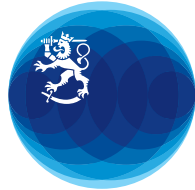


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# Country Programme for Development Cooperation

Nepal 2025–2028

Ministry for Foreign  
Affairs of Finland

Publications of the Ministry for Foreign Affairs of Finland 2026:2

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## Nepal 2025–2028

Ministry for Foreign Affairs of Finland

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**Abstract**

Finland's Country Programme for Development Cooperation in Nepal 2025–2028 is a tool for the implementation of Finnish foreign, security and development policy as well as for broadening economic relations with Nepal. The programme contributes to the achievement of Nepal's national strategic objective: A prosperous, inclusive and resilient Nepal through sustainable partnerships.

Finland's support will focus on three result areas: 1) Sustainable Economic Development and Partnerships, 2) Sustainable Natural Resource Management and Enhanced Climate Resilience, 3) Inclusive and Resilient Education System Ensuring Equal Opportunities for All. The programme is implemented through political dialogue, development cooperation instruments, coordination and collaboration with the EU and multilateral organisations, and support to the civil society. Economic relations will also be strengthened.

The programme builds on successful long-term cooperation in the areas of education and water, sanitation and livelihoods. It extends support to gender equality and, human rights and the rights of persons with disabilities. Digitalisation, market linkages and partnerships with Finnish expertise, as well as public and private sector cooperation are also essential objectives.

Flexibility and robust risk management will support the effective implementation of the programme in Nepal's context.

**Keywords** development cooperation, development policy, country programme, economic relations, Agenda 2030, Nepal

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## EXECUTIVE SUMMARY

Finland's Country Programme for Nepal reflects a long-standing and evolving partnership grounded in shared values of democracy, inclusion, multilateralism and the rules-based international order. The country programme supports Nepal's graduation from the Least Developed Country (LDC) category in 2026. Its strategic objective is a prosperous, inclusive and resilient Nepal through sustainable partnerships. Finland's development cooperation with Nepal emphasizes sustainable development, inclusive governance, and the promotion of human rights — especially the rights of disadvantaged groups, women, girls, and persons with disabilities.

The country programme continues Finland's effective engagement in education, water, sanitation and hygiene (WASH), and natural resource management, while expanding into urban development, digital transformation, and private sector collaboration. The programme promotes a comprehensive approach by engaging national, provincial, and local authorities, civil society, academia, and the private sector, and aligns with the EU and the Global Gateway and Team Europe Initiatives.

Finland's development cooperation in Nepal is implemented through bilateral and multilateral modalities, Finnish and international civil-society organisations and strategic instruments such as the institutional cooperation instrument, Public Sector Investment Facility (PIF) in the pipeline, Finnpartnership, Finnfund, and Finland-IFC Blended Finance for Climate Programme. These help to mobilize sustainable investments and promote Finnish expertise.

The programme supports inclusive economic development and partnerships by promoting private sector engagement, digital innovation, and urban service delivery. It strengthens climate-resilient WASH services and sustainable natural resources management, and contributes to inclusive education systems with a focus on teacher training, digital pedagogy, and school meals.

Expected key results include: Expanded partnerships between Finnish and Nepalese private sectors, a better business environment and responsible investment; Strengthened urban services and digital infrastructure in sectors like water, sanitation, waste management and education; Sustainable natural resources

management and enhanced climate resilience; Increased participation of women and disadvantaged groups in governance and economic activities; Improved access to inclusive and quality education, especially for disadvantaged groups.

Through this integrated and forward-looking approach, Finland's Country Programme supports Nepal's development priorities while advancing Finland's strategic interests in advancing sustainable development, linking development and trade, and global cooperation in line with the Government Report on International Economic Relations and Development Cooperation (2024) and the Government Report on Finnish Foreign and Security Policy (2024).

# 1 Country context and Finland's interests and objectives

Nepal has been experiencing political uncertainty. Youth-led protests in September 2025 amplified public demand for transparency, accountability, and democratic reform. Finland supports Nepal's aspirations for development and reform, including through inclusive governance, and continues to engage through policy dialogue and development cooperation. The parliamentary elections were in March 2026.

Nepal is undergoing a period of transition, with steady development progress and its anticipated graduation from the Least Developed Country category in 2026. While human development indicators have shown notable improvement, challenges remain in access to safe drinking water, literacy disparities across gender and geography, and social inclusion. Also Nepal's national income and Gross National Income (GNI) per capita remains below the threshold for graduation from the Least Developed Country (LDC) category.

Economic growth has been modest, but sectors like agriculture, energy, tourism, information technology (IT) and infrastructure drive expansion. The private sector is gradually growing. Despite political uncertainty and challenges in infrastructure, regulation, and access to finance, the investment climate is expected to gradually improve. At the same time concerns around financial governance and compliance continue to affect investors' confidence.

Urbanization and male out-migration are reshaping Nepal's demographic and economic landscape. Labour migration remains a key livelihood strategy, while cities face pressure on infrastructure, services, and natural resources. Climate change further intensifies vulnerabilities through shifting weather patterns and ecosystem stress. These interconnected challenges call for integrated resilience strategies, including nature-based solutions, water management, climate-smart agriculture, and innovative urban development.

Nepal's rich cultural diversity is accompanied by persistent social inequalities. Disadvantaged communities – including Dalits, Madhesis, Janajatis, Muslims, and persons with disabilities – face multiple layers of exclusion. In education, quality remains a concern. Many schools lack inclusive teaching methods, good infrastructure, mentoring and professional development.

Finland's partnership with Nepal is guided by the Government Report on International Economic Relations and Development Cooperation. The report strongly emphasizes connecting Finnish expertise to solving global development challenges and opening doors for Finnish companies in emerging markets. Therefore the partnership with Nepal is also evolving toward more diversified collaboration across commercial, institutional and academic domains. Finnish expertise provides solutions in digital education, teacher training, women's civic engagement, and sustainable natural resource management. The integrated approach supports clean transitions, strengthens governance, and promotes inclusive services aligned with Nepal's national development priorities and the Sustainable Development Goals.

## 2 Development policy and cooperation: Objectives and means at the country level

Global development cooperation is undergoing a significant transformation, driven by reductions in traditional donor funding and evolving new priorities. For countries like Nepal, which have historically benefited from external assistance, this shift underscores the need to diversify funding sources, strengthen domestic capacities, and build resilient partnerships.

Finland's Nepal Country Programme (2025–2028), aligned with the *Report on International Economic Relations and Development Cooperation and the Government Report on Finnish Foreign and Security Policy*, reflects this changing landscape. Its strategic objective is a prosperous, inclusive and resilient Nepal through sustainable partnerships. While continuing its support to inclusive education, sustainable natural resource management and climate resilience, and water, sanitation and hygiene (WASH), Finland is placing greater emphasis on urban-rural connectivity, green growth, and private sector engagement through strategic partnerships.

**Finland operates within the EU framework** and also the broader International Development Partners Group in Nepal. Among EU Member States, only Finland, France, and Germany maintain the presence in Nepal, with Finland and Germany actively implementing development cooperation projects. The partnership with the EU Delegation is central to Finland's engagement, with delegated agreements in education, WASH and sustainable natural resources management. This collaboration in Nepal is expected to deepen under the Global Gateway and Team Europe Initiatives, leveraging more broadly the Finnish institutions and funding instruments beyond the bilateral instrument in the future.

Finland's **bilateral development cooperation** with Nepal has a long and successful history, and has contributed significantly to improving access to clean water for over two million people, increasing literacy rates, and promoting gender equality and social inclusion. It builds on a long tradition of effective collaboration and mutual trust. The bilateral projects as well as **Institutional Cooperation**

**Instrument (ICI)** projects implemented in close partnership with the Government of Nepal focus on areas where Finnish expertise adds significant value – such as education, water and sanitation, climate resilience (including meteorological cooperation), and governance.

Finland supports developing the capacity of Nepali and Finnish Higher Education Institutions through the **Higher Education Institutions Cooperation Instrument (HEI ICI)** projects. Designed to support Nepal's national development priorities, the initiatives emphasize institutional strengthening, gender equality, inclusive service delivery, and sustainability. Finnish expertise is actively applied, ensuring high-quality implementation and long-term impact.

These cooperation models reflect Finland's commitment to results-oriented development and reinforces its role as a trusted and capable partner in Nepal's progress toward the Sustainable Development Goals. This cooperation is widely recognized for its consistency, effectiveness, and alignment with Nepal's own development priorities. It is based on joint ownership, mutual respect, and continuous dialogue with the Government of Nepal.

Finland's development cooperation in Nepal is strengthened through **strategic partnerships with key multilateral organisations**, particularly UN agencies. These collaborations are not only complementary to Finland's bilateral efforts but also amplify its impact across priority sectors. Finland works closely with UNICEF, UN Women, UNOPS and UNDP, aligning with their mandates to promote inclusive education, gender equality, child protection, and resilient infrastructure.

**Finnish civil society organizations (CSOs)** with often long-standing partnerships with local counterparts play a vital role in advancing development objectives in Nepal where they have more than 50 projects at the moment. These CSOs contribute to service delivery and advocacy in areas such as human rights, including rights of children and persons with disability, education, health, climate resilience, and livelihoods. Their work complements Finland's country programme and strengthens democratic participation, inclusion, and transparency. Finland maintains an active dialogue with CSOs to ensure alignment with national priorities and the Sustainable Development Goals (SDGs).

Finland is strategically utilizing the **Public Sector Investment Facility (PIF)**, which is currently being prepared in Nepal, to bridge development cooperation and private sector engagement. PIF enables concessional financing for public sector projects that align with Nepal's national priorities and Finnish expertise. In Nepal, the instrument is currently planned for urban water supply and solid waste

management – critical sectors for sustainable urbanization and public health. These projects reflect Finland’s commitment to expanding its engagement beyond grant-based aid and fostering long-term partnerships that combine technical cooperation with economic relevance. In addition, Finland’s development policy investments have played a key role in supporting Nepal towards greater energy sustainability. Through the Finland-IFC Blended Finance for Climate Programme, Finland invests in hydropower in Nepal that will cover a major share of the Energy demands in Nepal in the coming years.

As Nepal approaches its graduation from Least Developed Country (LDC) status, Finland is committed to deepening political and economic cooperation. This includes **supporting Finnish Small and Medium-Size Enterprises (SMEs) through the Team Finland Network**, advocating for a more conducive business environment, and promoting trade and investment opportunities. While challenges remain – such as limited market interest and regulatory barriers – Finland continues to explore innovative, multi-stakeholder approaches to build a comprehensive and forward-looking partnership with Nepal. The LDC graduation will also bring changes in our cooperation and in the transition period the future cooperation will be considered carefully.

### 3 Expected Results of the Country Programme

The strategic objective of Finland's Country Programme in Nepal is a prosperous, inclusive and resilient Nepal through sustainable partnerships. It is guided by a Human Rights-Based Approach (HRBA) and the systematic integration of cross-cutting objectives — gender equality, non-discrimination with an emphasis on disability inclusion, climate resilience, low emission development, and protection of the environment with an emphasis on safeguarding biodiversity. These principles are applied across all three impact areas to ensure inclusive, equitable, and sustainable development outcomes.

The three impact areas are:

1. Sustainable economic development and partnerships
2. Sustainable natural resources management and enhanced climate resilience
3. An inclusive and resilient education system ensuring equal opportunities for all

**A human rights-based approach** underpins Finland's Country Programme, emphasizing the roles of rights-holders and duty-bearers across all impact areas. In Impact Area 1, Finland strengthens the possibilities of women, youth, and returnee migrants by promoting equitable access to entrepreneurship, skills, and markets, while supporting cooperatives to ensure community accountability. Digitalization expands access for underserved groups, enhance transparency, and enable citizen feedback, reinforcing inclusive participation in the digital economy. In Impact Area 2, Finland works with municipalities to improve natural resources management, climate adaptation, disaster risk reduction and water supply services through participatory planning and stronger local governance, ensuring duty-bearers have the capacity to provide essential water supply and sanitation related services and can respond to the needs of disadvantaged communities. In Impact Area 3, Finland supports inclusive education by promoting teacher training that meets diverse learning needs. Across all impact areas, Finland fosters the leadership and

participation of women, persons with disabilities, and disadvantaged groups in decision-making, contributing to more equitable and rights-based development outcomes.

Finland's **cross-cutting objectives** – gender equality, non-discrimination with an emphasis on disability inclusion, climate resilience, low emission development, and protection of the environment with an emphasis on safeguarding biodiversity – are systematically mainstreamed across the Country Programme. Gender equality is promoted through targeted support to women's leadership, economic empowerment, and gender-responsive planning in both urban and rural contexts as well as through inclusive education initiatives that address gender disparities and promote equal learning opportunities.

Non-discrimination with an emphasis on disability inclusion is addressed by ensuring inclusive service delivery and equal opportunities for persons with disabilities, children and disadvantaged groups. Climate resilience is integrated into all natural resources management, water supply, sanitation, agriculture, and urban infrastructure projects through nature-based solutions, disaster preparedness, and capacity-building for local governments. Low emission development is supported by promoting clean energy technologies, circular economy practices, and digital innovations that reduce environmental and carbon footprints. Protection of the environment with an emphasis on safeguarding biodiversity is emphasized through sustainable natural resource management, biodiversity conservation, and landscape-based approaches to climate adaptation. These cross-cutting objectives reinforce Finland's commitment to inclusive, sustainable, and climate-smart development, and are reflected in both policy dialogue and practical implementation across all impact areas.

The Embassy supports all impact areas through active **policy dialogue** with national, provincial and local authorities, coordination with development partners, and facilitation of partnerships between Finnish and Nepali stakeholders. The Embassy plays a key role in facilitating these partnerships and promoting policy coherence across sectors and levels of government.

## IMPACT 1: Sustainable Economic Development and Partnerships

Nepal is undergoing a significant economic and social transformation, marked by its anticipated graduation from the Least Developed Country (LDC) category, urbanization, migration and current political uncertainty. These bring both opportunities and challenges for Nepal, for example in terms of strengthening domestic production and resource mobilisation, creating employment and fostering more diverse partnerships.

The overarching goal of Finland is to strengthen the **linkages between development and trade by leveraging Finnish expertise** in areas where Finland holds a comparative advantage – such as clean technology, digital transformation, and circular economy and increase partnerships between Finnish and Nepalese private sector, while contributing to Nepal's broader development goals. By leveraging Finnish expertise and fostering innovation, the cooperation supports the creation of sustainable livelihoods, resilient communities, and long-term economic partnerships and investments in sectors such as urban infrastructure, water supply, and solid waste management.

This impact area promotes a **dual-track approach**: strengthening Nepal's private sector and creating enabling conditions for future collaboration between Finnish and Nepalese businesses. The cooperation focuses on inclusive employment, entrepreneurship, and trade, with particular emphasis on creating opportunities for women and youth. It supports small and medium-sized enterprises (SMEs), encourages innovation, and promotes equitable access to markets and resources while leveraging Finnish expertise, instruments and networks to strengthen economic collaboration.

It offers a **range of instruments** to support the integration of trade and development objectives, including the pipeline projects under the Public Sector Investment Facility (PIF), Finnpartnership, Finnfund and the Team Finland network more broadly. Through these instruments Finnish companies can engage in development-oriented business in Nepal and contribute to improved service delivery and fostering long-term commercial partnerships. In addition, the bilateral and multi-bi cooperation can be utilized to promote Finnish expertise, building on Finland's longstanding legacy and decades of development cooperation with Nepal.

**Digitalization** is a key driver of transformation across sectors. Finland contributes to Nepal’s digital transition by supporting the integration of technology into education, governance, and service delivery. This includes capacity-building, knowledge exchange, and the development of digital tools that enhance transparency, efficiency, and responsiveness in both urban and rural contexts.

Finland supports efforts to improve urban services — such as water supply, waste management, and urban planning — through climate-smart and inclusive approaches. By aligning digital innovation with urban development priorities, the cooperation contributes to more resilient infrastructure and better connectivity between urban and rural areas.

To support Nepal’s efforts to improve its business environment and attract investment, the Finland plays a strategic role in promoting economic reforms alongside other development partners. Through policy dialogue with the Government of Nepal, Finland encourages transparency, regulatory improvements, and financial integrity. This is essential for addressing the challenges that Finnish private sector entities experience in Nepal and for increasing the currently modest trade volume between Finland and Nepal. As part of the Team Finland network, the Embassy supports Finnish companies by facilitating key connections, sharing market insights, and providing contextual knowledge about Nepal. It monitors Finnish investments and initiatives in the country, and helps link businesses with emerging opportunities.

## Outcome 1.1: Enhanced private sector development and partnerships

This outcome focuses on enhancing economic development and partnerships by promoting the engagement of the Finnish private sector in Nepal. Recognizing the challenges of direct market entry and investment for Finnish companies, the programme adopts a dual-track approach: strengthening the Nepali private sector while creating enabling conditions for future Finnish-Nepali business linkages.

**The bilateral projects with EU delegated funding** include strengthening the private sector development in Nepal through inclusive employment, trade, and partnerships, while leveraging Finnish expertise and peer learning for sustainable development. The Country Programme envisions sustainable and inclusive growth by empowering Nepalese enterprises: from producers of consumer goods like climate resilient production of coffee and herbal products, to intermediary goods

such as semi-processed spices and agroforestry products, to capital goods like cooperative-owned processing units. These interventions are aimed at reducing vulnerability to climate change and promoting resource-efficient practices linked to sustainable water management in particular. They also aim to contribute to employability by equipping youth, women, and returnee migrants with skills to develop small and medium-sized enterprises (SMEs) and contribute to the growth of green economy.

The Public Sector Investment Facility (PIF) enables co-financed investments in sectors where Finland has recognized strengths – particularly urban water supply and solid waste management. Through PIF, Finnish companies can collaborate with Nepalese public entities to deliver sustainable infrastructure solutions, while building long-term commercial partnerships. In parallel, Finnpartnership supports business-to-business (B2B) collaboration and trade facilitation. It has potential to enable **Nepalese small and medium-sized enterprises** SMEs – especially in handicrafts, tea, and coffee production – into access Finnish markets through product development, quality improvement, and marketing support. Furthermore, the growing Nepali diaspora in Finland and the alumni network present opportunities for emerging businesses and the strengthening of commercial ties between the two countries.

To support this vision, the Country programme invests in SME development, skills training, and entrepreneurship, targeting youth, women, and returnee migrants. It promotes inclusive business models and fosters innovation across sectors – from consumer goods to agroforestry and cooperative-led processing. Civil society organizations, including cooperatives and women’s groups, are engaged to ensure accountability and community-rooted development.

Finland also supports **women’s leadership and economic empowerment** by engaging with private sector networks and facilitating dialogue to promote gender-responsive business practices. This includes practical measures such as market-oriented skills training, business development services, seed funding, and enhanced access to markets. These interventions are complemented by investments in soft skills development, leadership, and negotiation training, ensuring that women are better positioned to thrive as entrepreneurs and leaders within the private sector.

Urban areas are important in creating **market linkages** for rural production. By improving access to urban markets, storage, and distribution systems, the programme helps to connect rural producers with urban consumers, enhances economic opportunities and reduces rural poverty. Collaboration with Nepali national financing institutions is being explored to support the development

of bankable urban infrastructure projects. These efforts may help municipalities improve project preparation and attract diverse forms of financing, while assessing the feasibility of public-private collaboration where appropriate.

The programme also fosters **partnerships with Finnish institutions**, agencies and consultants working through various modalities – including bilateral, multi-bi, and the Institutional Cooperation Instrument (ICI) cooperation. These collaborations not only strengthen Nepal’s development outcomes but also create valuable references for Finnish agencies in larger international initiatives. Finnish universities benefit from collaboration opportunities through the bilateral modality, contributing to knowledge exchange and innovation.

By strengthening Nepal’s private sector through climate-resilient value chains and cooperative-led models, the programme promotes inclusive growth and resource-efficient practices in rural areas. These efforts complement Finland’s support for sustainable urban services, creating synergies between resilient rural production and improved urban infrastructure. Together, these approaches contribute to systemic sustainability—linking livelihoods, markets, and services—and lay the groundwork for future partnerships in areas such as circular economy, water management, and digital innovation.

## Outcome 1.2: Improved digitalization and urban services

Urbanization in Nepal is placing increasing pressure on municipalities to deliver reliable, inclusive, sustainable and climate-resilient services. At the same time, Nepal’s growing demand for digital solutions presents a strategic opportunity to enhance the effectiveness and sustainability of these services. Finland supports Nepal’s efforts to strengthen **urban service delivery** – particularly in water supply, solid waste management and urban planning – while also offering its digital sector expertise to improve governance, service design, and capacity-building. By aligning digital innovation with urban development priorities, Finland contributes to more responsive, transparent, and efficient municipal systems. This dual engagement fosters inclusive participation, resilient infrastructure, and green growth, reinforcing the long-term partnership between Finland and Nepal across both urban and rural settings.

Nepal’s **education sector** is undergoing a transformation, with digitalization emerging as a key enabler of equitable access, quality improvement, and system modernization. Finland contributes to this shift by sharing its extensive experience in digital education reform, including the development of information

and communication technology (ICT) -based teacher training, digital learning environments, and data-driven education management systems. These efforts support provincial governments in building resilient and inclusive education systems that can reach remote communities and adapt to future challenges.

To enhance the functionality and sustainability of water services, Finland pilots **innovative digital solutions** in selected municipalities. These include the use of water sensors that are aligned to the national water, sanitation, and hygiene (N-WASH) system, enabling real-time monitoring of water infrastructure. By collecting and analyzing operational data, municipalities can more effectively track system performance, identify issues early, and plan maintenance interventions. This digital approach supports improved service reliability and contributes to the overall health and resilience of urban water systems. In parallel, Finland supports the strengthening of N-WASH's data governance and functionality, including the integration of groundwater quality, hydrogeological, and climate-resilient water safety data. This digital approach improves evidence-based decision-making, supports service reliability, and contributes to the overall resilience of Nepal's water systems.

Recognizing the shift in Nepal's development priorities, Finland is expanding its support from rural to urban water systems. This shift opens new avenues for collaboration with Finnish private sector actors, whose expertise in sustainable technologies and infrastructure solutions can contribute to improved service quality and operational efficiency in urban settings. Finland's development cooperation instruments are used to catalyze such partnerships, fostering innovation and investment in urban infrastructure.

**Urban services** are also a key entry point for promoting gender equality and inclusive governance. Finland supports initiatives that enhance the role of women in urban planning and decision-making, ensuring that public spaces and services respond to the needs of diverse communities. These efforts contribute to safer, more accessible cities and strengthen the social fabric of urban areas.

In addition, Finland promotes climate-smart approaches to urban development, supporting municipalities in adopting resilient infrastructure and service models. This includes technical assistance, capacity-building, and knowledge exchange to improve planning, implementation, and sustainability of urban services. By aligning with Nepal's urbanization strategy, Finland contributes to more livable cities and inclusive urban-rural connectivity.

## IMPACT 2: Sustainable natural resources management and enhanced climate resilience

Nepal's vulnerability to climate-induced disasters – such as floods, landslides, droughts, and water stress – is among the highest globally. These risks are compounded by rapid urbanization, environmental degradation, and persistent inequalities in access to basic services. Finland's support helps communities adopt integrated resilience strategies, *contributing to the Government of Nepal's Local Disaster Climate Resilience Framework*, including nature-based solutions, disaster preparedness, and inclusive service delivery. The country programme also strengthens local capacities for sustainable land and water management.

This impact area is implemented through a combination of bilateral programmes with EU delegated funding, institutional cooperation, policy dialogue, and the Public Sector Investment Facility (PIF) instrument. Technical assistance, by utilizing also Finnish expertise, is provided to strengthen the capacity of municipalities and cities to plan and implement climate adaptation measures, including integrated water resource management, climate-smart agriculture, and gender-responsive service delivery.

This impact area reflects Finland's strategic commitment to **climate action, gender equality, and inclusive governance in both rural and urban contexts**. It supports Nepal's transition toward a middle-income country by strengthening the capacity of local governments and communities to manage natural resources sustainably, deliver climate-resilient services, and promote inclusive urban development. The approach is grounded in a human rights-based framework and supports Nepal's federalisation process by reinforcing local governance and promoting the leadership of women, persons with disabilities, and disadvantaged groups.

Finland's support under this impact area is anchored in long-standing expertise in water, sanitation, and sustainable natural resource management, complemented by growing engagement in urban climate resilience and inclusive infrastructure. The Finnish interventions promote integrated water resource management, WASH, water supply, sanitation and hygiene, clean energy solutions, climate adaptation and resilience, nature-based solutions and disaster risk management. In urban settings, the initiatives contribute to gender-responsive planning and safe public spaces, linking urban development with climate resilience and social inclusion.

The PIF- instrument is introduced in Nepal with the aim to finance infrastructure projects in urban water supply and solid waste management, bridging development cooperation and private sector engagement. On a urban setting

Finland supports the drafting of bankable projects as part of supporting towns and cities in their infrastructure development. The bankable projects may provide opportunities for PIF linkages and Finnish expertise. This integrated approach ensures that both rural and urban communities benefit from resilient infrastructure, inclusive services, and sustainable economic opportunities.

Finland contributes to policy influencing in Nepal's **WASH sector through strategic engagement at federal and provincial levels**. It supports the government-led WASH Joint Sector Review (JSR), which promotes evidence-based decision-making and accountability, with Finland actively involved in shaping declarations and action plans like the 2023 National Citywide Inclusive Sanitation Conclave's focus on sustainability and inclusion. Finland engages with the Parliamentarian WASH Forum and the National Natural Resources and Finance Commission to promote equitable budgeting and fiscal transfers for WASH services. Collaboration with the Inter Party Women's Alliance and support to the Karnali Alliance on Dignified Menstruation Management through the bilateral projects reflect Finland's commitment to gender equality in WASH governance. At the provincial level, Finland backs the WASH Service Support Center in Karnali, established to strengthen and sustain WASH services across the province. These platforms help strengthen duty-bearers and amplify rights-holders' voices for inclusive and accountable WASH policies.

## Outcome 2.1: Integrated Water Management and WASH for All

This outcome focuses on improving equitable access to safely managed water, sanitation, and hygiene (WASH) services. It is envisioned, that with the development of the PIF-projects, this impact area will also be able to support urban contexts, with attention to climate resilience, disaster risk reduction, and inclusive service delivery.

The Country Program will strengthen **local governments' capacity to deliver inclusive and climate-resilient water and sanitation services**, with a focus on underserved communities, schools, and public institutions. It promotes the adoption of Climate Resilient Water Safety Plans and supports the construction of Multiple Water Use Systems (MUS) that provides benefits for different water uses through one system (eg. water supply and irrigation). MUS also contributes to circular economy through the reuse of waste water. These systems improve household wellbeing, reduce time poverty of particularly women, and enhance climate resilience.

WASH will be integrated into broader climate adaptation strategies, *that contributes to the Local Disaster Climate Resilience Framework of the Government of Nepal*. Greenhouse gas emissions will be reduced by promoting clean energy solutions such as improved cooking stoves and water lifting technologies, contributing to reduced emissions and improved health outcomes.

The programme promotes **sustainable sanitation** by supporting total sanitation approaches and maintaining Open Defecation Free status in communities. Efforts focus on improving access to safe and hygienic facilities, strengthening local systems for waste management, and driving behavior change to ensure long-term use and maintenance. This includes addressing harmful social norms and menstruation-related taboos, alongside promoting **dignified menstruation management** in schools and public spaces to ensure privacy, safety, and inclusion for girls and women. These interventions are integrated with WASH and climate resilience strategies, contributing to health, dignity, and gender equality.

**Finnish expertise** contributes to improving water safety, institutional capacity, and modernization of selected systems through advisory support and knowledge exchange. Activities may include digital tools for monitoring, approaches for reducing non-revenue water, and technical assistance for planning and service delivery, depending on evolving opportunities related to the PIF instrument. Support for wastewater management and groundwater monitoring is considered where it aligns with local priorities. Community participation remains central, with particular attention to strengthening the leadership and agency of women and disadvantaged groups.

## Outcome 2.2: Enhanced Use of Nature Based Solutions and Improved Disaster Risk Management Capacities

This outcome supports communities and local governments in strengthening their resilience to climate change and natural disasters through inclusive and sustainable practices. It addresses **both rural and urban contexts**, recognizing that climate risks – such as floods, landslides, droughts, and earthquakes – which affect livelihoods, infrastructure, and public safety across Nepal’s diverse landscapes. Finland’s support contributes to improved climate resilience through integrated approaches that combine nature-based solutions, inclusive planning, and climate-smart practices. Community-based early warning systems are promoted as part of these efforts, and similar initiatives are also implemented by civil society actors, reinforcing local preparedness and response capacities.

In rural areas, Finland promotes climate change adaptation and disaster risk reduction through a landscape-based approach that integrates **climate-smart agriculture, agroforestry, and water resource management** with ecosystem conservation and hazard mitigation. These interventions help communities to respond to increasing climate variability, reduce exposure to floods, landslides, and droughts, and strengthen climate resilience. Forests, watersheds, and agricultural landscapes are managed to enhance water security, stabilize slopes, and restore degraded ecosystems. Finland supports the implementation of nature-based solutions and green infrastructure such as embankments and slope protection works. Technical assistance is provided to strengthen institutional coordination, data-driven planning, and the integration of climate adaptation into local development strategies. Community-based early warning systems and inclusive planning processes ensure that adaptation and risk reduction measures are locally owned, equitable, and embedded in long-term development efforts.

In urban setting, Finland contributes to climate resilience by promoting the development of open spaces that serve as **emergency gathering points and water retention zones**. The initiative also supports inclusive, environmentally sustainable and climate resilient infrastructure.

## Outcome 2.3: Inclusive Governance and Systems Strengthening for Climate-Responsive and Equitable Service Delivery

This outcome focuses on strengthening inclusive governance systems and enabling conditions for sustainable, gender-equal, and climate-resilient development. It promotes rights-based policy development, gender-responsive budgeting, and strategic partnerships with academia, and Finnish institutions. The approach supports Nepal's federalisation process by enhancing the capacity of provincial and local governments to plan, implement, and monitor development interventions that reflect the needs of all segments of society.

The **bilateral modality with EU delegated funding** plays a central role in promoting inclusive governance. By working **through the local governments**, it is possible to develop and implement gender-responsive plans and budgets, with a focus on addressing discriminatory social norms and promoting inclusive participation. Through the WASH-units or the environmental-units in local governments, it is possible to support the municipal staff in participatory planning,

climate adaptation, and disaster risk reduction. Through the bilateral projects the leadership of women and disadvantaged groups in user groups is strengthened, ensuring that governance structures reflect the diversity of the population.

Inclusive governance is further supported through the dialogue, the promotion of transparency and accountability, and the integration of human rights principles into local planning and service delivery. The programme promotes **water user groups to ensure representation of women, persons with disabilities, and disadvantaged groups in leadership positions**. These efforts contribute to a more equitable and climate resilient society, where all people – regardless of gender, disability, caste, or ethnicity – can participate in and benefit from sustainable development.

To strengthen local climate governance, the programme supports the integration of climate risk assessments and adaptation planning into local development processes. It works closely **with universities and Finnish technical institutions** to generate evidence, develop tools, and provide specialized expertise for climate risk analysis and water management. Municipalities are encouraged to adopt local level adaptation plan and natural resources management plans enabling them to identify climate risks and vulnerabilities and prioritize adaptation and resilience-building measures. Capacity-building efforts include training municipal staff on climate change adaptation, disaster preparedness, and nature-based solutions, ensuring that climate resilience is embedded in governance systems. The programme also promotes climate-responsive budgeting, helping local governments allocate resources effectively for mitigation and adaptation interventions.

### **IMPACT 3: An inclusive and resilient education system ensuring equal opportunities for all**

Finland focuses on ensuring **equitable access to quality education** and safe learning environment for all children. **Teachers' wellbeing and teaching competence** are in the core of quality education, and therefore Finland supports both pre- and in-service teacher training system development. The Country Programme support reaches all three levels of the governance of education. At the federal level collaboration is done with Ministry of Education, Science and Technology (MoEST), at the provincial level with Provincial ministries and directorates and Educational Training Centers, and at the municipality level with local governments and schools. Finland also collaborates with universities and teacher service commission.

As a global co-chair of **School Meals Coalition**, Finland advocates access to nutritious and healthy school meals. Through the sector programme Finland supports the national Mid-Day Meal programme, which covers children from Early Childhood Development to Grade 5 across public schools in 74 out of 77 districts of Nepal, with plans to expand coverage to students up to grade 8 in the coming years. Finland also provides targeted support to community-based solutions on home-grown school meal production. At the same time this is boosting local economies by improving livelihoods. These efforts build synergies across the Country Programme impact areas, particularly by linking education with agriculture and local value chains.

Finland contributes actively to **sector coordination in education**, including through technical working groups, and together with other development partners, supports the MoEST in its sector coordination efforts. Finland engages in active policy dialogue and advocacy, paying particular attention to practice-oriented, reflective and inclusive teacher training. Finland promotes the view that with adequate capacity and resources teachers can become agents of change and a key factor in improving quality education opportunities for all learners.

Finland's support continues to be channelled through the School Education Sector Plan (SESP). As a Joint Financing Partner Finland actively advocates for investing in education in the national budget by increasing education federal budget. Nepal is already covering around 75 % of the SESP funding. However, cross-sectoral and inter-governmental coordination requires strengthening. It is necessary to bring local and provincial level needs to the centre of the programme.

Finland values children's right to quality education also in the middle of emergencies. To guarantee the continuity of education, Finland supports emergency preparedness at the grassroots level. This means support to safe schools with emergency drills, local solutions to tackle climate change, and resilience building together with local governments and school communities.

Finland supports education by exploring and promoting **innovative opportunities for cooperation with Finnish private sector partners, universities and civil society organisations**. Many Finnish universities have active alumni's in Nepal, acting as ambassadors for Finnish education and innovation. Every year hundreds of Nepalese students pursue studies in Finland, building skills and connections that support long-term development. Finland facilitates dialogue and networking among different education actors to promote cooperation and knowledge exchange.

Finland promotes **safe and inclusive learning environments** by supporting WASH systems and dignified menstruation management. This includes improving access to clean water and sanitation facilities, ensuring privacy and safety for girls, and integrating hygiene education and hygiene product distribution into school practices. Finland works with local authorities and schools to strengthen systems and foster behavioral change that supports health, dignity, and equal participation in education.

While international development funding is decreasing, it is increasingly important to ensure that available resources are used effectively to support sustainable and lasting change. Nepal remains highly vulnerable to both natural and human-made disasters. Through education sector funding Finland enhances Nepal's institutional capacity and resilience to respond to emerging challenges.

### Outcome 3.1: Improved learning outcomes and participation in basic and secondary education

This outcome focuses on **improving quality of education and learning outcomes** in basic and secondary education. This requires changes in the teacher training curriculum so that teachers are better prepared to deliver quality education. After the graduation, teachers need consistent support and mentoring system to be able to succeed in their career. Therefore, reflective and practice-oriented teacher training components and mentoring programmes to support teachers wellbeing are important. Assumption is that strengthening of the education sector continues to be high on the government agenda and that there is political will to make institutional changes to ensure effectively managed and staffed education sector.

Despite the progress in the education sector, there is a need to improve quality and students learning outcomes in both basic and secondary education in Nepal. High repetition rates in early grades and stagnant learning outcomes, particularly in reading, mathematics, and science, point to the need for strengthened foundational learning.

Through technical assistance, the Country Programme improves **institutional capacity of pre-service and in-service teachers training**. These interventions support collaboration between universities delivering pre-service teachers training, elevating the requirement for teaching in basic education to a bachelor's degree, and including reflective hands-on practice periods to training programs. The

capacity of provincial education training centre staff is also strengthened so that they are able to meet the needs of school teachers at the community level, for example by developing and supporting teacher peer support schemes.

### Outcome 3.2: Access to inclusive and safe learning environment and nutritious home-grown school meals is strengthened

This outcome focuses on strengthening an **inclusive education system**, which requires access, equity and inclusiveness in education, as well as accommodation of different needs. School Education Sector Plan (SESP) emphasises equitable access to overcome the disparities experienced by children from disadvantaged groups, including children with disabilities and children from remote areas. To enable measuring these changes, Education Management Information System and learning assessment and reporting systems need to produce relevant and reliable data on equity, efficiency and learning. Finland advocates for the importance of relevant data and decision making based on knowledge of diverse learners.

Although Nepal has made good progress in gender equality and access to education, there is a need to focus on learning outcomes. The girls are consistently performing worse than boys, and girls are more likely to drop out from school and repeat grades. Girls still often fail to reach tertiary education levels, creating a **noticeable disparity** in higher-level education access. While boys increasingly attend private schools, girls as well as ethnic groups in disadvantaged position are mainly dependent on public schools. Enhancing the public education system has a positive impact especially on equity, and Finland continues supporting the deployment of targeted strategies to improve access to education in disadvantaged areas and of groups in disadvantaged position.

In **policy dialogue**, Finland will emphasise efforts to reduce disparities between provinces and address inequities in learning in public schools and for children from disadvantaged groups. In Nepal, harmful practices, such as child marriage, child labour and menstruation taboos, remain prevalent in some areas and act as barriers to education for girls and children from disadvantaged groups. Therefore, Finland will also advocate establishing monitoring and enforcement mechanisms for behaviour change.

Nepal has demonstrated commitment to provide **daily school meal to every student in public school**. Nepal has joined Global Schools Meals Coalition and is systematically increasing national budget allocation to Mid-day Meal programme. Through SESP funding Finland will continue support to school feeding expansion in Nepal. Nepal has also recognized home-grown school feeding as a preferred modality for a quality and sustainable school feeding programme. In line with home-grown school feeding framework, Finland will provide targeted funding to school feeding initiatives in Karnali and Sudurpachim provinces. Supported school feeding initiatives will be connected with bilaterals projects focusing on education and climate change.

## 4 Implementation

### 4.1 Risk management

Risk identification and management are integral to implementing development cooperation. [The Risk Management Policy for Development Cooperation of the MFA](#) describes the operating model and processes for risk management and sets its overall objectives, principles, and responsibilities. During programme implementation, careful [monitoring, evaluation, and oversight](#) ensure that funds are used appropriately and that development cooperation delivers results.

Nepal remains a **high-risk environment** for development cooperation. The transition to federalism continues to pose strategic and operational challenges, including jurisdictional overlaps, unclear mandates, and uneven capacity across government tiers. These governance issues are compounded by political instability, high dependency on remittances, persistent inequalities, and social exclusion. The country's vulnerability to natural disasters and climate change – particularly in mountainous and flood-prone regions – adds further complexity to programme implementation.

Business environment in Nepal is very challenging; regulatory framework, legislation, political instability, bureaucracy, corruption, taxation, immigration permits, lack of established business conduct etc. create significant **obstacles for foreign companies** to enter the market. Some Finnish companies came across these challenges in 2024.

At the operational level, risks include large-scale **emergencies such as floods, landslides and earthquakes**, which can disrupt service delivery and require rapid response mechanisms. Financial risks are significant, particularly in the education sector, where weak internal controls, limited accounting capacity, and delays in audits at local government and school levels threaten transparency and accountability. These are mitigated through strengthened oversight, capacity building, and coordination with the Office of the Auditor General and other stakeholders.

**Corruption** remains a systemic risk, affecting nearly all sectors. While civil society and media are active, their ability to hold institutions accountable is limited. Project-level corruption risks are addressed through good financial management, clear disbursement criteria, and enhanced monitoring systems. Risks related to UN and co-financed programmes include implementation delays and low visibility of Finnish contributions, which are mitigated through continuous dialogue and joint visibility planning.

The **GEN Z demonstrations** and the followed uncertainty related to the political climate have introduced new layers of risk related to civic space, public unrest, and operational disruptions. Demonstrations, curfews, and potential lockdowns may affect mobility, access to project sites, and stakeholder engagement, particularly in urban and politically active areas. While provincial and municipal governments continue to operate under elected leadership, offering relative stability and continuity, coordination with central authorities may be constrained. There is also an increased risk of politicization of projects during the election period, which may affect public perception and stakeholder dynamics. Finland places strong emphasis on maintaining neutrality and ensuring that its projects are not associated with any political actors or agendas. In parallel, Finnish civil society organizations play an important role in advancing civic space and promoting inclusive participation, complementing broader development efforts. These risks are mitigated through flexible implementation modalities and continuous monitoring of the political and security environment.

Emerging strategic risks include Nepal's listing on the Financial Action Task Force (FATF) grey list, which may deter foreign direct investment and complicate private sector engagement. Finland promotes economic reforms alongside other development partners through policy dialogue with the Government of Nepal and encourages **transparency, regulatory improvements, and financial integrity**. Another key risk is the Nepal's LDC graduation, which may be hindered by weak institutional capacity and limited export diversification, if not postponed. Finland aligns its programming with Nepal's 16th Five-Year Plan and supports capacity building to ensure a successful transition.

Internal risks also stem from Finland's own operational constraints. **Staff rotations, personnel gaps, and reductions in development cooperation** funding can affect continuity, institutional memory, and timely implementation of projects. These challenges are managed through proactive planning, knowledge transfer mechanisms, and adaptive programming to minimize disruptions.

To manage these risks, the Finland applies a proactive and adaptive approach, including **realistic planning, careful partner selection, and strong financial management**. Continuous policy dialogue, joint donor coordination, and integration of disaster risk reduction and resilience across all interventions are central to ensuring that Finland's development cooperation remains effective and responsive in Nepal's dynamic context.

## 4.2 Monitoring, evaluation and learning

The roles and responsibilities related to monitoring and reporting are defined in the rules of procedures of the Ministry for Foreign Affairs (MFA). Embassies support these duties at the country level. This work follows the norms, rules and guidelines of the MFA. In joint arrangements, Finland will participate in joint reviews and evaluations, and aims to support the development of local monitoring and evaluation frameworks and capacity. This concerns especially the EU funded projects and programmes.

Monitoring and evaluation in Nepal are carried out through a **combination of project-level systems, joint donor coordination, and national frameworks**. All programmes report on the use of funding and results either annually or bi-annually, with reporting schedules agreed upon during contracting. The Embassy and MFA monitor progress through steering groups, field visits, independent evaluations, and regular communication with implementing partners. External audits are commissioned to ensure financial accountability.

Projects such as Sustainable Wash for All (SUSWA), Technical Support Cooperation to the School Education Sector (Tecs), and Local Adaptation to Climate Change (LACC) utilize dedicated **Management Information Systems (MIS)**, which are aligned as closely as possible with Nepal's evolving national systems. In the education sector, monitoring is supported by the **Education Management Information System (EMIS)**, which provides disaggregated data by gender, caste, ethnicity, and disability. The Embassy also participates in biannual review meetings with EU and UN agencies and contributes to bilateral project steering committees.

Monitoring includes annual reporting using traffic light ratings and short narratives based on the results framework. The draft report is reviewed during the Ambassador's annual discussion, and a synthesis report focusing on outcome-level results will be prepared at the end of the programme period.

### 4.3 Tentative financing plan

Between 2021 and 2024, Finland provided 68,7 million euros of Official Development Assistance (ODA) funds to support Nepal. Most funding has been channelled to education sector (45,2 %) and improving water supply and sanitation (22,1 %). The bilateral programmable aid accounted for 46,7 million euros (68 %) of all development cooperation. Approximately 18,4 million euros were provided to civil society organisations.

In 2025–2028, the sources of financing will include bilateral development programmable development assistance channelled to Nepal, EU's delegated cooperation, civil society and private sector support, UN organisations' support and other funding sources. Finland strives to work actively to increase the participation of the Finnish private sector and actors in cooperation with Nepal to increase Finland's official development assistance, investments, and other official funds for Nepal.



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