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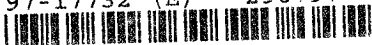
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FIRST COUNTRY COOPERATION FRAMEWORK FOR NEPAL (1997-2001)

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 3	2
II. RESULTS AND LESSONS OF PAST COOPERATION	4 - 8	3
III. PROPOSED STRATEGY AND THEMATIC AREAS	9 - 26	5
A. Overall strategy	9 - 12	5
B. Proposed programme areas	13 - 26	6
IV. MANAGEMENT ARRANGEMENTS	27 - 31	9
<u>Annex.</u> Resource mobilization target table for Nepal (1997-2001)		10



INTRODUCTION

1. The first country cooperation framework (CCF) for Nepal, covering the period 1997-2001 coincides with the emerging Ninth Development Plan. The framework has adopted a highly participatory process for setting out the priorities for future cooperation between UNDP and the Government, based on the goals of the emerging Ninth Plan, discussions at the April 1996 aid group meeting, and findings of the mid-term review of the fifth country programme.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

Human development status

2. In 1994, Nepal ranked 154 out of 175 countries on the human development index (HDI); per capita gross domestic product (GDP) amounted to \$203; and about half of the population was living in absolute poverty. As both causes and effects of poverty, the average life expectancy at 54 years and the literacy rate at 35 percent are low; rates of infant mortality (100 per 1,000 live births) and maternal mortality (850 per 100,000 live births) are very high. With a population growth rate of 2.6 per cent a year, the growth in income of 4.7 per cent a year over the last 10 years has failed to significantly reduce the level of poverty. However, with the rate of growth in gross national product (GNP) averaging 6 per cent since 1995, and inflation contained at 8 per cent, overall economic prospects are improved.

Challenges for poverty alleviation

3. Development policies over the past decades have emphasized poverty alleviation and have led to improvements in urban areas. However, rural poverty has remained intractable. The approach paper for the Ninth Plan identifies poverty alleviation as its overriding objective. The four critical arenas for poverty eradication efforts are:

(a) Governance and poverty. A critical factor for the success of development interventions is the integration of people as owners of the process. The restoration of democracy in 1990 has been followed by initiatives for improved local governance and decentralized management of development activities. District and village development committees play an important role in mobilizing people for setting local development priorities, planning, coordinating and ensuring effective implementation of development activities in line with popular aspirations. Social mobilization, by bringing women and men together in self-governing institutions, enhances participation for more effective local exercise of authority and responsibility. This effort has direct implication for poverty alleviation by mobilizing existing resources for investment through community action.

(b) Employment and income generation. Eighty per cent of Nepal's population live in rural areas, where poor natural endowment, underdeveloped infrastructure, a mountainous terrain and a low level of human capital and agricultural

productivity limit development and perpetuate poverty. Additionally, inadequately coordinated economic programmes have led to migration of labour to urban centres and India. The Agriculture Perspective Plan, approved in January 1996, proposes crop diversification in the hills and mountains, development of rural roads, and aims for increased productivity in the lowland Terai region. As the agricultural sector is unlikely to absorb the substantial surplus labour, off-farm employment is essential. The development of tourism, focused on quality services, environmental conservation and opening up of new destinations in rural areas, can contribute to job creation. Micro-enterprise development, combined with micro-credit facilities, offers additional income-earning opportunities. Given the low levels of income and savings, increased foreign investment and optimal use of limited entrepreneurial abilities are required to realize the potential of the many opportunities that exist for economic activities in Nepal.

(c) Gender and poverty. In Nepal, the gender dimension of poverty is starkly evident, with women faring worse than men in most human development indicators. Nepal is one of only three countries where women's lifespan is shorter than men's. High mortality rates, notably maternal mortality, stem partly from the low nutritional status of women. Nearly two thirds of Nepalese women suffer from anaemia. The female literacy rate is less than half that for men. Women's participation in the economy, especially their rights to property and access to credit, is limited by laws and social practices. National poverty alleviation efforts will address women's difficulties, through mainstreaming gender issues in the national socio-economic, political and governance process. The strategy will be supplemented by programmes targeted to women.

(d) Environment and poverty. The poverty-environment nexus is strong, due to the combination of rapid population growth and fragile ecological conditions. Deforestation, soil erosion and watershed degradation have decreased the carrying capacity of the land. The Government has put in place various measures for managing and sustaining Nepal's rich biodiversity, including setting aside 14 per cent of the land area as national parks. Experience has shown that protection measures can only succeed if they involve partnerships with communities. Recognizing the importance of the human dimensions of environmental conservation, the Government has introduced several Acts which allow people to benefit from income generated by parks. Alternative sources of energy, especially micro-hydro, can reduce pressure on forest resources and create new economic opportunities. Efforts are also needed to make municipal authorities and industries more responsive to improving the urban environment.

II. RESULTS AND LESSONS OF PAST COOPERATION

External assistance to Nepal

4. External aid, a major factor in Nepal's development for the past four decades, currently finances about 70 per cent of the development budget. About 60 per cent of the aid is in the form of grants, with most of the balance as highly concessional loans. While the aid comes from a large number of donors, over one half is accounted for by Japan, the World Bank and the Asian Development Bank. The large number of donors and projects, combined with the absence of strategic frameworks within which to situate the aid and relatively weak national institutions, places a heavy burden on Nepal's human and financial resources. The

Ministry of Finance, responsible for aid coordination, is inadequately staffed to carry out this increasingly complex mandate. The Government appreciates the strong support of UNDP for more effective donor coordination, and would like to work with UNDP to strengthen the capacity of the Ministry of Finance for planning and managing aid. Nepal also welcomes UNDP support for the preparation of frameworks and programme strategies for nationally determined priorities.

Impact of the fifth country programme

5. The fifth country programme for Nepal had five programme areas: (a) development policy and management; (b) strengthening the productive sectors; (c) access to basic services; (d) natural resource management and (e) urban development and pollution control. In response to changing political realities in Nepal and a reduction in UNDP resources, the Government of Nepal and UNDP concentrated the substantive focus of the fifth country programme and reduced the number of projects from 68 at the start of the programme to 20 by the end of 1996.

6. The most important achievement of the fifth country programme was in its support to decentralization. After facilitating the development of the decentralization policy framework in 1992, UNDP assisted 20 districts to build their capacity for participatory planning. The programme also promoted social mobilization approaches for increased popular participation in the development process. Similarly, in the area of biodiversity conservation, UNDP introduced a community-based approach to parks management, and played an instrumental role in the passage of the Buffer Zone Act. In the Makalu Barun area, a comprehensive database on biodiversity resources was developed, and a National Biodiversity Action Plan is currently under preparation. In the tourism sector, UNDP facilitated formulation of the 1995 tourism policy, which advocated a diversified approach to tourism development. This was followed by support for the formation of the Nepal Tourism Board, with strong private sector participation. Support for feasibility studies in hydro-power and irrigation attracted additional investments and enhanced their sustainability through promoting cost-effective local ownership and management.

7. The implementation of the fifth country programme established the importance of developing systematic linkages between policy support at the macro level (central agencies); capacity building at the meso level (districts); and direct intervention at the micro level (villages and communities) in achieving maximum impact. It reinforced the focus at the district level for facilitating horizontal coordination between various government agencies. The programme has also demonstrated the importance of participatory approaches and partnership with civil society in programme design and implementation and encouraged more attention to local concerns and gender issues.

Comparative advantages of UNDP

8. The first country cooperation framework for Nepal builds upon the following comparative advantages of UNDP: (a) the ability of UNDP, as a multi-sectoral agency, to address linkages in the design and implementation of poverty alleviation, environmental conservation and women's development programmes; (b) the facilitating role of UNDP in promoting a dialogue between government and non-government sectors; (c) the suitability of UNDP policies and instruments, such

as the programme approach and national execution, for promoting national ownership of donor-supported programmes.

III. PROPOSED STRATEGY AND THEMATIC AREAS

A. Overall strategy

9. Building on experience in implementing the fifth country programme, and consistent with Nepal's development priorities and the UNDP mandate for sustainable human development, the first country cooperation framework for Nepal will be guided by and subject to an overall strategy that embraces:

- (a) Poverty alleviation as the primary goal of UNDP cooperation;
- (b) Decentralized governance as the strategic point of entry;
- (c) Self-reliance in access to resources as the distinctive mode of action.

10. Primary goal: poverty alleviation. The Eighth Development Plan (1991-1996) and the emerging Ninth Plan (1997-2002) are explicit on the national priority of poverty alleviation. Poverty alleviation is also the central priority of UNDP, as mandated by the Executive Board. Given that about one half of Nepal's population live in absolute poverty, the future programme of cooperation between UNDP and the Government will be guided by the priority goal of poverty alleviation.

11. Strategic point of entry: decentralized governance. Since 1991, Nepal has made considerable progress in moving the locus of decision-making closer to the people. UNDP has supported this national effort by developing functional linkages between local, district and central level institutions, which provide the operational framework for decentralized implementation of most UNDP-supported programmes. Within this structure, strategic emphasis will be at the district level for a coordinated response to financing, management and technical support needs at the local level. Programme support at the central level will focus on creating the required institutional, policy and legal measures for supporting interventions at the local level for maximum impact on people's lives.

12. Mode of action: strengthen self-reliance and improve access to resources. The emphasis which UNDP places on the development of self-reliance at each level of the governance system is evident from its capacity-building support to district and village development committees, in line with the decentralization policy. At the community level, UNDP support programmes will stress organization and empowerment of the poor, so that they can better address the issues they perceive as priority. Experience has shown that organized self-governing institutions can use resources efficiently and best implement and sustain local development efforts. Such institutions are generally more open, transparent and self-reliant, and can be sustained through increased productivity and incomes.

B. Proposed programme areas

13. UNDP can contribute to the national effort to eradicate poverty by concentrating on four, mutually reinforcing programme areas: decentralized governance and participatory development; employment and income generation; women's access to services and resources; and environmental conservation and protection.

Decentralized governance and participatory development

14. UNDP has been a major supporter of the national decentralization efforts and will continue its support through the participatory district development programme and the local governance programme. These two programmes develop the capacities of the established decentralized governance structures, and institutionalize participatory processes for management of development initiatives, enhancing equitable access to development resources. The programmes strengthen management capacities at the district (meso) level and develop supportive policy and regulatory frameworks at the central (macro) level in order to reinforce development actions at the local (micro) level. The strategic emphasis of the support is at the district level, where linkages to district level line agencies and central agencies are facilitated by information systems and development of district plans for incorporation into the national plan. These programmes also develop the capacities of community organizations, civic society organizations and private sector-related cooperative enterprises to contribute to improved local governance and enhanced economic opportunities. A decentralization bill, that constitutes a significant breakthrough in facilitating local development efforts, has been submitted to Parliament.

15. To strengthen its support to the decentralization process, UNDP will (a) increase policy support at the central level, leading to institutionalization of programme achievements; (b) establish District Development Funds for priority development activities (for which the United Nations Capital Development Fund (UNCDF) and bilateral donor support is being sought); and (c) establish Local Trust Funds for intensification of village development committee coverage, to mobilize communities into self-governing local institutions and to generate a critical mass of knowledge and support for future upscaling, through national and local efforts. A performance monitoring system has been designed and will be integrated into the programmes for increased feedback of information for policy development. The programme can enhance the professional capabilities of the Association of District Development Committees in Nepal to play an important role in the long-term sustainability of the decentralization initiative. Linkage with the South Asia Poverty Alleviation Programme provides opportunities to share experiences in grass-roots development with other South Asian Association of Regional Cooperation (SAARC) countries.

Employment and income generation

16. The emerging Ninth Plan targets employment generation as the strategic objective for achieving the national goal of poverty alleviation. Since a successful employment strategy hinges on broad-based growth, the aim is to achieve this by sustaining the economic reform process and private sector development; improving access to rural areas and developing rural-urban linkages; and further developing agriculture, tourism and small enterprises.

17. An employment strategy for Nepal must necessarily aim at rural development for greater labour absorption, particularly in the hills and mountains where dependence on agriculture is predominant. Nepal's Agriculture Perspective Plan stresses agricultural diversification in the hills and mountain areas for providing employment and sustainable livelihoods. UNDP will support this effort by developing sericulture and high-value tree crops; facilitating access to credit; and supporting small rural infrastructure for improved access. These programmes will be developed to maximize synergy and impact in the target areas, while addressing critical constraints. The programmes will be people-focused, especially assuring women's participation and benefit.

18. With regard to off-farm employment, there is at present a proliferation of micro-credit and micro-enterprise activities, but these do not address all the linkages. UNDP will support a pilot employment generation programme, focusing on micro-enterprises, that links skills training to entrepreneurship development and access to credit and markets. In view of credit constraints in the hills and mountain regions, UNDP will also help develop viable models for facilitating credit flows. Women will be the primary targets of these interventions.

19. Nepal's continued economic growth will require foreign investment flows. UNDP will facilitate this, by supporting the formulation of policies and legal frameworks, and preparation of investment studies that will take account of environmental impact. UNDP will also help to harness tourism's great potential for employment generation, by strengthening the capacity of the Nepal Tourism Board to function as an independent entity to effectively develop and market tourism.

Women's access to services and resources

20. Women are central to any poverty alleviation effort in Nepal because of their vital role in the subsistence economy, conserving and protecting the environment and taking care of current, past and future generations. Recognizing the potential contribution of Nepal's women to the economy, the Government has implemented a number of women-focused programmes. However, these initiatives have been pursued in a partial context without addressing the multi-dimensional deprivation of women and have remained on the margins of mainstream development. At the Fourth World Conference on Women, the Government of Nepal committed to mainstream women in the development process. UNDP will support the integration of gender issues into national planning and political processes, focusing particularly on local government. At the central level, UNDP will support the development of gender-disaggregated data, tools and mechanisms for integrating women into the development process. It will also support the development of policies and legislation to enhance women's access to services and resources.

21. A recent survey of women by the Ministry of Women and Social Welfare highlighted that village women perceive the lack of employment and income generation opportunities and education as their main problems. Taking this into account, several key employment generation programmes, viz., sericulture programme, agriculture diversification programme, micro-enterprise programme and micro-credit programme, will target women as the primary beneficiaries. In addition, all programmes supported by UNDP will give specific consideration and assistance to gender mainstreaming.

22. In order to address women's socio-economic deprivation, UNDP will initiate an empowerment of women programme to address women's access to an integrated set of services and facilities, using education and skills training as the main entry point and adopting a replicable, integrated approach.

23. The spread of human immunodeficiency virus (HIV) infection is poverty-related and affects men and women differently. Migrant workers and increased trafficking in girls and young women increases vulnerability to HIV/acquired immune deficiency syndrome (AIDS). Within the UNAIDS framework, UNDP will build on and expand its ongoing HIV/AIDS programme, focusing on advocacy, research and policy analysis, and training of national professionals to address HIV/AIDS issues, with a specific focus on girls and young women.

Natural resource management and environmental protection

24. Nepal's high population growth rate, within a predominantly rural context, creates significant demand for food, fuel and fodder to sustain livelihoods. The pressure on the country's natural resource base has led to a vicious cycle of poverty and depletion of natural resources. UNDP support, together with community efforts in natural resources management, is important for agricultural diversification programmes. UNDP support will broaden the base of the ongoing Capacity 21-funded pilot programme for community management of watersheds. Rural communities are to be organized to undertake watershed management through integrated social, economic and environmental actions. The focus will be on supporting communities for production and conservation activities, such as growing of root and tree crops to provide protection against land and soil degradation. Nepal is a pioneer in systems of national parks and protected areas for biodiversity conservation. The challenge is to mobilize communities in the buffer zones or conservation areas to manage natural resources on a sustainable basis, in partnership with the Government. Experience gained through the ongoing Parks and People project in community empowerment will further support participatory management and conservation of Nepal's rich biodiversity resources. UNDP will seek to mobilize Global Environment Facility (GEF) resources for these initiatives.

25. UNDP will support the utilization of water resources potentials for multi-purpose applications in rural areas of Nepal, through the Rural Energy Development Programme. Using micro-hydro as the entry point, UNDP will help develop rural energy systems with multiple applications, for small-scale irrigation, rural electrification and rural enterprises. Building local capacities to manage the integrated use of water for economic and social development will provide communities in Nepal with alternative options for livelihood and increases opportunities for sustainable use of forest resources.

26. In the urban areas, industrial pollutants must be reduced, to improve the quality of life. UNDP has demonstrated effective measures for minimizing pollution in five major industries and facilitated passage of Nepal's Industrial Pollution Act. The Act's success will require that industries implement effluent control measures, and that national capacity for monitoring compliance and providing technical support services is developed. Continued support from UNDP should result in a measurable reduction in industrial effluents.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

27. The significant shift to national execution during the fifth country programme placed new demands on the Government, since effective national execution requires an efficient programme management, coordination and monitoring system. UNDP should systematize its support to the Ministry of Finance and line agencies, by agreeing on a set of criteria to ensure accountability, finalizing national execution guidelines, and training government staff in implementation.

28. Management and implementation of UNDP-supported programmes will be pursued within a decentralized strategy, with activities implemented largely outside of Kathmandu. However, UNDP will continue to work closely with central agencies for overall management and monitoring of programme activities, and for policy support, where required. The expertise of United Nations specialized agencies will be secured for implementing activities, where sector-specific specialist inputs are required. In keeping with past practices, national experts and consultants will be used extensively and partnerships with the private sector will be strengthened, particularly in programmes relating to employment. Provision will be made for the use of cost-effective modalities such as United Nations Volunteers (UNVs), United Nations Short-term Advisory Resources (UNISTAR), Transfer of Knowledge through Expatriate Nationals (TOKTEN) and Technical Cooperation among Developing Countries (TCDC).

Monitoring and evaluation

29. A rigorous monitoring and evaluation system will incorporate stronger impact indicators in project design. Output monitoring will be closely linked to annual work planning and quarterly disbursement of funds. In addition to annual reviews at the project level, semi-annual reviews will be undertaken at the overall programme level. Impact assessment and evaluation of each programme area will be conducted on an annual basis, and the entire UNDP cooperation with the Government of Nepal under the first CCF will be subject to a formal triennial review. The established tripartite review mechanism will be used to assess project progress and adjust project design, strategy, or activities, as needed.

Resource mobilization

30. Resource mobilization for Nepal will follow a three-pronged strategy of: (a) linking programme development with resource mobilization through incorporating specific resource mobilization activities in each programme area; (b) continued interaction with donors for support to some of the more promising ongoing programmes such as: (i) Micro-hydro programme; (ii) district development programme; and (iii) national programme for HIV/AIDS control and prevention, through preparation of specific proposals; and (c) mobilization of non-core funds concentrating on UNCDF, GEF and Capacity 21.

31. The total resource mobilization target for Nepal, excluding resources from TRAC 1.1.2, which will be assigned at a later date, is provisionally set at \$62.2 million. TRAC 1.1.2 resources of up to \$20.9 million can be accessed subject to availability of funds and well conceived programmes, focusing on sustainable human development.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR NEPAL (1997-2001)

(In thousands of United States dollars)

SOURCE	AMOUNT	COMMENTS
UNDP CORE FUNDS		
Estimated IPF carry-over	10 057	
TRAC 1.1.1	31 335	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	237	SPR
SPPD/STS	1 200	
Subtotal	42 829 <u>a/</u>	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds GEF CAPACITY 21	2 100 776	
Third-party cost-sharing	5 000	
Funds, trust funds and other UNCDF UNIFEM PSI	11 300 59 100	
Subtotal	19 335	
TOTAL	62 164 <u>a/</u>	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = Indicative Planning Figure; PSI = Poverty Strategies Initiative; SPPD = Support for Policy and Programme Development; STS = Support for Technical Services; TRAC = Target for Resource Assignment from the Core; UNCDF = United Nations Capital Development Fund; UNIFEM = United Nations Development Fund for Women.
