



## » EC Funding in Nepal

### EC development cooperation

Taken alone, the European Community ranks as the world's fifth largest aid donor accounting for 9% of global ODA. This equals net disbursements of € 7.5 billion in 2005. The objective of EC aid is the eradication of poverty in the context of sustainable development, in line with the Millennium Development Goals (MDGs).

EC aid is guided by the following policy documents:

- The European Consensus on Development.
- The revised Cotonou Agreement.
- The Development Cooperation Instrument.

These documents reveal several common trends:

- Increased budget support (target: 50% of EC aid).
- Decreased disbursement of aid through programs and projects.
- Commitment to involve Civil Society.

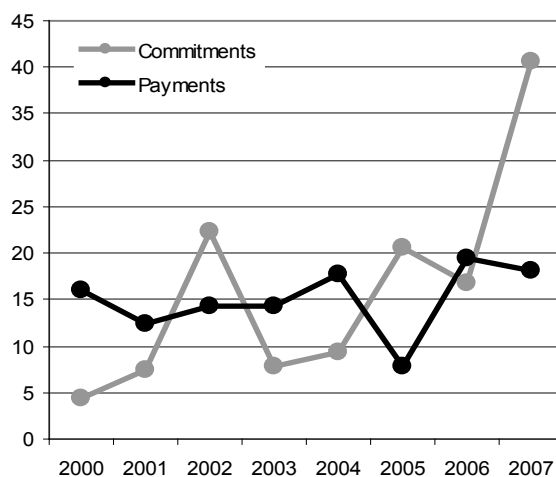
The largest share of EC aid goes to African, Caribbean and Pacific (ACP) countries. Country Strategy Papers (CSP) guide the implementation of the above mentioned policies. They are drafted for a period of seven years.

Aggregated information on how EC policies are implemented is scarce. These fast facts help to better understand the reality of EC ODA in the field and its implication for funding for Sexual and Reproductive Health and Rights (SRHR).

This case study is based on a meeting held with a representative of the European Commission's delegation to Nepal in August 2008 and the EC's annual reports on external aid.

### EC development aid to Nepal

in million €



Source: EC annual reports

### Country Strategy Papers

The EC relies on CSPs to identify the priorities for its development assistance. They are proposed by the partner country's national government and negotiated with the EC. Each country is allowed two focal priority areas plus non-focal areas that also can receive some funding.

The new strategy paper directs funding from 2007-2013 with a mid-term review in 2010. In principle, the CSPs can be readjusted during the mid-term review: new objectives can be introduced to reflect changing conditions in the country and funding can be re-allocated.

The new CSP for Nepal has been finalized in its content, and is currently available from the European Commission's RELEX website.<sup>1</sup>



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## Nepal's CSP

Previous CSP from 2002 to 2006:

Focal sectors:

- Poverty reduction
- Consolidating democracy
- Integration into international economy

New CSP for 2007 to 2013:

Focal sectors:

- Education
- Stability and Peace Building
- Trade and Economic Capacity-building

## Health Sector

While the EC believes MDGs 1, 3 and 4 will be achieved by 2015, it admits that progress on maternal health and HIV/AIDS is both off-track and poor.<sup>2</sup> In fact, Nepal's statistics on maternal mortality is one of the highest in the world,<sup>3</sup> yet the latest CSP for Nepal is bereft of any sectoral budget support for any health related issues.

Instead, the gap in health funding is being taken up by Nepal's other development partners, particularly DFID and the World Bank. In 2008/9, total contributions to the health sector from abroad amount to \$105.39 million USD, covering several projects such as health sector reform, the national HIV/AIDS response, a safe motherhood programme and efforts towards the eradication of polio.<sup>4</sup> Reproductive health and family planning are features of the Safe Motherhood and Newborn Health programme, which runs a total budget of \$2.87 million USD for 2008/9.

The Health Sector Reform programme in Nepal was developed by a group of 11 development organizations to jointly plan, implement and monitor actions and projects in the health sector.<sup>5</sup> DFID and the World Bank remain the largest contributors to the program, providing 40 percent of total contributions.<sup>6</sup> The World Bank in particular provided a loan of US\$50 million towards the project. In May 2008, an additional \$50 million loan was provided.<sup>7</sup>

## Budget Support

The EC will provide its development aid to Nepal largely through sectoral budget support (SBS). In light of the reestablishment of peace in Nepal since 2006, the EC recognizes that its aid priorities must be sensitive to the current post-conflict situation in order to be effective. The EC has placed the priorities of its funding for Nepal on strengthening communities and establishing a stable society.

Education forms the largest focal area of SBS with the expressed intention of dealing with the core disparities—social, political and economic—that had been the cause of the 11-year conflict, particularly through developing capacity and governance in the education sector.<sup>8</sup>

Nepal's previous development strategy, the 2002-2007 Poverty Reduction Strategy Paper (PRSP), has been replaced by a three-year Interim Development Plan (IDP).<sup>9</sup> This IDP serves to define the relationship between the Government of Nepal's (GoN) preferences and priorities for development, and the sectors that donors will direct their budget support towards.

## EC Aid in Figures

The EC intends to allocate a total of €120 million in SBS, to be disbursed in the following allocations:

- 60 percent will be provided to the Ministry of Education for Education for All (EFA) and the School Sector Reform (SSR) programmes.
- 30 percent will be provided towards Peace-building and stability.
- 10 percent will be provided for trade and economic capacity.

The EC will release its funding for the EFA according to two main budget lines, €18 million of which will cover both SBS and €6 million of which will be devoted to capacity development (CD), plus an additional €1 million for services surrounding the monitoring, review and auditing of the sector.



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## Division of Labour

The Health Sector Reform programme, along with Education for All, are Sector Wide Approaches (SWAp) that work towards achieving the MDGs.<sup>10</sup> Funding for the programmes are contributed by pooling groups of donors, as well as individual project funding.

The meetings of these donor groups are one political level of donor coordination that takes place in Nepal. A second level is facilitated through twelve more technical thematic groups centered on specific sectors and issues, such as health, education, and child protection. The relatively small number of donors currently active in Nepal has ensured a minimal degree of fragmentation.<sup>11</sup>

Donor groups conduct joint general review missions that use information from the Government of Nepal (GoN) and the Country Reports to inform decisions on the release of funding.<sup>12</sup> All donors use the same criteria and normally make similar funding decisions. In the case that donors decide the GoN has underperformed, Nepal would lose a lot of development aid all at once.

## EC Funding and Civil Society

The EC's increased reliance upon budget support measures has delegated spending negotiations to donors and governments. As a result, civil society organizations have no significant role in affecting spending decisions. For example, there was no formal consultation process for CSOs in Nepal regarding the latest CSP for 2007-2013. In addition, the EC delegation to Nepal is a sub-office of the larger EC delegation to India, based in Delhi. Initiatives to consult with civil society more broadly are sometimes not possible, and it remains difficult to reach every NGO operating in the country.

The pooling group of donors have decided to include NGOs and civil society in the meetings of various thematic groups, but this participation is limited. For example, in formulating the Education for All programme, civil society was consulted in the process but not specifically on the logframe, which includes the specific indicators that are used. Generally, any

NGO is welcome to participate but they must show an interest and must demonstrate how their work is related to the issues discussed in the group.

NGOs who are working directly with a particular subject area will tend to be prioritized above others (e.g. humanitarian NGOs will be invited to participate in the UN OCHA group while health NGOs are invited to the health sector group). The EC delegation in Nepal encourages CSOs to become involved and fill in the gaps that the GoN has not, but it recognizes the difficulty to do so without financial support and without clear information flows.

## Proposals to the EC delegation

A large number of proposals that the EC receives are refused due to administrative errors. Others do not follow the guidelines in terms of content matter. EC calls for proposals tend to emphasize procedural and substantive discipline, and it is recommended that proposals remain specific in accordance to the requirements of the call.

The EC delegation has decided that it will not allow INGOs to assume a role of simply transferring the grant to local NGOs, but that they must instead become active partners in any action.

The EC recognizes its own inability to deal with numerous small projects because of staff limitations. They have specified a preference to provide grants to Nepali organizations, but this is somewhat contradictory since many Nepali NGOs are not able to manage large projects.

Under the European Instrument for Democracy and Human Rights (EIDHR)<sup>13</sup> call, local CSOs working on human rights issues are not competing with INGOs because funding for the two groups is split and separate.

Every EC call is published in local Nepalese newspapers, put on the website of the EC delegation to Nepal and there is a briefing session organised to explain the call to CSOs.<sup>14</sup>



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## Endnotes

- 1 To access Nepal's CSP, visit <[http://ec.europa.eu/external\\_relations/nepal/docs/07\\_13\\_en.pdf](http://ec.europa.eu/external_relations/nepal/docs/07_13_en.pdf)>
- 2 Republic of Nepal & the EC, "Country Strategy Paper 2007-2013 (CSP)," p.20
3. CSP, p.21
4. Nepal, Ministry of Health and Population (MoHP) , "Budget Analysis 2008-09: Budget Scenario I, Optimistic: NRs. 17,946 million," p.7.
5. National Planning Commission, "An Assessment of the Implementation fo teh Tenth Plan (PRSP)," June 2005, p.42: <[http://siteresources.worldbank.org/INTPRS1/Resources/Nepal\\_PRSP\(June2005\).pdf](http://siteresources.worldbank.org/INTPRS1/Resources/Nepal_PRSP(June2005).pdf)>
6. MoHP, "Budget Analysis 2008-09," p.12.
7. World Bank, "Nepal - Health Sector Program Project Additional Financing," accessed 8 October 2008: <<http://web.worldbank.org/external/projects/main?Projectid=P110731&Type=Implementation&theSitePK=40941&pagePK=64330676&menuPK=64282137&piPK=64302789>>
8. CSP, p.6
9. Asian Development Bank, "Nepal: Political and Economic Update," 4 August 2006, p.3: <[http://www.adb.org/Documents/Economic\\_Updates/NEP/IN84-07.pdf](http://www.adb.org/Documents/Economic_Updates/NEP/IN84-07.pdf)>
10. CSP, p.20
11. CSP, p.36
12. Examples are some of the reports published by the Ministry of Health and Population: <<http://www.hsrsp.org/>>
13. European Commission, "European Initiative for Democracy and Human Rights," accessed 6 October 2008: <[http://ecdelegationnepal.org/en/ec\\_projects\\_&\\_programmes/eibhrprojectdescriptions.pdf](http://ecdelegationnepal.org/en/ec_projects_&_programmes/eibhrprojectdescriptions.pdf)>
14. You can access the EC Delegation to Nepal's website here: <<http://ecdelegationnepal.org/en/index.htm>>



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