

COUNTRY DEVELOPMENT COOPERATION STRATEGY SUMMARY

FISCAL YEARS 2014-2018



INTRODUCTION

On January 23, 1951, the United States and Nepal signed an agreement that began a 60-year relationship as the first bilateral donor to Nepal. Since then, the U.S. has provided more than \$1.6 billion in assistance that has supported remarkable progress. Since the 2006 Comprehensive Peace Agreement ended a decade of

conflict, the poverty rate has been halved to 25 percent, access to education is dramatically improved, and the country is on the way to achieving Millennium Development Goals for maternal and infant mortality rates. The 2013 national elections - which USAID was proud to support - were credible and inclusive,

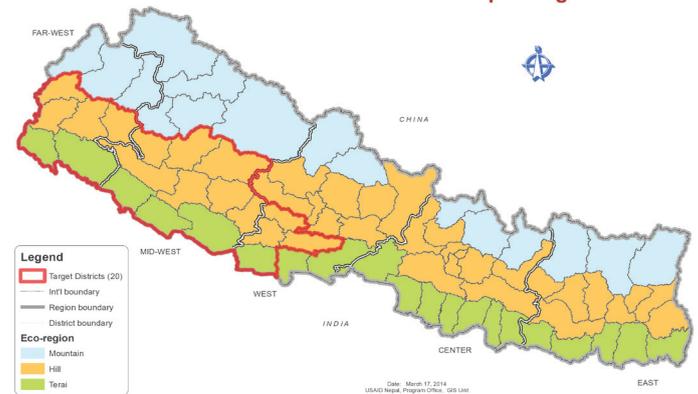
with over 75 percent voter participation. Together with the Government of Nepal (GON), USAID is focusing on supporting Nepal's democracy and the economic growth needed to eliminate extreme poverty, build resilience, and lift the country out of its 'Least Developed' status.



DEVELOPMENT HYPOTHESIS

The overarching goal of USAID's Country Development Cooperation Strategy (CDCS) over the next five years is to foster **“a more democratic, prosperous, and resilient Nepal.”** The Mission asserts that if selected institutions become more effective at delivering services, more adept at engaging citizens—and more responsive to their needs—and if communities' economic, environmental and human capacity are strengthened, then Nepal will become more democratic, prosperous, and resilient.

USAID Nepal Target Districts



STRATEGIC CHOICES

Approximately 75 percent of USAID Nepal's funding resources are tied to U.S. Presidential Initiatives for Global Health, Feed the Future and Global Climate Change, with additional funds earmarked for basic education and biodiversity. In developing this CDCS, the Mission conducted extensive consultations with the GON, private sector, civil society, U.S. Government stakeholders, and others, and identified good governance as critical to achieving success in each of these sectors. Support to governance will result in sustainable impact through multi-sector efforts that build increasingly strong relationships with the GON. USAID Nepal contends that U.S. foreign assistance is better secured through stronger Nepali institutions and their ability to implement sector programs.

USAID will also focus efforts geographically to leverage its programs and relationships across sectors for better collaboration, especially locally. The expected results include greater transparency, government credibility, and public confidence in the targeted sectors. Except as required by the need to assist certain ecosystems, vulnerable populations, specific disease burdens, or coverage needs (especially for nutrition and HIV/AIDS), USAID activities will be increasingly co-located within 20 core districts in the middle hills and Terai portions of Nepal's Far-Western, Mid-Western, and Western Development Regions. This area has a higher level of poverty than the national average (32.5 percent vs. 25.2 percent nationwide) and a higher level of stunting (45.2 percent vs. 40.5 percent nationwide). The region is also typified by high population density, less developed infrastructure, and vulnerability to climate change, yet possesses significant unmet agricultural, economic and nature conservation potential.



RESULTS FRAMEWORK

Taking into consideration resource levels and USAID’s historic comparative advantage, the CDCS features three Development Objectives (DOs) to contribute to achieving the CDCS goal:

Development Objective 1:	More inclusive and effective governance
Development Objective 2:	Inclusive and sustainable economic growth to reduce extreme poverty
Development Objective 3:	Increased human capital

These three DOs are mutually reinforcing. Democracy depends on political rights and civil liberties supported by stable and accountable institutions. Economic growth requires a healthy and educated population to take advantage of opportunities in an ever more sophisticated global economic environment. And democratic systems require an educated and empowered population. Because the DOs are so interconnected and because the Mission’s approach will emphasize the integration of cross-sector development and governance to achieve sustainable results—development activities designed under this strategy may support results under multiple DOs. For example, USAID’s Global Health Initiative (DO 3) may contribute expertise, planning and funding to support clean water under (DO 2) natural resource management activities.



Development Objective I:

More Inclusive and Effective Governance

Over the life of this strategy, this objective will support increased inclusion of Nepalis in civic and political life, and a government more capable of responding to rapidly increasing public demands, with an emphasis on meeting demands in Presidential Initiative sectors. USAID will focus and concentrate its local governance program to overlap with Presidential Initiative activities in districts of the Mid-West and Far-West regions. Activities in support of local governance will strengthen the sustainability of other sectors' work and improve government effectiveness for better inclusion and response.

These activities will contribute to the following expected results:

- The fulfillment of targeted mandates under the Comprehensive Peace Accord
- Strengthened good governance for improved public financial management, accountability and oversight
- The inclusion of historically marginalized groups in leadership and decision-making positions, as well as for civic participation
- Sustainable local organizations that advocate for and address social, economic, and political needs
- More effective service delivery and public policy to improve good governance, reduce poverty, and increase human capital



Development Objective 2:

Inclusive and Sustainable Economic Growth to Reduce Extreme Poverty



To achieve inclusive and sustainable economic growth, Nepal needs increased agriculture-based incomes, expanded small-scale enterprise opportunities, a liberal trade and investment climate, and a protected natural resource base—all supported by a strong policy and enabling environment. For Nepal's economy, the real challenge will be to “graduate” to a higher growth trajectory by removing key bottlenecks to public and private investment. Each result achieved under this DO will contribute to the success of all economic growth activities. For example, because environmental resources are a common good, a certain level of economic stability is needed for a community to work together to manage those resources effectively. Also, successful businesses can provide private sector incentives to enhance agricultural production and marketing and create sustainable individual and community engagement in natural resource management.

The extent to which there will be sustained and broad-based economic prosperity in Nepal is closely tied to the effective management and conservation of natural resources in the country.

Over the life of this strategy, USAID will contribute to the following results under this DO:

- The prevalence of extreme poverty (US \$1.25/day) reduced
- Micro, small and medium enterprises established or expanded
- Improved biophysical conditions in biologically significant areas and/or natural resources showing improved biophysical conditions
- Increased capacity of stakeholders to adapt to global climate change

Development Objective 3:

Increased Human Capital



In the Thirteenth Three Year Plan, the GON identifies major problems in education, such as inadequate access to quality, basic education among children from poor and marginalized communities and the need for teacher training and curriculum. USAID will invest in improving basic education through the Ministry of Education and the School Sector Reform Program (SSRP) which is responsible for planning, managing, financing, implementing and evaluating basic education reform programs. These activities, coupled with business literacy training for women and disadvantaged groups, will increase literacy for adults and improve the reading skills of children in grades one through three.

Similarly, in the Health and Nutrition sectors, the GON seeks to ensure that all citizens have equitable access to basic, quality health services. USAID will invest in the GON's implementation of the National Health Sector Plan in coordination with other donors.

Over the life of the strategy, USAID will contribute to the following results under this DO:

- Decrease in neonatal mortality rates in targeted districts
- Increase in Skilled Birth Attendance
- Increase Contraceptive Prevalence Rate
- Reduced national stunting prevalence rate
- Increased literacy for adults (particularly women and marginalized groups)
- Improved reading skills of children in grades one through three

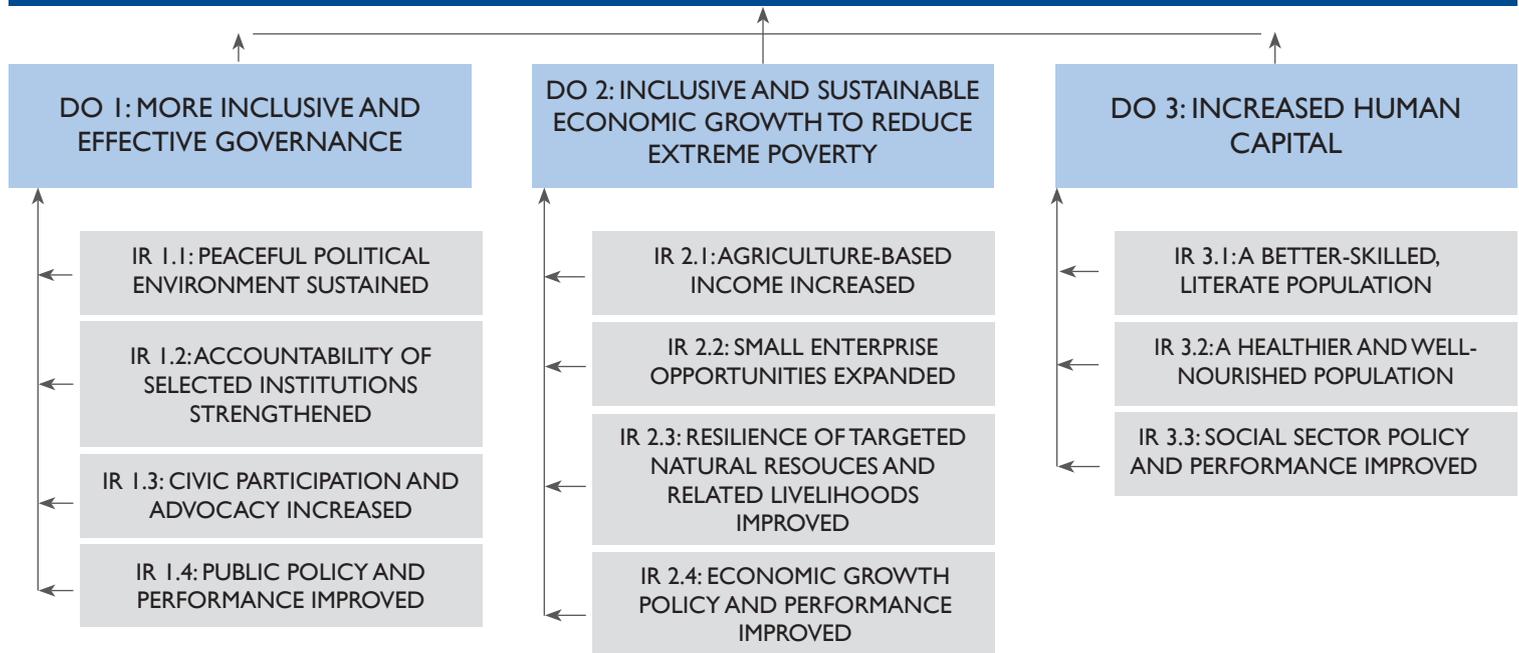
CROSS-CUTTING CONSIDERATIONS

- 1. Extreme Poverty:** Inclusive poverty reductions in Nepal require coordinated and sustained efforts to improve the health, education, and livelihood opportunities of vulnerable and marginalized populations for the duration of the strategy period and onward. To graduate from ‘Least Developed’ country status by 2022, overall economic growth needs to accelerate from roughly three percent per capita to exceed an average of 5.3 percent per capita.
- 2. Resilience:** USAID Nepal will address “resilience deficits” by working closely with the Government of Nepal to support good governance, the shortest route to alleviating extreme poverty. Activities under this strategy will target those most vulnerable to high levels of stunting and wasting, predictable food insecurity, severe access constraints, climate change and environmental risks, and faltering livelihoods.
- 3. Gender Equality and Social Inclusion (GESI):** Understanding and carefully considering Nepal’s unique and complex social structure is critical to achieving equitable socioeconomic development objectives. Under this CDACS, USAID Nepal will: improve GESI analysis and data collection throughout the program cycle; increase engagement on GESI issues with the GON, donors, civil society, and other U.S. Government agencies; implement cross-sector activities to improve inclusive governance; deepen staff ability to identify and address GESI gaps; and explicitly identify and seek to narrow gaps between men and women, boys and girls, and different caste and ethnic groups.
- 4. Youth:** With 37 percent of Nepal’s population under age 15, Youth play an important role in all USAID activities, and a number of USAID interventions—particularly in institutional capacity building (DO 1), health (DO 3), Feed the Future (DO 2), and environment (DO 2)—explicitly target youth. Under this CDACS, USAID Nepal will seek to strengthen youth employment opportunities, healthy behaviors, and engagement in local and national governance.
- 5. Science, Technology, Innovation, & Partnerships:** USAID will increasingly seek to use cutting-edge science and technology, innovative approaches, and new partnerships to achieve and scale up results more quickly and efficiently. In particular, the Mission will seek increased partnership with private sector, civil society, academic, and GON actors.



CDCS GOAL: A MORE DEMOCRATIC, PROSPEROUS, AND RESILIENT NEPAL

CDCS Development Hypothesis: Effective and inclusive governance, combined with investments in human capital and economic growth, will result in a more democratic, prosperous, and resilient Nepal.



KEY CROSS-CUTTING ISSUES: REDUCING EXTREME POVERTY; GENDER EQUALITY AND SOCIAL INCLUSION; YOUTH; RESILIENCE; SCIENCE, TECHNOLOGY, INNOVATION, AND PARTNERSHIPS





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