indicators of Success of Swiss Aid Modalities**
Outcomes 3.1 Nepalese actors, such as local and national authorities, civil society and private sector play an increased role in implementing project supported by Switzerland, as long as scenario 1 or 2 apply.	3.1.1 A 20% increase in the projects (number of projects and amount of financial resources) supported by Switzerland that are implemented by Nepalese actors (State, civil society, private sector) compared to 2012 baseline, as long as scenario 2 or 1 prevail. 3.1.2 90% of the financial resources provided by Switzerland are being reflected in the GoN's Red Book and Blue Book. 3.1.3 In the cluster districts supported by Switzerland, Government of Nepal and donor programmes are coordinated and harmonised, and Swiss good practices are reflected in the sectoral policies.
Outcomes 3.2 National and international development partners adopt approaches / policies promoted by Switzerland.	3.2.1 At least five good practices (one per year) of the Swiss supported programme are adopted by partners. 3.2.2 The government, the political parties and other groups endorse and respect Basic Operating Guidelines (BOGs) to strengthen space for development. Number of violations of the BOGs by the government actors and political parties has reduced by 10% compared to the 2012 baseline. 3.2.3 Number of institutions within the government, local bodies and other partners having adopted and implemented an inclusive human resources management policy to ensure work force diversity.
Outcomes 3.3 Development partners ensure meaningful coordination and harmonisation to achieve effective and inclusive programmes.	3.3.1 New international development partners' supporting programmes in Nepal apply the BOGs and principles of conflict sensitive programme management in their interventions. BOGs are diffused in the field through half yearly events in the districts / provinces. 3.3.2 Switzerland leads / facilitates the donor coordination in 3 areas of Swiss competence. List of possible areas of intervention: rural infrastructure, forestry, agriculture, migration, skills. 3.3.3 Number of institutions within the government, local bodies and other partners having adopted and implemented an inclusive human resources management policy to ensure work force diversity.

Line of Interventions:
- Institutional capacity building for public and private partners as well as strengthening Nepalese stakeholders systems to implement programmes. Periodic review of the programme activities with the national authorities.
- Capacity building of projects and programme staff and of development partners to apply the guidelines and approaches such as targeting and Workforce diversity; strengthen and apply in particular the fiduciary risk analysis instruments.
- Permanent and proactive sensitization on the importance of the Basic Operating Guidelines, especially during the pre-electoral period.
- Active participation in IDPG periodic meetings and in selected working groups, where relevant, assuming the lead in domains of recognized Swiss expertise.
- Periodic review of implementation modalities; in-house orientation, reflection and adaptation of different working approaches and aid modalities by different stakeholders of FDFA.

Resources:
- Financial resources through small action and specific budget lines in given projects.
- Increased capacitated human resources in the Swiss Embassy / programme team.

Implementation Modalities (Internal): Ensuring the high quality of programme implementation and the orientation on results as well as sensitivity to conflict	
Strategic Outcomes	**Indicators of Success**
Outcome 4.1 Disadvantaged Groups have benefitted from multiple livelihood options through coordinated Swiss interventions.	4.1.1 All SDC funded projects in the Swiss cluster areas adopt a harmonised approach of targeting (e.g. use of same wellbeing ranking). 4.1.2 At least 70% of Swiss supported projects using fund flow analysis as a project steering and monitoring tool with special focus on increasing allocation to Disadvantaged Groups and women. 4.1.3 At least 60% of the Disadvantaged Groups living in the road corridor receive two or more livelihood options from Swiss funded projects.
Outcome 4.2 Projects within the programme supported by Switzerland: • apply the SDC crosscutting themes and promote gender equity and social inclusion, and • work in a conflict sensitive way.	4.2.1 All projects have mainstreamed SDC crosscutting themes, Gender Equity and Social Inclusion (GESI) and CSPM throughout PCM, and all apply targeting and Workforce Diversity approach. 4.2.2 All project use harmonised security management systems.
Outcomes 4.3 The embassy, as a learning organisation, has managed its knowledge and adapted its practices on the basis of lessons learned and experiences gained.	4.3.1 Knowledge and experiences on context assessment, gender equity and social inclusion mainstreaming, Disadvantaged Group targeting, Work Force Diversity (WFD), Public Hearing/Auditing, Fund Flow Analysis (FFA) and social mobilisation are documented and shared, and cover 80% of the programme portfolio. 4.3.2 All Swiss supported projects organise and/or participate in learning events and sharing of experience. 4.3.3 The Embassy is engaged in at least 3 selected thematic networks of SDC; number of support cases provided by thematic networks to the Nepal Programme; number of experiences of Nepal shared in the thematic networks.
Outcome 4.4 The embassy, beneficiaries and local institutions in Swiss supported areas are able to prevent, cope with and adapt to possible natural hazards and effects of climate change, when this is relevant (nature and probability of risk, cost benefit ratio).	4.4.1 At least 5 district level mappings of risks related to natural hazards and climate change completed. 4.4.2 At least 5 (1 annual) crisis management exercises carried out to increase the preparedness of the Embassy and Swiss supported projects to deal with crisis situation.
Outcome 4.5 Swiss supported programmes have adapted to the socio-economic changes caused by mobility and migration, when this is relevant.	4.5.1 All ongoing Swiss supported projects and all new initiatives have analyzed the impact of migration, and if found relevant have integrated migration into their planning of outcomes, outputs and activities.

Line of Interventions:
• Baseline studies where information and data are not yet available.
• Adapting the monitoring system of the project as well of the Embassy to ensure adequate information is collected and processed to satisfy the needs of this Results Framework.
• Capacity building of projects and programme staff and of partners to apply the guidelines and tools.
• Institutional capacity building and strengthening systems of Nepalese stakeholders to implement programmes.
• Periodic cluster workshops and monthly coordination meetings.
• Active participation in IDPG working groups where relevant.
• Specific programme to monitor and document impact of Swiss interventions at a sectoral level and draw lessons for the future.
• Periodic review of working approaches.
• In-house orientation, reflection and adaptation of different working approaches and aid modalities by different stakeholders of FDFA.

Resources:
• Financial resources through small action and specific budget lines in given projects.
• Technical advice to incorporate new dimensions such as: DRR & Climate Change Adaptation.
• Increased capacitated human resources.

ANNEX C: MONITORING SYSTEM FOR THE SWISS COOPERATION STRATEGY 2013-17

The following instruments shall be used for monitoring of the Swiss Cooperation Strategy (SCS) 2013-17

	CONTEXT	PROGRAMME	DONOR HARMONISATION AND ALIGNMENT
Instruments	Quarterly MERV	Scrutiny through a monitoring matrix that reviews both the components and the implementation modalities of the strategic framework of the SCS 2013-17 every quarter at the Swiss Embassy level.	
	Bi-Monthly Local Risk Assessment in the Field level		
	Half Yearly Cluster Workshop in the field		Follow-up in the Red Book, NPPR and Aid Management Platform, ensuring that Swiss information is reflected in the government ODA monitoring system.
	Joint assessment of development space with other partners, including through Basic Operating Guidelines meetings	Annual Monitoring & Reporting Midterm review in 2015	Fortnightly International Development Partner Group meeting Sectoral coordination

PERIODICITY OF THE MONITORING KEY MOMENTS

	Monthly	Two-Monthly	Quarterly	Half Yearly	Annual	Mid-Term
Instruments	Assessment of development space with other partners, including through BOGs Meetings Sectoral coordination	Local Risk Assessment	MERV Review of the SCS monitoring matrix	Cluster Workshop	Follow-up in the Red Book, NPPR and Aid Management Platform Annual Monitoring & Reporting of SCS matrix	Midterm review of the SCS in 2015

In addition, the monitoring will also take into consideration the following:

- While the efforts on capturing outcomes, especially through the Outcome Monitoring Summary (OMS) will continue, the monitoring system will try to go even further and assess the impact of Swiss interventions on the living conditions of the beneficiaries. An impact assessment (in selected road corridors) shall be planned towards the fourth/fifth year of implementing this strategy.
- Include annual monitoring visits to the district together with government counterparts including National Planning Commission and Ministry of Finance and possibly other development partners in the same area.
- Explore possibilities to link SCS 2013-17 monitoring to Poverty Monitoring and Analysis System and District PMAS of the government.
- Align the monitoring and reporting system of the projects with the requirement of the SCS 2013-17 monitoring system that focuses on Workforce diversity, targeting, gender disaggregated data and fund flow analysis.

ANNEX D: SCENARIOS FOR 2013 – 2017

The unexpected failure of the CA to promulgate a new constitution in May 2012 led to a deep constitutional crisis and tremendous uncertainties. The CPA and the Interim Constitution remain the two only relevant documents; both can hardly serve as a guidance to find a way out. The question of if and how to address discriminations, which made it impossible to agree on a constitution, remains the biggest task ahead. This uncertainty is reflected in the scenarios; compromises on the main contentious issues with a swift transition are equally possible as a protracted deadlock with dramatic consequences for the political decision making process, the economy and social cohesion.

Scenarios for the period 2013 - 2017

1. Inclusive Transition to a Democratic Federal Republic	2. Delayed Transition, Alternate Governments, Unrest	3. *Authoritarian Rule with Crises*
Political Issues	**Political Issues**	**Political Issues**
• New democratically elected and inclusive Constituent Assembly and/or Parliament.	• Delay in reaching agreement among political parties about new CA Elections or Legislature Parliament that would enable the finalizing of the constitution drafting process.	• Authoritarian rule, no or almost no transfer of power to provinces and municipalities.
• Rapid and inclusive Constitution drafting process building upon the outputs of the 2008-2012 process.	• Exclusive process to finalize drafting of the constitution.	• New constitution drafted by Committee or Commission, but contested by political and social groups; no consensus around the new text.
• Constitution promulgated within the next two years (summer 2014) and well accepted at central and local levels by the different groups of the population.	• Competitive politics and polarization prevail. Exclusive alternate governments.	• Elections neither free nor fair, or no elections at all.
• Prevalence of consensus politics (consensus government, constructive engagement of main political parties).	• CA Elections or other elections not before April 2013.	• Legislature Parliament not inclusive.
• Free and fair national and local elections held before 2015; functioning provincial and local governments.	• Constitution not promulgated before summer 2014.	• Strong polarisation of political parties, repression.
• Successful completion of the integration of ex- Maoist combatants into the Nepal Army/Security Forces as well as the early retirement process.	• Low level of participation in elections, results are challenged as not being free and fair.	• No approved nor planned medium term development policy document; no public investment in new major programmes.
• New National Security Policy endorsed.	• Emergence of new regional/identity based parties. Fragmentation of the political parties' panorama, making a political consensus more difficult to be achieved.	• Contested or not functioning local bodies (mainly VDC); decreasing service delivery.
	• Absence of elected representatives at local level until 2017.	• No democratic oversight over security forces.
	• Increasing influence of security forces.	
Social Issues	**Social Issues**	**Social Issues**
• Regional, ethnic and religious fault lines do not end up in violent conflict.	• Women and Disadvantaged Groups further excluded and discriminated.	• Marginalisation of discriminated groups increases.
• Confidence between population and political parties re-established, increased legitimacy of political leaders.	• Persistent flawed service delivery, reduced absorption capacity of the public budget.	• Increase in communal violence, youth gets more and more involved in violent clashes.
• Gender and social inclusion increasingly considered in policy making.	• Increased unrest and communal tension with latent violence.	• Increasing number of Bandhs and protests and violent (including armed) conflicts in the periphery of the country.
• Youth are not used and led into violence by politically or crime motivated factions.	• Contested rule of law, increased corruption.	• Extortion of funds allocated to development by the political parties for their own benefit.
• Satisfactory service delivery at the central and local level. Legal and institutional strengthening of the Nepalese public administration.	• Continuation of HR and gender based violations, further institutionalisation of impunity.	• Legal and institutional insecurity; reduced capacity to prepare and face emergencies in case of natural or manmade disaster.
• Public oversight of institutions and civil society effectively monitors checks and balances of the central and of the local government.	• Blanket amnesty for past human rights violations, no transitional justice process.	
	• Legal and institutional fragility.	

1. Inclusive Transition to a Democratic Federal Republic	2. Delayed Transition, Alternate Governments, Unrest	3. *Authoritarian Rule with Crises*
• Rule of law and human rights better respected, including rights of migrants; press freedom is not challenged. • GoN enters into and respects additional international human rights obligations. • Government deals effectively with past human rights violations; transitional justice institutions and mechanisms established as per international standards. • Government, although increasing its control on donor agencies and INGO, maintains open and smooth relations with the international community.	• Civil society and media under pressure from the government and politically affiliated groups. • Difficult relations with international community.	• No rule of law, increasing human rights violations, blanket amnesty. • Restrictions of civil society, particularly targeted INGOs and media, arrests and extrajudicial killings. • Very problematic relations with the international community.
Economy • Increasing investments by private sector; increasing decent job opportunities in Nepal. • Economic growth above 5% p.a. with equitable distribution among the population. • Public resources increase thanks to economic growth and sound fiscal policies; part of these increased resources is allotted to public investment for development.	**Economy** • Budgets contested, not approved on time and low level of GoN budget allocated to development. • Delayed economic reforms. • Economic growth below 4% p.a.; economic polarisation; drop in tourist arrivals. • Accelerated economic migration. • Budgets contested, not approved on time and low level of GoN budget allocated to development.	**Economy** • No economic reforms, accelerated migration to urban centres, to India and overseas. • Flight of financial capital to India, reduced resources for public or private investment. • No or hardly any economic growth, sharp increase in the economic polarization.
Likelihood: low	**Likelihood: high**	**Likelihood: low**

ANNEX E: ADAPTATION OF THE PROGRAMME TO SCENARIOS 1 AND 3

The proposed adaptation to the scenarios is based on the following rationale:

The outlined planning is based on the context of **Scenario 2** (Delayed Transition, Alternate Government).

Should the situation substantially improve and therefore **Scenario 1** apply, the better Switzerland can then work with the GON and other public institutions at central and local level, being supportive of their initiatives and channelling the funds through the public spending mechanisms, with the accompanying measures to improve the quality of public finance management.

If despite all efforts things deteriorate and therefore **Scenario 3** applies, Switzerland must be ready to work more closely with civil society, strengthening the latter's role in providing services to the population and holding state authorities accountable. If in the priority regions of Swiss interventions the local bodies function well and demonstrate good political will for local development programmes aiming at providing public services for all, Switzerland can consider maintaining its support to the state at the local level. Experience during the 1996 – 2006 armed conflict shows that in cases of increased tensions and violence, transaction costs for programme management increase (e.g. security costs) and the financial absorption capacity of Nepalese partners is reduced, with the consequence that the overall level of Swiss investments becomes very uncertain. As politically sensitive projects are difficult to plan and implement, the Swiss Programme may have to concentrate on "neutral" programmes such as social and communication infrastructure programmes as well as agricultural development and support to migrants.

Scenario 1 Inclusive Transition to a Democratic Federal Republic	Scenario 2 Delayed Transition, Alternate Governments	Scenario 3 Authoritarian Rule with Crises
Domain of Intervention 1: Contribution to an Inclusive Federal State, Human Security and Rule of Law		
General adaptation to Scenario 1 • Increased donor harmonisation and coordination along government priorities. • Aid modalities: Increased alignment on public programmes, including channelling of resources through the Treasury or local bodies accounts; support in the form of SWAPs and basket funding.	**Outcome 1.1** As a result of the state restructuring process and legitimate elections supported by Switzerland, the State structures at the central and selected provincial and local levels are more effective and accountable to the people.	**General adaptation to Scenario 3** • Increased support to NGOs and civil society to establish / strengthen functioning civic oversight mechanisms. • Aid modalities: project or programme approach, with strong risk assessment and measures to prevent mismanagement of funds. Increased flexibility in the programme management to use windows of opportunity. • Active donor coordination to harmonize messages and positions towards the GoN. • Security management / CSPM strengthened.

Scenario 1 Inclusive Transition to a Democratic Federal Republic	**Scenario 2** Delayed Transition, Alternate Governments	**Scenario 3** Authoritarian Rule with Crises
Domain of Intervention 1: Contribution to an Inclusive Federal State, Human Security and Rule of Law		
Under Outcome 1.1 and 1.2 • Increased support to the Government to establish functioning state structures at the central and selected provincial and local levels. • Financial and technical support to GoN, Electoral Commission and CSO to prepare, hold and monitor elections; provide international observers. • Strengthening of official facilitation and mediation mechanisms. • More capacity building of national institutions responsible for national security policy and enforcement of Rule of Law. • Increased support to the National Action Plan for the implementation of the Security Council Resolutions 1325 and 1850.	**Outcome 1.2:** Key stakeholders increa¬singly use non-violent means to deal with conflict, including resource and identity based conflict, and women and men are empowered to address domestic and gender-based violence.	**Under Outcome 1.1 and 1.2.** • Strengthening of civil society facilitation and mediation mechanisms. • Increased support to election observation (international and civil society). • When the situation allows for it, support to local bodies to maintain service delivery. • Increased support to civil society to work on women and peace. • More capacity building of civil society organisations advocating for democratic oversight over the security forces.
Under Outcome 1.3. • Increased technical and financial support to State institutions for effective and efficient implementing of GoN Action Plans including the implementation of UPR recommendations, in close collaboration with civil society. • Financial and technical support of relevant national institutions and commissions dealing with human rights and transitional justice.	**Outcome 1.3** Relevant national institu¬tions ensure that human rights, specifically related to impunity, discrimination, migration and refugees, are more effectively promoted and protected as a result of Swiss support.	**Under Outcome 1.3.** • Increased support to NGOs and civil society to assist the Government in implementing its obligations to adhere to international human rights standards; increased support to NGOs and civil society to work on rule of law, human rights, impunity etc. • No financial and technical support to state institutions and commissions in charge of human rights and transitional justice as long as they lack the independence and credibility needed to perform their duties.
Domain of Intervention 2: Improved livelihood and increased resilience of people especially of Disadvantaged groups, living in rural areas and small urban centres		
General Adaptation to Scenario 1 • Increased alignment with the government and strengthening government systems, processes and institutions that focus on increasing delivery of effective services. • Aid modalities: increased alignment on public programmes, including channelling of resources through the Treasury or local bodies accounts. • Lesser small actions and move from project to programme approaches, including SWAPs, JFAs (joint financing agreements) and basket funding. • Increased efficiency and effectiveness of programmes and reduced administrative, transaction and operation costs.	**Outcome 2.1** Disadvantaged groups improve their livelihood and resilience. **Outcome 2.2** Provincial and local governments, and line agencies in cluster areas, effectively deliver basic services in response to needs and demands of women and men especially Disadvantaged groups.	**General Adaptation to Scenario 3** • Limited alignment with the government; increased Swiss direct implementation and more collaboration with civil society and private sector. • Increased support to civil society to establish / strengthen functioning civic oversight mechanisms. • Aid modalities: project approach, with strong risk assessment and measures to prevent mismanagement of funds. Increased flexibility in the programme management to use windows of opportunity. • Focus and invest more on safety, security and monitoring and allow possible reduction in programme efficiency.

Domain of Intervention 2: Improved livelihood and increased resilience of people especially of Disadvantaged groups, living in rural areas and small urban centres

Under Outcome 2.1

- Promote agenda related with gender equity and social inclusion.
- Promote economic up-liftment through the provision of multiple livelihood options.
- Promote sustainable development through capacity building of the people especially Disadvantaged groups.

Under Outcome 2.2

- Capacity development receives greater attention, with increased technical assistance support to government.
- Increased policy support at the national level to create an enabling environment for effective service delivery at the local level (eg. inputs in block grant guidelines, advocate for VDCs secretaries to be stationed in their respective VDCs etc).
- Increased collaboration with the private sector and promote productive use of remittances.
- Stronger partnership with provinces/ local governments leading to increased local budgetary support.

Under Outcome 2.1

- Increased focus from targeting Disadvantaged groups to groups particularly affected by social conflicts and economic vulnerability due to natural or man-made shocks.
- Increased humanitarian assistance in response to natural and /or man-made disasters.
- Capacity development receives less attention and stronger focus on quick impact activities.

Under Outcome 2.2

- Capacity development receives less attention and stronger focus on quick impact activities through the local service providers, local NGOs etc.
- Increased interventions targeted towards answering the needs of increased migration/ migrants and internal mobility.
- More support towards HR intervention and facilitate in mediation/reduction in social, communal tensions/conflicts.

ANNEX F: FINANCIAL PLANNING OF SWISS CONTRIBUTIONS

Domains of Intervention	Planned to be committed during Cooperation Strategy (in Percentage)	Planned to be committed during Cooperation Strategy (in million CHF)
Domain 1: inclusive federal state, human security and rule of law (S-ASIA and HSD)	20	39
Domain 2: improved livelihood & increased resilience (S-ASIA and HA)	76	145
Office cost	4	8
Sub-Total	**100**	**192**
Others (South Asia Regional: CHF 8m, Institutional Partnership: CHF 4m)		12
Total (Switzerland)		**204**

The sources of funding:
Domain 1: South Asia Division: CHF 32.5M & Human Security Division: CHF 6.5M
Domain 2: South Asia Division: CHF 137.5M & Humanitarian Aid: CHF 7.5M
Office cost: South Asia Division: CHF 8M

ANNEX G: GLOSSARY

Adaptation to climate change or Climate Change Adaptation (CCA) refers to adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities. Various types of adaptation can be distinguished, including anticipatory and reactive adaptation, private and public adaptation, and autonomous and planned adaptation.

Cluster is a geographically defined concentration area. (also see the definition for geographic concentration)

Disadvantaged Groups are groups of economically poor people (living on less than 19,261 NPR (equivalent USD 225) per year/person or having less than six months food security) that also suffer from social discrimination based on gender, ethnicity, caste/religion and regional identity.

Disaster Risk Reduction (DRR) is the concept and practice of reducing disaster risks through systematic efforts to analyse and manage the causal factors of disasters, including through reduced exposure to hazards, lessened vulnerability of people and property, wise management of land and the environment, and improved preparedness for adverse events.
Source: UN International Strategy for Disaster Reduction (UNISDR) Terminology on Disaster Risk Reduction, 2009.

Food security is a situation 'when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life' (World Food Summit 1996). This definition combines both physical and economic access to food that meets people's dietary needs as well as their food preferences. **Food security** is usually determined by a combination of at least three basic elements i.e. Availability, Access and Use. Food Availability refers to the situation where sufficient quantities of food are available on a consistent basis, Food Access refers to the situation where people have sufficient resources to obtain appropriate foods for a nutritious diet, and Food Use refers to appropriate use based on knowledge of basic nutrition and care.

Geographic concentration The Swiss Programme is implemented countrywide but puts special emphasis on two geographical areas called **cluster areas**. These will be mainly in future focus provinces, one each in central and western Nepal. The concentration of governance - empowerment - and harmonisation-related project will occur in these **focus provinces**. Livelihood related projects will be implemented in a group of VDCs following a road corridor that offers maximum economic opportunities. These **VDCs** might fall under different districts/provinces in the future. If there is a restructuring of the current VDC boundaries, a relevant **cluster area** shall be selected that captures well the economic zone of influence offered by the road corridors that will mainly evolve from the current geographical concentration of Swiss interventions.

The concept of **human security** focuses on people and their need to live without fear. It complements the traditional understanding of state security in areas that are essential for ensuring the safety of each individual. The promotion of human security therefore encompasses the provision of good offices and mediation services, conflict transformation, the struggle against landmines and illegal small arms, prevention of the use of child soldiers and the fight against human trafficking. It also incorporates methods for dealing with armed groups and radical ideologies, and programmes aimed at protecting the civilian population and promoting human rights. In a more comprehensive sense, human security also covers development and the fight against poverty (freedom from want).

Impartiality: The principle of impartiality implies an engagement with and an understanding of all sides, without compromising on basic values such as human rights. This principle is not in contradiction with the targeting of Disadvantaged Groups.

MERV is SDC's Context Monitoring Instrument. Meaning in German: '**M**onitoring **E**ntwicklungs-**R**elevanter **V**eränderungen' (Monitoring of Development Relevant Changes).

Nepalese ownership and empowerment is the ability of Nepalese people and their government to make their own choices according to their priorities and which are in line with the existing Plans of the Government of Nepal and with the priorities of other Nepalese social actors.
Source: Swiss Cooperation Strategy for Nepal 2009-12.

Resilience is the capacity of beneficiaries to overcome the effects of stress and external shocks including economic, social, political, environmental and natural disasters while continuing to develop without compromising long-term prospects.

A road corridor approach focuses on economic development along the main roads within and connected to the clusters. It contributes to increased coordination and synergies among the projects in the cluster areas and fosters a multiple livelihood approach for the beneficiaries. A concept paper describing all the strategic implications of the road corridor approach will be developed in 2013.

Rule of Law a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency.
*Source: report of the UN Secretary-General: The rule of law and transitional justice in conflict and post-conflict societies (2004).*

Social Mobilisation is a means of reaching out to the most poor and socially discriminated groups in communities and enabling them to organise and influence for the purpose that benefits them. The process involves, identifying the poor and socially discriminated groups, helping them organise and strengthening their capacity to voice and to benefit from development interventions through collective action. The Swiss Cooperation Strategy promotes a harmonised approach of social mobilisation where a common social mobiliser in a geographical location supports communities to identify and organise the poor and discriminated groups; build their capacities to participate effectively in the development process, and help them to gain access to assets and services that are important for their livelihoods. The service providers (including Swiss supported projects and local government bodies) use these processes and forums to deliver development assets and services.

Targeting is an approach/method to identify communities, households and individuals (e.g. Target Groups) who are in greater need of development assistance and to provide relevant services and support to those in greater need. The process to identify target beneficiaries involves identifying locations with a high concentration of Disadvantaged Groups, followed by identifying the households and individuals with multiple forms of disadvantages. The most common tools used for targeting includes Disadvantaged Groups Mapping to identify location (VDC level) and Participatory Well-being Ranking to identify the households and individuals with multiple forms of disadvantages.

Workforce Diversity: An inclusive workforce made up of people with different human qualities from the perspective of gender, caste/ethnicity, age, culture, religion, and race, etc. Since the cultural differences are considered essential and natural, a conscious effort towards inclusion of people from diverse backgrounds in an organisation's staff composition is pursued to capitalise on the strengths of diversity. Taking into consideration both the national and organisational context, the Embassy of Switzerland in Nepal focuses on social and gender discrimination to define which are the discriminated groups.

ANNEX Ha: MAP OF NEPAL WITH GEOGRAPHIC CONCENTRATION
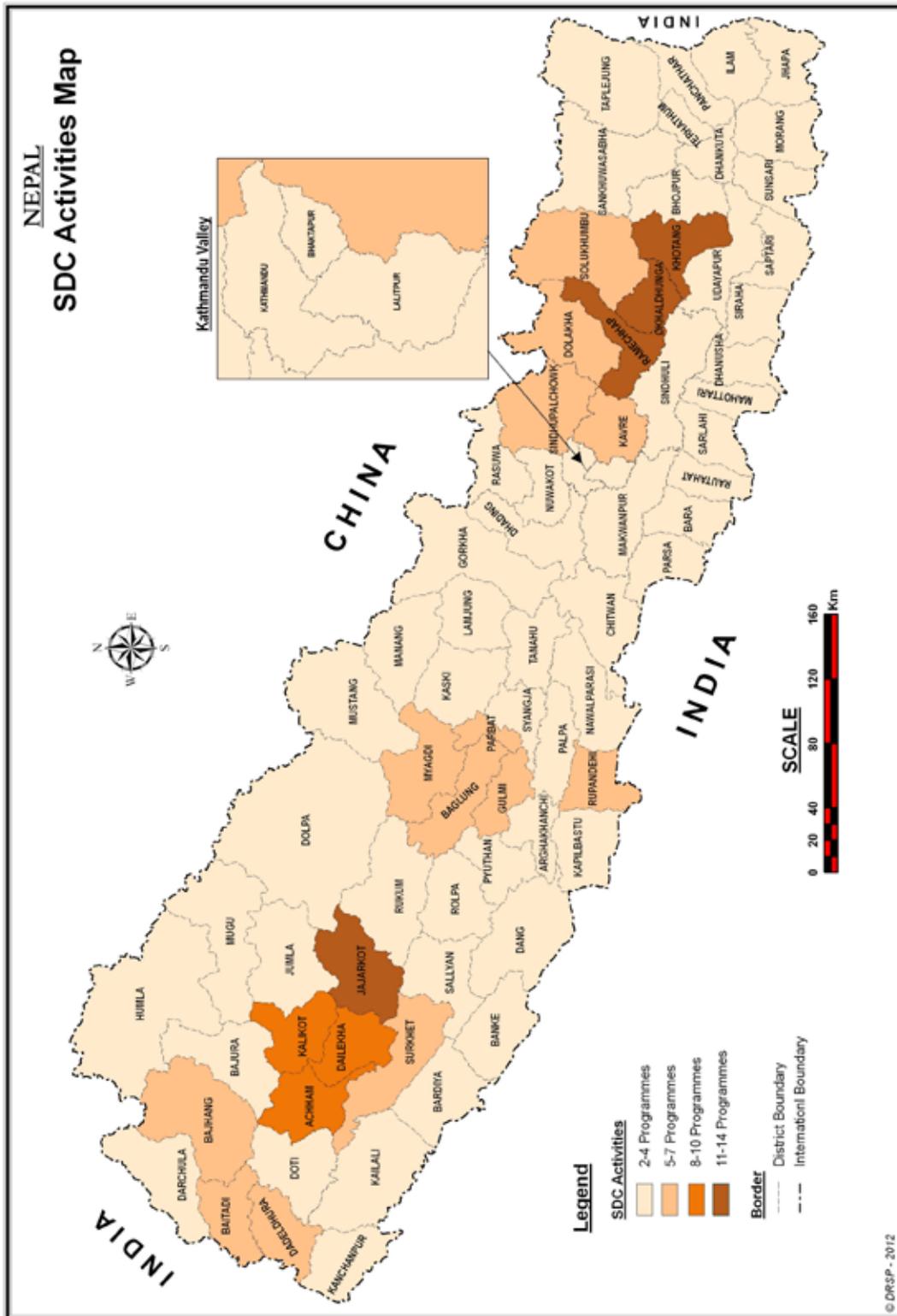
ANNEX Hb: PROPOSED ROAD CORRIDOR APPROACH

The visualisation of the coverage of the road corridors are indicative only and are subject to change as per the context. In this case the central cluster in presented as an example.