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Swiss Cooperation Programme Nepal 2023–26



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Foreword



Mountaineers know that reaching a peak is best done with a partner. Nepal and Switzerland have been climbing together and pulling in the same direction for more than 60 years. The two countries not only have the mountains in common, but also a diverse population, a respect for democracy and human rights, and – since 2015 – a federal political system.

Important progress has been achieved in building a federal state in Nepal and bringing decisions and services closer to the people, yet much remains to be done. Federalisation is a generational endeavour and requires patience and persistence. Switzerland has supported and will continue to support Nepal in this endeavour, building on our long-standing partnership and contributing Swiss expertise.

Nepal is transforming not only politically, but also economically. Poverty rates are rapidly declining, and the country

is set to graduate from least developed country status by 2026. Improved connectivity has allowed Nepal to enhance its commercial ties with neighbouring countries. Nepal's economy is becoming increasingly globalised, including through the flow of migrant workers. Targeted economic reforms have the potential to increase foreign direct investment and to make growth more diversified and inclusive. Enhancing social inclusion and gender equality is crucial for sustaining peace and remains at the core of the Swiss engagement in Nepal.

In a spirit of partnership, Switzerland continues to accompany Nepal's development journey. We are pleased to present the new Swiss Cooperation Programme for Nepal for 2023-26. It responds to Nepal's transformation processes and aims to improve the socio-economic well-being of Nepal's people in an inclusive and accountable federal state.

Swiss Agency for Development
and Cooperation

Patricia Danzi
Director General



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1. Context analysis

Federal state building: A long and bumpy road ahead

Nepal has been in political transition for decades, shifting from an absolute monarchy to a constitutional monarchy and to a secular republic in recent history. The promulgation of the federal Constitution of Nepal in 2015 put an end to the period of armed conflict between 1996 and 2006. The newly introduced federal state presents a historic opportunity to promote sustainable and inclusive development and accountable institutions at all three spheres of government.

Important gains have been achieved since the elections in 2017. Federalism continues to take root with the creation of new public institutions, including at the level of provincial governments. Development conditions at the local level have improved, as elected representatives are more responsive to citizens' concerns and have funds at their disposal, even though public financial management and oversight mechanisms require further strengthening to address corruption. Local governments can pass laws and define mechanisms for service delivery within their jurisdiction. The second round of local elections under the new constitution was successfully held in mid-May 2022. Federal and provincial elections are expected to be held in November 2022.

Nepal's journey towards a federal state marks a paradigm shift and remains a fragile and highly politicised process. Several issues have hindered the smooth and speedy implementation of the constitution. These include the incomplete transitional justice process, the gaps in key framework legis-

lation, the overlap of functions between different spheres of government, the encroachment of mandates, and the delays in allocating human resources to the subnational spheres of government. The lack of a unity of purpose of the political leadership also undermines the federalisation process. Party politics and changing alliances sap the energy and focus of the political leadership, block the legislative process and hamper the implementation of the constitutional reform agenda. For example, delays in endorsing the civil service act at the federal level have hindered the provincial and local governments to recruit much-needed human resources, limiting their capacity severely.

Switzerland has strongly supported federal state building from the start and will continue to support the implementation of the 2015 constitution. At the same time, it is important to acknowledge that progress is neither quick nor linear. The full implementation of the constitution is crucial for building an inclusive state, addressing inequality, and creating the framework conditions for sustainable economic growth.

Economic growth: A transformation with setbacks

Nepal is an emerging market with a large untapped economic potential. The country recorded an average real GDP growth rate of over 7.5% in the three-year period from 2017–19 and is set to graduate from least developed country (LDC) status by 2026. Economic growth contracted for the first time in 40 years in fiscal year 20/21 (contraction of real GDP by 1.9%) due to the impact of the COVID-19 pandemic.

	2017	2018	2019	2020	2021
GDP growth (annual %)	8.98	7.62	6.66	-2.37	4.25
Foreign direct investment, net inflows (current US\$)	196,265,098	68,261,793	185,563,265	126,626,337	No data
External balance on goods and services (current US\$)	-8,406,985,408	-10,865,913,064	-11,517,209,338	-9,130,162,344	-12,117,844,689
Government debt to GDP ratio	26.8	30.4	30.2	37.7	No data

Sources: World Bank, Nepal Rastra Bank



Community members are building a reliable irrigation scheme which contributes to increased incomes for smallholder farmers. Photo © Thibault Gregoire

While recovery largely depends on the evolving trajectory of the pandemic and the global economy, Nepal's quest for economic transformation is also constrained by structural challenges. Today, agriculture accounts for less than a quarter of the GDP, despite remaining the largest employer. Economic growth in the past two decades has been driven by the service sector, while the share of industry in the GDP has remained stagnant at around 15%. Remittance income received from Nepali migrant workers continues to be a key driver of a consumption-driven and import-reliant economy, accounting for one quarter of the GDP. State revenues remain heavily dependent on taxing consumption and imports. The rise in global commodity prices caused by the Ukraine war has affected Nepal's commercial balance and resulted in higher inflation and rising debt levels. Nepal's projected debt-to-GDP ratio, however, is still considered sustainable.

The lack of an environment conducive to doing business continues to hamper entrepreneurship and innovation and undermines inclusive economic development. At the same time, local governments have assumed their responsibilities for livelihood support. In response to these realities, during the 2018–22 period, Switzerland has shifted its strategic focus away from livelihood interventions and towards economic development more broadly, with an emphasis on market development, infrastructure, and technical and vocational education and training (TVET). It makes use of opportunities provided by the federalisation process and supports the three spheres of government in providing public goods for economic development. Switzerland thereby contributes to creating an enabling environment for foreign direct investment and helps Nepal realise its economic potential.

The 2026 LDC graduation: An important milestone with limited impact

In February 2021, the United Nations Committee for Development Policy recommended Nepal for graduation from the Least Developed Country category by the end of 2026. Nepal is the only country set to graduate despite not meeting the income per capita graduation threshold. This reflects the significant progress made by the country in education, health, economic and environmental resilience. While the LDC graduation marks an important symbolic milestone in Nepal's development trajectory, it is unlikely to have significant effects on trade or aid flows.

The ex-ante assessment of the expected impacts of the LDC graduation prepared by the United Nations Department of Economic and Social Affairs found some possible effects on market access due to the loss of preferential treatment (i.e. lower tariffs).

Nevertheless, given Nepal's limited export-orientation, the potential consequences for the economy as a whole are limited. The impact on development financing is also assessed to be minimal. Bilateral financing mostly depends on historical and bilateral relationships or is linked to specific emergencies. As such, it is not necessarily affected by the country's development status. Moreover, funding from international financing institutions such as the World Bank, the International Monetary Fund and the Asian Development Bank is expected to continue after LDC graduation.

Poverty reduction: Success fuelled by remittances

Nepal has achieved an impressive reduction in extreme poverty. The poverty rate fell from 53% of the population in 2003–04 to an estimated 18.7% in 2018, according to the Ministry of Finance’s Economic Survey, and to 17.4% in 2019, according to UNICEF’s Multi-dimensional Poverty Index. Migrant worker remittances have grown exponentially over the past two decades. They reached their highest level during the COVID-19 pandemic in 2020–21, corresponding to approximately 25% of the GDP. In the medium term, both the number of migrants and the amount of remittances are expected to continue growing, aided by the opening of new migration corridors and an increased share of skilled workers sent abroad. Already today, half of Nepali households receive remittances, which have been the main driver of poverty reduction and supported improvements in human development.

In parallel to the increase in labour migrants and the growth in remittance payments, attitudes towards labour migration have also shifted. It is no longer discouraged by the government or stigmatised in communities. Instead, labour migration is seen as a viable economic opportunity. Switzerland has accompanied this shift through interventions that pioneered the provision of migrant services (such as pre-departure information, skills training and legal aid). It will continue to support the scaling up and institutionalisation of these services under the federal structure, thereby contributing to a safe and economically beneficial migration. In addition, Switzerland provides targeted support to returnee migrants and enables them to make productive investments in the local economy.

Gender equality and social inclusion: Unequal progress

While the elimination of discrimination is enshrined as a central concept in the 2015 constitution, progress varies greatly by province, region and population group. Nepal is a highly diverse society that includes 125 recognised ethnic and caste groups and over 100 spoken languages. Based on the traditional caste system, many inherent patterns of discrimination remain embedded in social norms, customs and practices. In addition, deeply rooted patriarchal norms and discriminatory laws and practices result in persistent gender-based inequalities. Those discriminated against based on gender, caste and/or ethnicity have less access to social networks, services, and economic opportunities, and lack a strong political voice.

Poverty exacerbates the effects of social discrimination. In addition, there are significant geographical disparities in poverty levels and access to infrastructure and services, both between urban and rural areas, and between the Hill region and the Mountain and Tarai regions.

Social exclusion has slowed the country’s development and is commonly understood as the root cause of the armed conflict. Addressing it therefore remains at the core of Switzerland’s engagement in Nepal. Switzerland is a pioneer in promoting social inclusion and gender equality through its development portfolio and has continuously adapted its approach to the changing realities (see Annex 7).

Elected women representatives discussing the foundations of leadership for meaningful political participation. Photo © QB Maharjan



Climate change and environment: A complex vulnerability

Nepal's topography and socio-economic situation make the country vulnerable to natural hazards (including geological hazards such as earthquakes) and the impacts of climate change. In the future, temperatures are likely to go up in the region and precipitation will be more erratic, implying increasing uncertainty. Weak governance of natural resources, lack of political will to implement environmental legislation and ineffective, centralised mechanisms for disaster risk management exacerbate the country's vulnerability.

Nepal has made important policy commitments to address climate change. The country is a signatory to the Paris Agreement and submitted its second Nationally Determined Contribution in December 2020. Given the country's vulnerabilities, the National Climate Change Policy (2019) places a special emphasis on climate change adaptation. Key priorities include developing and implementing local adaptation plans, strengthening climate-change coordination mechanisms, and building climate-finance related capacities. Through an emphasis on federal state building and public service provision, Switzerland supports the different spheres of government in improving their planning, budgeting, and coordination processes, which are the bases for effective climate action.



Women at work in vegetable processing units to produce high quality products sold in the local market. Photo © Thibault Gregoire

2. Swiss foreign policy objectives and contributions by other development partners

Nepal's role in the Asia-Pacific region

Within the Asia and Pacific region, Nepal is situated in a delicate position between two geopolitical giants. Accordingly, its foreign policy is focused on maintaining a balanced relationship with its powerful neighbours. India is a key player in Nepal, with close political and economic ties, significant development aid, trade links, and close ties between the armies. Chinese economic cooperation in Nepal is increasing rapidly, including under the umbrella of the Belt and Road Initiative. In addition, China has financed a number of large Nepali infrastructure projects in recent years. Beyond these dependencies, Nepal plays a critical role in the region, as a neutral actor who has many values in common with Switzerland, such as independence, respect for human rights and its support for international law. In the past years, Nepal has successfully enhanced its international position and globalisation has led to closer collaboration politically and economically with many countries.

Despite positive trends in domestic resource mobilisation over the past decade, development cooperation continues to play a significant role in Nepal's development efforts. In the fiscal year 18/19, Nepal received a net official development assistance (ODA) of USD 1.58 billion. Due to the COVID-19 pandemic, ODA to Nepal has significantly increased one year later, amounting to USD 2 billion. A multitude of development partners are present in Nepal. Apart from India and China, these include bilateral development partners such as the US, UK, Japan, Germany, Australia, Finland, Norway and Korea, as well as a majority of UN agencies and multilateral partners such as the European Union, the World Bank, the Asian Development Bank and the International Monetary Fund (see Section 6 for coordination and alignment). Switzerland is among the top 10 bilateral development partners in Nepal, contributing roughly 2% of ODA.

Swiss added value and long-term interests

Since the 1950s, mountaineering and development cooperation have established a dense network of private relations between Swiss and Nepali citizens, reflected for example in the large number of private Swiss initiatives in Nepal. Thanks to

its long-standing engagement, Switzerland is a trusted and respected partner of Nepal, with unique access to political decision-makers and actors across all spheres of the political landscape. Moreover, Swiss strengths include reliability, impartiality and credibility as a democratic federal state with an established culture of consultation and dialogue. These strengths have enabled Switzerland to hold a unique position among international actors in Nepal, fostering meaningful collaboration between development partners, international financial institutions and government actors. It also brings to Nepal technical expertise across various sectors. Switzerland's continued engagement in development cooperation in Nepal makes it possible to safeguard the investments made in the past and enhance the capacities of the new federal state.

For Switzerland, the Asia-Pacific region is growing in importance. Bilateral ties with countries in the region are multifaceted and intensifying, with exchanges across the economic, political, social and human dimensions. In this context, Switzerland's overarching priorities are to contribute to maintaining peace and security and to promote sustainable development in the region. With Nepal having emerged from an armed conflict only in recent history, Switzerland supports the country in its process of creating sustainable peace (Objective 1.2 of the *Foreign Policy Strategy 2020–23* and in line with the *Guidelines on Human Rights 2021–24*). An accountable state and a stable environment in Nepal will also mitigate the risk of irregular migration from the country and promote the protection and sustainable re-integration of migrants, in line with *Switzerland's International Cooperation Strategy 2021–24* (sub-objectives 7 and 9). Through its support for the emerging Nepali economy, Switzerland is also preparing the ground for foreign direct investment, knowledge-sharing, and technology transfer. This will open doors for Swiss businesses, for example in the financial technology, digital market, insurance, and infrastructure sectors. On a broader political level, Switzerland has an interest in Nepal being able to uphold an independent foreign policy. This interest stems from the fact that Nepal is a partner country in the region that shares our values, such as the universality of human rights and support for international law. Switzerland has an interest

in a stable and resilient Nepal that contributes to balancing regional dynamics in the face of tensions between China and India. For this, Nepal needs to be able to build on partner countries beyond its immediate neighbourhood.

International cooperation in Nepal

Based on Switzerland's IC Strategy 2021–24, (1) Democratic State Building and Respect for Human Rights, (2) Inclusive Economic Development and (3) Climate Change and Environmental Sustainability emerge as priorities for the Asia region, with social inclusion and good governance as transversal themes. Switzerland's engagement in Nepal is well aligned with these objectives, as well as with the Sustainable Development Goals and Nepal's national development priorities. Swiss projects are developed at the request of and in close cooperation with the Government of Nepal. Bilateral agreements are concluded for each project and most project budgets are reflected in Nepal's annual budget (on budget) and/or channelled through the government's treasury (on treasury). Projects are mainly implemented by the three spheres of government, with technical support financed by Switzerland. The main technical assistance providers in Nepal include Helvetas Swiss Intercooperation and Swiss-contact as well as national organisations and private sector actors, such as PricewaterhouseCoopers.

The contribution of the Swiss State Secretariat for Economic Affairs (SECO) to the multi-donor trust fund for Public Financial Management in Nepal is an important component of Switzerland's support for federal state building. The programme strengthens public expenditure and revenue management, procurement systems and audit mechanisms at the federal, provincial and local levels. Nepal is also engaged in a number of regional and global SECO-funded initiatives, such as the Sovereign Disaster Risk Finance Programme. In December 2021, the Swiss Investment Fund for Emerging Markets (SIFEM) made its first investment in Nepal. This investment, which the SDC backed with a risk guarantee, aims to promote lending to small- and medium-sized enterprises (SMEs). It is well aligned with Switzerland's bilateral development cooperation portfolio.

Switzerland coordinates closely with other development partners through the International Development Partner Group mechanism and sectoral sub-groups. In these sub-groups, Switzerland is taking on a leading role in its priority sectors (federalisation, TVET and migration) and promoting a common understanding of working modalities. In a prime example of successful coordination, the members of the TVET working group, chaired by Switzerland, have adopted joint messaging and a harmonised approach to TVET in the federal context. Switzerland also acts as the convenor of the development partners' Development Financing Institution working group, promoting investments and collaboration between the various institutions involved.

3. Results achieved for the period of 2018–22 and lessons learnt



Women cutting large cardamom tails – a high value cash crop whose processing creates jobs and generates income for local farmers. Photo © Thibault Gregoire

Switzerland's skilful combination of technical, diplomatic and political instruments yielded significant results. The programme portfolio was closely accompanied by Switzerland's political engagement in Nepal, i.e. the engagement with political actors at different levels to advocate for and/or support the implementation of reforms and policies. This engagement reinforced the envisaged programmatic impacts and contributed to systemic changes.

Under the Swiss Cooperation Strategy 2018–21, Switzerland has adjusted its programme portfolio to support the emergence of the new federal institutions in Nepal at provincial

and local levels. All sectoral projects have contributed to federal state building by supporting institutional strengthening and system building, and by adapting their working modalities. Thus, Switzerland has shifted the project anchoring and steering to the provincial level and supports the clarification of roles and responsibilities in the sectors concerned. As simple as this may sound, it constitutes one of the main successes of Switzerland's engagement in Nepal over the past years, with the rural infrastructure sector today being largely federalised and implementation responsibilities in the TVET sector now being in the hands of provincial and local governments.

The COVID-19 pandemic posed a major constraint to the implementation of the Swiss Cooperation Strategy. However, Switzerland adapted swiftly to the challenges of the pandemic and set up an umbrella credit line along the three domains of intervention, which allowed for flexible support

to the three spheres of government during the pandemic. In addition, projects in the migration and TVET sectors reprogrammed activities in order to adapt to the evolving context, for example by shifting their focus towards returnee migrants and online learning modules.



Trail bridges bring communities closer to basic services and employment opportunities. Photo © Thibault Gregoire

Federal state building

Swiss efforts in supporting provincial and local governments to create an inclusive and accountable federal state have generated positive results, even though progress has been slower than expected due to the delays in implementing two flagship projects, further exacerbated by the COVID-19 pandemic.

Engaging at the provincial level in Province 1, Switzerland's focus province, has proven timely and relevant, and complementary to other development partners' efforts. Switzerland has become a trusted partner, preparing the ground for a longer-term collaboration with the provincial government. Political engagement with elected representatives has proven critical to initiate reforms, as elected representatives, with their direct mandate, are accountable to their constituency and thus more committed to the federal reform process. Through its programmes, Switzerland has assisted Province 1 in developing its periodic plan, the medium-term expenditure framework and the provincial transport master plan. Fiduciary risk assessment procedure guidelines for local governments have been endorsed and are now in use. In addition, strategic partnership projects between provincial and local governments, such as an integrated emergency response centre and a collaboration on waste management, have been initiated. This has laid the groundwork for promoting intergovernmental collaboration

in line with the constitution. Furthermore, important reform initiatives have been initiated, such as formalising the provincial law-making process, drafting financial directives and the fiscal accountability act, and preparing the provincial planning process with the participation of local governments. At the local level, guidelines for local governments' capacity self-assessments have been approved. This empowers the local governments to assess their organisational and institutional strengths and gaps, and use the information to enhance their institutional capacities. However, public financial management reforms in the local governments have not yet achieved serious uptake.

Nevertheless, delays in endorsing important framework legislation such as the civil service act have hindered the performance of provincial and local governments. Due to a lack of adequate staffing, they have not been able to fully assume their functions. In addition, some federal institutions have shown themselves reluctant to devolve power and resources as per the constitution. Continuous engagement is required to advocate for the enactment of important legal frameworks, allowing the three spheres to assume their roles as per the constitutional mandate.

Elected women representatives have increasingly engaged in local decision-making; their influence in local governments across Province 1 has increased as they have participated in

legislative, planning and budgeting processes. Elected women representatives have also reported increased involvement in political dialogues and negotiations. Provincial and local governments are also increasingly allocating resources for activities related to gender-based violence, gender equality and women's empowerment.

Despite political instability and the COVID-19 pandemic, the constant engagement of Switzerland ensured that transitional justice has remained a priority of the political leadership. The good offices of the Swiss Ambassador have facilitated a common understanding for a national 'dealing with the past' process. A common understanding, coordinated under the lead of the United Nations, is needed among like-minded international partners in order to ensure a successful Nepali-led, victim-centric approach. Switzerland has played an instrumental role in supporting conflict victims to emerge as actors in the process. They have been able to present their demands to the government with a collective voice. Swiss efforts have also contributed to building local governments' capacity to provide mental health and psychosocial services to conflict victims.

Employment and income

Responding to the leading role in rural development assumed by local governments under the 2015 constitution, Switzerland has progressively shifted from livelihood interventions to market-based approaches and private sector development during the 2018–22 period. Swiss interventions to promote employment and income have yielded satisfactory results. Women and men, especially from disadvantaged groups, have found employment and increased their incomes. Swiss interventions have resulted in higher productivity and more employment opportunities, which have in turn translated into higher incomes. Access to time-saving technologies, irrigation, extension services and the construction of bridges have been the main conduits to increase both labour and land productivity. Importantly, Switzerland has also demonstrated its ability to react to the health and economic crises and proposed programmatic and policy measures to support both the private and public sectors for a sustainable post-COVID-19 recovery. New interventions have supported micro, small, and medium-sized enterprises to adapt to the changes in the business context caused by the pandemic's adverse impacts.

Subnational governments and private institutions have expanded markets and increased the demand for skilled labour through better connectivity and commercialisation. The dual VET approach piloted by Switzerland is starting to take root in Nepal. The government has allocated funds to enrol young people in dual VET apprenticeship programmes, showing its commitment to institutionalise the approach. In addition, employers are now involved in the selection process and have started paying allowances to apprentices. However, in the absence of regulatory mechanisms, the quality of TVET schools varies from one school to another and is often poor. In the future, it will be important to assist the government in developing institutions responsible for ensuring the quality of technical and vocational education.

Amidst uncertainties triggered by COVID-19, securing investments from the private sector in services related to agriculture has proven difficult. The co-financing modality adopted in Swiss interventions, however, has made it possible to de-risk these investments and harness private investments. Moreover, infrastructure projects at the local level have contributed to establishing conditions conducive to the expansion of markets. The construction of 348 motorable bridges and 2,222 trail bridges built with Swiss technical support has brought fare and freight costs down significantly (between 9% and 35%), thereby lowering production costs and increasing human mobility. Connectivity is also an area where provincial and local governments have shown their abilities to add value, with direct and tangible impacts for citizens.

Trail bridges: A lasting legacy

The trail bridge sector is an example that illustrates well how Switzerland's engagement has adapted and evolved over time, taking into account the political context and systemic changes introduced in Nepal over the last 60 years. When Switzerland started to build trail bridges in the 1960s, the focus was on direct implementation. Later, in the 1990s, Switzerland introduced a community-based approach, promoting early democratic practises through participatory planning and implementation of construction work. During the time of the armed conflict (1996–2006), Switzerland stayed engaged, promoting political dialogue through its programme and focusing on service delivery to disadvantaged people in rural areas. In 2008, a sector-wide approach to trail bridges was adopted. Since 2015, Switzerland has been bolstering Nepal's new federal system by working with all three spheres of the government to define their roles, establish their legal, policy and regulatory frameworks for bridges, and to help improve the institutional capacities of provincial and local governments in the sector.

Since building the first modern trail bridge in Nepal in 1961, Switzerland has supported the construction of over 9,000 trail bridges, benefiting around 16 million Nepali people. On average, 1.6 million people cross these trail bridges every day. The trail bridges built over the last four years have reduced the average travel time for a round-trip by two and a half hours, while earlier bridges had even saved much more time. Where bridges were built, school attendance rose by 16% and visits to health facilities near the bridges increased by 26%.

The Government of Nepal has shown a strong financial commitment. For the period 2019–24, the government has allocated CHF 88.5 million to the construction of trail bridges, whereas Switzerland is contributing CHF 9.4 million in technical assistance. Nepal now has the capacities, resources and technical knowledge to continue on its own and build and maintain the remaining bridges that will complete the envisaged network. By 2024, Switzerland will conclude this successful journey and exit the bridge sector.

Around 10 million person-days of employment were generated through infrastructure-related projects, benefitting, in particular, women and men from disadvantaged groups. Small irrigation schemes now guarantee year-round access to water for 12,800 hectares of agricultural land. As a result, productivity targets for vegetables, wheat, paddy rice, and potatoes were overachieved. To calculate how much farm incomes have increased thanks to these productivity gains, the demand side and constraints to market access must be better understood.

Local governments are increasingly responding to the needs expressed by discriminated groups through sectoral investment decisions. They have successfully allocated and spent their sectoral budgets as approved by their councils. Whilst increased engagement of women and discriminated groups is visible in public fora, there is limited evidence on how these groups have been able to voice their concerns and influence policymaking at the local level.

Migration

Switzerland has achieved encouraging results in the period 2018–22, both in supporting and protecting migrant workers and their families, and in strengthening government institutions and local public service provision. The migrant resource centres (MRCs) established with Swiss support have played a strategic role in providing information and access to justice for migrants. MRC operational guidelines were officially endorsed by the Ministry of Labour, Employment and Social Security. Currently, there are 38 MRCs across the country, of which 23 are funded entirely by the Ministry of Finance and local governments. The number of local governments allocating budgets for migration services has increased from 51 to 109, and 33 local governments have adopted safer migration guidelines.

Community-based networks of migrant workers have contributed to putting migration-related concerns on the political agenda. The 2019 amendment of the Foreign Employment Act decentralised judicial mechanisms for migration-related disputes to district administration offices, which has enhanced migrant workers' access to justice. The MRCs have played a key role in supporting migrants to file cases or seek mediation in disputes with fraudulent recruitment agents.

Switzerland has also supported the families (in particular, wives) of migrant workers through financial literacy training and psychosocial counselling services. The trainings have contributed to empowering women socially and economically by creating peer groups, combatting stigmatisation and facilitating access to formal financial services. When the COVID-19 pandemic broke out, Swiss projects supported migrant workers stranded abroad with repatriation services, renewal of permits and passports, legal counselling, and food and shelter.

The skills training offered to prospective migrants through Swiss interventions has been shown to have several important positive effects: throughout the migration cycle, training graduates earn, on average, 20–25% more than their unskilled counterparts because of their more successful career path and higher productivity. Graduates are also less vulnerable to exploitation because they have been educated and made aware of their rights. Focusing more on the employer side can also offer a promising avenue to increase the economic benefits of migration, by ensuring a better match of migrants with the specific skills required by employers. In addition, the skilling of migrant workers should be mainstreamed into the national TVET system to make it better address the needs of prospective migrant workers and enhance their prospects of reintegration in Nepal.

Nepali migrant workers are crossing the eastern border to India in search of employment. Photo © Thibault Gregoire



4. Implications for the Swiss Cooperation Programme 2023–26

The orientation and priorities of the period 2018–22, (1) federal state building, (2) employment and income, and (3) migration, remain relevant in the current context of Nepal. On this basis, the Swiss Cooperation Programme 2023–26 has been designed to emphasise continuity and consolidation along the same three thematic priorities. They target areas in which Switzerland contributes distinct added value thanks to its technical expertise, its long-standing engagement and the high quality of its interventions. Engaging in federal state building, employment, income, and migration allows Switzerland to make a meaningful contribution to sustainable peace, good governance and inclusive development in Nepal. The thematic priorities are aligned with Switzerland's International Cooperation Strategy 2021–24.

The political transformation of Nepal from a centralised unitary government into a federal system of government, in which all people can participate, addresses the root causes of conflict in Nepal. The implementation of the 2015 constitution is thus not only the pathway towards lasting peace, but also a historic opportunity to promote sustainable and inclusive development and democratic accountability. Nepal has come a long way in implementing federalism and made remarkable progress in a very short time. Despite positive achievements, federalisation in Nepal remains an unfinished business – the shift from a unitary to a federal state is a highly political process. Pursuing the pathway leading to an inclusive and accountable federal state will take considerable time and effort in the mid- and long-term, with gains accompanied by setbacks.

With its long-term partnership, trust and access to political decision-makers, Switzerland is uniquely placed to support federal state building and accompany Nepal on the road towards federalisation. It will continue to do so by working closely with all three spheres of government, building strategic alliances with the political leadership, the bureaucracy and development partners, and staying engaged in a development-peace nexus through both political dialogue and development cooperation instruments. The results of the current strategic cycle underline this choice: the evalu-

ation of the Swiss Cooperation Strategy (SCS) 2018–21 recognised Switzerland's contribution to federal state building and to the positive transformation seen at provincial and local levels.

Nepal has continued its progress in economic growth and poverty reduction. However, in order to sustain this progress, Nepal needs to broaden its economic base and ensure more equitable development. Provincial governments have not yet fully assumed their key role in promoting economic development. In response, Switzerland has broadened its portfolio to comprehensively support provincial governments in creating an environment that enables business development in its focus areas. Through its multisector engagement in agricultural market development, rural infrastructure, TVET, and private sector development, Switzerland has supported Nepal to develop a strong foundation for inclusive economic growth. Following the recommendations of the evaluation of the SCS 2018–22, Switzerland will adopt a more comprehensive approach to private sector development and phase out the trail bridges and motorable road bridges support projects, which will be handed over to provincial and local governments.

Labour migration is a key factor in Nepal's development. Foreign employment has significant economic impacts (at both the micro and macro levels) and social implications. The Government of Nepal's attitude towards labour migration has shifted over the past decade and migration's role in the country's socio-economic development is now officially recognised. While local governments are increasingly allocating funds to migrant services, these services need to be further scaled up and institutionalised. In line with the recommendations of the SCS evaluation, Switzerland will therefore stay engaged in the migration sector and intensify its efforts to institutionalise the support for migrant workers and their families across the three spheres of government. It will also support the sustainable economic and social reintegration of migrant workers to better harness their contribution to local economic growth through productive investments, avoiding repeated migration cycles.

5. Strategic orientations and Swiss priorities for 2023–26

In the period from 2023–26, Switzerland will contribute to the improved socio-economic well-being of women and men and support an inclusive and accountable federal state in Nepal. Switzerland will pursue this goal by working across three complementary and interlinked intervention areas: federal state building, employment and income, and migration, wherein federal state building constitutes both a portfolio outcome and an approach across all three areas of intervention.

Switzerland will build on its strong relationships with governments at all levels and on its long-standing thematic expertise and experience in TVET, migration, and market development. At the same time, Swiss cooperation will respond to the economic and political transformation of Nepal and increasingly focus on providing expertise and technical assistance. It will emphasise the role of federal, provincial and local governments in leading the country's development and creating the framework conditions for economic growth and continued poverty reduction. A total financial contribution of CHF 154 million is foreseen for the duration of the Cooperation Programme (2023–26). This amount does not include contributions to regional and global interventions by SECO, the SDC's Global Programmes, and SIFEM (see Annex 6).

Swiss portfolio outcome 1: Federal state building

The federal state strengthens inclusive and accountable institutions as per citizens' aspirations and the constitutional spirit.

- **Outcome 1.1:** Provincial and local governments promote intergovernmental collaboration in the spirit of the constitution.
- **Outcome 1.2:** Provincial and local governments are accountable and provide essential services that are inclusive.
- **Outcome 1.3:** Political parties engage in the 'dealing with the past' process.



If the three spheres of government strengthen collaboration and fulfil their constitutional roles and if provincial and local governments are accountable and able to provide essential services that are inclusive and if the political parties engage in transitional justice processes, **then** a functional federal state will address regional inequality, reduce economic and social discrimination, and enable the sustainable development of the country with the participation of all its citizens, **because** Swiss interventions support the implementation of the constitution, strengthen the delivery of services to all citizens, and contribute to the 'dealing with the past' process.

The first outcome supports the strengthening of intergovernmental collaboration, specifically between provincial and local governments, in line with the 3C principle (collaboration, coordination and coexistence) of the constitution. Provincial governments will be the main interlocutors for this outcome. Switzerland will support the functioning of the provincial coordination councils by supporting agenda-setting and advocating for the creation of relevant thematic and sectoral committees. It will also support the provincial and local governments to operationalise various policies to strengthen intergovernmental collaboration, such as revenue sharing mechanisms between provincial and local governments. Swiss-supported programmes will foster initiatives to strengthen inclusive service delivery as a result of the collaboration between provincial and local governments, for instance by implementing strategic partnership projects concerning solid waste management, emergency disaster response mechanisms, and the enforcement of the building code.

The second outcome aims to strengthen the constitutional mandates of the provincial and local governments so that they can provide services to their citizens in an inclusive manner. Under this outcome, Switzerland will support provincial and local governments in drafting policies and legal frameworks. Particular emphasis will be placed on defining inclusive law-making, planning and budgeting processes, increasing local and provincial revenue and enhancing budget execution. Switzerland will also assist provincial and local governments in implementing new laws to ensure inclusive service delivery to Nepali citizens.

The third outcome reflects the diplomatic commitment of Switzerland to support Nepal in concluding the peace process and ending impunity. It focuses on Nepal's ongoing 'dealing with the past' process by engaging with political parties to enable actors and institutions to fulfil their responsibilities in line with the four pillars of transitional justice – truth, justice, reparations and non-recurrence. Switzerland thereby responds to repeated demands of stakeholders to create an enabling environment for dialogue and promotes a Nepali-led and victim-centric process. For this, Switzerland will continue to provide expertise and facilitate the space for dialogue amongst stakeholders. It will also coordinate with the international community to establish a multi-stakeholder platform ensuring coherent engagement with the Government of Nepal. Through its programmes, Switzerland will collaborate with provinces to draft policies, build capacities, and support local governments' efforts to provide psycho-social counselling services to conflict victims.

A joint steering committee consisting of the embassy, the State Secretariat and the FDFA's Peace and Human Rights Division has been set up to provide strategic guidance for Switzerland's engagement in transitional justice. It is chaired by the head of the State Secretariat's Asia Division.

Swiss portfolio outcome 2: Employment and income

Women and men, including from disadvantaged groups, find employment and increase their income.

- **Outcome 2.1:** The three spheres of government create framework conditions for inclusive and sustainable economic growth.
- **Outcome 2.2:** Private institutions expand markets.
- **Outcome 2.3:** Women and men, including from disadvantaged groups, increase productivity and find employment.



If the three spheres of government create the framework conditions for inclusive economic growth and if women and men, including from disadvantaged groups, increase their productivity and develop market-relevant skills, **then** private institutions will expand their markets and Nepal will experience increased economic activity and inclusive economic growth, **because** Swiss interventions support the increase of human capital, foster private and financial sector development, and address the information and coordination externalities to favour investment and entrepreneurship in the country.

The first outcome aims at enabling the three spheres of government to clarify their roles and responsibilities in building a conducive investment climate, supporting infrastructure development, and in enhancing production and productivity to maintain sustainable and inclusive growth. Switzerland will

advocate for and facilitate the elaboration or amendment of relevant policies as well as the respective financial planning instruments to ensure a more conducive environment for economic growth. All interventions will also abide by the principle of sustainable and inclusive growth, where economic growth is distributed fairly across society, creating opportunities for all and ensuring that factors of exclusion are addressed in economic policies. At the programmatic level, Switzerland will continue to support initiatives to strengthen inclusive service delivery. For example, it will provide support in promoting and implementing dual VET apprenticeships, setting up skills assessment centres, providing technical assistance to develop and implement educational quality standards, and in managing blended finance schemes.

Under the second outcome, Switzerland and its partners will assist the private sector in advocating for favourable economic framework conditions and sectoral policies. It will continue to identify policy bottlenecks and address market expansion issues, for example by developing provincial agri-trade promotion strategies and bilateral trade agreements, enhancing connectivity and access, and by fostering private sector contributions to tourism development. At the programmatic level, Switzerland will support initiatives to strengthen the private sector's capacity to provide inclusive services. This will include working with service providers to improve the delivery of support services (finance, logistics and research) targeted at sector-specific SMEs in agribusiness. Similarly, Switzerland will continue to work towards better integration of large companies and corporations into the dual VET apprenticeship model.

Interventions under the third outcome specifically aim at reducing factors of exclusion and at ensuring that disadvantaged groups are offered opportunities to increase their social inclusion and productivity and to enhance their employment prospects. Switzerland will promote the creation of an inclusive system of scholarships, incentives, and quality control to improve the quality of TVET teaching. Support will also be provided to local governments and private sector actors to develop climate-resilient small-scale irrigation infrastructure, offer risk-informed rural advisory services, and provide skills training and certification, including through the recognition of prior learning. These interventions will also enhance employment opportunities for migrants and returnees.

Swiss portfolio outcome 3: Migration

Migrants and their families improve their economic and social well-being and are better supported and protected by government institutions at all levels.

- **Outcome 3.1:** The three spheres of government collaborate and provide services that address the needs of migrants and their families.
- **Outcome 3.2:** Migrants and their families build human and social capital and increase the economic benefits from migration.



If the three spheres of government collaborate and provide services in a sustainable and inclusive manner that address the needs of migrants and their families, **then** migrants and their families will build human and social capital to increase their socio-economic benefits from migration, **because** Swiss interventions engage with government institutions to develop policy frameworks and to allocate public resources to promote reintegration and ensure the protection of migrants.

The first outcome aims at enabling the three spheres of government to clarify their respective roles and responsibilities and build capacities to provide services to migrant workers and their families as well as survivors of gender-based violence. Switzerland will advocate and facilitate the elaboration or amendment of relevant policies as well as the respective bud-

get measures to ensure that services are available to migrant workers and that protection mechanisms for survivors are institutionalised. Switzerland will engage with provincial governments to advocate for the development of the required regulatory framework on migration and reintegration based on the national reintegration directives. This framework will define the role of provincial governments and enable them to co-finance and lead the coordination of migration services established at the local level. At the programmatic level, Switzerland will provide technical assistance to strengthen government capacities for improved service delivery and protection mechanisms for migrant workers and their families, as well as for survivors of gender-based violence. It will also support the delivery of vocational skills training courses and facilitate the interaction with employers, so that the national TVET system becomes more responsive to the labour market requirements in destination countries.

The second outcome focuses on enhancing the access of migrant workers, including returnees, and their families to a broad range of relevant services. Migrant services provided with Swiss support will include information and capacity building for prospective and returnee migrants, psychosocial counselling, family counselling, access to justice, and access to finance and business development services. Emphasis will be placed on institutionalising these services by increasing cost-sharing among local, provincial and federal governments and by formalising services in provincial and local policies and legislation, where relevant. The skilling of migrant workers and recognition of their skills will be closely coordinated with TVET interventions under the employment and income portfolio outcome.

Construction of motorable bridges – these bridges provide improved connectivity to schools, health posts and market services promoting economic prosperity for Nepali people. Photo © Thibault Gregoire



6. Management of programme implementation

Switzerland's main partner and counterpart is the Government of Nepal at all levels. Swiss development cooperation is aligned with government priorities identified in the periodic plan and sectoral policies. Switzerland will continue to identify and work with drivers of change in all three spheres of government and will apply adaptive programme management in accordance with changes in context dynamics. Possible drivers of change are elected representatives and bureaucrats who actively support the federalisation and peace agenda. Switzerland will also promote change agents in the private sector, such as small and medium-sized enterprises and industries involved in TVET. Potential retainers of change will be identified through regular political economy analysis. In addition, policy dialogue instruments will be used to foster support for the change agenda.

Switzerland will continue to collaborate closely with other development partners through the International Development Partners Group mechanism and sectoral sub-groups, in which Switzerland has taken the lead in its priority sectors (i.e. federalisation, TVET and migration) and is promoting a common understanding of working modalities. In the past, for example, Swiss engagement with the Asian Development Bank and the World Bank has led to project setups and implementation modalities being aligned with constitutional mandates (e.g. transfer of responsibility for road construction to the provincial level). Close coordination and joint programming will continue with like-minded development partners in order to leverage Switzerland's impact beyond its own financial reach. Strategic partnerships will be sought with the UK, European Union, World Bank, Asian Development Bank, International Organisation for Migration, and International Labour Organisation.

Switzerland will continue to apply a mix of aid modalities, including mandates, contributions and budget support (see Figure 1 for an illustration of the allocation of Swiss funds under different modalities). Taking into account Nepal's Development Cooperation Policy (2019), the Swiss portfolio will continue to strengthen country systems, in line with its federal state building approach under the constitution. Swiss-funded mandates bring Swiss expertise and innovation to Nepal and leverage funding from the Government of Nepal for replicating or scaling up successful interventions,

for example in the migration and TVET sectors. They also allow Switzerland to provide targeted technical assistance, for example in the bridge sector. Joint initiatives with other development partners ensure a coordinated approach in key areas, such as capacity building at provincial and local level and in strengthening public financial management systems.

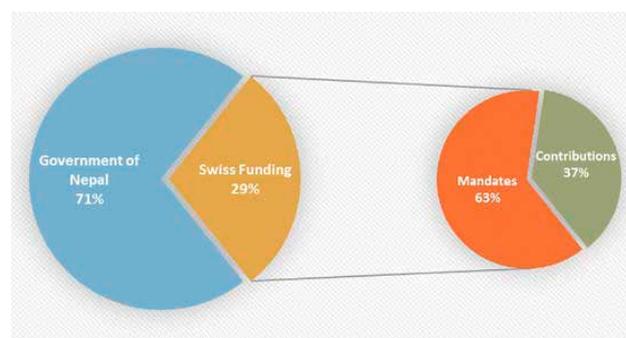


Figure 1: Government contributions and aid modalities – a snapshot of the Swiss project portfolio (2021)

The Cooperation Programme 2023–26 incorporates three transversal themes:



Firstly, federal state building constitutes both a portfolio outcome as well as an approach across all domains of intervention. Switzerland supports the federalisation process in line with the constitutional mandates of the three spheres of government. As such, all sectoral projects contribute to federal state building through their strategic anchoring, institutional set-up, identification of key sectoral reforms, technical assistance to strengthen provincial and local governments' capacities, and/or support for selected policy interventions that contribute to clarifying the roles and responsibilities of the three spheres of government. Switzerland also advocates for strengthened intergovernmental coordination mechanisms.



Secondly, climate change is mainstreamed across Swiss interventions. Switzerland has conducted a comprehensive climate change analysis and is committed to sustaining and further strengthening the systematic mainstreaming of climate change adaptation and mitigation into its portfolio. Switzerland will continue to support the prepa-

ration of climate-smart local and provincial development plans, environmental policies and disaster risk management guidelines, in addition to strengthening inter- and intra-governmental coordination. More emphasis will be placed on promoting environmentally friendly and low-carbon technologies and enterprises. Swiss interventions in small-scale irrigation and nature-based tourism will directly contribute to making rural communities more resilient to climate change. In addition to its programmatic engagement, Switzerland is playing an active role in the Green, Resilient and Inclusive Development initiative, a joint commitment of development partners that support Nepal's shift towards more sustainable development.



Thirdly, gender equality and social inclusion remains at the core of Swiss engagement in Nepal. Unequal access to services, decision-making processes and resources due to a person's gender, ethnicity or caste affiliation continues to be a major issue of concern and a root cause of conflict. Whereas gender equality and social inclusion will remain at the core of Swiss interventions,

directly selecting beneficiaries and setting a quota for disadvantaged groups is no longer possible or relevant in many Swiss interventions, as these do not provide direct support and services to people but rather contribute to building systems and to enhancing service providers' capacities. Therefore, Switzerland adopts a project-specific approach to gender equality and social inclusion based on an analysis of the geographic and sectoral context of exclusion. Swiss programmes will continue to identify and address social, economic and political barriers. The programmes include targeted measures supporting discriminated and disadvan-

tagged persons, as well as interventions on policies, legal frameworks and institutions. Individual projects apply quantitative targeting (quota setting) where relevant, but there is no overall quota for disadvantaged groups at the level of the Swiss Cooperation Programme. A yearly qualitative assessment will be conducted to review the Swiss contribution to gender equality and social inclusion.

The focus of the programme portfolio on Province 1, introduced in the previous cooperation strategy, will be maintained. This geographical scope has favoured a consistent engagement with the political leadership of the province, allowing for targeted assistance in implementing the constitution and for advocacy of reforms. The presence of various Swiss projects in Province 1 has allowed for synergies between projects and a close interaction with local governments on local development initiatives. While Province 1 will remain Switzerland's focus province, Switzerland will also maintain its flexibility to respond to opportunities in other provinces. System building initiatives (for example in TVET, migration, and infrastructure) as well as political engagement and sectoral policy dialogue will retain their nationwide scope. This approach also recognises the importance of fostering joint advocacy and collaboration between the provinces.

Close engagement with the political leadership in Province 1, as well as in other provinces and at the federal level for projects of nation-wide scale, will remain staff-intensive and requires adequate human and financial resources. The budget must allow for skills development and mobilisation focused on certain sectors and themes where competencies are required for implementing the Cooperation Programme. Human resource management will be guided by the FDFA' Code of Conduct, the principles of prevention of sexual exploitation, abuse and harassment, and Switzerland's Workforce Diversity Policy to address discrimination and social exclusion and maximise the potential of an increasingly diverse workforce in terms of caste, ethnicity and gender.



Psychosocial counselling supports family members of migrant workers in addressing issues they experience, such as stress, social stigmatisation and daily challenges.
Photo © Thibault Gregoire

7. Strategic steering and risk management

The Swiss Cooperation Programme is steered through well-established instruments and processes. The overall engagement's strategic steering is operationalised through annually prepared monitoring matrices. These matrices assess programmatic and policy contributions to the achievement of the Swiss objectives and allow for adaptive measures.

The separate management matrix (see Annex 4) constitutes a pivotal tool for monitoring and steering Swiss advocacy and dialogue with development partners and the Government of Nepal around key issues such as federal state building. By promoting joint approaches, Switzerland can leverage its expertise and experience, making a greater impact.

The programmatic monitoring system in place ensures results-oriented steering, including accountability and communication, whilst enabling adaptive management in a dynamic context. The results framework and the annual reports will be the principal instruments for results-oriented monitoring and steering.

The results framework clearly delineates results indicators for the intended changes and shows the programme's contribution to development results for Nepal, to Switzerland's International Cooperation Strategy 2021–24 and to the 2030 Agenda for Sustainable Development.

Sources of data for the results indicators include national statistics and monitoring reports, whenever available, as well as the projects' monitoring systems and periodic assessments and reports from development partners. In-



Wives of migrant workers invest in small businesses and contribute to the family's income after attending financial literacy classes. Photo © Thibault Gregoire

formation provided by the yearly cumulative assessment of project results form the basis of the annual reports.

The annual reporting process focuses on the effectiveness of Swiss portfolio objectives as well as on implications and lessons learnt. It also reflects the analysis, steering implications and potential adaptations from the yearly assessment of scenarios and the development context, using the Monitoring System for Development-Relevant Changes (MERV). A MERV and scenario review will be conducted every six months at the federal and provincial level. Learning is an integral part of the strategic steering process in Nepal, and it is further strengthened through structured exchange with implementing partners in the biannual provincial workshops.

Annexes

Apprentices acquiring competencies and skills relevant for the labour market. Photo © Thibault Gregoire



Annex 1: Scenarios and programme adaptations

SCENARIO A – BEST CASE Hike towards the summit	SCENARIO B – MOST LIKELY Bumpy road to federalism	SCENARIO C – WORST CASE Stagger back to Kathmandu
POLITICAL AND SECURITY		
<ul style="list-style-type: none"> Stable coalition government at the federal and provincial levels. Strong political alliance enables agreement on major issues. Bills enacted through parliament. Regular elections across all three spheres of government. Election outcomes are considered legitimate. 	<ul style="list-style-type: none"> Coalition government with many small parties at the federal and provincial levels. Weak political alliances hinder consensus on major issues as political survival is the priority. Use of ordinances for political purposes. Horse trading among political parties to maintain coalition government. Elections held in a polarised environment for all three spheres of government. 	<ul style="list-style-type: none"> Unstable minority governments (frequent changes) at the federal and provincial levels. Frequent disruption in political alliances sidelines major issues. Increased use of ordinances for political purposes. Increased political polarisation. Elections held with delays. Increase in violence due to excessive use of money and muscle, legitimacy is contested.
<ul style="list-style-type: none"> House of Representatives functions properly. Implementation of the constitution progresses with the enactment of important laws which were long pending. Enhanced intergovernmental relations, mandates clarified and rights exercised by each sphere of government. Provincial and local governments perform as per their mandate. Provinces come together to advocate for their rights. 	<ul style="list-style-type: none"> Partial implementation of the constitution. Some laws are enacted while important laws are delayed or enacted without compliance with the constitution. Progress in the delineation of mandates in certain sectors. Local and provincial government collaboration improves. Local governments gain more credibility. Provincial governments continue to struggle to perform, and the role of provinces continues to be undermined/encroached on in certain sectors. 	<ul style="list-style-type: none"> Implementation of the constitution remains stalled. Non-enactment of important laws. Federal government interventions increase at the provincial and local levels. Credibility of the provincial governments further deteriorates. Federal government strengthens the district coordination councils. Regressive interpretation of sectoral mandates of the provincial and local governments.
<ul style="list-style-type: none"> Elected representatives lead the governments as federal civil servants are adjusted across all three levels. 	<ul style="list-style-type: none"> Federal civil servants maintain high level of influence in the federal and provincial governments. 	<ul style="list-style-type: none"> Federal civil servants are in the lead as political stability of the governments at all three spheres remain weak.
<ul style="list-style-type: none"> Rule of law improves. Laws are enforced in selected sectors. Human rights protection improves. Government mechanisms are more responsive. Decrease in protests and street violence. 	<ul style="list-style-type: none"> Rule of law is not prioritised, weak enforcement of laws. Human rights violations continue in certain regions (Madhesh). Government mechanisms remain undermined. Pockets of fragility remain. Certain groups/parties continue to challenge the government through occasional protests and street violence. 	<ul style="list-style-type: none"> Weakened rule of law, corruption and impunity prevail. Human rights protection not prioritised. Increased violations in the Madhesh. Regional and identity conflicts flare up. Heightened political polarisation, splitting of parties and emergence of new groups. Increased crime and violence
<ul style="list-style-type: none"> Development partners (DPs) align their programmes to the spirit of the constitution. 	<ul style="list-style-type: none"> DPs have a common understanding of the implementation of the constitution, which is reflected in programme design and implementation. 	<ul style="list-style-type: none"> DPs lack consensus on the implementation of the constitution, programme implementation not in line with constitution.
<ul style="list-style-type: none"> Enactment of the long-pending Transitional Justice (TJ) act as per Supreme Court verdict. Agreement on a Nepali-owned roadmap leads to holistic TJ process implemented across all three spheres of government. 	<ul style="list-style-type: none"> TJ act is amended in line with the Supreme Court verdict. Uneven progress along the four pillars of TJ. Provincial and local governments move forward on certain pillars of TJ. 	<ul style="list-style-type: none"> TJ is used for political purposes. TJ law fails to comply with Nepal's Supreme Court verdict.
<ul style="list-style-type: none"> Balanced foreign relations support political stability, attract international trade and investment. 	<ul style="list-style-type: none"> Nepal struggles to maintain balanced position between two neighbours due to frequently changing political interests. 	<ul style="list-style-type: none"> Weakened foreign relations, increased external interference.

SCENARIO A – BEST CASE Hike towards the summit	SCENARIO B – MOST LIKELY Bumpy road to federalism	SCENARIO C – WORST CASE Stagger back to Kathmandu
SOCIAL AND ENVIRONMENTAL		
<ul style="list-style-type: none"> Regulated and safer migration, increased awareness of migrant rights and responsiveness of all three spheres of governments. 	<ul style="list-style-type: none"> Some improvement in migrant rights and increase in women migrants and students. High outmigration continues to strain migration services. 	<ul style="list-style-type: none"> Migrant rights and safety deteriorate. Recruitment agencies continue to take undue advantage of migrants.
<ul style="list-style-type: none"> Inclusive laws and policies are designed and implemented by all three spheres of government. Local governments ensure access to basic services in sectors like health care and education for all. Substantial increase in women leaders holding key decision-making positions results in balanced representation. Social tension is reduced and there are few incidents of social unrest. 	<ul style="list-style-type: none"> Design of laws and policies at all levels becomes more inclusive,¹ but laws/policies are not fully implemented. Local governments assume responsibility for basic services; however, inequality in access decreases only slowly. Token representation of women and discriminated groups in political posts (based on quotas), with limited influence on decision-making and some emerging leaders. Latent social tension leads to sporadic incidents of social unrest. 	<ul style="list-style-type: none"> The design of some laws and policies does not fully respect social inclusion principles, or they are only partially implemented. Local governments struggle to assume responsibility for establishing and providing basic services, with persistent exclusion of discriminated groups. Token representation of women and discriminated groups in political posts (based on quotas) with no real influence on decision-making. Increased social tension resulting in more frequent incidents of social unrest.
<ul style="list-style-type: none"> Local governments are better prepared and able to respond to crises. Better implementation of policies and financing against damages and environmental changes related to climate change. 	<ul style="list-style-type: none"> Environmental regulations remain poorly enforced, inadequate funding measures. Poor governance exacerbates man-made natural disasters (landslides, inundations). Local governments are unprepared to deal with effects of climate change. 	<ul style="list-style-type: none"> Climate change policy is a low priority. Roll-back of environmental regulations.
<ul style="list-style-type: none"> Increased digitalisation ensures access to services, with data collection strengthened. Stronger digital governance system. 	<ul style="list-style-type: none"> Digitalisation continues, growth of digital governance systems limited to certain sectors. Gaps in data. 	<ul style="list-style-type: none"> Digitalisation grows along with cyber security risks and problems. Inadequate digital governance framework. Lack of data.
<ul style="list-style-type: none"> Urbanisation continues with improvements in urban planning and services by the local governments. Measures in place to address changing demography. 	<ul style="list-style-type: none"> Steady increase in urbanisation leads to environmental degradation and strain on service delivery by local governments due to high population density. Government policies at all three levels inadequate to address changing demography. 	<ul style="list-style-type: none"> Rural communities abandoned, unplanned urbanisation and increased urban poverty at the local level. Changing demography not addressed.
SCENARIO A – BEST CASE Hike towards the summit	SCENARIO B – MOST LIKELY Bumpy road to federalism	SCENARIO C – WORST CASE Stagger back to Kathmandu
ECONOMIC		
<ul style="list-style-type: none"> Smooth transition towards inclusive² economic growth. Socio-economic policies aimed at inclusion are increasingly implemented. 	<ul style="list-style-type: none"> Slow transition towards inclusive economic growth. Socio-economic policies aimed at inclusion mostly ineffective, stalled by elites. 	<ul style="list-style-type: none"> Delayed transition towards inclusive economic growth. Kleptocratic networks gain influence; economic reforms blocked.
<ul style="list-style-type: none"> Economic growth over 6% 	<ul style="list-style-type: none"> Economic growth of 4–6% 	<ul style="list-style-type: none"> Economic growth under 4%
<ul style="list-style-type: none"> Slight improvement in wealth distribution, social protection and faster-paced economic reforms. Inclusive budget allocation and execution. 	<ul style="list-style-type: none"> Distribution of wealth slightly skewed. Budget allocation and execution remains discretionary. 	<ul style="list-style-type: none"> Distribution of wealth heavily skewed in favour of the elites. Budget allocation and execution based on political interest.

¹ Inclusive laws and policies are laws and policies that take into consideration gender and social inclusion concerns as per the Constitution of Nepal.

² Inclusive economic growth is defined by the Organization for Economic Co-operation and Development (OECD) as growth that is distributed fairly across society and creates opportunities for all.

<ul style="list-style-type: none"> Foreign direct investment (FDI) threshold lowered or removed. Increase in FDI. 	<ul style="list-style-type: none"> FDI remains stable, within the restrictive government threshold. 	<ul style="list-style-type: none"> More stringent laws and policies on FDIs, banning (new) investments and reducing inflow.
<ul style="list-style-type: none"> More efficient and swift budget expenditure, effective public finance management (PFM) reforms. 	<ul style="list-style-type: none"> Trend of budget expenditure remains consistent and largely unchanged. 	<ul style="list-style-type: none"> Inefficient and ineffective spending of budgets affects service delivery negatively.
<ul style="list-style-type: none"> Fiscal federalism improves with provincial and local governments assuming more control over resources. Increase in discretionary grants. 	<ul style="list-style-type: none"> Provincial and local governments remain dependent on federal grants and resources. 	<ul style="list-style-type: none"> Federal government continues to undermine provincial and local governments; increase in conditional grants.
<ul style="list-style-type: none"> Steady cross-border trade of key imports/inputs due to balanced foreign relations. 	<ul style="list-style-type: none"> Cross-border trade is influenced by bilateral relations with neighbouring countries. 	<ul style="list-style-type: none"> Border blockades by neighbouring countries lead to unavailability of needed imports/inputs in the market.
<ul style="list-style-type: none"> Economic reforms allow trade-friendly policies and ensure competitive pricing. 	<ul style="list-style-type: none"> Limited availability of key imports/inputs in the market due to slow and inadequate economic reforms results in domestic market distortions and price instability. 	<ul style="list-style-type: none"> Price distortions and limited availability of basic goods result in public unrest and/or political crisis.
<ul style="list-style-type: none"> New trade agreements are established or existing ones are updated. 	<ul style="list-style-type: none"> Existing trade agreements are not fully enforced or are inadequate. 	<ul style="list-style-type: none"> Trade agreements are not respected.
<ul style="list-style-type: none"> Remittances' contribution to gross domestic product (GDP) remains around 22–25% and is channelled more towards productive sectors. 	<ul style="list-style-type: none"> 22–25% of GDP are remittances, a majority of which are channelled towards unproductive sectors. 	<ul style="list-style-type: none"> A decline in remittances undermines welfare gains.
<ul style="list-style-type: none"> Growth of the private sector. Increased innovation, more employment opportunities. 	<ul style="list-style-type: none"> Continued consumption-driven economic growth. Some progress towards sustainable and productive investments. 	<ul style="list-style-type: none"> Trend of heavy consumption-driven growth, lack of sustainability.
<ul style="list-style-type: none"> Sustainable and higher-value tourism benefits economy and environment. 	<ul style="list-style-type: none"> Tourism growth with limited economic and environmental benefits. 	<ul style="list-style-type: none"> Tourism sector shrinks, negative ecological impacts of tourism industry continue or grow.
<ul style="list-style-type: none"> More and diverse employment and income opportunities mostly in urban areas. 	<ul style="list-style-type: none"> Limited sectors provide employment opportunities in urban areas. 	<ul style="list-style-type: none"> Low employment opportunities lead to higher outflow of migrant workers.
SCENARIO A – BEST CASE Hike towards the summit	SCENARIO B – MOST LIKELY Bumpy road to federalism	SCENARIO C – WORST CASE Stagger back to Kathmandu
IMPLICATIONS		
<ul style="list-style-type: none"> Explore options for direct budget support for provincial governments. Increase technical support to local and provincial governments, including through knowledge transfers and innovation. Support the implementation of the TJ process based on a holistic approach and through government mechanisms. Support implementation of inclusive laws and policies at all three spheres of government. Explore 'complementary measures', in collaboration with SECO, to promote greater economic cooperation. Explore opportunities for greater impact investment in-flows to Nepal. 	<ul style="list-style-type: none"> <i>Outcomes and ways of working as defined in the cooperation programme are maintained.</i> 	<ul style="list-style-type: none"> Maintain dialogue with the federal government on the implementation of the constitution. Increase advocacy with like-minded DPs to ensure respect of constitutional provisions. Assure continued DP coordination and collaboration to maintain space for development, for example through the basic operating guidelines (BOGs). Increase engagement with the local and provincial governments, including through the off-treasury modality. Maintain dialogue with the government and political leaders around TJ to reduce politicisation of the TJ process. Increase inclusion interventions through programme interventions. Focus on micro-enterprises' development to support income generation through collaboration with local governments.

Annex 2 Results framework synopsis



Annex 3: Results framework for Swiss portfolio outcomes

Swiss portfolio outcome 1: The federal state strengthens inclusive and accountable institutions as per citizens' aspirations and the constitutional spirit.		
Contributing to the Swiss International Cooperation Strategy 2021–24: Sub-objective 7: Strengthening equitable access to high-quality basic services; Sub-objective 8: Preventing conflicts, promoting peace and respect for international law; Sub-objective 9: Strengthening and promoting human rights and gender equality; Sub-objective 10: Promoting good governance and the rule of law and strengthening of civil society.		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 1.1 Provincial and local governments promote intergovernmental collaboration in the spirit of the constitution.</p> <p>Indicator 1.1.1: # of strategic partnerships implemented by provincial governments and two or more local governments. Baseline (2022): 0. Target (2026): 10 in P1; other provinces: 15 .</p> <p>Indicator 1.1.2: Provincial coordination councils (PCCs) are strengthened and take up priorities of local governments (qualitative). Baseline (2022): 0. Target (2026): Meetings take place at least twice a year with clear agenda, minutes and follow-up decisions.</p> <p>Indicator 1.1.3: Province 1 introduces a participatory provincial planning process that takes into account the voices and demands of local governments. Baseline (2022): n/a. Target (2026): Annual planning and budgeting guideline is approved and implemented in P1 with wider participation of LGs.</p>	<p>Switzerland contributes to promoting collaboration between provincial and local governments through the strengthening of the provincial coordination councils (PCCs), enabling them to effectively and inclusively deliver services to citizens.</p> <p>Assumptions</p> <ul style="list-style-type: none"> The federal government adopts necessary legal frameworks to clarify roles and responsibilities in line with the constitution. Provincial governments are committed to establishing and conducting regular PCC meetings. Province 1 government supports the establishment of a policy framework that strengthens inter- governmental collaboration. <p>Risks</p> <ul style="list-style-type: none"> Strengthening inter- governmental collaboration is not a priority for political leaderships, both at federal and provincial level. Non-enactment of legal frameworks to promote intergovernmental coordination. 	<p>Outcome statement 1.1 The three spheres of government promote intergovernmental collaboration in the spirit of the constitution.</p> <p>Indicator 1.1.1: Inter-Province Council meetings are held regularly and discuss issues related to the implementation of the constitution. Baseline (FY21/22): 0. Target (FY25/26): Regular meetings held at least once a year by the end of 2026.</p> <p>Indicator 1.1.2: # of national framework laws and policies passed in line with the constitution (quantitative and qualitative assessment). Baseline (2022): 3 framework legislations. Target (2026): 3 framework legislations (civil service act, TVET act and police act) are passed and in line with constitutional provisions.</p> <p>Indicator 1.1.3: Increase of fiscal transfers to provincial and local governments in line with recommendations of the NNRFC (quantitative and qualitative assessment). Baseline (FY21/22): 34.23%. Target (FY25/26): 38%, and federal government fully complies with NNRFC recommendations.</p>
<p>Outcome statement 1.2 Provincial and local governments are accountable and provide essential services that are inclusive.</p> <p>Indicator 1.2.1: # of urban municipalities in Province 1 that increase their revenue (informs GOV_ARI2). Baseline (2022): 0. Target (2026): 25 municipalities.</p>	<p>Switzerland assists provincial and local governments in drafting policies and legal frameworks in the areas of inclusive law-making, planning and budgeting processes, as well as revenue increment and budget execution. In addition, support will be provided to provincial and local governments to implement laws and policies to ensure inclusive service delivery to citizens.</p>	<p>Outcome statement 1.2 All spheres of government provide inclusive service delivery in line with the constitution.</p> <p>Indicator 1.2.1: # of provincial and local governments which have developed periodic plans (quantitative and qualitative assessment). Baseline (As of May 2022): 97. Target (FY23/24): 760.</p>

<p>Indicator 1.2.2: Proportion of local governments in province 1 that adopt, implement and enforce effectively the national building code (informs DRR_TRI_3).</p> <p><u>Baseline</u> (2022): 0, not initiated.</p> <p><u>Target</u> (2026): Province 1 ranks at least 30% of LGs which effectively enforce the national building code.</p> <p>Indicator 1.2.3: # of provinces and local governments which establish inclusive law-making processes.</p> <p><u>Baseline</u> (2022): 0.</p> <p><u>Target</u> (2026): All 7 provinces and 30 LGs in P1 have established inclusive law-making processes.</p> <p>Indicator 1.2.4: # of local governments receiving capacity-building support based on capacity need assessment.</p> <p><u>Baseline</u> (FY21/22): 0%.</p> <p><u>Target</u> (FY25/26): 80% of LGs demand capacity-building support based on LISA report.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Provinces and local governments enact their civil service bills after the enactment of federal civil service act. • Elected representatives and civil service staff have improved capacities to deliver inclusive services to citizens. • Elected representatives are committed to inclusive service delivery. <p>Risks</p> <ul style="list-style-type: none"> • Roles and responsibilities across spheres remain unclear due to the absence of legal frameworks. • Encroachment of provincial and local governments' rights continues. • The upcoming federal civil service act does not fully respect the constitutional rights of provincial and local governments. 	<p>Indicator 1.2.2: Increased expenditure capacity of three spheres of government.</p> <p><u>Baseline</u> (2022): to be defined.</p> <p><u>Target</u> (2026): 80% spending of capital expenditure at the end of the fiscal year in all spheres.</p> <p>Indicator 1.2.3: Increased # of women and discriminated groups represented in leadership positions in both the legislative and executive.</p> <p><u>Baseline</u> (2022): to be defined.</p> <p><u>Target</u> (2026): increasing trend.</p> <p>Indicator 1.2.4: % of citizens' satisfaction nationwide with local government services. (FCHR_TRI_3).</p> <p><u>Baseline</u> (2022): 56% (PLGSP data 2021).</p> <p><u>Target</u> (2026): increasing trend (5% annually).</p>
<p>Outcome statement 1.3</p> <p>Political parties engage in the 'dealing with the past' process.</p> <p>Indicator 1.3.1: Agreement by key actors on a shared roadmap for transitional justice. (qualitative assessment).</p> <p><u>Baseline</u> (2022): No agreed roadmap.</p> <p><u>Target</u> (2026): Consensus among key actors on the roadmap.</p> <p>Indicator 1.3.2: The Government of Nepal (GoN) establishes a transitional justice trust fund.</p> <p><u>Baseline</u> (2022/23): No such platform.</p> <p><u>Target</u> ((2025/26): Establishment of a transitional justice trust fund.</p> <p>Indicator 1.3.3: # of provincial and local governments that introduce policies to institutionalise conflict victim support.</p> <p><u>Baseline</u> (2022): 0.</p> <p><u>Target</u> (2026): 18 (3 PGs and 15 LGs).</p> <p>Indicator 1.3.4: Amended transitional justice act reflects victims' expectations and international best practices.</p> <p><u>Baseline</u> (2022): Existing TJ act.</p> <p><u>Target</u> (2024): TJ act is amended.</p>	<p>Switzerland engages with political parties to enable actors and institutions to fulfil their responsibilities towards the four pillars of transitional justice – truth, justice, reparations and non-recurrence. Switzerland supports conflict victims to engage constructively in the process.</p> <p>Assumptions</p> <ul style="list-style-type: none"> • Political parties agree to pursue a holistic approach to dealing with the past. • All spheres of government commit to a transitional justice process that integrates reparations, truth, justice and guarantees of non-recurrence in a timely manner. <p>Risks</p> <ul style="list-style-type: none"> • Committed plans and programmes are not implemented due to weak coalition governments. • Amendment of the transitional justice act remains pending. 	<p>Outcome statement 1.3</p> <p>The remaining tasks of the peace process are addressed by all spheres of government.</p> <p>Indicator 1.3.1: Nepal demonstrates progress in implementing the UPR recommendations related to transitional justice.</p> <p><u>Baseline</u> (2021): 0. Recommendations implemented following 2021's 3rd cycle of Nepal's UPR.</p> <p><u>Target</u> (2026): 12. Recommendations related to transitional justice are implemented.</p> <p>Indicator 1.3.2: Provincial governments budget resources for conflict victims.</p> <p><u>Baseline</u> (2022): 2 provinces have allocated resources for victims.</p> <p><u>Target</u> (2026): All 7 provinces have allocated resources for victims.</p> <p>Indicator 1.3.3: Commission discloses the whereabouts of persons disappeared during conflict.</p> <p><u>Baseline</u> (2021): 0 cases.</p> <p><u>Target</u> (2026): 2,097 cases.</p>

<p>(4) Lines of intervention (Swiss programme)</p> <p><u>Outcome 1:</u> Provincial and local governments promote intergovernmental collaboration in the spirit of the constitution.</p> <ul style="list-style-type: none"> • Support the strengthening of the provincial coordination councils (PCCs) to promote collaboration between provincial and local governments. • Encourage dialogue between provincial and local governments to identify and implement strategic partnership projects (e.g. solid waste management, emergency disaster response, and enforcement of building code). • Assistance in introducing a participatory provincial planning process that takes into account the voices and demands of local governments. <p><u>Outcome 2:</u> Provincial and local governments are accountable and provide essential services that are inclusive.</p> <ul style="list-style-type: none"> • Support provincial and local governments in establishing and strengthening institutions, legal frameworks, capacities, and rules and regulations as per the constitution. • Support provincial and local governments in formulating inclusive law-making processes and acts. • Strengthen the capacities of provincial and local elected representatives, including members of discriminated groups, to ensure their meaningful participation. • Enhance capacities of provincial and local governments in the areas of revenue generation, planning, policy formulation and monitoring. • Support the national public finance management (PFM) reform, design systems to link with provincial and local governments (e.g. SUTRA, LMBIS, treasury single account, single chart of account), and strengthen implementation capacities to increase capital expenditure. • Facilitate dialogue among public institutions and citizens (including discriminated groups and migrants) for formulating and implementing sectoral policies. • Provide capacity-building support to local governments based on capacity needs assessments, including LISA (Local Government Institutional Self-Assessment). <p><u>Outcome 3:</u> Political parties engage in the 'dealing with the past' process.</p> <ul style="list-style-type: none"> • Support Nepal to conclude the peace process and end impunity by engaging with the political parties to ensure that actors and institutions respect the conflict victims' rights to truth, justice, reparations and non-recurrence. • Assist provinces and local governments in creating institutional frameworks for conflict victims to claim their rights to truth, reparations and reconciliation. • Coordinate with the international community to support the establishment of a multi-stakeholder platform such as a transitional justice trust fund.
<p>(5) Resources, partnerships (Swiss programme)</p> <p><u>Financial resources:</u> CHF 29.8m (27% of the overall budget provisioned by SC). An additional contribution of CHF 3m is expected from SECO to support national PFM reform through MDTF.</p> <p><u>Human resources:</u> 1 federalism expert, 1 programme specialist (30%), 1 political advisor, 3 NPOs (2 field based), 1 financial controller.</p> <p><u>Partnerships:</u></p> <ul style="list-style-type: none"> • GoN: Ministry of Federal Affairs and General Administration, Ministry of Finance, Provincial Governments, Local Governments, National Natural Resources and Fiscal Commission. • Development partners and international organisations: European Union, FCDO, Norway, DFAT, USAID, Asian Development Bank, World Bank, UN system. • Implementing partners: GoN, UNDP, private sector (PwC) and international and national NGOs (IFES, CMC).

Swiss portfolio outcome 2: Women and men, including from disadvantaged groups, find employment and increase their income.		
Contributing to the Swiss International Cooperation Strategy 2021–24: Sub-objective 1: Strengthening framework conditions for market access and creating economic opportunities and Sub-objective 2: Promoting innovative private sector initiatives to facilitate the creation of decent jobs.		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 2.1</p> <p>The three spheres of government create framework conditions for inclusive and sustainable economic growth.</p> <p>Indicator 2.1.1: # of reform-oriented inclusive policy instruments endorsed that regulate and drive a more conducive environment for economic growth.</p> <p><u>Baseline</u> (FY21/22): 0 (base year). <u>Target</u> (FY25/26): 99 (cumulative).</p> <p>Indicator 2.1.2: Effective implementation of reforms by local, provincial, and federal governments.</p> <p><u>Baseline</u> (FY21/22): 61 accredited skill assessment centres. 510 accredited skill assessors. 0 accredited TVET schools. No loans guaranteed by fund in P1. 0 LGs following a one-window approach for small irrigation. <u>Target</u> (FY25/26): 96 accredited skill assessment centres. 2,000 accredited skill assessors. 250 accredited TVET schools. CHF 4.6m in loans guaranteed by fund in P1. 40 LGs following a one-window approach for small irrigation.</p> <p>Indicator 2.1.3: Amount (in CHF) of budget allocated and spent by local and provincial governments in SDC's sectoral priorities.</p> <p><u>Baseline</u> (FY21/22): Allocation: CHF 64.4m; spending: CHF 34m (one-year period). <u>Target</u> (FY25/26): Allocation: CHF 201m (cumulative); spending: CHF 132.2m.</p>	<p>Switzerland contributes to the national development outcomes by assisting all three spheres of government in improving the framework conditions for inclusive economic growth by developing reform-oriented standards, regulations and guidelines. Switzerland leverages political and diplomatic instruments to advocate for reform-oriented standards, regulations and guidelines.</p> <p>Assumptions</p> <ul style="list-style-type: none"> Economic growth is mostly stable in the aftermath of the pandemic; exports and remittances are stable or grow. The role of the three spheres of government is further clarified in future policies, acts and regulations adhering to the constitutional mandate. <p>Risks</p> <ul style="list-style-type: none"> Delays in economic reform processes due to delays in implementing federalisation reforms. Provincial and local governments lack sufficient funds and human resources. Weak linkages between the government and the private sector; absence of productive partnerships. Weak implementation of PFM. 	<p>Outcome statement 2.1</p> <p>The state will play an important role in improving the investment climate, developing infrastructure, and enhancing production and productivity to maintain high, sustainable, and inclusive economic growth and stability.(p. 64, 15th Periodic Plan, NPC – Chapter 3.8.1 on Role of the Public Sector).</p> <p>Indicator 2.1.1: Real GDP growth in percentage.</p> <p><u>Baseline</u> (2022): 4.1%. <u>Target</u> (2026): tbd.</p> <p>Indicator 2.1.2: Score in the Global Competitiveness Index.</p> <p><u>Baseline</u> (2021): 51.6. <u>Target</u> (2026): 59.3.</p> <p>Indicator 2.1.3: Increase of fiscal transfers to provincial and local governments in line with recommendations of the NNRFC (quantitative and qualitative assessment).</p> <p><u>Baseline</u> (FY21/22): 34.23%. <u>Target</u> (FY25/26): 38%, and federal government fully complies with NNRFC recommendations.</p>
<p>Outcome statement 2.2</p> <p>Private institutions expand markets.</p> <p>Indicator 2.2.1: Total value (in CHF) of new private investment induced by Swiss interventions.</p> <p><u>Baseline</u> (FY21/22): CHF 0.4m (for one-year period, i.e. FY 21/22). <u>Target</u> (FY25/26): CHF 64.5m.</p>	<p>Switzerland contributes to the national development goals by enhancing agricultural markets and the availability of irrigation, ensuring high-quality vocational education and training, promoting financial and business development services for SMEs, and by supporting the improvement of physical connectivity in the country. These contributions will help private enterprises increase investments and trade volumes, enhance geographic reach and coverage, and diversify products and services.</p>	<p>Outcome statement 2.2</p> <p>The private sector will assist in the production of quality goods and services, easy and accessible supply management, construction of quality infrastructures, import management, export promotion, and productive and decent employment generation. (p. 67, 15th Periodic Plan, NPC – Chapter 3.8.2 on Role of the Private Sector).</p> <p>Indicator 2.2.1: Private sector contribution (in %) to the gross fixed capital formation.</p> <p><u>Baseline</u> (FY20/21): 74.3%. <u>Target</u> (FY25/26): 80%.</p>

<p>Indicator 2.2.2: % increase in enterprises' trade value (particularly SMEs), through SDC interventions.</p> <p><u>Baseline</u> (FY21/22): to be established by 2022/23.</p> <p><u>Target</u> (FY25/26): 15% in agribusiness enterprises, 7% in SMEs, 25% increase in freight volume due to better connectivity as a result of bridges.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • The economy recovers from the effects of the COVID-19 pandemic. • The economic, social and political environment for private sector development steadily improves. • Demand for improving physical access rises; rural and urban areas are increasingly connected. • Businesses and industries are involved in the vocational training cycle. <p>Risks</p> <ul style="list-style-type: none"> • Global recession and deterioration of the macro-economic stability of the Nepali economy. • Vested interests of existing businesses hinder the emergence of new businesses. • More stringent laws and policies on FDIs, banning (new) investments and reducing inflow. 	<p>Indicator 2.2.2: Percentage of total loans from commercial banks extended to micro, small, and medium-sized enterprises (MSMEs).</p> <p><u>Baseline</u> (FY21/22): 10%.</p> <p><u>Target</u> (FY25/26): 15%.</p>
<p>Outcome statement 2.3</p> <p>Women and men, including those from disadvantaged groups, increase productivity and find employment.</p> <p>Indicator 2.3.1: # of persons (men/women/DAGs) having found new employment (informs IED_ARI_2).</p> <p><u>Baseline</u> (FY21/22): 1,200 people employed; 1.3 million person-days of wage employment (for one-year period, i.e. FY21/22).</p> <p><u>Target</u> (FY25/26): (Cumulative) 43,230 people employed (including self-employment), 2 million-person days of wage employment, increasing proportion of DAGs.</p> <p>Indicator 2.3.2: # of persons graduated (men/women/DAGs) from new or better vocational skills development (informs IED_ARI_1).</p> <p><u>Baseline</u> (FY21/22): 1,100 (for one-year period, i.e. FY21/22), baseline for proportion of DAGs to be established by the end of 2023.</p> <p><u>Target</u> (2026): 43,230 (cumulative), increasing proportion of DAGs annually.</p> <p>Indicator 2.3.3: Improvement in productivity as a result of Swiss sectoral interventions.</p> <p><u>Baseline</u> (FY21/22): 2.5 hours of travel time saved on average (trail bridges). 11.5% of freight costs saved on average (motorable bridges). Productivity for paddy, wheat and maize: 3.56t/ha and 2.09 t/ha and 4.38 t/ha. Baseline for productivity of TVET graduates as well as increase in income to be established by 2023.</p> <p><u>Target</u> (FY25/26): Maintain time savings for new trail bridges (2.5 hours of travel time saved). 25% of freight costs saved due to motorable bridges. Productivity for paddy, wheat and maize increases by 30%. 70% of TVET graduates earn 1.1 times the minimum wage.</p>	<p>Switzerland contributes to Nepal's development outcomes by expanding the labour market and supporting the growth of SMEs, with a special focus on agriculture and tourism. These contributions lead to a higher demand for skilled labour over time. Switzerland also works towards improving the efficiency and effectiveness of TVET service delivery, which enables young people to acquire skills and knowledge relevant to the requirements of the labour market, thereby improving their employability. Furthermore, Swiss interventions improve physical connectivity and the availability of water for irrigation, both of which contribute to increased productivity.</p> <p>Assumptions</p> <ul style="list-style-type: none"> • Public and private institutions collaborate to create an inclusive and coherent skills development system. • Private institutions (SMEs, BFIs, industries) are able to expand markets. • The three spheres of government increasingly adhere to constitutional provisions on rights and duties. <p>Risks</p> <ul style="list-style-type: none"> • GDP growth is weak (below 4%), with negative effects on the labour market. • Low employment opportunities lead to higher outflow of migrant workers in the aftermath of the COVID-19 pandemic; reduction in young people seeking vocational education. • The tourism sector constricts due to continuing uncertainties and new travel restrictions (e.g. due to COVID-19) and employment opportunities in the sector decrease. 	<p>Outcome statement 2.3</p> <p>Human capital formation and its maximum utilisation will lead to growth in productivity, create a basis for high levels of income, and generate a feeling of happiness. (p. 78, 15th Periodic Plan, NPC – Chapter 3.9.2 on Productivity).</p> <p>Indicator 2.3.1: Annual growth rate of output per worker in %.</p> <p><u>Baseline</u> (2021): –3.6%.</p> <p><u>Target</u> (2026): 20% increase.</p> <p>Indicator 2.3.2: Proportion of youth (aged 15–24 years) not in education, employment, or training, in %.</p> <p><u>Baseline</u> (2020): 19.4%.</p> <p><u>Target</u> (2026): 17.4%.</p>

<p>Indicator 2.3.4: Number of persons who consider that they are more resilient to deal with the adverse effects of climate change (CCE_TRI_3).</p> <p><u>Baseline</u> (FY 22/23): to be established.</p> <p><u>Target</u> (2026): 80% of beneficiaries of relevant projects consider themselves more resilient.</p>		
<p>(4) Lines of intervention (Swiss programme)</p>		
<p><u>Outcome 1:</u> The three spheres of government create framework conditions for inclusive economic growth.</p> <ul style="list-style-type: none"> • Assist provincial governments in developing the necessary guidelines, regulations and strategies in agriculture, TVET, and infrastructure. • Enhance the capacity of local governments to provide year-round irrigation services to small-scale farmers. • Assist provincial and local governments in building the capacity needed to design and construct high-quality trail and motorable bridges. • Assist provincial government(s) in operating a blended finance scheme, a technical assistance facility, and a digital information portal for SMEs. • Support local governments with fiduciary conditional grants for local economic development in tourism. • Provide technical assistance and capacity development in all three spheres of government to implement dual VET apprenticeships as well as to accredit assessment centres, TVET courses and TVET schools. <p><u>Outcome 2:</u> Private institutions expand markets.</p> <ul style="list-style-type: none"> • Identify policy bottlenecks to address market expansion issues in agriculture and tourism. • Work with business development service (BDS) providers to improve the delivery of services targeted at SMEs in agriculture. • Enable small entrepreneurs to attract tourists and increase incomes, and devise modalities for public-private partnerships (PPP) that serve those purposes. • Provide technical assistance to BFIs and BDS providers to improve the services they offer to SMEs. • Ensure industries remain involved throughout the TVET training cycle; integrate big business/corporations in the dual VET apprenticeships model. <p><u>Outcome 3:</u> Women and men, including DAGs, increase productivity and find employment.</p> <ul style="list-style-type: none"> • Support the development of small irrigation infrastructure to increase farmers' productivity, especially for DAGs. • Technical assistance for all spheres of government in certifying people's skills and thus their labour market mobility (including returnee migrants through recognition of prior learning). • Support youth to gain relevant skills through work-based learning or dual VET apprenticeships; promote the implementation of the necessary occupational health and safety requirements for enterprises. • Support the creation of an inclusive system of scholarships in TVET and work with businesses that have successfully applied a GESI approach and diversified their workforce. 		
<p>(5) Resources, partnerships (Swiss programme)</p>		
<p><u>Financial resources:</u> CHF 61.3m (55% of the overall budget provisioned by SC).</p> <p><u>Human resources:</u> 1 Swiss programme manager, 1 programme specialist (70%), 2 senior NPOs, 2 NPOs, 1 NPO (80%), 1 economic affairs officer, 1 financial controller.</p> <p><u>Partnerships:</u></p> <ul style="list-style-type: none"> • GoN: Ministry of Agriculture and Livestock Development, Ministry of Education, Science and Technology, Ministry of Finance, Ministry of Federal Affairs and General Administration, Ministry of Physical Infrastructure and Transport, Council for Technical Education and Vocational Training, Nepal Rastra Bank; provincial governments and local governments. • Development partners and international organisations: Asian Development Bank, World Bank, UN system, European Union, KOICA, FCDO. • Development finance institutions: FMO (Dutch Entrepreneurial Development Bank), British International Investments, SIFEM. • Implementing partners: international and national NGOs (Helvetas Swiss Intercooperation, Swisscontact, Practical Action Consulting, CEAPRED), private sector actors (Nathan Associates, joint venture of GEOCE Consultants, Total Management Services (TMS) and Aviyaan Consulting; joint venture of MEH Consultants and Civil Informatics and Solutions (CIAS). 		

Swiss portfolio outcome 3: Migrants and their families improve their economic and social well-being and are better supported and protected by government institutions at all levels.		
Contributing to the Swiss International Cooperation Strategy 2021–24: Sub-objective 1: Strengthening framework conditions for market access and creating economic opportunities; Sub-objective 2: Promoting innovative private sector initiatives to facilitate the creation of decent jobs; Sub-objective 7: Strengthening equitable access to high-quality basic services; Sub-objective 9: Strengthening and promoting human rights and gender equality		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 3.1</p> <p>The three spheres of government collaborate and provide services that address the needs of migrants and their families.</p> <p>Indicator 3.1.1: # of migration-related complaints registered and % of complaints resolved (at federal and subnational levels).</p> <p><u>Baseline</u> (FY20/21): # of registered cases: Formal mechanism at federal level: 1,137 annually. Formal mechanism at subnational level: 596 annually. Community mediation at local level: 1,101 annually. % of cases resolved: Formal mechanism at federal level: 29% annually. Formal mechanism at subnational level: 17% annually. Community mediation at subnational level: 38% annually.</p> <p><u>Target</u> (FY25/26): # of registered cases: Formal mechanism at federal level: 2,000 annually. Formal mechanism at subnational level: 800 annually. Community mediation at local level: 900 annually. % of cases resolved: Formal mechanism at federal level: 40% annually. Formal mechanism at subnational level: 60% annually. Community mediation at subnational level: 60% annually.</p> <p>Indicator 3.1.2: # of LGs and PGs providing protection and rehabilitation services to # of people experiencing violence, exploitation and abuse, or sexual and gender-based violence. [Informs MIG_TRI_3 and GEN_ARI_1].</p> <p><u>Baseline</u> (FY20/21): # of LG providing services to migrants: 156. # of PG providing services to migrants: 0. # of LG providing services to GBV survivors: 20. # of PG providing services to GBV survivors: 2. # of migrants: 1,615 per year. # of GBV survivors: 2,942 per year.</p> <p><u>Target</u> (FY25/26): # of LG providing services to migrants: 200. # of PG providing services to migrants: 5. # of LG providing services to GBV survivors: 200. # of PG providing services to GBV survivors: 2. # of migrants: 2,000 per year. # of GBV survivors: 4,000 per year.</p>	<p>Switzerland supports the three spheres of government to clarify their respective roles and responsibilities and build capacities to provide services for migrant workers and their families as well as survivors of GBV. A particular emphasis is placed on ensuring that services are accessible and responsive to the needs of women and disadvantaged groups.</p> <p>Switzerland supports the elaboration or amendment of relevant policies and the respective financial planning and budgeting instruments to ensure that services are provided to migrant workers. A particular focus is placed on advocacy for a legal framework to institutionalise migrant resource centres and employment service centres that provide comprehensive services for prospective and returnee migrants.</p> <p>In collaboration with other development partners engaged in the field of psychosocial support, Switzerland contributes to the institutionalisation of psychosocial counselling.</p> <p>Assumptions</p> <ul style="list-style-type: none"> • The role of provincial governments in labour migration issues is clarified. • Complaint-handling mechanisms continue to be in place and to function. • The national mental health strategy is implemented and protection and rehabilitation services are available. • Federal, provincial and local governments develop and implement policies and guidelines on labour migration. <p>Risks</p> <ul style="list-style-type: none"> • Shrinking fiscal space for provincial and local governments results in reduced budget allocations for migration services. • Intergovernmental coordination mechanisms are not established, or not functional. • Migration is no longer identified as a priority issue for provincial and local governments. 	<p>Outcome statement 3.1</p> <p>Ensure safe and organised foreign employment through transparent and reliable processes. (Foreign Employment Policy 2012).</p> <p>Indicator 3.1.1 # of personnel of Nepali diplomatic missions with the capacity to support Nepali migrants.</p> <p><u>Baseline</u> (FY20/21): 0. <u>Target</u> (FY25/26): 100.</p> <p>Indicator 3.1.2: # of agreements between Nepal and CoDs, of which # with specific provisions on the protection of domestic workers.</p> <p><u>Baseline</u> (FY20/21): 4. <u>Target</u> (FY25/26): 8.</p> <p>Indicator 3.1.3: # of intergovernmental collaboration meetings (incl. PCCs) that include employment-related / migration-sector topics.</p> <p><u>Baseline</u> (FY20/21): No thematic committee is formed and PCCs are not functional. <u>Target</u> (FY25/26): 1 thematic committee is formed, with at least 1 annual meeting held. At least 1 annual PCC meeting is held where migration and employment issues are on the agenda.</p> <p>Indicator 3.1.4: Level of institutionalisation of migrant resource centres (MRCs) and employment service centres (ESCs).</p> <p><u>Baseline</u> (FY20/21): The federal government has made provisions for MRCs/ESCs in the foreign employment (FEA) and right to employment (RTE) acts. Provincial governments have not yet developed policies for MRCs/ESCs. LGs have not yet developed policies on MRCs or ESCs. <u>Target</u> (FY25/26): The three spheres of government have taken steps (adopted a regulatory framework, allocated budget and human resources, invested in capacity building) to institutionalise MRCs and ESCs.</p>

<p>Indicator 3.1.3 # of provincial and local labour migration policies/ guidelines developed, enacted and implemented (including information on effectiveness) (informs MIG_TRI_5).</p> <p><u>Baseline</u> (FY20/21): Migration: 68 LGs have developed a policy on safer migration services; there are no provincial-level policies. Effectiveness: to be established by the end of 2022.</p> <p><u>Target</u> (FY25/26): A total of 200 migration-related policies are developed by 200 LGs and 5 PGs. Effectiveness: effectiveness is perceived to have improved.</p> <p>Indicator 3.1.4 # of provincial and local governments that maintain or increase their funding for migration-related services.</p> <p><u>Baseline</u> (FY20/21): 101 LGs have allocated budget.</p> <p><u>Target</u> (FY25/26): 200 LGs and 5 PGs have maintained or increased their budget allocations.</p>		
<p>Outcome statement 3.2 Migrants and their families build human and social capital and increase the economic benefits from migration.</p> <p>Indicator 3.2.1: # of migrants benefiting from services that enable them to access better work opportunities (MIG_ARI_1).</p> <p><u>Baseline</u> (FY20/21): 113,984. <u>Target</u> (FY25/26): 185,000 (disaggregated by gender and caste/ethnicity).</p>	<p>Swiss interventions contribute to enhancing the access of migrant workers and their families to skills training, financial services, psychosocial counselling and reintegration support (including employment and business development services). Special efforts are made to address exclusionary mechanisms and to respond to the specific needs of women and discriminated/ disadvantaged groups.</p> <p>Switzerland ensures that training is relevant to labour markets and recognised in countries of destination.</p> <p>Swiss interventions support the creation of grassroots migrant networks in Nepal that facilitate returnee migrants' reintegration and contribute to enhancing their social capital.</p>	<p>Outcome statement 3.2 Achieving rapid economic growth and increasing domestic employment opportunities by using remittance income in productive sectors. (Goal statement of 15th Periodic Plan, NPC, p. 150).</p> <p>Indicator 3.2.1: # of people employed through employment programmes.</p> <p><u>Baseline</u> (FY20/21): 180,000 with an average of 52 days of employment per year. <u>Target</u> (FY25/26): 200,000 with an average of 100 days of employment.</p>
<p>Indicator 3.2.2: # of migrants having gainful employment [informs MIG_TRI_1].</p> <p><u>Baseline</u> (FY20/21): 300 per year. <u>Target</u> (FY25/26): 1,000 per year (disaggregated by gender and caste/ethnicity).</p> <p>Indicator 3.2.3: # of migrants and their family members making use of formal financial services [IED_ARI_3].</p> <p><u>Baseline</u> (FY20/21): 2,800. <u>Target</u> (FY25/26): 3,000 per year (disaggregated by gender and caste/ethnicity).</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Prospective migrants recognise the value of skills training and certification. • Employers in countries of destination value skilled migrant workers. • Commercial banks continue to expand their services across the country, including in rural areas. • Access to digital banking services increases. • Government institutions continue to engage with migrant networks. 	<p>Indicator 3.2.2: Growth in remittances from Nepali migrant workers.</p> <p><u>Baseline</u> (FY20/21): NPR 961.05 billion, 24% of GDP. <u>Target</u> (FY25/26): Annual growth of at least 5%; stable share of GDP.</p> <p>Indicator 3.2.3: % of skilled Nepali migrant workers</p> <p><u>Baseline</u> (FY20/21): 52%.¹ <u>Target</u> (FY25/26): 45%.</p>

¹ The share of migrant workers who are skilled has increased from 30% to about 40% between 2018 and 2020. The FY20/21 figure is an anomaly. The high percentage is due to COVID-19 as companies in destination countries were only hiring skilled workers resulting in a low out-migration rate and a high share of skilled migrants.

<p>Indicator 3.2.4: # of functioning migrant networks.</p> <p><u>Baseline</u> (FY20/21): 50 local-level networks are listed in LGs. 20 are registered at district level.</p> <p><u>Target</u> (FY25/26): 200 local-level networks are listed in LGs. 40 migrant networks are registered at district level. 6 migrant networks are registered at provincial level. 1 migrant network is registered at federal level.</p>	<p>Risks</p> <ul style="list-style-type: none"> • The economic situation and demand for labour in Nepal and countries of destination (CoDs) deteriorates. • Employment service centres lack funding and are not fully staffed, or staff is not trained. 	
<p>(4) Lines of intervention (Swiss programme)</p>		
<p><u>Outcome 1:</u> The three spheres of government collaborate and provide services that address the needs of migrants and their families.</p> <ul style="list-style-type: none"> • Support provincial and local governments in developing policy instruments (periodic plans, migration profiles, labour and employment policies; provide input to national guidelines) and in adopting budgets to ensure the sustainability of migration and reintegration services. • Support provincial and local governments in adopting and implementing policies promoting gender equality and providing multi-sectoral GBV services. • Strengthen the capacity of local and provincial governments to provide relevant services to GBV survivors through one-stop crisis management centres, health posts and community-based psychosocial counsellors. • Support the Federal Employment Board and the Department of Employment in strengthening their grievance-handling mechanisms and provide access to justice for migrants. • Support in implementing the Intergovernmental Collaboration Act by activating the thematic committee on migration, which is aimed to strengthen collaboration between the three spheres of government. <p><u>Outcome 2:</u> Migrants and their families build human and social capital and increase the economic benefits from migration.</p> <ul style="list-style-type: none"> • Support local governments to provide needs-based reintegration support services by strengthening the capacity of employment service centres. • Support employment service centres to provide and/or refer returnee migrants to social and economic reintegration support services, such as skills training, business development services, job opportunities, and psychosocial counselling. • Foster the skilling of aspiring migrant workers by piloting new approaches to deliver vocational skills training, by aligning training with the national TVET system, and by engaging with employers in countries of destination. • Facilitate the creation and strengthening of returnee migrants' network and mobilise local champions to raise awareness about safer migration practices and the availability of foreign employment services at the local level. 		
<p>(5) Resources, partnerships (Swiss programme)</p>		
<p><u>Financial resources:</u> CHF 18.9 million (17% of overall budget provisioned by SC).</p> <p><u>Human resources:</u> 1 Swiss programme manager, 1 NPO, 1 NPO (20%), 1 finance controller.</p> <p><u>Partnerships:</u></p> <ul style="list-style-type: none"> • GoN: Ministry of Labour, Employment and Social Services; Foreign Employment Board, Department of Foreign Employment; provincial governments, local governments. • Development partners and international organisations: European Union, FCDO, ILO, IOM, Norway, UNFPA, World Bank. • Implementing partners: international NGOs (Helvetas Swiss Intercooperation) and international organisations (UNFPA, ILO). 		

Annex 4: Management results

Outcome 1: Development partners increase coordination and harmonised approaches in line with the constitution.	
Indicator	Areas of intervention
1.1. Development partners (DPs) agree on a common voice in critical areas of the implementation of the constitution (coordination and harmonisation).	<ul style="list-style-type: none"> Switzerland raises relevant political and policy issues at IDPG and bilateral level (e.g. civil service act, TVET act, intergovernmental coordination, social inclusion). Switzerland and DPs advocate for increased human resource allocation for psychosocial counselling services. Switzerland leads working groups in key sectors, e.g. federalism, TVET, migration.
1.2. DPs ensure implementation of key federalism (constitutional) principles in their project implementation (implementation).	<ul style="list-style-type: none"> Switzerland advocates for key implementation principles (e.g. steering, fund flow, etc.) in line with the constitution. Switzerland engages with DPs, in particular multilateral development banks (WB/ADB), to assure that programmes are aligned with the constitution. Switzerland advocates for a constitutional audit/federalism filter to assess DPs' projects.
1.3. Development finance institutions (DFIs) have a common understanding on how to invest in Nepal as a context with fragility elements.	<ul style="list-style-type: none"> Switzerland coordinates DFIs and provides a platform for exchange.
Outcome 2: All spheres of government contribute to the federalisation process as per the constitutional mandates.	
Indicator	Areas of intervention
2.1. The three spheres of government support and own the sectoral federalisation process.	<ul style="list-style-type: none"> Swiss projects support the federalisation process in line with the constitutional mandates of the three spheres of government. Switzerland contributes (political, policy and programme level) to the clarification of roles and responsibilities within key sectors.
2.2. The three spheres of government foster intergovernmental collaboration (horizontal and vertical).	<ul style="list-style-type: none"> Switzerland advocates (political, policy and programme level) for intergovernmental coordination mechanisms' (PCCs; IPC) work to be effected regularly and with clear agendas reflecting the PLGs' priorities and issues. Swiss sectoral projects engage with and provide inputs to sectoral/thematic committees of the PCCs. Intergovernmental collaboration is reflected in increased fund flow (conditional grants) from PGs to LGs.
Outcome 3: SDC values, cross-cutting themes and approaches are integrated in the portfolio and office policies.	
Indicator	Areas of intervention
3.1. Gender and social inclusion (GESI) measures are applied and implemented.	<ul style="list-style-type: none"> Programme level: Swiss projects identify social, economic and political barriers to social inclusion and include quantitative targeting (where applicable/relevant), targeted measures and/or interventions on policies, legal frameworks and institutions. Portfolio level: Switzerland assures that the GESI narrative is understood and maintains a portfolio mix that combines system-building interventions, projects that include targeted measures as well as projects with a specific focus on inclusion (quantitative targeting). A yearly qualitative study is conducted to inform programme and portfolio level.

<p>3.2. Systematic mainstreaming of climate change adaptation and mitigation into the SDC portfolio is assured.</p>	<ul style="list-style-type: none"> • Have a focal person for CCA/CCM within the embassy. • Engage in the Green, Resilient and Inclusive Development (GRID) initiative • Consider a small action to coordinate CCA/CCM approaches within different projects. • The embassy's Green Action Plan is updated and implemented.
<p>3.3. The embassy and Swiss projects apply workforce diversity (WFD) and zero tolerance towards discrimination.</p>	<ul style="list-style-type: none"> • The embassy and Swiss projects improve proportionate representation as per the WFD policy. • The embassy and Swiss projects provide internship opportunities for discriminated groups. • WFD principles are known, adhered to and applied by the embassy and Swiss projects. • Embassy and Swiss project staff are aware of and apply prevention of sexual exploitation, abuse and harassment (PSEAH) principles.
<p>3.4. Conflict/context-sensitive approach is applied in all Swiss interventions.</p>	<ul style="list-style-type: none"> • At least 2 MERV exercises are conducted per year. • Basic operating guidelines (BOGs) are discussed and committed to at DP level. Staff of Swiss projects are aware of the BOGs and use them in their work.
<p>3.5. Knowledge-sharing and learning is assured at both embassy and partner level (communication and learning).</p>	<ul style="list-style-type: none"> • The monitoring and evaluation (M&E) group with external backstopping increases quality in evidence generation, reporting and learning across domains. • Biannual provincial workshops allow sharing and learning with partners. • Best project practices/approaches are documented and shared internally and/or with a wider audience (social media). • Embassy and project partner staff are aware of Swiss values and principles; corresponding training and information sessions are conducted regularly.

Annex 5: Monitoring system

Instrument	Purpose	Frequency
Context		
MERV	Detailed analysis of context developments	Twice per year
Context monitoring	Monitoring of current events and political developments	Constantly
Strategic		
Annual report	Result-based reporting, management review, planning for following year based on the results framework	Yearly
Outcome monitoring summary	Outcome-level monitoring of project results, analysis of challenges, possible adjustments	1–2 per year
Quarterly planning	Review of operational performance and necessary adjustment/corrective measures; review of management results; financial planning	Quarterly
Management meeting	Discussion and decision-making on issues related to security, programme management, human resources and finances	Weekly
Programme		
External reviews	Evaluate project achievements	Once per project phase
Provincial workshops	Build a common understanding of context and develop a joint field perspective with project partners; in-depth discussion and sharing of issues of strategic importance; assess need for adaptation and mitigation measures	Twice per year
Steering committee meetings	Fostering ownership; discussion of lessons learnt and best practices with relevant stakeholders; decision on project steering	Once or twice per year, depending on the project
Field visits	Monitor progress of projects and their outcomes, build relationships with stakeholders	Depending on project
Team leader meetings	Exchange with projects' team leaders on issues of strategic importance, learning and knowledge-sharing, update on changes of internal policies and practices	Monthly
Programme team meeting	Discussion of new project proposals, sharing of lessons learnt, thematic input	Weekly
Institutional		
Audit of transfer credit		Yearly
Internal audit		Yearly
ICS report		Yearly
Update of security plan		As needed

Annex 6: Financial planning

Swiss Cooperation Programme for Nepal / Asia

Duration of Cooperation Programme: 01.01.2023 until 31.12.2026

Break down of budget allocated to Nepal country programme

Financial Year	2023	2024	2025	2026	Total 2023–2026	in %
Domain of intervention / portfolio outcome 1 Federal state building	6,500,000	8,000,000	7,100,000	8,200,000	29,800,000	27
Domain of intervention / portfolio outcome 2 Employment and income	16,700,000	13,700,000	15,900,000	15,000,000	61,300,000	55
Domain of intervention / portfolio outcome 3 Migration	4,300,000	5,800,000	4,500,000	4,300,000	18,900,000	17
Other outcomes Small actions (inclusive humanitarian aid)	600,000	600,000	600,000	600,000	2,400,000	2
Total budget allocations	28,100,000	28,100,000	28,100,000	28,100,000	112,400,000	100

General overview of indicative budget allocation by headquarters (for information purpose only)

Budget allocated to Nepal country programme	28,100,000	28,100,000	28,100,000	28,100,000	112,400,000
thereof: SDC Development cooperation	28,000,000	28,000,000	28,000,000	28,000,000	112,000,000
SDC Humanitarian aid	100,000	100,000	100,000	100,000	400,000
Other financial engagements					
SDC Multilateral affairs and NGO	8,700,000	8,800,000	8,800,000	8,700,000	35,000,000
SDC Multilateral affairs and NGO (ICIMOD)	500,000	500,000	500,000	500,000	2,000,000
SDC Asia - LAC (ICIMOD)	500,000	500,000	500,000	500,000	2,000,000
SECO Economic cooperation (MDTF PFM)	500,000	500,000	1,000,000	1,000,000	3,000,000
Total budget allocation by federal offices	38,300,000	38,400,000	38,900,000	38,800,000	154,400,000

* Nepal also benefits from SECO global programmes and from the SDC's global programmes on Climate Change and Environment, Water, Health, as well as Migration and Forced Displacement.

** The Swiss Investment Fund for Emerging Markets (SIFEM) recently made its first investment of CHF 11 million in Nepal.

The final allocation of funds will depend on the identification of suitable interventions, the absorption capacity, as well as the efficiency and effectiveness of cooperation with the relevant partners in the country. Switzerland remains flexible to respond to requests from the Government of Nepal, to address urgent needs and to make use of opportunities. Accordingly, the information on the planned budget for the four-year period is indicative only. This information serves merely as a basis for the forward spending plans that are reviewed each year by Switzerland's parliament.

Annex 7: Switzerland's gender equality and social inclusion approach in Nepal

To support the ongoing process of federal state building, Switzerland's engagement in Nepal is structured along three spheres of intervention: high-level political engagement, technical support for policy development and implementation, and programmatic interventions to support federalisation across various sectors. Gender equality and social inclusion (GESI) is a guiding principle and a way of working across all three spheres of intervention.

The GESI approach aims to address unequal power relations, rebalance them and reduce disparities between individuals and groups of individuals. It aims at ensuring that everyone is granted equitable opportunities, and that services and resources are available to all people.

Political engagement: For the Swiss engagement at the political level, gender equality and social inclusion is an overarching goal. The exclusion that was at the root of the armed conflict persists. Switzerland therefore makes a strong political statement by placing inclusion at the centre of its development cooperation programme in Nepal. It aims to create and facilitate mechanisms for dialogue in all three spheres of the government through expert-led constitutional debates and by providing technical assistance for institutional reforms. Switzerland advocates for inclusive political, legislative and regulatory reforms and the pursuit of transitional justice.

Example of political engagement for GESI

Through its policy dialogue at different levels, Switzerland raised the importance of including provisions on social inclusion and equal opportunity in the regulatory and legal framework for the TVET sector.

Policy development and implementation: At the policy level, Switzerland focuses on ensuring the constitutionally mandated integration of GESI in sectoral policies, strategies and plans. This engagement is based on a comprehensive analysis of the sectoral context and the exclusionary mechanisms at play in each sector of intervention.

Example of policy engagement for GESI

As co-chair of the Migration Group Nepal, Switzerland supports the revision of the Foreign Employment Policy. Together with other development partners, it advocates for a gender-responsive policy that safeguards the right to free and safe migration for all.

Programme interventions: Throughout its projects and programmes, Switzerland applies a three-step approach when planning new interventions (which is revisited during the mid-term review of a project, and/or when changes in the circumstances require it):

1. **Setting out the context of exclusion:** identify persons (or groups of persons) who are excluded ¹ in a project implementation area and/or sector of intervention, analyse exclusionary mechanisms and identify patterns of discrimination.
2. **Defining how exclusionary mechanisms and patterns of discrimination can be addressed:** identify specific social, economic, legal and political barriers that hinder access to services or participation, and outline actions to overcome these hurdles.
3. **Ensuring an inclusive project design and implementation:** include measures to address existing barriers and to enhance inclusion. These include targeted measures to support discriminated and/or disadvantaged persons overcome barriers and access services, as well as interventions on policies, legal frameworks and institutions. Where relevant, measures may also include the quantitative targeting of beneficiaries (quota setting).

As a result, target groups may vary between projects, depending on existing discrimination and exclusion patterns in a project implementation area and/or sector of intervention. Moreover, the level of possible and meaningful targeting varies according to a project's focus: from local development, service delivery-oriented interventions that make it possible to targeting beneficiaries directly and quantitatively, to interventions with a focus on strengthening institutions and service delivery for all citizens, where targeted measures can be integrated, and to system-building interventions that require engagement for gender equality and social inclusion at the policy and political level.

Examples of the GESI approach in programme interventions

Project with an explicit focus on inclusion and quantitative targeting: *Trail bridges are vital to connect Nepal's rural population to markets and public services. The Trail Bridge Sub-Sector Support Programme provides technical assistance to the Government of Nepal to expand and maintain its network of trail bridges. The presence of discriminated groups is a criterion when planning for new trail bridges. For the construction of the bridges, the project employs local labour and has set a quantitative target of 50% of person days of employment for disadvantaged groups and 36% for women. User committees established through the project are representative of the population in the area and comprise at least 50% women.*

¹ For example, persons excluded due to poverty, ethnic discrimination, caste, gender, geographic location or a combination of any of these factors.

Project with targeted measures for inclusion: Migrant workers face abuse, exploitation and violence independent of their ethnicity or caste. The Safer Migration Project aims to reach all migrant workers leaving for the Gulf States or Malaysia. However, given the particular vulnerabilities of women and members of the Dalit and Muslim communities, the project has identified targeted measures to ensure its support reaches migrants and their families from these groups, while general migrant services supported by the project are intended for all migrants.

Project with a focus on system building: The Provincial Support Programme contributes to Nepal's federal transition in line with the constitution by supporting the development of systems, standards and procedures, the institutionalisation of planning processes, and the strengthening of intergovernmental coordination mechanisms. The project's activities include reviewing legislative output, assisting in appraising annual budgets focused on gender equality and social inclusion, and training elected and administrative officials on gender equality and social inclusion. While it does not directly target disadvantaged groups, it ensures that government processes and services become more equitable and inclusive.

Workforce diversity: Complementing its GESI approach across the political, policy and programmatic spheres, Switzerland applies a workforce diversity policy within its institution and projects for three main reasons:

1. To serve all of Nepal's diverse population, Switzerland needs staff who understand and can respond to people from different regions and communities in the country with a range of different life experiences, perspectives and priorities.
2. To address the deep-rooted forms of discrimination based on gender, ethnicity, and caste, it is crucial for Switzerland to give an example of a diverse workforce to show the feasibility and desirability of such an approach.
3. An inclusive workforce also allows Switzerland to bring members of previously underrepresented and excluded groups into its organisations and empower them to increase their influence and voice on development priorities.

While Switzerland respects the concept of equal opportunity, in a context where a large proportion of the population has historically been excluded and marginalised on the basis of gender, caste and/or ethnicity, it aspires to apply positive discrimination to promote under-represented groups. It does so at least until their representation in various staff categories, committees and working teams is ensured and broadly reflects their proportional representation at the level of Nepal's national census.

Annex 8: Map of Nepal



Annex 9: List of acronyms

ADB	Asian Development Bank
BDS	Business development service
BFI	Banking and financial institutions
BOG	Basic operating guidelines
CCA	Climate change adaptation
CCM	Climate change mitigation
CD	Capacity development
CEAPRED	Centre for Environmental and Agricultural Policy Research, Extension and Development
CHF	Swiss francs
CIAS	Civil Informatics and Solutions
CMC	Centre for Mental Health and Counselling
CoD	Country of destination
COVID-19	Coronavirus disease
CTEVT	Council for Technical Education and Vocational Training
DAG	Disadvantaged group
DFAT	Department of Foreign Affairs and Trade (Australia)
DFI	Development finance institution
DP	Development partner
ESC	Employment service centre
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
FDFA	Swiss Federal Department of Foreign Affairs
FDI	Foreign direct investment
FEA	Foreign employment act
FMO	Dutch Entrepreneurial Development Bank
FY	Fiscal year
GoN	Government of Nepal
GBV	Gender-based violence
GDP	Gross domestic product
GESI	Gender equality and social inclusion
ICIMOD	International Centre for Integrated Mountain Development
ICS	Internal control system
IDPG	International Development Partners Group
IFES	International Foundation for Electoral Systems
ILO	International Labour Organization
IOM	International Organization for Migration
IPC	Interprovincial Council
KOICA	Korea International Cooperation Agency
LDC	Least developed country
LG	Local government
LISA	Local Government Institutional Self- Assessment
LMBIS	Line Ministry Budget Information System
M&E	Monitoring and evaluation
MDTF	Multi-donor trust fund
MERV	Monitoring of development-relevant changes
MoF	Ministry of Finance
MoFAGA	Ministry of Federal Affairs and General Administration
MRC	Migrant resource centre
MSME	Micro, small, and medium-sized enterprises
NGO	Non-governmental organisation
NNRFC	National Natural Resources and Fiscal Commission
NPC	National Planning Commission
NPO	National programme officer
ODA	Official development assistance
PCC	Provincial coordination council
PFM	Public financial management

PG	Provincial government
PLGSP	Provincial and Local Government Support Programme
PPP	Public-private partnerships
PSEAH	Prevention of sexual exploitation, abuse and harassment
RTE	Right to employment
SC	South Cooperation
SCS	Swiss Cooperation Strategy
SDC	Swiss Agency for Development and Cooperation
SECO	Swiss State Secretariat for Economic Affairs
SIFEM	Swiss Investment Fund for Emerging Markets
SME	Small and medium-sized enterprises
SUTRA	Sub-national Treasury Regulatory Application
TJ	Transitional justice
TVET	Technical and vocational education and training
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UPR	Universal Periodic Review
VET	Vocational education and training
WB	World Bank
WFD	Workforce diversity

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