EU development cooperation with Nepal

Brussels, 04 May 2015

A devastating 7.8 magnitude earthquake hit Nepal on 25 April and the country now faces major challenges: addressing the current humanitarian crisis, rehousing its people, rebuilding major social and communications infrastructure and re-launching government and social services. The European Union immediately made available €3 million, in addition to further assistance from the Member States and the deployment of European Commission’s humanitarian aid and civil protection experts to the crisis area.

When natural disasters of this scale occur, there is obviously an immediate focus on humanitarian needs and the government almost instantly faces a huge and unforeseen financial pressure on the national budget. Development Assistance can be very relevant to address such fiscal needs from day one after the disaster. It is in this context that the European Commission announced an advance payment of budgetary support worth €16.6 million to assist Nepal and provide additional revenue for the Government. This funding is made available from the 2007-2013 development programme for Nepal under the Development Cooperation Instrument (DCI) for activities covering stability and peace building, as well as support to the education sector.

In the perspective of a post-emergency rehabilitation and reconstruction programme, the European Commission does not contemplate modifying the current 2014-2020 development programme for Nepal. The priority sectors remain relevant but based on the needs assessment currently being carried out, reconstruction may need to be included throughout the development programme.

Main objectives of the EU – Nepal development cooperation 2014-2020

Nepal is dependent on external aid (25% of the Budget), with aid disbursements highly contingent upon political developments in the country and the government’s absorption capacity.

The EU - Nepal cooperation programme for the time period 2014-2020 (known as the Multiannual Indicative Programme, or MIP) amounts to a total of €360 million. It has been aligned with the priorities of the Government’s National Development Plan.

The following have been chosen as priority sectors following consultations with the Nepalese Government and other development partners:

1. **Sustainable Rural Development** – to stimulate the sustainable development of Nepal's rural areas by transforming agriculture from a sector largely based on low-value and subsistence production to a competitive, sustainable, and inclusive agriculture that brings economic growth, improved access, improved livelihoods, and food and nutrition security, whilst reducing vulnerability to climate change and natural disasters.

2. **Education** – to contribute to equitable access to and completion of quality school education for girls and boys and the provision of literacy and livelihood opportunities for adults, boosting individual, family and wider social and economic development

3. **Democracy and decentralisation** – to continue supporting elections (three elections envisaged during next five years - national, provincial and local), to more generally support the decentralisation process and reduce corruption at national and local level.

In addition, Nepal can benefit from the Asia Regional MIP, specifically regarding Aid for Trade cooperation (€15 million), Aid to Uprooted People (Burmese refugees, €2 million), the Asia Investment Facility (blending), South Asian Association for Regional Cooperation (SAARC) regional integration (around €25 million) as well as SWITCH-Asia (a grants programme funded through the DCI that promotes sustainable consumption and production among consumers, small and medium-sized enterprises and Asian policy-makers in 15 Asian countries), and the thematic programmes and instruments such as Non-state actors and local authorities in development (NSA/LA) (€2-3 million per year), European Instrument for Democracy and Human Rights (EIDHR) (€600 000 per year) and Global Public Goods and Challenges.

Ongoing EU – Nepal development cooperation

The majority of resources allocated to Nepal are channelled through bilateral co-operation which is
ruled by the Development Co-operation Instrument (DCI). The majority of the on-going projects were launched under the previous programming period from 2007-2013.

The total budget for the period 2007 to 2013 amounted to €114 million. The three main sectors of cooperation included: 1. education - support for School Sector Reform Programme; 2. stability and peace building - support to stability and peace building public finance management and support to the electoral cycle; 3. trade facilitation and economic capacity building programme.

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General public inquiries:
Europe Direct by phone 00 800 67 89 10 11 or by email