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Department for the
Americas and Asia



Finland's country strategy for Nepal

2021–2024

Ministry for Foreign Affairs of Finland

EXECUTIVE SUMMARY

Nepal and Finland have enjoyed longstanding, friendly and wide-ranging relations for many decades. Bilateral development cooperation is a central pillar of this relationship and Finland remains committed to support the transition and development of Federal Nepal.

Nepal has developed impressively in recent years and assessment of the Sustainable Development Goals (SDGs) implementation over the last four years demonstrates some encouraging results. The health and socio-economic shock caused by Covid-19 has resulted in unprecedented disruptions in health, tourism, and transportation sectors as well as in revenues and remittances. The fallout will be in the areas of income, poverty, equality, employment and economic growth, while the existing financing gap widens. On other hand, the lockdowns have accelerated the push towards digitalisation and global impetus towards an environmentally sustainable economic recovery post Covid-19.

The overarching goal of Finland's Country Strategy for Nepal is to foster a federal, democratic, inclusive and resilient Nepal. The Country Strategy has to address two major contemporary challenges: it supports "building back better and greener" after the Covid-19 pandemic and institutionalisation of federalism, its implications for local governance, and capacity development of local authorities. The federalisation provides a historic opportunity to promote inclusive development and democratic accountability: a peaceful implementation of the federalisation contributes to the transformative change towards a prosperous federal Nepal, in which women and groups in vulnerable positions¹ are adequately empowered and represented, and where social and economic progress continues in an environmentally sustainable way. Finland supports Nepal in this critical stage of transition into a stable, equitable and economically viable democracy.

During the Country Strategy Period Finland is focusing on supporting Nepal's democracy and the economic growth needed to eliminate extreme poverty, build resilience and lift the country out of its Least Developed Country (LDC) status. Finland's strategic goals for the Country Strategy Period 2021-2024 are:

¹In the Nepalese context, groups in vulnerable positions include members of disadvantaged caste (Dalits) and ethnic groups (Janajatis), religious minorities (particularly Muslims), minority language speakers, low income households, people living in remote, difficult to access areas, those without legal registration as citizens and people with disabilities.

1. To reduce inequalities by addressing the connections between gender, disability and discrimination and other forms of exclusion and marginalisation.
2. To support sustainable development and climate and disaster resilience in the areas of education, water, sanitation and hygiene (WASH), livelihood development and gender equality.
3. To diversify and further enhance political and economic cooperation between Nepal and Finland to prepare for Nepal's future transition to a middle-income country.

In view of Nepal's envisaged transition to a middle-income country, there is a need to diversify and deepen political and economic cooperation between Nepal and Finland towards a mutually beneficial and more comprehensive partnership. In addition to the bilateral development cooperation programmes, existing tools and financing mechanisms for public, private and third sector will be promoted and used in an effective and concise manner. Advocacy work and policy dialogue is an important part of Finland's engagement with Nepal and its efforts to support the Government of Nepal in achieving sustainable results. Under the Team Europe Green Recovery Alliance for Nepal, Finland is in an early stage of creating joint programmes and implementation modalities with the EU and its Member States. Finland also engages in policy dialogue as part of the larger donor community in Kathmandu: the EU Heads of Missions and Heads of Cooperation groups, the International Development Partners Group and Civil Society Organisations.

1 COUNTRY CONTEXT

In the past two decades, Nepal has undergone dramatic political change, transforming from an absolute monarchy to a federal democratic republic and successfully maintained peace after the violent internal conflict that ended in 2006. However, since the early 1990s political instability and short-lived governments have been a significant character of the Nepali politics. The new Constitution adopted in September 2015 envisaged substantial changes to Nepal's system of governance: the country was restructured from five regions to seven provinces, within which 753 newly created local jurisdictions are governed by locally elected officials. Three rounds of local elections were completed in 2017, wherein election quotas helped to bring 14,833 women (40.4%) into public decision-making positions, of which 6,743 are Dalit women. This was the first local election in two decades, and thus the lack of prior experience in local governance across all newly elected officials is a significant challenge - and opportunity - in democracy building. Next parliamentary elections are due in 2022, but could be organised already earlier due to political turmoil.

Nepal is a highly diverse society that includes around 125 recognised ethnic and caste groups and over 100 spoken languages. The traditional caste system created many inherent patterns of discrimination that are embedded in social norms, customs and practices. Discrimination concerns especially persons with disabilities who may face intersectional discrimination on multiple grounds at the same time: Women and girls with disabilities, including with intellectual or psychosocial disabilities, and persons with disabilities from ethnic, Dalit, Madhesi and Muslim communities. The hilly and mountainous terrain makes many remote areas nearly inaccessible. As a result, poverty and exclusion have a distinct geographical and ethnic dimension. Among others, the rights to education, water and sanitation are not fully realised.

Nepal has become one of the fastest urbanising countries in the world.² The proportion of people living in cities is projected to double by 2050,³ concentrating in market and border towns. This societal change will open up new opportunities for better skilled youth in a growing urban service economy and creates more linkages between urban and rural areas. Unplanned urban growth often creates also new type of development, health and socio-economic challenges, and may result in insufficient capacity of basic services. Nepal's current demographic structure is young with 40 per

² Urban population (% of total) in Nepal was reported at 19.74 % in 2018, according to the World Bank collection of development indicators, compiled from officially recognized sources. Nepal - Urban population (% of total) - actual values, historical data, forecasts and projections were sourced from the [World Bank](https://tradingeconomics.com/nepal/urban-population-percent-of-total-wb-data.html) on March of 2020.

³ <https://population.un.org/wup/Country-Profiles/>

cent of the population under the age of 18 years in 2016. However, the trend of Nepal's demographic changes shows that Nepali society is going to age very rapidly. Nepal is going to transition from being an ageing society to an aged society within 26 years between 2028 and 2054.⁴

Nepal has achieved an impressive decline in absolute poverty over the past decades. The poverty rate fell from 41.8 per cent of the population in 1996 to 25.2 per cent in 2011, even with a significant increase in the national poverty line.⁵ The poverty rate was an estimated 18.7 per cent in fiscal year 2018.⁶ The UNDP's Human Development Index (2019) ranks Nepal 147th among 189 countries, and the country has shown a consistently improving trend in its overall index score. Additionally, Nepal has steadily progressed in many areas including education, health, and water supply and sanitation.⁷ In 2018, the youth literacy rate (15-24 years) was 92 per cent. At the same time for men 15 years and older, the literacy level was 79 per cent while for women it was 60 per cent.⁸ In spite of a decreasing poverty level, 36 per cent of children suffer from chronic undernutrition, which has a detrimental effect on their health and cognitive development. The basic water supply coverage is 91 per cent, so still a part of the population is not served yet.⁹

Inequalities differ significantly between gender and social groups, rural versus urban areas, ecological belts, and provinces. Wage inequality between sexes for equal work remains high,¹⁰ and the high rates of male out-migration has "feminised" Nepal's agriculture—57.5 per cent of Nepali women are engaged in agriculture-related occupations.¹¹ Although significant legal reforms have been adopted, discrimination

⁴ National Planning Commission, *Demographic Changes of Nepal: Trends and policy implications*, Kathmandu, Nepal, Government of Nepal, 2017.

⁵ Government of Nepal, Central Bureau of Statistics. 2012. *Poverty in Nepal 2010/11*. Kathmandu; and Government of Nepal, Central Bureau of Statistics. 2005. *Poverty Trends in Nepal (1995–96 and 2003–04)*. Kathmandu. The national poverty line was increased from NRs7,696 per capita per year in 2004 to NRs19,261 in 2011.

⁶ Government of Nepal, National Planning Commission. 2019. *Fifteenth Plan (FY2020–FY2024): Approach Paper*. Kathmandu (in Nepali). The actual rate will be available after the new National Living Standard Survey is completed in 2020. The last survey was completed in 2011.

⁷ https://www.npc.gov.np/images/category/MDG-Status-Report-2016_.pdf

⁸ <https://data.worldbank.org/indicator/SE.ADT.1524.LT.ZS>

⁹ Ministry of Water Supply, Government of Nepal, Quarterly report 2076-77, <https://mows.gov.np/983/>

¹⁰ Government of Nepal, Central Bureau of Statistics (2016) *Annual Household Survey 2014/15 (Major Findings)*, available at: <http://cbs.gov.np/image/data/2016/Annual%20Household%20Survey%20Report%202014-15.pdf>,.

¹¹ Government of Nepal. 2019. Nepal Labour Force Survey 2017/18. Central Bureau of Statistics and ILO. Available here: https://cbs.gov.np/wp-content/uploads/2019/04/NLFS-III_Final-Report.pdf

against women and some social groups remains a barrier to their empowerment.¹² Some of these groups, such as the Dalits, Madhesis, Muslims, and indigenous Janajatis, experience multiple levels of exclusion based on income, gender, caste, ethnicity, and location. Exclusion of persons with disabilities in all sectors is widespread. Especially women with disabilities are being excluded from decision-making processes. There is also reportedly a high number of cases of sexual violence and abuse of women and girls, including cases of gang rape of women and girls with disabilities. Due to harmful social norms, dignified menstruation is not possible for all girls and women, especially the girls and women with disabilities are in the vulnerable position in this regard. Systematic data and information about social, economic and political participation and status of persons with disabilities, including women with disabilities is lacking.

Nepal is categorised in OECD/DAC ODA recipient country listing in the group of least developed countries.¹³ It is categorised as a low-income country, with a gross national income per capita of 1,036.5 USD¹⁴ in 2019, placing it among the 30 poorest countries in the world.¹⁵ Nevertheless, Nepal has set the goal of graduating from Least Development Country (LDC) status by 2022 to become middle-income country and to achieve the Sustainable Development Goals by 2030.¹⁶ The Covid-19 pandemic has caused abrupt halts in economic activities and has widespread socio-economic impacts that will affect Nepal's growth strategy beyond the pandemic. Increased barriers to the movement of goods and people are likely to alter trade and tourism and limit outmigration possibilities. The economic crisis has resulted in job losses particularly for workers in the informal and gig economy who have little or no access to safety nets, accelerating inequality and poverty. Furthermore, the Covid-19 pandemic has direct negative impact on children's access to schooling and learning. This threatens to lead to a learning loss, increasing dropout rates and exacerbating inequalities especially for the most vulnerable students, deepening long-run costs on human capital and well-being. Economic growth slowed to 0.2 percent in fiscal year 2020¹⁷, reflecting lower revenues, trade and tourism, and broader disruptions caused by the corona outbreak. The crisis threatens to push back the progress made on

¹² <https://www.adb.org/documents/nepal-country-partnership-strategy-2020-2024>

¹³ <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2020-flows.pdf>

¹⁴ Preliminary estimates of GDP by the Central Bureau of Statistics <https://cbs.gov.np/>

¹⁵ <https://unctad.org/en/Pages/ALDC/Least%20Developed%20Countries/UN-list-of-Least-Developed-Countries.aspx>

¹⁶ <https://www.un.org/development/desa/dpad/least-developed-country-category-nepal.html>

¹⁷ <https://www.worldbank.org/en/country/nepal/overview>

poverty reduction and gender equality. It may exacerbate the feminisation of poverty, vulnerability to violence, and women's equal participation in the labour force.

Nepal is prone to natural hazards and the resultant socio-economic losses. The country ranks 4th in terms of climate risk according to the Global Climate Risk Index, which assesses the impacts of meteorological events in relation to economic losses and human fatalities. Also, the country ranks 11th in terms of global risk for earthquake occurrence and impact. The country is in the top 20 of all the multi-hazard countries in the world.¹⁸ Nepal has shown constant improvement in the Fragile State Index and is no longer listed as Fragile State in 2020, although still ranks as a High Warning Country.¹⁹

The economy depends heavily on informal services and relies on remittances from migrant workers. Remittances amount to as much as 28.6²⁰ per cent of GDP in 2018, making Nepal the 19th biggest beneficiary of funds sent by migrants around the world and as a share of gross domestic product for 2019, ranking it amongst the top five economies.²¹ While Nepal has made some improvements in the Doing Business Index recently, a lot remains to be done in order to improve the regulatory environment for the private sector and FDIs, to promote decent work, business and human rights, to fight against corruption and to make Nepal's business environment more conducive in general. Nepal has a high potential of power generation, high-value agriculture and agro-processing, textile and garment industries and tourism.

Nepal has set the country-specific SDG-related targets, mainstreamed the 2030 Agenda into national plans and policies as well as aligned both the 14th and 15th periodic plans and national budgets with the SDGs.²² The 15th plan²³ is the first periodic plan which is implemented by the federal government with the view to materialise Nepal's vision: Prosperous Nepal, Happy Nepali. The 2019 International Development Cooperation Policy outlines seven priority areas for development cooperation support: i) physical infrastructure, ii) education, health, drinking water and sanitation, iii) enhancement of national production and productivity, iv) employment generation and poverty alleviation, v) development of science and technology transfer, vi) environmental protection and climate change and vii) disaster

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https://reliefweb.int/sites/reliefweb.int/files/resources/68230_6nepaldrmstatusreport.pdf

¹⁹ <https://fragilestatesindex.org/2019/04/10/fragile-states-index-2019-released-venezuela-and-brazil-most-worsened-countries-in-2019/>

²⁰ <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=NP>

²¹ <https://www.knomad.org/publication/migration-and-remittance-data-update-remittances-low-and-middle-income-countries-track>

²² <https://sustainabledevelopment.un.org/content/documents/25314nepal.pdf>

²³ Nepali fiscal years 2019/2020 – 2023-2024

management.²⁴ Achieving the SDGs requires a steady and job-creating economic growth, enhancement of the quality of social service provisioning and ensuring an adequate investment rate. Progress is also prone to a number of external and internal risks such as global economic recession, decline of remittances, pandemics, internal political instability and natural disasters (a major earthquake in particular).

Furthermore, aligning the SDGs into the provincial and local level planning and budgeting systems will be a challenge. The existing statistical system is marred with various problems. The major data challenges pertain to disaggregation (by sex, age, ethnicity, disability, location, administrative units of the state, income or wealth), standardisation definition, unit of measurement, method of computation and open source. Nepal's SDG baseline report has 425 indicators to monitor the 169 targets, but data for not more than 250 indicators are regularly or intermittently available. Data for some other 50 indicators are partially available and that for more than 100 indicators are not available at all.²⁵

Climate change is modifying the weather and ecology of high mountains and glaciers. The Arctic and the Himalayas face similar threats and require local and global measures. Improving resilience and empowering marginalised people to address vulnerabilities is a challenge. Still, the country's diverse topography and altitudinal variation give an opportunity to adjustment of agricultural practices, processes and capital investments in response to observed and/or expected climate change threats. There is an opportunity to introduce better agricultural technologies, including introduction of drought-tolerant (water-stress) crops that perform well in Nepal with low external inputs. Other potential areas to adapt to climate change are water resource management, weather and climate services, designing and developing smart cities and smart agriculture, as well as creating new job opportunities through technology and product diversification.

In the regional and global context, Nepal maintains a non-aligned stance. It is sandwiched between two giant neighbours, India and China. As Nepal's traditional partner politically and economically has been India, China's footprint is increasing as the country seeks to take advantage of the Belt and Road Initiative in order to increase trade and the economy and to break out of its landlocked status. The signing of the protocol to implement the Transit and Transport Agreement with China will enable Nepal to use China's seaports and improve regional connectivity and transit.

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https://mof.gov.np/uploads/document/file/full_dcr_1718_20190116085612_20190724054335.pdf

²⁵ [https://www.npc.gov.np/images/category/SDGs_Baseline_Report_final_29_June-1\(1\).pdf](https://www.npc.gov.np/images/category/SDGs_Baseline_Report_final_29_June-1(1).pdf)

Nepal is looking for increased international connectivity within South Asia and into Europe through construction of two new international airports. Nepal is the current Chair of SAARC (South Asian Association for Regional Cooperation) and is hosting its Secretariat. Nepal is keen to reinvigorate SAARC. Nepal is also a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which started in 1997. Its emphasis is on enhancing connectivity and strengthening BIMSTEC institutions, as well as streamlining cooperation—namely connectivity, trade and investment.

From the EU Member States only Finland, France and Germany are present in Nepal in addition to the EU Delegation.²⁶The EU is, however, the largest bilateral provider of development assistance to Nepal. Together with Norway, Switzerland and the United Kingdom, the countries form the EU++ group. The United States is also one of Nepal's biggest providers of development assistance. The UK has had diplomatic relations with Nepal since 1816 and has signed a number of agreements over the years, on both cooperation and the recruitment of Nepali personnel into the British Gurkha regiment, which still constitutes a very important part of the British Army.

²⁶ Denmark closed its Embassy in 2017 and phased down its development support from Nepal.

2 FINLAND'S RELATIONS WITH COUNTRY NEPAL

Finland's cooperation with Nepal is long-standing and built on mutual respect. Diplomatic relations between Nepal and Finland were established in 1974, and bilateral development cooperation started in 1983. The Finnish Embassy in Kathmandu was opened in 1992, and since 2001, Nepal has been one of Finland's long-term development cooperation partner countries. Finnish development cooperation focuses on long-term partnerships, since several years are needed to achieve sustainable development impacts. Nepal, although progressing, is still grouped among the least developed countries (LDCs) and therefore, Finland remains committed to supporting its development.

Finland's cooperation is based on Nepal's own development plans and goals and is conducted in constant dialogue with Nepal. Years of cooperation have resulted in strong bilateral relations as well as friendships between the civil societies and citizens of the two countries. Finland has long maintained close political relations with the Government of Nepal (GoN) based on regular contacts, close communication and joint problem solving. Due to its long-term, consistent and effective development cooperation in Nepal, Finland has earned a reputation as a reliable and supportive development partner. The relative scarcity of bilateral donors in Nepal has allowed Finland to secure a visible space for its cooperation with the GoN, particularly in the sectors of education and water. Because of its neutral position, Finland has also been able to constructively engage in areas such as human rights, rule of law, gender equality and social inclusion. Against this background, Finland still has a meaningful role to play as a long-term partner country supporting Nepal's post-conflict transition, progress towards achieving the SDGs and the envisioned graduation from the LDC status.

In 2019, Nepal and Finland signed a Memorandum of Understanding between the two governments on Bilateral Consultation Mechanism. This will start regular political consultations in connection with the biannual country consultations to review bilateral relations and identify new areas of cooperation between the two countries.

Finland operates as part of the EU and the larger International Development Partners Group in Kathmandu. The shared political objective for the EU and its member states is to support the stability in the region. The EU member states are keen to see Nepal maintain its commitment to Human Rights and democratic freedoms as well as good governance and rule of law, all of which will contribute to increased potential for trade and investment. Finland continues to engage in the EU multiannual programming by

monitoring the implementation of the integration of gender equality, targeted gender programmes and the EU Gender Action Plan as well as sustainable climate actions. Finland has signed a delegated agreement with the EU to support water resources management, sanitation and hygiene and rural development in Nepal. Finland also works through International Development Partners Group and relevant multilateral organisations to provide added value and have wider impacts, especially on chosen priority areas.

Though trade volumes between Nepal and Finland are modest, there is an increasing interest from the companies to create economic linkages between the two countries. Agreement between Nepal and Finland on Promotion and Protection of Investment was signed in 2009. Finland, as a part of the EU, will continue to advocate for economic reforms and the creation of a business-friendly and transparent environment. In 2020, Finnfund, a development financier partially funded by the State of Finland, has investments of 3, 96 million euros in Nepal. The business partnership programme Finnpartnership has granted 360,000 euros to nine projects in Nepal between 2018-2020. Finland has also invested through IFC Climate Fund 10,7 million euros in hydro sector in Nepal. Finland aims to put development policy based financing instruments into use to help Finnish companies establish business links in areas where they have comparative advantage. These include sectors in which Finland is currently active as a development cooperation partner—education and water, sanitation and hygiene (WASH)—and other areas Finland has expertise in, such as energy, meteorology, ICT and urban planning and services. Furthermore, Finnish technological solutions promoting the transition to low emissions, and—in the long-run—to carbon neutral and climate resilient societies, as well as finding positive climate, environmental and circular economy solutions are actively sought.

The Finnish civil society plays an important role in both service delivery and support to advocacy for a democratic, inclusive and transparent society. Finnish civil society organisations (CSOs) and foundations have long-standing relations with their local partner organisations in implementing development projects. CSO cooperation and dialogue are vital for reaching development objectives. Majority of the work done by the CSOs is concerned with improving education, health, rights of persons with disabilities, food security, as well as developing livelihoods and capacity in various sectors.

Additionally, Finland supports developing the capacity of Nepali and Finnish Higher Education Institutions through the Higher Education Institutions Cooperation Instrument (HEI ICI) projects and strengthening the skills and knowledge of state actors through the Institutional Cooperation Instrument (ICI) projects. The number of Nepali students in Finland is increasing steadily.

3 FINLAND'S STRATEGIC GOALS

In line with the Nepal's national development plans and the Agenda 2030 principle of "leave no one behind," Finland remains committed to supporting the transition and development of Federal Nepal. Implementing the shift to federalism in Nepal is a long-term and ambitious task that only a few low-income countries around the world have attempted. It is especially challenging in Nepal where the administrative capacities of provincial and local governments to deliver and manage services are yet to be developed, and where the federal government has little experience with managing an intergovernmental system.²⁷

The overarching goal of the Finland's Country Strategy for Nepal is to foster a democratic, inclusive and resilient Nepal. The federalisation provides a historic opportunity to promote inclusive development and democratic accountability: a peaceful implementation of the federalisation contributes to the transformative change towards a prosperous federal Nepal, in which women and discriminated groups are adequately empowered and represented, and where social and economic progress continues to grow environmentally sustainable way. Finland supports Nepal in this critical stage of transition into a stable, equitable and economically viable democracy.

Finland's engagement in Nepal is aligned with the Agenda 2030 vision of sustainable development. Under the Agenda, Finnish development policy will have a special focus on the priority areas enshrined in the Finnish Government Programme: enhancing the rights and status of women and girls; democracy and well-functioning societies; high-quality education and training; jobs and strengthening the economic base; mitigating climate change and adapting to it; food security; water; renewable energy; and sustainable use of natural resources, including afforestation.²⁸

Together with the Government of Nepal, Finland is focusing on supporting Nepal's democracy and the economic growth needed to eliminate extreme poverty, build resilience and lift the country out of its Least Developed Country status. Finland's strategic goals for the Country Strategy Period 2021-2024 are:

1. To reduce inequalities by addressing the connections between gender, disability and discrimination and other forms of exclusion and marginalisation.

²⁷ Nepal: Capacity needs assessment for the transition to federalism. International Center for Public Policy in the Andrew Young School of Policy Studies at Georgia University. 2019.

²⁸ <http://urn.fi/URN:ISBN:978-952-287-811-3>

2. To support sustainable development and climate and disaster resilience in the areas of education, water, sanitation and hygiene (WASH), livelihood development and gender equality.
3. To diversify and further enhance political and economic cooperation between Nepal and Finland to prepare for Nepal's future transition to a middle income country

An active dialogue with the Government of Nepal is needed in order to support the strategic goals as well as to accommodate all interventions in the context of federalism.

3.1 Reducing inequalities

Finland will promote human rights, rule of law, democracy, peace, freedom, tolerance and equality through all its activities in Nepal. Finland emphasizes promotion and strengthening of the implementation and supervision of international human rights agreements, including the Convention on the Elimination of All Forms of Discrimination against Women. Finland plays an active role within the European Union and in multilateral cooperation. Finland stresses the importance of the international law and rules-based order. Finland will work actively towards strengthening the position of the UN and its ability to operate effectively and towards the implementation of the Sustainable Development Goals of the 2030 Agenda.

Finland systematically promotes gender equality and the full materialisation of girls' and women's rights by aiming to reach the EU's target of gender-targeted and mainstreamed actions across 85 per cent in all its new programmes in Nepal. In all its programming, Finland continues working in the area of non-discrimination and increases understanding of the intersectionality between gender and persons with disabilities and other groups in a vulnerable position in Nepal.

Reducing gender and disability based discrimination and disparities in terms of access, participation and learning outcomes in the basic education, as well as increasing decision-making and use of natural resources in water sector remains Finland's focus area. Finland will work closely with multiple stakeholders to deliver skills development programmes and to strengthen national systems to expand their reach. We support skills interventions that enhance lifelong learning, employability, entrepreneurship and personal capacity building in Nepal.

Strengthening equality, inclusion and non-discrimination and promoting social inclusion diminishes the risk of tension and conflict in society. Supporting the rights of

the most marginalised groups in Nepali society remains a cornerstone of Finland's engagement and policy dialogue in Nepal also in this strategy period. Finland will maintain the focus through:

- Targeted interventions supporting gender equality, intersectionality between gender and disability and the rights of groups in vulnerable positions and situations.
- Incorporating gender equality and non-discrimination, with a focus on disability inclusion, as integral parts of interventions in education, peace and security, skills development, and water, sanitation and hygiene. The theme and goal is also incorporated into policy dialogue at all levels.

3.2 Building resilience and sustainable development

Finland seeks to increase the resilience and sustainable development of the Nepali society that is facing various types of uncertainties and risks. Aligned with the 2030 Agenda for Sustainable Development, Finland supports environmentally, economically and socially sustainable development of Nepal through its different interventions. Finland aims to support climate and disaster resilience in Nepal by addressing different causes of vulnerabilities and enhancing the capacities of people and institutions to respond to various challenges. Especially, in the context of changing climate, a fragile environment, a high risk of natural calamities, a high rate of poverty and a low level of development and progressing federalisation, Finland seeks to support Nepal to find short and long-term solutions to Disaster Risk Reduction and sustainable development outcomes.

Finland's development cooperation is based on Nepal's national development plans and supports Nepal in achieving the Sustainable Development Goals and targets. Finland seeks collaboration with the EU and other international players in order to avoid aid fragmentation and to maximise the impact and the complementary. In Nepal, Finland will support the achievement of SDGs mainly through enhancing the rights of women and girls, sustainable economies and decent work, education and peaceful democratic societies and climate and natural resources. Finland will maintain the focus through:

- Strengthening joint programming with the EU and other development partners
- Supporting Nepal's federalisation process and local government capacities through the sectoral engagement in education, water,

sanitation and hygiene (WASH), livelihood development and gender equality.

3.3 Diversifying and enhancing political and economic cooperation between Nepal and Finland

In view of Nepal's envisaged transition to a middle-income country, there is a need to diversify and deepen political and economic cooperation between Nepal and Finland towards a mutually beneficial and more comprehensive partnership. This calls for identifying common areas of interest in the international arena, enhancing bi-lateral relations through high-level visits, maximising the utilisation of the existing consultation mechanisms and people to people relations (incl. Nepali diaspora), as well as boosting trade and investments particularly in the areas identified in chapter two. Finland will support the market access of interested Finnish companies working with the Team Finland Network and seeks to increase private investments that promote environmentally, economically and socially sustainable development in Nepal in different key sectors. Information about Finnish expertise and know-how is promoted when possible. Increasing trade and investment, however, may face some challenges considering the low trade volumes at present, limited interest in Finland towards Nepal's market, and shortcomings in Nepal's business and Foreign Direct Investment environment. Existing tools and financing mechanisms for public, private and third sector will be promoted and used in an effective and concise manner.

Similarly, a strong and meaningful dialogue with the Government of Nepal (GoN) is needed in order to support achieving the strategic goals. Advocacy work and policy dialogue is an important part of Finland's engagement with Nepal and Finland strives to support the GoN in achieving sustainable results. As one of the few EU and Nordic countries present in Nepal, Finland is in a position to use its close relations with Nepal to engage in active dialogue around key policy issues. Finland conducts policy dialogue with the GoN bilaterally through regular contacts with relevant ministries and authorities. Newly established Bilateral Consultation Mechanism will start regular political consultations in connection with the biannual country consultations to review bilateral relations and provide a platform to identify new areas of cooperation between the two countries. Finland and Nepal have also agreed to arrange annual review meetings in Kathmandu regarding the implementation of Finland's country programme in Nepal. In addition, Finland engages in policy dialogue as part of the larger donor community in Kathmandu: the EU Heads of Missions group, the International

Development Partners Group, the Nepal Portfolio Performance Review and through multilateral cooperation.

- Finland is seeking innovative and multistakeholder approaches to build mutually beneficial and comprehensive partnerships
- Working together to pursue joint international interests such as the importance to maintain global rules based order and fight against climate change

4 IMPLEMENTATION AND MONITORING

The Nepal team in the Department of Asia and Americas of the Ministry for Foreign Affairs and the Embassy of Finland in Kathmandu is in charge of the implementation of the Country Strategy. This is done in close collaboration with Departments/Units in charge of different instruments and activities identified under each strategic objective. While the Nepal team is responsible for coordinating country level activities, other Departments/Units keep the Nepal team informed and involve them in discussions as well as activities relevant to the strategic goals. The Nepal team holds dialogues with relevant Departments/Units within MFA and with stakeholders outside the MFA that are either active or showing interest towards the country, including relevant multilateral organisations. Other stakeholders outside the MFA are encouraged to have dialogues with the Nepal team on the ways they can contribute to the strategic goals in each country.

Finland conducts policy dialogue with the Government of Nepal bilaterally through regular contacts with relevant ministries and authorities. Bilateral negotiations between the governments of Finland and Nepal have been held regularly and provide an excellent opportunity for comprehensive discussions on bilateral relations. In 2019, Nepal and Finland agreed on regular political consultations to review bilateral relations and to exchange views on regional and international issues of common interest. Finland and Nepal have also agreed to arrange annual review meetings in Kathmandu regarding the implementation of Finland's country programme. In addition, Finland engages in policy dialogue as part of the larger donor community in Kathmandu: the EU Heads of Missions and Heads of Cooperation groups, the International Development Partners Group and Civil Society Organisations. Finland's development partners in implementing programmes currently include the Asian Development Bank, Australia, the European Union, Germany, Japanese International Cooperation Agency, Norway, UNICEF, UN Women and the World Bank, in addition to the Government of Nepal.

The Nepal team as a whole provide analysis on the implementation of the strategy as part of their regular reporting. The implementation of the Country Strategy is reviewed in the annual discussions of the Ambassador. Possible updates are agreed based on the annual discussions with the leadership of the Regional Department.

Visibility and Communications

The guiding principle is transparent and effective communication of Finnish principles, goals, objectives, means, achievements and results. The reporting will utilise the national systems of Nepal as much as possible and Finland will also promote the national information management systems where possible.

In Nepal, the main stakeholders and target audience are the Nepalese people to whom the outcomes of the projects are the most relevant. Finland will promote mutual accountability through information sharing and sector dialogue with the Government of Nepal. Information about projects funded by Finland is circulated through the official websites, web platforms and social media accounts. Information is also disseminated through electronic newsletters, online articles and blog posts to inform stakeholder audiences about project results. Additionally, these projects may also organise public events such as conferences, workshops, seminars, training courses and exhibitions. In its communication, Finland will also consider gender sensitivity and disability inclusion, such as ensuring information in accessible formats.

In Finland, the main target audience of communication are the Finnish citizens, media, organisations, educational institutes and decision makers. Results of Finland's cooperation with Nepal are also part of results reporting of Finland's development policy to the Finnish Parliament, which is given every four years for accountability purposes. The Nepal team will set sector specific objectives for communication on annual basis and define the monthly themes together with the Department for Communication. In addition to the bilateral development cooperation, the communication can be used to achieve Finland's policy influencing targets, such as candidatures to the UN Security Council and the Human Rights Council.