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Collaborating & Learning for Lasting Impact.

Mid Term Review of the Swiss Cooperation Program Nepal 2023 – 2026

February – April 2025

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Executive Summary

The Mid-Term Review (MTR) of the Swiss Cooperation Programme in Nepal (2023–2026) confirms that the program remains highly relevant, coherent, effective, and largely sustainable. However, the review also highlighted the need to improve efficiency. Although not formally assessed, the program's impact is already visible across several domains—ranging from federal state-building to skills development, migration systems, and inclusive governance—demonstrating its growing influence and strategic value in Nepal's evolving federal context.

Relevance and Coherence

The Cooperation Programme is well-aligned with Nepal's national development priorities, including the 16th Five-Year Plan and the aspiration for LDC graduation. It also reflects the ambitions of Nepalese youth, is consistent with Switzerland's International Cooperation Strategy, and leverages Switzerland's comparative advantage in areas such as federalism, vocational education, and inclusive governance. The "Bumpy Road to Federalism" scenario remains an accurate framework for understanding Nepal's current political and institutional realities. Strategic alignment was reaffirmed through participatory reflection on the program's scope, approach, and geographic focus—leading to consensus on the importance of federal state-building, climate resilience, and inclusive economic growth.

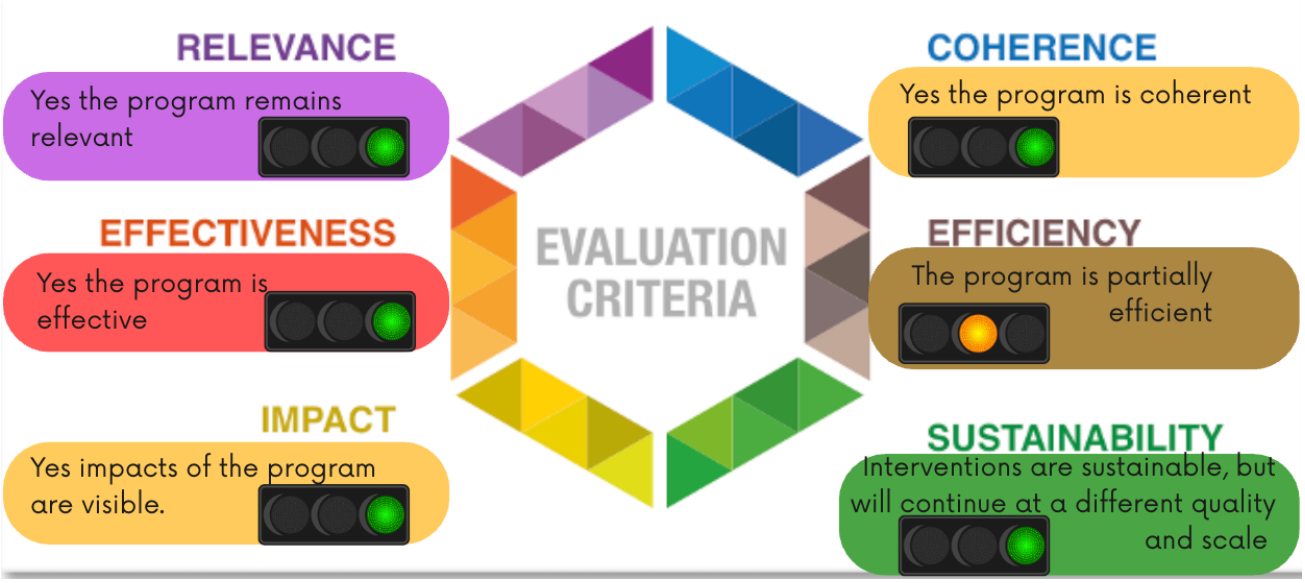


Figure 1 - OECD Criteria Rating of the Cooperation Program: Green indicates a positive rating; orange highlights areas needing corrective action.

Effectiveness

The program is reaching its objectives and stated outcomes, with demonstrated progress across all three Swiss Portfolio Outcomes (SPOs). SPO 1 (Federal State Building) has advanced institutional reforms and accountability mechanisms, despite political instability and delays in key legislation. SPO 2 (Employment and Income) has produced tangible economic results, including job creation, TVET reform, and expanded SME investment. SPO 3 (Migration) has scaled safe migration and reintegration services to over 130 municipalities, backed by increased government co-financing and ownership.

Cross-cutting themes such as Gender Equality and Social Inclusion (GESI) and climate change are increasingly embedded, though their integration remains inconsistent. The program's 3P approach

(Political, Policy, Program) has proven effective but would benefit from greater citizen engagement and broader civil society involvement.

A critical concern raised during the MTR relates to the shift toward private sector-led service delivery and the transition from targeted support for disadvantaged groups to more systemic GESI approaches. While the program was found to be promoting inclusion, some participants expressed concern that this shift may unintentionally reinforce existing vulnerabilities. Many vulnerable and marginalized groups continue to face significant barriers in accessing services and economic opportunities. If not addressed, this trend risks exacerbating inequalities and could contribute to growing social unrest.

Efficiency
Efficiency was rated positively by most participants; however, the program was assessed as only partially efficient. Embassy-level processes were generally seen as supporting strategic reflection, but several constraints were identified—including procedural complexity, fragmented guidance for new staff, and inefficiencies in procurement and government approval processes. Proposed improvements include strengthening adaptive management, simplifying reporting tools, and making more strategic use of flexible procurement models.

Sustainability
The MTR found that the program is broadly seen as being on a sustainable path, with a majority of SDC staff rating it as "very sustainable" or "sustainable." This confidence stems from the program's deliberate focus on system-building and embedding reforms within public institutions rather than relying on parallel structures. Improvements in areas such as budgeting, governance capacities, and intergovernmental coordination are expected to persist beyond external support.

However, sustainability remains uneven across components. Digital infrastructure, psychosocial services, and some aspects of migration support remain vulnerable due to limited institutional integration and ongoing donor dependence. TVET and private sector development show potential—particularly at the provincial level—but require stronger institutional anchoring and political commitment. The review emphasized that sustainability cannot be fully achieved within a single project cycle and must be defined not by the persistence of outputs, but by the resilience of systems and behaviours.

For the next phase, the MTR recommends developing an explicit sustainability framework that identifies which elements must endure, which can evolve, and which may be responsibly phased out. This includes exploring the role of non-government actors and hybrid financing models to support continuity beyond official development assistance.

Impact
Although not formally evaluated as a standalone criterion, the MTR found ample evidence of impact. These include expanded access to services (e.g., migration and psychosocial support), institutional reforms (e.g., GESI strategies in nearly 400 municipalities), and policy innovations (e.g., SME financing models and dual apprenticeships). These outcomes reinforce the program's relevance and provide a strong foundation for future engagement.

The key recommendations are summarized below, with corresponding follow-up actions outlined in the table beneath.

Summary of key recommendations

#	Recommendation	Follow-up
1	Reassess the geographic focus and approach to upscaling. Page reference: p. 9-10 under *Relevance and Coherence* and. p. 13 *Corrective actions*	- Clarify and better communicate the program's national footprint. - Determine approach to piloting and scaling and develop a common understanding of where national presence is essential and where strategic concentration in Koshi Province adds most value. - Future provincial selection should be based on sectoral priorities and contextual relevance, not legacy investments.
2	Deepen integration of climate change and Disaster Risk Reduction (DRR) Page reference: p. 10 under *Relevance and Coherence*, p. 15 under *Effectiveness*, and p. 25 in *Outlook 2027–2030*).	- Continue using climate change and DRR as strategic entry points, not only for environmental resilience but also for regional peacebuilding (see p. 10) and integrate them more systematically across the portfolio. - Consider Climate Change and DRR as a potential new domain in the next cooperation program.
3	Consider anti-corruption and its twin topic digitalization as a transversal theme or a dedicated domain in the next CoPr. Page reference: p. 10–12 – *Relevance and Coherence* section; p. 18 *Effectiveness & Group reflections and contested assumption*	- Improve transparency, efficiency, and accountability (e.g., through SuTRA) - Promote digital government tools (e-governance, data transparency, e-procurement) as a tool to curb corruption. - Introduce "Digitalization and Anti-Corruption" as a transversal theme or potentially as a dedicated domain in the next cooperation program
4	Concentrate on fiscal federalism - Stronger focus on revenue autonomy and accountability at local level Page reference: p. 11 *Relevance and Coherence* section	- Strengthen fiscal autonomy and local accountability (e.g. through MunRev)
5	Consolidating capacity development under government-led systems Page reference: P. 11–13 – *Relevance and Coherence*	- Shift training budgets toward institutional mechanisms (provincial centres, LISA framework) - Institutionalize capacity-building under LISA - Phase out project-based training; scale national system leadership
6	Exploring a longer-term role in justice sector reform – not through traditional access-to-justice approaches but through state-building lenses (e.g. support to constitutional institutions). Page reference: p. 12-13 *Relevance & Coherence*; p.25 *Outlook*	- Design a long-term (10+ years) engagement focused on institutional strengthening, rule-of-law, and accountability. Engage in policy dialogue with constitutional bodies.
7	Integrate the migration theme into private sector development (PSD)for the next cooperation program. Page reference: p. 9-10 *Relevance & Coherence*; p. 25 *Outlook*	- Strengthen cross-domain synergy between migration, employment, and private sector development (PSD) to prepare the integration of the migration theme in a broader PSD and employment efforts - focusing potentially on skills, remittance use, reintegration, and enterprise development.

8	Ensure that centrality of gender equality and social inclusion, especially in private sector-led service delivery. Page reference: p. 15 - 16 *Effectiveness & Constraints and lessons learnt*	- Apply safeguards to prevent exclusion of vulnerable populations as private-sector engagement expands and ensure benefits reach disadvantaged groups in PSD, TVET, and economic development. - Use strong business cases and role models ("champions") to convince SMEs to adopt inclusive practices. - Integrate GESI from the outset during conceptualization and budgeting
9	Rebalance civil society engagement to include diverse actors in dialogue, advocacy, oversight and in the portfolio. Page reference: p. 18, *Effectiveness & Group reflections and contested assumptions*; p 22 *Sustainability*	- Redefine civil society within the Swiss Cooperation Programme to enable engagement with a broader range of actors (beyond NGOs). -Strengthen the voice and agency of civil society at local and provincial levels. - Expand engagement with non-government actors for advocacy and oversight. - Consider the role of non-government actors to ensure continuity beyond ODA (Sustainability framework)
10	Uphold the 3P logic (Political, Policy, Program)" as a continuing principle of Swiss engagement Page reference: p. 13 under *Relevance & Coherence;* p.17 *Effectiveness & assumptions underlying the Theory of Change of the CoPr.*	- Maintain 3P approach in all domains as it ensures coherence between political dialogue, policy reform, and program implementation
11	Enhance efficiency in programme planning and implementation Page reference: p. 20-21, *Efficiency***.**	- Develop a shared understanding on Government of Nepal approval processes and define strategically how the program engages with them. - Simplify internal review mechanisms and ownership of tools. - Revise the backward-looking matrix to enhance strategic value and reduce unnecessary complexity.
12	When developing new cooperation program, the starting point can be the proposal from "traditional", "Midway" and "Disruptive" groups. Page reference: p.25 *Outlook*	- The proposal is to continue with two scenarios either 2 domains + Federal State building as a transversal theme or 3 domains with 2 transversal themes.
13	Foundation for evolution of SCP beyond 2030 and evolution from aid to trade. Page reference p. 25 *Outlook*	- Establish the long-term direction for Swiss cooperation beyond traditional aid cycles. Build on transboundary themes (e.g. climate, migration, water) and scientific cooperation (universities, data systems); position Switzerland as a long-term knowledge and innovation partner. - Shift from traditional aid modalities toward economic cooperation and investment. MoF: DFIs, FDIs etc. yes. But don't use grants for PSD Collaborate with MoF, DFIs, and FDIs**;** use blended finance, not grants, for PSD; strengthen investment facilitation and trade competitiveness.

Objective of the Mid Term Review

The Mid-Term Review (MTR) is a self-evaluation with external facilitation. The review has assessed the **relevance, sustainability**, **coherence**, **effectiveness and efficiency** of the Swiss Cooperation Program (CoPr) in Nepal 2023-2026. Specifically, the MTR:

- Identified **which of the key assumptions** underlying the CoPr and its theories of change **remain valid,** and which were not accurate.
- Identified corrective action to adapt the program, mostly to improve efficiency.
- **Prioritised key elements** of the next Cooperation Program 2027 – 2030 to be included in the annual report 2025

Methodology

Overview and Structure

The MTR combined virtual preparatory activities with an in-person internal workshop to assess progress and steer strategic directions for the Swiss Cooperation Programme in Nepal (2023–2026). The reflections of the MTR were structured around a set of Key Guiding Questions (KGQ) (See Annex 1). These questions were developed jointly by Julien de Meyer (the external facilitator) and the Embassy's Monitoring and Evaluation (M&E) team to frame the review around five evaluation criteria.

The **preparatory phase**, held from February to March 2025, included:

- A virtual workshop in February to discuss scenarios
- Two surveys – one targeted as SDC staff (internal stakeholders)) and one aims at project leader (external stakeholders)
- The drafting of 5 inputs papers, one for each Swiss Portfolio Outcome, one on Gender Equity and Social Inclusion (GESI) and one on Climate Change (See Annex 2).

The process culminated in a **two-day face-to-face workshop** on 29 and 30 April 2025 in Kathmandu. All staff from the Cooperation Office of the Embassy in Nepal participated, along with the Head of the South Asia and Southeast Asia Section and the Programme Manager for Nepal from SDC Head Office.



Figure 2 Evaluation criteria addressed during the MTR

The workshop was organised into seven thematic sessions (see here the agenda of the workshop):

- **Sessions 1 to 5** followed the OECD DAC evaluation criteria (see Fig. 1). While the impact of the program was not assessed as a standalone criterion in this MTR, evidence of impact is documented throughout the input papers:
  - *Session 1*: Relevance and Coherence
  - *Session 2*: Effectiveness
  - *Session 3*: Efficiency
  - *Session 4*: Sustainability

- *Session 5:* Compliance
- **Session 6** explored strategic orientations and possible structures for the next cooperation programme (2027–2030).
- **Session 7**, an afternoon was dedicated to review the Results Framework for SPO3 – Migration and its indicators to change and adapt the framework for better reporting and steering

Links to all presentations and agenda

The program of the Face-to-Face workshop as well as all presentation for the session will remain accessible online until the end of 2026 on the links below.

MTR Agenda		bit.ly/MTR_Nepal_ShortAgenda
MTR program and content		bit.ly/MTR_Nepal_program
Session 1a:	Introduction & Objective	bit.ly/MTR_Nepal_Session_1a
Session 1b:	Relevance and Coherence	bit.ly/MTR_Nepal_Session_1b
Session 2b:	Assumptions	bit.ly/MTR_Nepal_Session_2b
Session 3a:	Mapping process	bit.ly/MTR_Nepal_Session_3a
Session 3b:	Sustainability	bit.ly/MTR_Nepal_Session_3b
Session 3c:	Efficiency and compliance	bit.ly/MTR_Nepal_Session_3c
Session 6:	Outlook	bit.ly/MTR_Nepal_Session_6
Dashboard with responses to the Survey:		bit.ly/MTR_Nepal_Survey

Results

Relevance and coherence

The MTR found that the **program is relevant and coherent** based on the discussion held below.

Update Scenario B: "Bumpy Road to Federalism"

As part of the Mid-Term Review, participants undertook a structured assessment of the accuracy and continued relevance of the Scenario *"Bumpy Road to Federalism*[1]*"*, originally developed to describe Nepal's evolving federal context. This exercise took place during the virtual workshop in February 2025. Participants were divided into three thematic groups—Political and Security, Economic, and Social and Environmental—to assess the scenario's validity and explore its implications for the Swiss Cooperation Programme. Across all three themes, participants found that the scenario remains highly relevant in 2025, with an estimated **80% accuracy**. The consensus was that, despite some areas of progress, the "bumpy road" metaphor continues to capture the complex and uneven trajectory of Nepal's federal state-building process.

In the **political and security** themes, participants noted that despite progress in some areas, particularly at the provincial and local levels, key reforms remain stalled as defined in the scenario. Institutional reform, mandate delineation, and intergovernmental collaboration continue to face challenges, with collaboration often remaining informal rather than systemic. Transitional justice is progressing sub-nationally, but momentum at the federal level is limited. The lack of a shared approach

[1] The document and the description of the scenario is available on line on the following link or here: https://www.eda.admin.ch/content/dam/deza/en/documents/laender/swiss-cooperation-programme-nepal-2023-2026_EN.pdf

on how to engage in a federal state among development partners (DPs) further fragments support efforts, and external influence continues to complicate domestic policymaking. Role duplication and encroachment between spheres of government persist, undermining transparency and accountability.

The **economic** dimension of the scenario was also validated. While mechanisms to attract foreign direct investment (FDI) have been introduced, instability and regulatory unpredictability remain barriers. Trade patterns are volatile, particularly due to arbitrage with India, but tourism and urban employment are growing. Remittances continue to flow but are not sufficiently channelled into productive investments. Subnational governments remain dependent on federal transfers, limiting fiscal autonomy but offering entry points for reform. Opportunities identified include linking tourism to migration programming, developing financial products for small investors, and addressing trade through programmatic work—currently a gap in the portfolio.

On **social and environmental** themes, the scenario remains accurate in its depiction of local governments' limited responsibility in basic service delivery. Urbanisation and demographic change demand more structured planning, while private actors increasingly fill service gaps, raising concerns about equity. Inequality in access to services and employment persists, and local governments have yet to fully assume their constitutional mandates in sectors such as health, education, and social protection. While private service provision may improve access for some, vulnerable groups risk being left behind.

Overall, the scenario validation confirmed that the "Bumpy Road to Federalism" remains a useful and realistic lens through which to understand Nepal's political and institutional development.

Program's relevance and coherence in the current context.

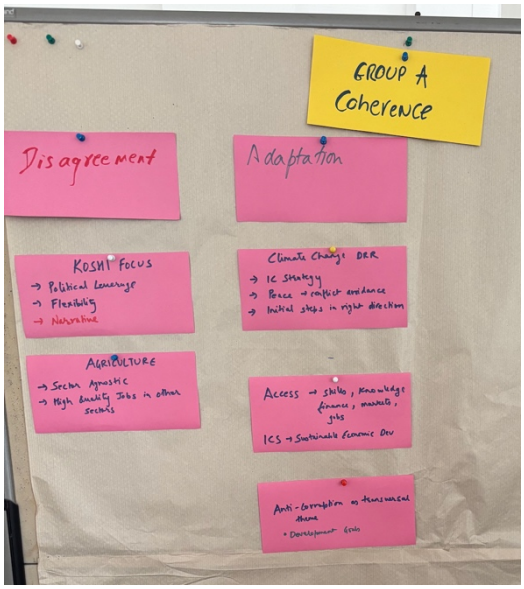


Photo 1 - Results of Group work on Coherence

The KGQs related to program relevance and coherence were discussed by four groups of colleagues (see Photos 1–4). Each group was provided with an analysis of survey findings separated in internal and external (project leaders) views collected during the preparatory phase (see Annex 4).

The first group of colleagues focused on the question: *Is the program coherent with (a) Nepal's development goals, including the 16th Five-Year Development Plan and upcoming LDC graduation; (b) the aspirations of Nepalese society, particularly youth; (c) Switzerland's international cooperation strategy? Are we leveraging our role effectively with multilateral actors?*

Colleagues agreed that **the program is indeed coherent**. There was broad alignment between internal and external views from the surveys on the program's relevance to national development priorities and public aspirations. However, some strategic concerns and areas for adaptation were identified.

One recurring issue was the perception of narrow geographic focus in Koshi Province. While this concern was acknowledged, the group clarified that many projects have in fact expanded beyond Koshi (e.g., SaMi in Madhesh, private sector initiatives at federal level). The concentration in Koshi has helped generate political traction and demonstrate results in complex interventions, such as the Udaya

project and guarantee fund. Nevertheless, the group recommended better communication about this broader reach and a gradual geographic diversification to reinforce the program's federal character.

The shift from sector-specific (e.g., agriculture) to sector-agnostic programming was discussed. While agriculture remains important, colleagues stressed that future interventions should prioritize high-quality, better-paid employment in growth sectors such as IT and hospitality, rather than low-skilled, low-wage jobs. Agriculture can still be addressed indirectly through areas like agri-tech and access to finance.

There was strong consensus on the need to strengthen the integration of climate change and disaster risk reduction (DRR). These were seen as strategic entry points not only for environmental resilience but also as tools for regional peacebuilding—particularly in relation to transboundary resource (e.g. water) tensions. These priorities align closely with Switzerland's International Cooperation Strategy (IC strategy), and further mainstreaming across the portfolio was encouraged.

Improving access to skills, finance, knowledge, markets, and jobs remained a core pillar of inclusive economic development. The group emphasized that access—not sectors—should guide future interventions. This shift will allow programming to remain flexible and targeted toward emerging needs. Finally, anti-corruption was flagged as an increasingly critical bottleneck and public concern in Nepal. Colleagues proposed introducing it as a transversal theme within the program, not only to respond to the aspirations of Nepalese society but also to align with Switzerland's governance-focused priorities. It was noted that SDC has already engaged on anti-corruption, but a more proactive and programmatic approach is needed moving forward.

The second group focused on the question: *Given the delayed implementation of key constitutional elements, does SDC's approach to federalism remain relevant? Do all spheres of government contribute as mandated?*

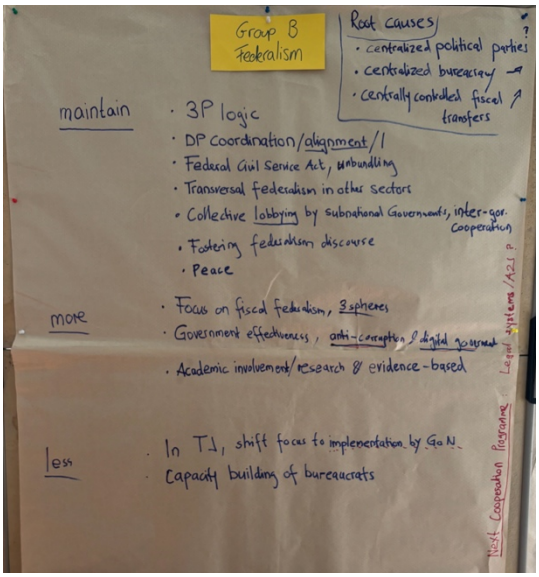


Photo 2 - Results of the group on Federalism

Colleagues agreed that SDC's approach to federalism remains relevant and well-aligned with Nepal's evolving governance context. While all spheres of government are contributing to the federalization process, their engagement remains uneven and constrained by structural barriers. These include the persistence of centralized political parties, bureaucratic inertia, corruption and centralized control over fiscal transfers—challenges that have remained consistent over the past decade.

The group emphasized that, despite these constraints, intergovernmental cooperation and subnational engagement are active and meaningful. There is alignment between internal and external perspectives that the federal transition has made progress but remains incomplete. To that end, the group proposed three strategic directions for the Swiss Cooperation Program: to **continue, concentrate**, and **consolidate** its support.

What should continue:

- Upholding the 3P logic (Political, Policy, Program)
- Continued coordination with remaining development partners (DP)—especially as actors like ADB exit

- Support for the Federal Civil Service Act and the implementation of the Unbundling Report
- Ongoing engagement with subnational governments, federalism discourse, and peacebuilding

What to concentrate on:

- Fiscal federalism, including stronger revenue autonomy and accountability at the local level [e.g., through the Municipal Revenue (MunRev) project]
- Promoting anti-corruption and digital government as twin priorities
- Research, evidence-based learning, and academic partnerships to inform future strategy
- Consideration of new engagement in justice sector reform**,** not through traditional access-to-justice models, but through federal state-building lenses (e.g., support to the Constitutional Bench or National Natural Resources and Fiscal Commission), there was as well discussion that support to Transitional Justice should be gradually phased out as the three spheres of government should take more responsibility.

What to scale back:

- General capacity building for bureaucrats, particularly at the local and provincial levels. After a decade of investment, the government should begin assuming ownership of training functions e.g., through the Local Government Institutional Self-Assessment (LISA) framework and emerging provincial training centres. The group acknowledged that scaling back should not mean complete withdrawal but rather a recalibration**:** moving from externally driven training to enabling government-led capacity systems. For example**,** LISA has proven effective in identifying institutional gaps and informing capacity plans, which governments can increasingly manage themselves.
- Moving forward, Swiss support to federalism must be more selective and sequenced aligning with long-term reforms and reinforcing national ownership.

The third group attempted to answer the question: *Delayed FSB could brew conflicts. Do we continue to be relevant and fit for potential conflicts?*

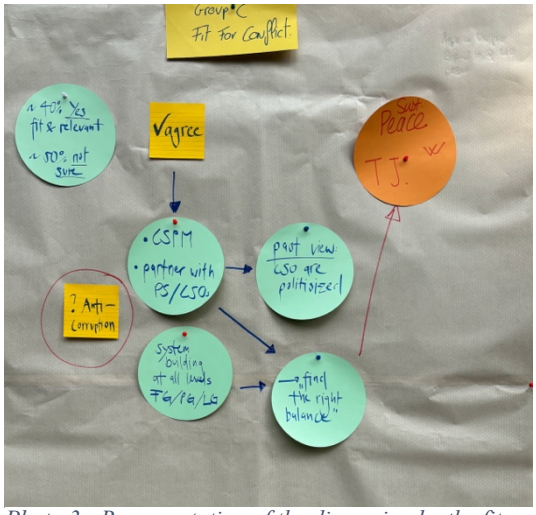


Photo 3 - Representation of the discussion by the fit for conflict group

This was acknowledged as a particularly complex and sensitive question. Colleagues broadly agreed that **Switzerland remains relevant**, and the program is partly Fit for conflict. While the program is *fit for working in a conflict-affected or fragile context*, though not necessarily *working directly on conflict*. During previous periods of active conflict, Switzerland implemented programs with strong conflict-sensitive program management (CSPM), guided by clear principles and protective protocols. While today's conflict landscape is different—less about armed groups and more about frustration over stalled federalism, poor service delivery, and economic exclusion—many of the underlying grievances persist.

The group agreed that delayed federalization continues to be a major source of tension, particularly as it affects marginalized groups who have yet to see meaningful change. The perception that power and influence remain concentrated at the top was cited as a root cause of growing public frustration, including identity-based and sector-specific protests. In this context, Switzerland's ongoing support

for federalism, governance reform, and inclusive development remains highly relevant as a *preventive* and stabilizing approach.

Colleagues emphasized the need to find the **"right balance"**—between continuing to address the root causes of conflict (e.g., inequality, exclusion, corruption) and responding more explicitly to emerging forms of social unrest. Rather than a radical shift, this means maintaining a conflict-sensitive lens across all programming**,** reinforcing system-building at all levels**,** and investing in anti-corruption and digital governance as levers for accountability and inclusion.

The group also proposed:

- Enhancing partnerships with civil society organizations (CSOs)**—**while recognizing the political sensitivities involved.
- Continued engagement with the private sector**,** especially in areas like TVET and economic development, while ensuring that benefits reach disadvantaged groups.
- Exploring a longer-term role in justice sector reform—not through traditional access-to-justice approaches but through state-building lenses (e.g., support to constitutional institutions).

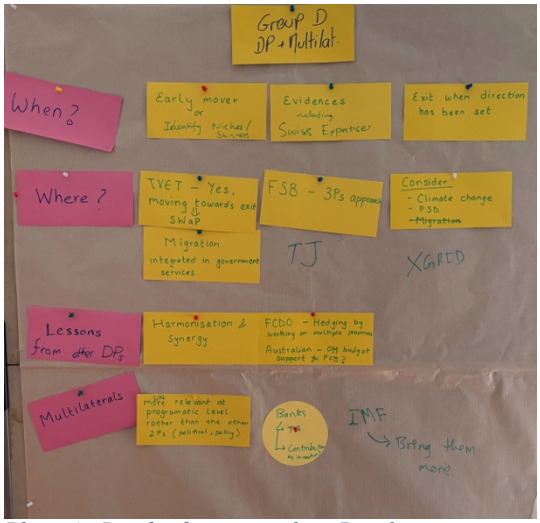


Photo 4 - Result of group work on Development Partner and multilateral agencies

The fourth group attempted to answer the questions: *Where should Switzerland be a thought leader among development partners, in which area / theme and how? What can we learn from the lessons and thinking of other Dis? How can DP increase coordination and harmonized approaches in line with the constitution?*

The group reflected on where Switzerland should position itself as a thought leader among development partners and concluded that its **leadership is strongest where it has acted as an early mover, generated credible evidence, and remained engaged over time**. Switzerland's past leadership in areas such as Technical and Vocational Education and Training (TVET), migration, and fiscal state building (FSB) was attributed to its ability to identify critical gaps early, pilot innovative approaches, and produce tangible results. These experiences have enabled Switzerland to shape agendas and influence other actors. The group noted that thought leadership should also be dynamic knowing when to scale back efforts once a clear direction is set and others begin to take the lead. Moving forward, Switzerland is well positioned to maintain or deepen its leadership in TVET as the national qualifications framework takes shape, and in migration, particularly through the integration of migration services into government systems. In FSB, despite limited engagement from other donors, Switzerland's 3Ps approach remains a distinctive and constitutionally grounded contribution, especially in support of fiscal federalism.

The group also identified new areas where Switzerland could carve out a niche leadership role. In climate change, although not a first mover, Switzerland could lead selectively by focusing on high-impact, under-addressed areas such as forest fire response, disaster risk reduction, and climate-smart vocational training. It could also leverage its regional engagement by investing in clean air initiatives, in partnership with development banks. Similarly, in inclusive economic development and private sector engagement, Switzerland could focus on improving access to skills, jobs, and finance, working

with credible partners and leveraging its strong reputation. Lessons from other donors were seen as instructive—for instance, FCDO's capacity to manage political risk by engaging across multiple provinces, and DFAT's use of off-treasury modalities for greater flexibility. Regarding multilateral engagement, the group emphasized the need to better leverage institutions like the IMF, which holds significant influence in setting fiscal benchmarks but remains underutilized in donor coordination. Views on the effectiveness of the UN system were mixed. While the UN was recognized for its normative mandate, participants noted limited efficiency in program.

Switzerland's value lies in its ability to bridge technical expertise, long-term presence, and trusted relationships with both state and non-state actors. The group emphasized that Swiss leadership should remain rooted in its comparative advantages—evidence-based engagement and constitutional coherence. However, as the development partner landscape evolves, the number of active DPs is likely to decline. While this may enhance efficiency by simplifying coordination, it also raises questions about the collective effectiveness of development efforts in Nepal.

Corrective Actions

For the remainder of the current phase, the MTR identified two key corrective actions. First, there is a need to clarify the program's geographic scope. Although many interventions now extend beyond Koshi Province, the perception of a narrow geographic focus persists. The team should develop a clear, shared understanding of where a national presence is essential and where continued strategic concentration in Koshi adds the most value. Second, the review highlighted the importance of reinforcing conflict sensitivity across the portfolio. This includes assessing the extent to which Conflict-Sensitive Program Management (CSPM) tools are being applied and exploring opportunities for deeper engagement with civil society organizations and local actors who play a critical role in early warning and community resilience.

Looking ahead to the next Cooperation Programme (post-2026), several strategic considerations emerged. One recommendation is to consider integrating anti-corruption either as a transversal theme or as a distinct domain of intervention. A shift in the approach to capacity development was also proposed, moving away from direct training toward strengthening government-led systems such as LISA. In terms of program design, there was strong support for focusing on access—to jobs, finance, knowledge, and services—rather than organizing interventions strictly by sector. Participants also suggested exploring a more deliberate engagement in justice sector reform, with emphasis on supporting core institutions linked to federal state-building. Finally, the review emphasized the need for Switzerland to define its niche more clearly in the changing development landscape and consider leading development partner efforts in targeted sectors or thematic areas such as climate change and disaster risk reduction.

Effectiveness

The Swiss portfolio's outcomes were found to be achieving their intended objectives, albeit sometimes not at the originally planned pace. While challenges to effectiveness were noted—particularly in relation to intergovernmental collaboration, as discussed below and in the input papers—the Mid-Term Review concluded that, overall, **the program is effective** and delivering on its intended results.

Progress per Swiss Portfolio Outcomes (SPOs), Climate Change and GESI.

The embassy team produced five input papers to inform the MTR during the preparatory phase, the structure of the papers as well as the inputs papers are presented in Annex 2. The input papers provide an overview of progress, challenges, and strategic lessons emerging from the implementation of the Cooperation Programme. Each team was also asked to assess performance against expected outcomes

and assign ratings (highly satisfactory, satisfactory, or not satisfactory) accordingly. Below is a summary of each paper, including these self-assessments and key insights:

Federal State Building (SPO 1)

Ratings per outcome: 1.1 - Intergovernmental collaboration: *Not satisfactory*; 1.2 - Inclusive service delivery: *Satisfactory*; 1.3 - Transitional justice and political engagement: *Satisfactory*

Switzerland supported important institutional reforms and capacity development across all levels of government. Inclusive governance was advanced through the preparation and adoption of GESI strategies in 398 municipalities, and the institutionalization of GESI focal points in provincial ministries and local governments. Accountability was strengthened through the rollout of tools such as the Local Government Institutional Self-Assessment (LISA), the Subnational Treasury Regulatory Application (SuTRA), and the Fiduciary Risk Reduction Action Plan (FRRAP). Legal reforms including the enactment of Provincial Civil Service Acts across all seven provinces. Swiss support was also instrumental in advancing transitional justice, notably through the amendment of the TRC Act, and in promoting disaster risk governance and intergovernmental collaboration.

Despite these achievements, progress on federal state building has been hindered by political instability, weak implementation of intergovernmental decisions, and delays in endorsing key policies such as the Federal Civil Service Act and the Unbundling Report. While the program made tangible contributions to legal reform, inclusive governance, and peacebuilding, the constraints outlined are reflected in the rating for outcome 1.1. The paper highlights the need to strengthen provincial systems, enhance citizen engagement, and diversify geographic focus beyond Koshi to support a more systemic and sustainable federalism process.

Employment and Income (SPO 2)

Ratings per outcome: 2.1 - Framework Conditions: *Satisfactory* 2.2 - Private institutions expand markets: *Satisfactory*; 2.3 - Productivity and employment: *Satisfactory*

The Employment and Income (E&I) domain input paper highlights strong performance, with notable achievements in Technical and Vocational Education and Training (TVET) reform, small and medium enterprise (SME) financing, agricultural market development, and increased provincial budget contributions. The program created over 2,600 jobs, increased incomes for more than 34,000 farmers, and expanded access to skills development, particularly for women and disadvantaged groups.

TVET reforms were institutionalized and co-financed by provincial governments, guided by inclusive strategies. The introduction of dual apprenticeship models and the establishment of provincial-level instruments to support SMEs reflect strategic progress in aligning skills development with labour market demand. Private sector engagement was strengthened, catalysing investment, and public-private partnerships are gaining momentum. These efforts have also contributed to Nepal's broader economic transition, including progress toward Least Developed Country (LDC) graduation and an increase in foreign direct investment (FDI).

However, challenges remain. Limited scalability beyond Koshi Province, policy implementation gaps, and frequent bureaucratic reshuffles continue to hinder the sustainability of results. The team emphasizes the need to work more directly with regulators, stabilize partnerships, and build synergies across provinces to ensure a more systemic and consolidated impact.

Migration (SPO 3)

Overall rating[2]: Satisfactory

The migration portfolio has grown significantly in both coverage and visibility, with Switzerland playing a catalytic role in policy advocacy and the expansion of safer migration services through the Safer Migration (SaMi) and Reintegration of Returnee Migrants (ReMi) programs. Support to migrants has expanded through government-led reintegration services, policy reforms, and co-financing arrangements. Institutional ownership has strengthened, with federal and provincial policies adopted and services now scaled to more than 130 municipalities. This reflects a clear shift from project-based to systemic support.

Progress has also been made in institutionalizing employment and reintegration services, with increasing financial contributions from all three levels of government. Remittance flows have grown, and over 13,000 survivors of gender-based violence (GBV) have accessed psychosocial support services, now available in numerous municipalities. Safer migration systems have been mainstreamed, and bilateral labour agreements are in place, enhancing protections for migrants abroad.

Despite these achievements, some challenges remain. Federal anchoring of key service delivery points—such as Employment Service Centres (ESCs)—is not yet complete, and coordination with the Ministry of Foreign Affairs continues to be limited. The input paper identifies opportunities to further strengthen psychosocial support by integrating it into public health systems and to better align migration policy with skills development and private sector engagement. These steps will be essential to sustain and deepen the systemic gains achieved so far.

Gender Equality and Social Inclusion

Rating: *No formal rating provided*; overall performance assessed as moderately satisfactory to satisfactory

GESI has been increasingly embedded in the Swiss portfolio, with notable successes such as the development and implementation of GESI strategies across nearly 400 local governments and capacity building for over 18,000 women. Institutionalization of GESI units and focal points at both provincial and local levels has laid the groundwork for more inclusive governance. However, the paper identifies persistent gaps in applying GESI early in project cycles, especially in private sector engagement. It emphasizes the need for leadership from both the Embassy and implementing partners to mainstream GESI beyond the "add-on" stage and make it a core driver of transformation.

Discussions during the MTR further highlighted a critical emerging concern: the shift toward private sector-led service delivery and the move from targeted support for disadvantaged groups (DAGs) to more systemic GESI approaches may unintentionally reinforce existing vulnerabilities. Participants noted that many disadvantaged groups struggle to access these services, which could widen inequalities if left unaddressed. This issue, illustrated in the pie chart discussion during Session 6, will require deeper analysis and targeted corrective action in the design of the next Cooperation Programme.

Climate Change

Rating: No formal rating provided; performance assessed as partially satisfactory

[2] The input paper did not provide a rating per outcome

Climate change integration has seen some traction—especially in infrastructure and agricultural programs—but remains inconsistently applied across the portfolio. While there are pockets of innovation, the overall approach seems to lack a coherent strategy or consistent tracking of climate outcomes. The paper calls for embedding climate resilience more systematically in sectoral interventions, improving climate data availability, and linking adaptation efforts with livelihoods and market systems to strengthen relevance and sustainability.

Constraints and lessons learnt

Each input paper also identified key lessons learned and constraints, which were compiled and presented in table format during the workshop. Colleagues were then invited to vote on those they considered most important. The items that received the highest number of votes are presented below. Constraints highlighted in the darkest shade of red and lessons learned in the darkest shade of green represent those most frequently prioritized by participants.

Political	Federalism is a slow process: Implementation of the constitution is slow; there is still no Federal Civil Service act	
Program	Social norms: Weak decision-making power for women and limited digital access + Social norms hindering market access and mobility for women and DAGs. Low prioritization of social inclusion and workforce diversity by some businesses (PSE/PSD).	
Program	Improvement needed in communication and collaboration among colleagues to mainstream, cross-fertilization and learnings on FSB across domains.	
Policy	Intergovernmental mechanisms (IPC, PCC, NCC) lack follow-through on implementation. For instance, despite regular meetings, the implementation of reform decisions taken by these high-level bodies is mostly pending. The endorsement of crucial policy documents like the Unbundling Report remains delayed.	
Political	Frequent political instability and shifting alliances disrupt government formation and policymaking, delaying key legislation, changing priorities. This is then linked to high turnover of officials that affects program delivery. -> Delays Swiss program approvals and demand ongoing engagement.	
Political	Limited political will to fully empower provincial and local levels. Pull to the centre, Increased reliance on centrally defined conditional grants threatening provincial and local autonomy. Risk of regressive constitutional amendments potentially undermining inclusive governance.	
Policy	Delay fund flows from the government. Funding mechanism (planning-budgeting-disbursement-reporting) especially on budget on treasury portion is one of major challenge because fiscal federalism is still new.	

Table 1: Constraints

Program	Supply side only is insufficient: 3P needs more demand-side focus. Decentralized government systems cannot develop via supply-side interventions alone (majority of FSB initiatives). Demand-side foster stronger citizen-government relationships and drive accountability.	
Program (GESI)	Integrating GESI considerations from the outset—during conceptualization and budget negotiations—fosters shared ownership and ensures GESI is embedded in program design, avoiding the ineffective 'add and stir' approach but in PSD, good example and a strong business cases and inspiration through champions are needed to convince SMEs.	
Political	Road to results is curvy and takes multiple stops to the top: Truth and Reconciliation Commission act: Political consensus is essential for transformational reform, Timing is critical, long-term engagement is needed, flexibility (from high-level dialogue to technical assistance and psychosocial support) and "Swiss" credibility	
Program	Brokering international and national coordination around a common vision—such as on the TRC Act reform or TVET policy—has been key to success. Strategic alliances with development partners and private sector associations have effectively amplified messaging and driven policy change, even amid coordination challenges.	
Program	Robust institutionalized handover mechanisms are critical to preserve knowledge and enhance project resilience amidst personnel turnovers.	
Program	Demonstration effects can drive sustainable change, even in uncertain policy environments. Implementation of TVET activities across all seven provinces—despite the absence of a national TVET Act—showed how provincial mandates can be realized -> some provinces establish their TVET offices	

Program (E&I)	BDS is important when working with SMEs, and the provision of pre-loan support—such as in the NAMDP project—has proven effective in catalysing private sector investment, a model now being scaled through the Udaya project	
Program	Anchoring programs at the provincial level and concentrating efforts in one province fosters government ownership, stakeholder synergies, and policy shifts (Koshi recognizes now private sector role (shifts away from subsidy driven model) BUT is as well a constraint.	
Program	Target group vs. systemic approach – Systems approach is essential, but it can distance programs from direct engagement with beneficiaries (e.g. vulnerable groups / DAGs), making it difficult to demonstrate tangible results quickly. As well, there remains a need to engage and address individual-level challenges to create a dynamic and inclusive ecosystem for private sector development.	

Table 2: Lessons learnt.

Review the assumptions underlying the CoPr Theories of Change and assess their validity.

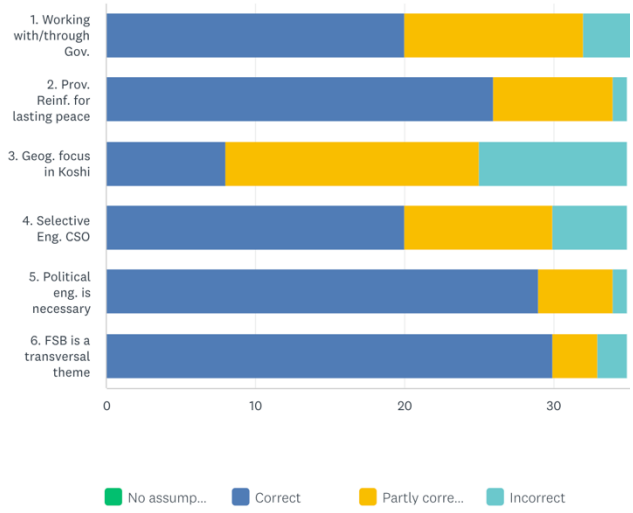


Figure 3 - Survey results on how each assumption was perceived—whether correct, partially correct, or incorrect

During the development of the Cooperation Program (CoPr), several foundational hypotheses were identified to guide the formulation of the program's Theory of Change. These assumptions shaped strategic decisions across Swiss Portfolio Outcomes and defined the axes of interventions,

A central assumption of the program is that working with and through government systems is an effective mechanism for funding and service delivery. Providing on-budget support aligns with international aid and development commitments—such as the Busan and Accra Declarations—and allows development partners to identify and address systemic gaps. Strengthening government institutions at all levels is also expected to improve public service delivery and foster private sector development.

Another key assumption concerns the importance of provincial anchoring. Positioning provincial governments as a primary entry point for the program is considered critical to advancing Nepal's federal system and contributing to long-term political stability. This approach enables the piloting and refinement of strategies before scaling them nationally. Furthermore, the program had defined a geographic focus on one province: Koshi. It was designed to consolidate SDC's existing investments and create synergies across various the various themes of the program. Lessons learned from Koshi were intended to inform broader reforms and policy dialogues at both the federal and provincial levels.

Selective engagement with civil society has also been a guiding principle. Given the political alignment of many civil society organizations (CSOs), direct engagement is considered high-risk. The strategy, therefore, has been to support targeted segments of civil society that can contribute constructively while mitigating political risks. Another key assumption underpinning the program is the importance of deliberate political engagement—complementing programmatic (technical) and policy-level work—to advance federal reforms and navigate bureaucratic resistance. This integrated approach is referred to as the "3P approach." Finally, federal state-building is treated as a transversal theme across the program, aiming to reinforce the distinct roles of federal, provincial, and local governments while enhancing overall program coherence.

The assumptions were tested in the surveys by asking respondents whether they believed each one was correct, incorrect, or only partly correct. While there was broad support for most assumptions (see Figure 2), the survey highlighted three areas that remain particularly contested. These are: the continued focus on Koshi Province, which many feels may no longer align with evolving national priorities; the strategy of working with and through government, given ongoing concerns around capacity and transparency; and the selective engagement with civil society, which some see as overly restrictive in the context of a shrinking civic space. These issues were further explored in group discussions, with key reflections summarized below.

Group reflections on Contested Assumptions

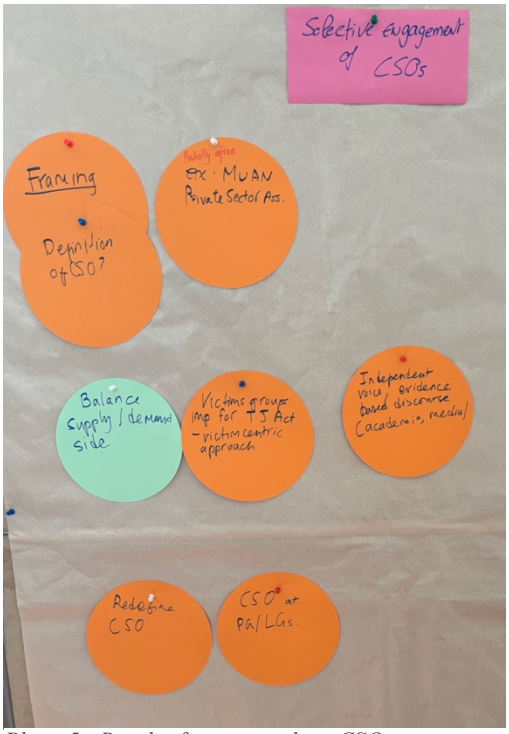


Photo 5 - Result of group work on CSOs

Selective Engagement with Civil Society (CSOs): The assumption that it is preferable to selectively engage with civil society, rather than working broadly with all CSOs, was broadly upheld by the group. This approach is considered prudent given the political affiliations of many organizations and the increasing sensitivity of civic space in Nepal. However, the discussion also highlighted the need to revisit and broaden the definition of what constitutes "civil society."

While much of the original framing appears to have centred on NGOs—particularly those historically involved in parallel service delivery during the conflict—many other actors fall within the civil society spectrum. These include media outlets, academic institutions, local government associations such as Municipal Association of Nepal (MuAN), and private sector bodies. Many of these actors are already integrated into the Cooperation Program in various forms, yet they were not necessarily recognized as part of the civil society engagement strategy.

Colleagues agreed that selective engagement remains the appropriate approach but stressed that it must be applied more inclusively and strategically. It is important to recognize and support those actors who contribute to social accountability, human rights, and federalism discourse. For instance, in the case of transitional justice, engaging victims' groups alongside state institutions played a critical role in ensuring the legitimacy and acceptance of the amended TJ Act. This example demonstrates the value of engaging with civil society not just as implementers, but also as advocates and watchdogs.

Looking ahead, a more balanced approach is needed—one that strengthens the voice of civil society, particularly at the local and provincial levels, and fosters inclusive dialogue, civic oversight, and evidence-informed policy making. Redefining civil society in the context of Swiss engagement will help ensure that these actors are not overlooked and that their contributions to Nepal's democratic and governance processes are fully recognized and supported.

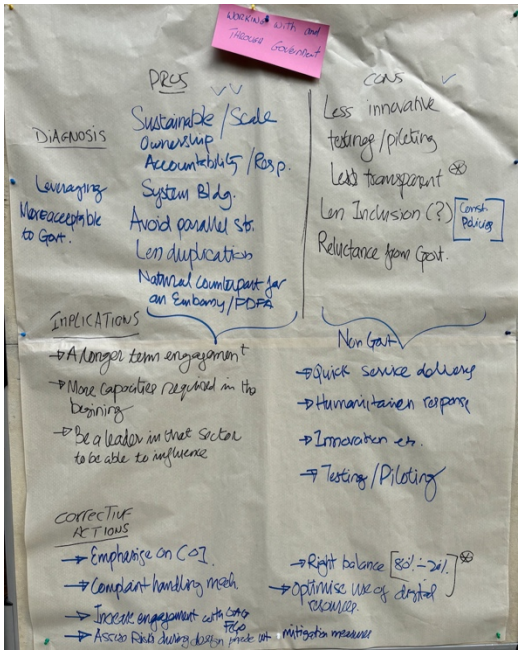


Photo 6 - Result of group discussion on working with the government

Working with and Through Government: The assumption that working through government is effective was broadly confirmed by the group. This approach is seen as fundamental to promoting ownership, avoiding the creation of parallel structures, and ensuring long-term sustainability through systems-building.

However, several limitations were acknowledged. Government systems are often less transparent, slower to adopt innovation, and may be reluctant to engage in politically sensitive areas such as human rights, inclusion, or transitional justice. In such cases, or when rapid results are needed—as in emergency responses or short-term pilot initiatives—working through non-governmental actors may be more appropriate. The group emphasized the need to strike the right balance between engaging public systems and using flexible implementation channels, depending on the objective, sector, and timeframe of the intervention.

Further considerations included the importance of strengthening complaint-handling mechanisms and reinforcing collaboration with oversight bodies like the Office of the Auditor General to address corruption and enhance transparency. The group also recommended greater use of digital tools to improve accountability and operational efficiency. In terms of program design, risk assessments should be more rigorous, and mitigation measures must be clearly defined and realistically implementable within the government context.

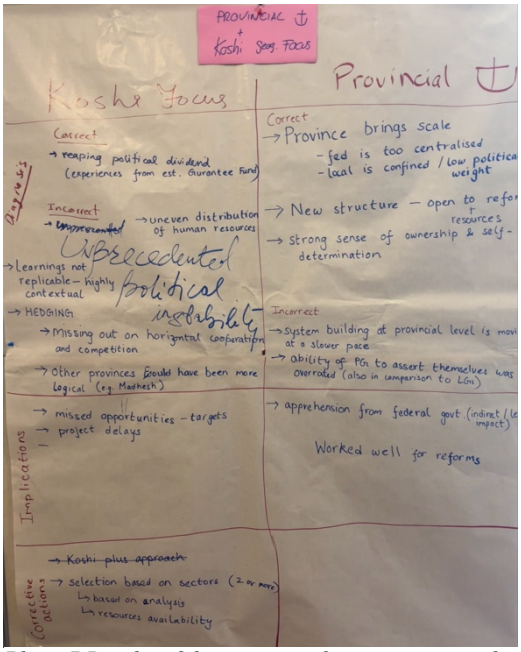


Photo 7 Results of the group working on provincial anchoring and geographical focus.

Geographic Focus in Koshi vs. Broader Provincial Anchoring: The approach of anchoring interventions at the provincial level was reaffirmed as valid, especially given the potential of provinces—as relatively new and reform-minded institutions—to take ownership and drive innovation. However, the exclusive focus on Koshi has been questioned. While Koshi provided political leverage and a platform for piloting complex reforms such as the Udaya project, there is a perception that is limits opportunities for inter-provincial learning, risk mitigation, and comparative analysis. Provinces like Madhesh may offer stronger alignment with constitutional federalism and greater potential for state-building.

Colleagues recommended that future provincial selection be guided by sectoral priorities and contextual relevance rather than legacy investments. Where resources permit, engaging in at least two provinces would allow for hedging political risks, stimulating healthy competition, and facilitating cross-provincial cooperation. Although no immediate corrective action was proposed for the current phase, the discussion clearly pointed to the need for a more diversified and strategically selected provincial presence moving forward.

As noted earlier, it was also emphasized that the cooperation program defines a geographic concentration in Koshi Province, many projects are in fact active in other provinces. The perception of a narrowly focused geographic approach may therefore not be entirely accurate, as the program maintains a national footprint. At the same time, some voices questioned whether, in the current context, it is advisable to expand engagement further—arguing instead for greater focus and demonstrable results.

Corrective actions

Corrective actions for the current phase include clarifying and broadening the definition of civil society to encompass a wider range of actors and strengthening engagement with organizations that represent citizen voices and promote accountability, particularly at the local and provincial levels. There is also a need to improve risk mitigation and oversight in partnerships with government by reinforcing complaint-handling mechanisms, enhancing collaboration with oversight bodies such as the Auditor General, and making greater use of digital tools.

Looking ahead to the next phase, a decision will be needed on how best to balance provincial anchoring, including whether to maintain a focus in one province or expand based on sectoral relevance and context. A more flexible mix of implementation approaches should also be pursued—engaging government systems for long-term reforms, while partnering with other actors for faster or more sensitive interventions. Civil society should be supported not only as service providers, but also as key contributors to advocacy, transparency, and justice. The work on digitalisation, which has recently begun, should continue into the next strategy, with clearer definition of the specific areas where digital tools can most effectively enhance public oversight and data-driven governance.

Efficiency

The program is judged as **partially efficient**. The result of the survey found that 80% of respondents rated the embassy processes as very efficient or efficient (see figure attached).

Analysis of current processes, methods of working and instruments.

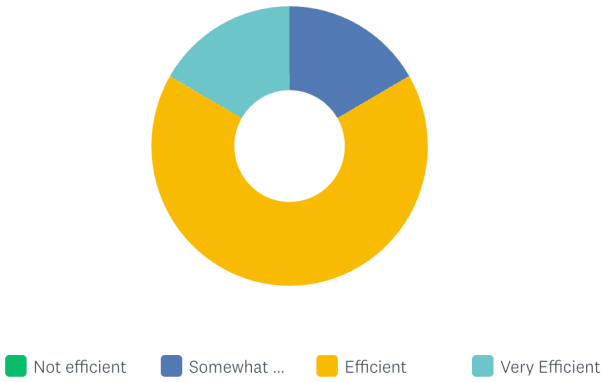


Figure 4: Results of the survey assessing SDC Nepal's internal processes. Respondents (internal and external partners) were asked to rate the processes as: very efficient, efficient, somewhat efficient, or not efficient.

Overall, Embassy staff view internal processes—particularly those related to planning, strategic reflection, and program design—as efficient. Tools like the MERV and the Forward/Backward Looking Matrices are regarded as effective mechanisms for fostering inclusive, cross-sectoral dialogue and aligning the entire Swiss Cooperation Programme. Their group-based design allows for joint reflection and facilitates strategic steering.

However, several concerns were raised. New staff often find the abundance and fragmentation of internal tools overwhelming, with unclear guidance on how instruments interrelate, or which are most strategic. Without a clear hierarchy or orientation, the usefulness of each tool can be lost in practice. While processes like the MERV and forward and

backward matrices are conceptually useful, their procedural complexity and frequency were seen by some as reducing cost-effectiveness. There is a perception that these exercises risk becoming overly bureaucratic if they focus too much on tracking indicators and not enough on strategic reflection. For instance, some participants noted that discussions sometimes dwell "too low in the engine," focusing excessively on indicator-level monitoring rather than outcome-level steering, which diminishes their utility.

Suggestions emerged to reframe sessions like the backward-looking matrix to highlight key results, successes and constraints, rather than going line-by-line through indicators. Capacity and institutional continuity were also flagged. The lack of clear "champions" for each process (outside of finance for tendering) to guide new staff or curate best practices was seen as essential to reduce the learning curve and improve ownership.

Concerns about inefficiencies extended to multiple layers of review and delays in decision-making—particularly in procurement and tendering processes. Some participants noted that current practices may not fully leverage the available flexibility, and called for the exploration of more adaptive approaches, such as two-stage tendering models that would allow space for ideation and iterative proposal development, particularly for complex or innovative initiatives. However, one participant reminded the group that the two-stage tendering model had previously been dropped due to Government of Nepal requirements, which would necessitate two separate rounds of negotiation instead of one. It was also noted that, while Swiss internal processes could be adapted and applied flexibly, the procedures required to obtain project approvals and finalize bilateral agreements with the Government of Nepal remain rigid—posing structural challenges beyond SDC's control.

Importantly, the usefulness of the processes was emphasized as being dependent on how they are applied. Tools are only valuable if they stimulate meaningful discussion and decisions. If they become box-ticking exercises or produce documents no one reads (e.g., excessively long OMS reports), their purpose is undermined.

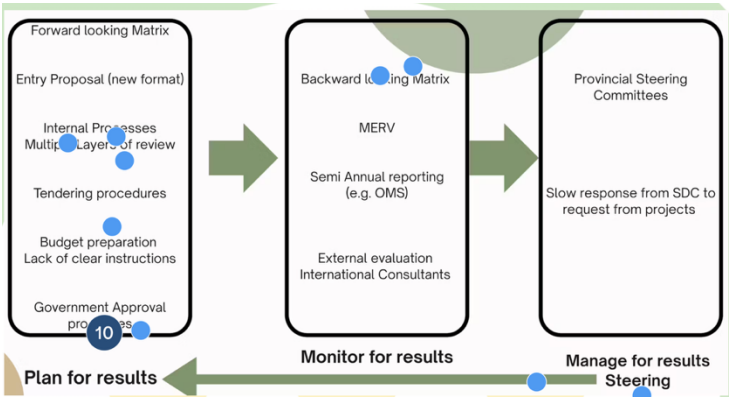


Figure 5 - Mapping exercise to identify key bottlenecks in processes.

Figure 4 highlights the key areas where inefficiencies were identified. Processes were categorized into three areas: planning for results, monitoring for results, and managing for results. Most inefficiencies were found at the planning stage. The Government of Nepal's approval processes were considered particularly cumbersome, and the way the program engages with these processes may need to be reconsidered. Internal review mechanisms were also flagged as areas requiring improvement. As noted earlier, two staff members suggested that the backward-looking matrix could be revised to enhance its strategic value and reduce unnecessary complexity.

Sustainability

Based on the survey responses, a majority of SDC staff (73%) expressed confidence that the **Program in Nepal is on a sustainable path,** with many ratings it as "very sustainable". This perception is rooted in the deliberate system-building approach that has been a hallmark of the program. While the frustration of working through government systems is acknowledged (and affect the efficiency of the program as defined above) staff consistently emphasized that embedding reforms in public structures—rather than delivering services through parallel structure or with NGOs—is what makes the program more likely to endure. Some effects, such as improvements in budget processes and governance capacities, are expected to persist even if external support is phased out.

Topic	Internal Views (SDC Team)
Digital Infrastructure (e-governance, online systems)	Sustainability At risk if not fully embedded in government systems
Service Delivery (psychosocial, migration etc,)	Services may survive partially but with reduced quality and scale
TVET and Private Sector Development	Partial sustainability achieved, especially in provinces; private sector engagement still fragile
Migration Support Pillar	Will survive but effectiveness may drop
Federal State Building components	Sustainability is embedded through systemic reforms
Realistic Timeframe for Sustainability	Some optimism for moderate sustainability after project end

Table 1: Summary of survey-based reflections on key sustainability topics.

However, a closer look reveals important caveats (see table 1). Sustainability is uneven across components. For instance, digital infrastructure and e-governance systems are viewed as fragile due to partial integration into national systems and continued donor dependence. Similarly, psychosocial services and GBV support provided under the Migration SPO remain outside key government structures and would likely be scaled down or diluted without continued support. Work on migration and reform supported under the FSB SPO are expected to survive but with reduced effectiveness unless re-integrated and further consolidated. In contrast, federal state-building efforts are seen as more deeply anchored through systemic reforms.

The TVET and private sector development components show partial sustainability, particularly at the provincial level, but still require stronger institutional anchoring and more sustained political buy-in. Sustainability in these areas is influenced by external market dynamics and consumer behaviour, making long-term gains more unpredictable. Participants also cautioned against overestimating how quickly systems mature. True sustainability, they noted, cannot be fully achieved within a single four-year project cycle—it demands continued engagement, often over decades. That said, there was cautious optimism that some processes—such as planning, intergovernmental coordination, and civic participation—may outlast direct Swiss support. This led to a broader reflection: sustainability must be more clearly defined—not just as the persistence of outputs or institutions, but in terms of the legacy left behind.

Corrective actions

Participants proposed that the next Cooperation Strategy include a more explicit sustainability framework—clarifying what must endure, what can evolve, and what could be responsibly phased out. This includes considering the role of non-government actors and hybrid financing models to ensure continuity beyond ODA. While a "green light" on sustainability was broadly supported, it was given with humility and caution—acknowledging the risks ahead, the varying maturity of reforms, and the importance of continued strategic prioritization in the next phase. The ambition is not to sustain every

output, but to ensure that core systems, capacities, and behaviours are resilient enough to evolve without external support.

Results Framework

Swiss Portfolio Outcome (SPO) 3 Migration

The discussion on indicators and the results framework was conducted exclusively for SPO 3 – Migration. It involved both project leaders from the Safe Migration (SaMi) and Reintegration of Returnee Migrants (REMI) programs. The framework discussion took place over the course of a morning and focused on reviewing and refining each indicator under SPO 3. The agreed changes are summarized in the figure below and will be incorporated into the Results Data Management (RDM) system for the next reporting cycle. These adjustments were recorded during the session and reflect a joint effort to enhance the relevance and usability of the framework.



Figure 6 - Agreed changes to the indicators for the SPO 3 Migration Results Framework.

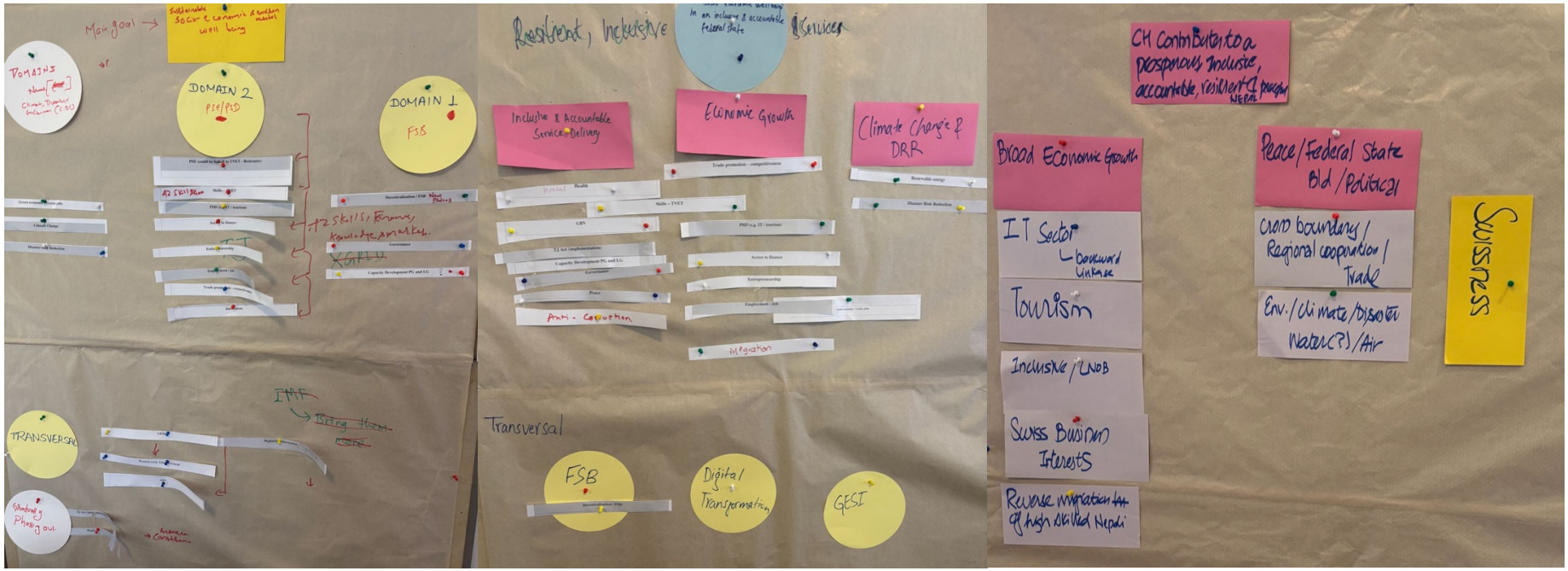


Photo 8 - Results of the reflection on the outlook and structure of the future program: the image on the left represents the traditional approach, where the group was asked to retain two-thirds of the current program and modify one-third. The image in the middle illustrates the halfway model, allowing the group to preserve selected elements of the current program while proposing a new direction. The image on the right reflects the disruptive scenario, where only a limited portion of the existing program is maintained, and a significantly restructured approach is introduced.

Outlook 2027 - 2030

The MTR served as a forward-looking platform to explore possible orientations for the next Swiss Cooperation Programme in Nepal. As part of the workshop, participants self-selected into three groups reflecting differing levels of ambition for change:

- **Disruptive Group**: Tasked with designing a radically new cooperation program, retaining only one-third or less of the current structure. This group proposed a leaner, two-domain framework emphasizing bold shifts.
- **Traditional Group**: Allowed to keep up to two-thirds of the current program, with space for moderate adaptations and reorientation.
- **Conservative Group**: Asked to maintain the overall architecture of the current program, introducing only minor adjustments.

Each group presented a proposed goal statement and domains of intervention, as summarized below.

Traditional Group:

- **Proposed Goal**: *"A sustainable socio-economic and environmental well-being."*
- **Domains**:
  - *Federal State Building (FSB)*: Maintaining a focus on decentralization, governance, and capacity development.
  - *Private Sector Development (PSD)*: Consolidating efforts in TVET, employment, SME support, and inclusive economic growth.
  - *Climate Change and DRR*: Replacing the current Migration SPO with a domain addressing disaster risk reduction, climate resilience, and green economy—but explicitly excluding energy transition.
- Transitional justice was identified as a component to be phased out, with responsibility transferred to the Government. Cross-cutting priorities included gender-based violence (GBV), women's economic empowerment, digital transformation, and GESI.

Midway Group:

- **Proposed Goal**: *"Women and men are resilient and improve their socio-economic well-being in an inclusive and accountable Federal State."*
- **Domains**:
  - *Inclusive and Accountable Service Delivery*: Covering GBV, transitional justice, mental health, anti-corruption, and governance.
  - *Economic Growth*: Encompassing trade, competitiveness, access to finance, entrepreneurship, employment, and migration (now integrated into this domain).
  - *Climate Change and DRR*: Including DRR, green jobs, and renewable energy.
- TVET was viewed as a cross-cutting area bridging service delivery and economic growth. FSB, digital transformation, and GESI were retained as transversal themes.

Disruptive Group:

- **Proposed Goal**: *"Switzerland contributes to a prosperous, inclusive, accountable, resilient and peaceful Nepal."*
- **Domains**:
  - *Inclusive Economic Growth*: Focusing on high-potential sectors such as IT and tourism, linked to Swiss economic interests and returnee migrant reintegration.

Inclusiveness and Leave No One Behind (LNOB) were emphasized due to growing inequities in private sector-led service delivery.
    - *Peace and Federal State Building*: Framed through a political economy lens and inclusive of regional trade cooperation, environment, disaster, water, and air quality issues.
- The group emphasized systemic coherence and "Swissness"—ensuring that the program aligns with Swiss comparative advantages in governance, innovation, and inclusive systems.

In addition to the three scenarios, Figure 8 presented during the workshop captured discussions held during and around the event. It proposed grouping the key themes identified for the next Cooperation Programme into two priority domains: *Jobs and Innovation* and *Resilient and Peaceful Communities*. The first domain emphasized improving access—to jobs, skills, finance, and markets—while the second focused on climate change, disaster risk reduction, and peacebuilding. This alternative structure was offered as food for thought to inform future design discussions. At the end of the session, all participants voted on their preferred model, with the "halfway" model emerging as the most favoured option.

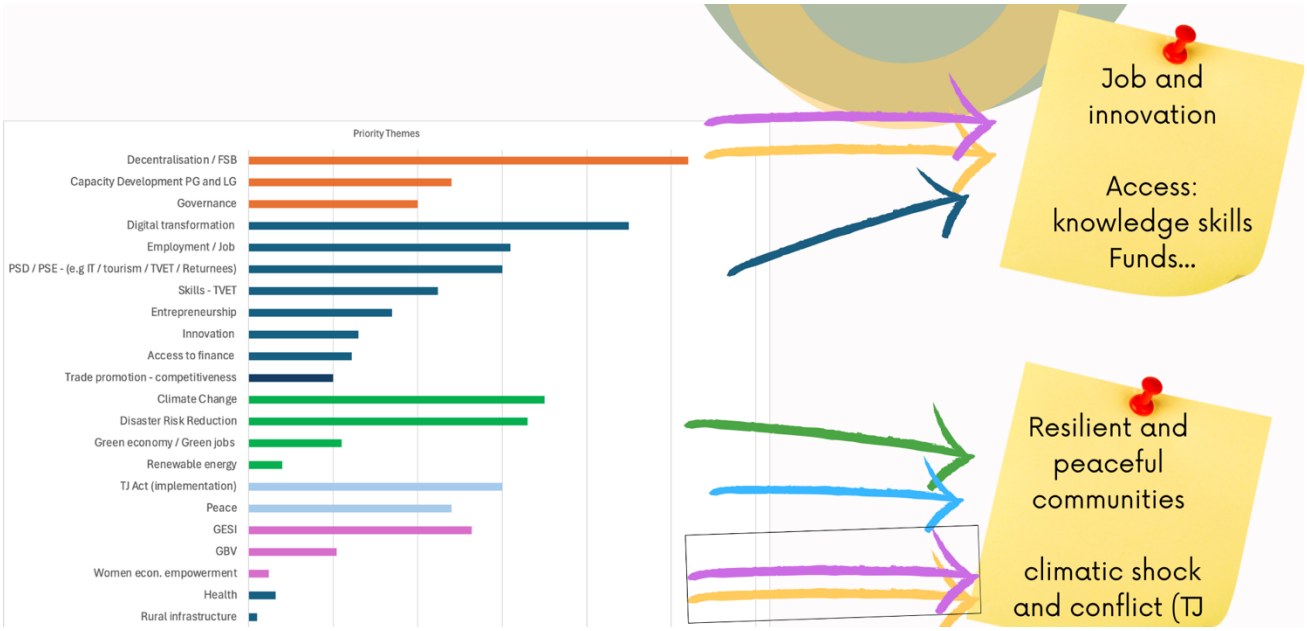


Figure 7 - Representation of the key themes selected by SDC staff for the next Cooperation Programme, grouped into two priority domains.

Mid Term Review of the Swiss Cooperation Program Nepal 2023 – 2026

Annexes

February – April 2025



Illudest "i.e."

From Aspirations to Measurable Results.
Collaborating & Learning for Lasting Impact.

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Annex 1 Key Guiding questions

Key Guiding Questions (KGQ) for session 1

1. How have the key elements of the Political and Security, Social and Environmental, Economic fields of observation changed from the planned **scenario**?
2. Is the program **coherent** with
    - Nepal's development goals, including the 16th Five Year Development Plan and the upcoming LDC graduation
    - The aspiration of the Nepalese society, particularly those of the youth
    - The new International Cooperation Strategy or regional strategies defined by Switzerland or SDC?
3. Are we **leveraging effectively our role** with the **multilateral** actors? Through which instruments (e.g. policy-based loans, TA, anti-corruption mainstreaming etc.)
4. Given the delayed implementation of key elements of the Constitution, does SDC's approach to Federalism and its interventions continue to be **relevant**?
5. Delayed FSB could brew conflicts. Do we continue to be relevant and **fit for potential conflicts**? Do all spheres of government contribute to the federalization process as per constitutional mandates?
6. Are there any new relevant opportunities that we have not considered in the current strategy?
7. Where should Switzerland be a **thought leader** among development partners and how? What can we learn from the lessons and thinking of other DPs? How can DP increase **coordination and harmonized approaches** in line with the constitution?

KGQ for session 2

Progress, success, constraints and lessons learnt

8. **What has been achieved** for each outcome under the CoPr 2023-2026?
9. What were **success and constraints** to achieve the outcome? What were the **lessons learnt**, what didn't work and why? How did we adapt?
    - How effectively was the **approach "political, policy, and program" implemented**? What are the lessons learnt? Lessons learnt on the practical and operational aspects of 3P logic? specifically on experiences and approach to intergovernmental cooperation in the 3P logic?
    - What lessons – positive and challenging experiences - have been learned from anchoring the CoPr 2023-2026 at the **provincial level?** What is the outlook for this geographic focus?
    - On **federalism,** what has worked? For example, federalizing the sectors vs federalism specific project?
10. What is **further needed** to achieve progress at the CoPr outcome level? What are the missing pieces? What are your recommendations to adjust the strategic focus of the cooperation program.
11. Considering the **newly allocated budget**, what should we change to remain effective?
12. Are our interventions making a difference in making this country more **inclusive**? If yes how? If no, why?

KGQ for session 3

Efficiency

13. **What processes are efficient**, and which are inefficient? How is the backward and forward-looking matrix implemented for steering and reporting? Is our current team structure the most efficient to plan and steer the program?

14. From the initial project concept through the approval of a credit proposal and the selection and contracting of an implementing partner, what are the **primary inefficiencies and bottlenecks encountered**? Which of these issues can be effectively managed or mitigated, and how can they be addressed to improve overall process efficiency in the future?
    - **Example:** Can we restructure our bilateral agreements in a more programmatic way?
15. How can we **cooperate with the government** in the future? How can we transfer funding to government e.g. tranches payment, reimbursement modality etc…?
16. What is our expenditure level? What are the bottlenecks to improved efficiency?
17. What should be the role of SDC in Nepal to address prevention and control of **corruption:** Does this topic need to feature more prominently; how should it be addressed?

Sustainability

18. Are if behaviours, systems, knowledge, capabilities and frameworks established as part of Coop 23-26 **sustainable**? What are key recommendations to improve their sustainability.

KGQ for session 4

19. What **indicators** can we collect, and which ones are too difficult to collect? Are all program indicators still relevant (incl. in SPO3)?
20. Is there a need to **review and simplify the management outcome statements** and the indicators?
21. What are the **new ARI and TRI**, and do we need to adapt the RF based on these?

KGD for session 5:

22. What are the **key sectors and areas where Switzerland can add value** to the economic and social development of Nepal?
23. **Reflection on the structure of the new CoPr,** what are the rationales and narratives for each area or sector? Can we structure the SPOs differently?
    - Example: One of the previous thinking was to better integrate migration and Economy and income / strengthen migration and private sector development (PSD) linkages? What is the current thinking, what are the pro and contra?
24. **Climate Change:** Climate change agenda and - especially but not only - private sector development: Are we on the right track?
25. **PSD / Private Sector Engagement (PSE) -** Future direction of the PSD/PSE portfolio: What are the lessons and opportunities?

Annex 2: Input papers prepared for the MTR

Structure of the input papers

During the preparatory phase, the embassy team will write a short input paper for each SPO and for the GESI approach as an input for the discussions during the face-to-face workshop.

- **SPO Input Paper 1 - Federal State Building (FSB):** includes 1.1 Provincial and local governments promote intergovernmental collaboration in the spirit of the constitution; 1.2 Provincial and local governments are accountable and provide essential services that are inclusive and 1.3 Political parties engage in the 'dealing with the past' process.
- **SPO Input Paper 2 - Employment and Income:** includes 2.1 The three spheres of government create framework conditions for inclusive and sustainable economic growth; 2.2 Private institutions expand markets and 2.3 Women and men, including those from disadvantaged groups, increase productivity and find employment.
- **SPO Input Paper 3 – Migration** includes 3.1 The three spheres of government collaborate and provide services that address the needs of migrants and their families, and 3.2 Migrants and their families build human and social capital and increase the economic benefits from migration.
- **GESI Input paper 4 – Gender Equity and Social Inclusion –** This paper will present the results and analyse the efficiency of the Embassy in implementing GESI and workforce diversity.

The SPO input papers will have 3 sections (see example of the papers written in 2022) and be between 3 to 5 pages in length. The authors of the papers will give recommendations or improvement in the text of the input paper.

Section 1 – Assessment of SDC Current Engagement
Responding to KGQ 8: What has been achieved so far for each outcome under the CoPr 2023-2026?

Please use up to 2 pages to summarise and describe the main results achieved for each SPO the instruction for this section is:

- Start by providing a rating of progress for each outcome statement using the same rating of the Annual report (Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory) but considering the period since the beginning of the cooperation program. Explain the reason of the rating.
- Summarize the results achieved under the SPO or for the implementation of the GESI approach. Regarding the SPO, you can group them by outcome statement or not, this is your choice – Try not to identify projects, present results at CoPr Outcome level.
- As you summarize the results in a qualitative manner, please include some quantitative data using indicators, choose indicators where significant progress has been achieved and maybe a few where little progresses has been achieved (if possible).
- If any identify unexpected results that have been achieved but were not part of your original plan (or are outside of the outcome statement)

Section 2 – Lessons learnt
Responding to KGQ 9: What were the success and constraints to achieve the outcome? What didn't work and why? How did we adapt?
Please use up to 1 page to describe the success, constraints and lessons learnt since the inception of the CoPr. and what were the success and constraints to achieve the outcomes. Please use a similar format as the one for the input papers 2022, using short bullet points and explaining how the program adapted / or did not manage to adapt.

Section 3 – **Strategic outlook**
Responding to KGQ 10 and 11: What is further needed to achieve progress at the outcome level? What are the missing pieces? Considering the allocated budget, what should we change?
Please use up to 1 page to describe what is needs to achieve the outcome for the reminder of the period in the current CoPr and as well, now that the budgetary constraints are known, how should the activities under the SPO be adapted to remain effective considering the financial constraints.

The **Input Paper on GESI** will consist of the following three sections:
Section 1 - Assessment of SDC GESI Approach
Responding to KGQ 8: What has been achieved so far for the implementation of the GESI approach under the CoPr 2023-2026?

Format and Guidance:
- Limit this section to two pages.
- Assign a rating of progress (Highly Satisfactory, Satisfactory, Unsatisfactory, or Highly Unsatisfactory), following the Annual Report's format. Provide a clear rationale for your chosen rating.
- Summarize key results achieved under the GESI approach. Include anecdotes or stories of both successes and failures.
- When available, integrate quantitative data (e.g., disaggregated indicators from the Results Framework or other sources).
- Note any unexpected outcomes that were not part of the original plan.

Section 2 - Lessons Learned
Responding to KGQ 9: What were the successes and constraints in achieving the outcome? What didn't work and why? How did we adapt?

Format and Guidance:
- Limit this section to one page.
- Discuss both the enabling and constraining factors behind the successes and failures outlined in Section 1.
- Highlight how the program adapted to become more inclusive.
- Identify any adaptations that did not work and explore the reasons why.

Section 3 - Strategic Outlook
Responding to KGQ 10 and 11: What is further needed to increase inclusion? What are the missing pieces? Considering the allocated budget, what should we change?

Format and Guidance:
- Limit this section to one page.
- Address what is required to enhance inclusiveness under the CoPr for the remainder of the implementation period.
- Considering budgetary constraints, propose how the GESI approach can be adapted and improved given current capabilities and funding allocations.

Input Paper SPO 1 - Federal State Building (FSB)

Section 1 – Assessment of SDC Current Engagement

The overall outcomes of the Swiss portfolio remain satisfactory, despite facing significant challenges. Political instability, marked by frequent shifts in alliances, severely impacted both government formation at the federal and provincial levels and the effectiveness of policy-making. This instability has undermined the ability of the government to deliver essential services and implement key constitutional reforms. As a result, attention has drifted away from enacting critical legal frameworks, such as the Federal Civil Service Act, Education Act, Police Act, and TVET Act—reforms vital for strengthening the country's institutional foundation.

Furthermore, rising concerns over the potential for regressive constitutional amendments have heightened fears of a re-centralization of power. Such a shift could undermine the inclusiveness of governance, concentrating authority in the hands of a few at the expense of broader democratic participation. This trend, compounded by an increased reliance on centrally defined conditional grants, threatens to erode the autonomy of provinces and local governments. The redistribution of resources, rather than being based on the needs of local populations, is increasingly driven by the priorities of the central government, exacerbating inequalities and undermining decentralization efforts. Corruption continues to be a critical concern, with systemic issues undermining public trust and accountability in government institutions. The persistence of corruption signals deep-rooted problems within the public sector that require urgent attention to restore confidence in governance.

However, amidst these challenges, there have been notable successes. The registration of the Federal Civil Service Bill in parliament, along with the amendment of both the Citizenship Act and the Enforced Disappearances Enquiry, Truth, and Reconciliation Commission (TRC) Act, represents a significant step forward. In particular, Swiss efforts to support the transitional justice process have resulted in the endorsement of a comprehensive amendment to the transitional justice law, which now includes reforms across all four pillars of the process.

Outcome: 1.1 Provincial and local governments promote intergovernmental collaboration in the spirit of the constitution.

Rating: Unsatisfactory

High level inter-governmental coordination (IGR) bodies at the federal and provincial level, such as the Inter-provincial Council (IPC), National Coordination Council (NCC) and Provincial Coordination Councils (PCC) are meeting regularly, however, the implementation of reform decisions previously taken is mostly pending. For example, since its inception, the IPC has met 3 times, NCC has met twice and PCCs have met as follows in various provinces: (Koshi – 6, Madhesh – 4, Bagmati – 4, Gandaki – 7, Lumbini – 7, Karnali – 7 and Sudurpaschim – 4). The review of the Unbundling Report led by the Office of the Prime Minister and Council of Ministers (OPMCM), are underway to further clarify the division of responsibilities among the three spheres of government. Switzerland played a constructive role and provided technical assistance through local government associations to inform the reformulation of the Report, but endorsement of this crucial policy document remains pending. At the province level, strategic partnerships in disaster management between Koshi province and 13 local governments (in four cluster) progressed through signing of an MoU on the formation of an Integrated Emergency Response Centres. All 49 municipalities in Koshi province decided to implement the national building code, and MOUs between the province and 49 municipalities were signed. Further, policies such as Provincial Building Regulation and Strategic Partnership (Implementation of National

Building Code) Procedure have progressed and are pending endorsement and implementation. Similarly, a Solid Waste Management Strategic Partnership Guideline was approved by the provincial Government, paving the way for inter-governmental coordination in this essential public service area. Annual Planning and Budgeting Guidelines have been approved by Koshi province, but implementation remains weak.

Outcome 1.2 Provincial and local governments are accountable and provide essential services that are inclusive and accountable.

Rating: Satisfactory

By December 2023, all seven provinces have enacted their provincial civil service acts (PSCA), despite delay in the endorsement of Federal Civil Service Act. Nepal's legal and institutional reform under fiscal federalism has been progressing moderately with proactive reviews on regulatory frameworks, such as Inter-Governmental Fiscal Arrangement Act (2017) and the endorsement of the Public Finance Management Reform Strategy (2025-2030) that aims to help in implementation of government's fiscal policies, improve service delivery, and reduce fiduciary risks. To enhance governance efficiency, transparency, and accountability, Switzerland has supported the development of ICT-driven solutions such as the Sub-national Treasury Regulators Application (SuTRA), which optimizes revenue management and financial oversight at provincial and local levels. Additionally, 73 subnational governments have successfully implemented internal control systems through the Fiduciary Risk Reduction Action Plan (FRRAP), strengthening fiscal discipline and mitigating financial risks. Similarly, 3 provinces (42%) and 375 local governments (49%) have developed Revenue Improvement Action Plans (RIAPs) enhancing financial autonomy of provincial and local governments, enabling them to mobilize resources more effectively. Furthermore, the rollout of the Local Government Institutional Capacity Self-Assessment (LISA) across all local governments has enabled data-driven governance improvements. As a result, 284 local governments were supported to advance capacity development plans based on their needs and priorities. These institutional and system-building efforts are instrumental in fostering resilient governance structures that support sustainable economic development and competitiveness. Two provinces, Karnali and Gandaki, and 23 local governments (*within Karnali and Gandaki*) have endorsed inclusive law-making processes.

Concurrently, Swiss-supported GESI initiatives have played a pivotal role in fostering inclusive governance. Over 18,000 women, including elected representatives and civil servants, were trained, leading to increased engagement in policy, planning, and budgeting processes. Similarly, a total of 398 local governments have prepared and approved GESI strategies, while 55 provincial ministries and offices, along with 400 local governments, have institutionalized GESI sections and appointed dedicated focal persons to ensure gender-responsive governance.

Outcome 1.3 Political parties engage in the 'dealing with the past' process.

Rating: Satisfactory

Nepal achieved a significant milestone with the signing of the third amendment to the TRC Act. This marks a pivotal moment in Nepal's journey to address human rights violations from the decade-long armed conflict 1996-2006. The Bill, first presented in the Parliament in March 2023, has undergone extensive negotiations in order to reach a political consensus. It was passed with overwhelming support from the Parliament and introduces key provisions for reparations, grants victims' access to courts and establishes a trust fund. It also responds to a Supreme Court ruling of 2015 that mandated the revision of the TRC Act 2014.

Switzerland's long-standing legacy in Nepal, characterized by strong people-to-people connections and successful development cooperation, has made it the preferred partner of all political parties since the conflict period, culminating in the Government's request for Switzerland's support in facilitating the transitional justice process. At the political level, Switzerland ensured diplomatic influence to create

an environment in which the political parties could manifest their political will to amend the TRC Act. This included confidential technical expertise to share knowledge on international experiences and best practices and logistical support to facilitate the amendment of the TRC Act. At the policy level, Switzerland provided support to all three spheres of Government to build capacities and policies for the timely implementation of the transitional justice process. At the programmatic level, Switzerland supported local and provincial governments to institutionalize psychosocial counselling for conflict victims. When political turmoil overshadowed the dialogue process, focus shifted to reparations. Switzerland's constant engagement was instrumental in maintaining political commitment despite leadership transitions and instability in Nepal. It focused on aligning support to the transitional justice process with Nepal's national frameworks and international obligations, thus reinforcing its acceptance. As a result, the federal government has allocated NPR 1 billion for the peace fund to support conflict victims. Similarly, 2 provinces (Lumbini and Karnali) and 12 local governments (*palikas*) have introduced policies to institutionalise conflict victim support.

Some other notable highlights:

1.) Implementation of the 3P (Political, Policy and Programme) and federal state building approach across the (SCP) three domains including efforts to mainstream federalism principles across various portfolios of other development partners – i.e., project anchoring at subnational level, institutional setup with political ownership and decision makers at the forefront, on budget on treasury funding modality and clear prioritization of reform elements.
2.) Positive efforts to mainstream FSB across the portfolio – example: advocacy and support designing TVET act in line with the Constitution; ADB case – ensuring provincial and local stakeholder participation in road construction project; endorsement of one window policy in Small Irrigation Project; support to develop provincial roads network master plan under the Motorable Bridges project etc.
3.) Leading joint advocacy with likeminded development partners on federal state building, timely endorsement of federal (and provincial) civil service act, tvet act, unbundling report, activation of IGR mechanisms such as IPC, NCC and PCCs etc.

Section 2 – Lessons learnt

In Nepal the road to results is curvy, and it takes multiple stops while ascending to the top. The experience with the TRC Bill highlights that transformational change in Nepal is generally the result of a broad-based consensus across the political spectrum. Contributing to building coalitions requires a sustained engagement, agile management and ability to seize the opportunities when the windows open. Switzerland's experience highlights several key lessons: impartial facilitation: the engagement was consistently articulated as Nepali-led, holistic and victim-centric. Switzerland responded solely at the request of Nepali actors, serving as an impartial third party that enabled it to mediate between conflicting parties and build trust, flexible support: the ability to adapt to changing political conditions and prioritize immediate needs, such as psychosocial support, was crucial for maintaining momentum in the transitional justice process, and international coordination: effective coordination within the international community around a common understanding to support a Nepali-led, victim-centric approach enabled pooling expertise and resources.

The focal province approach has yielded positive results thus far, enabling Switzerland to cultivate trust-based relationships and foster a long-term partnership with the Koshi government, particularly at the political level. However, the frequent shifts in government and their destabilizing effects on federal state-building efforts underscore a critical lesson: sustainable progress depends on strengthening

institutions rather than relying on individual actors. Moreover, the risks of concentrating efforts in a single province highlight the need for a more diversified and resilient approach to engagement. Third, the frequent turnover of personnel often leads to significant disruptions in project continuity and effectiveness. This underscores the critical need for a robust and institutionalized handover mechanism—one that not only preserves institutional knowledge but also enhances the project's agility and resilience in the face of evolving contexts and strategic shifts.

Decentralized government systems cannot function effectively through supply-side interventions alone. Currently, (*approximately*) almost 80-90% of FSB initiatives are supply-side focused. To build stronger governance, a more holistic approach is needed—one that integrates demand-side elements to foster stronger citizen-government relationships. These relationships are crucial for driving accountability to local constituencies, which in turn strengthens government systems like public financial management, intergovernmental coordination, revenue mobilization, and service delivery. This requires expanding beyond a focus on government institutions to include stakeholders such as academia, the media, and civil society organizations. These actors are key in shaping public discourse, mobilizing citizen engagement, and holding institutions accountable. A strategically blended financing approach—combining on-budget mechanisms with complementary off-treasury options—can provide the flexibility needed to support government systems while ensuring long-term sustainability.

As a caveat though, the Provincial Support Programme (PSP) utilizes a mixed funding modality comprising both on- and off-treasury mechanisms. However, all off-budget expenditures have been recorded as arrears by the Office of the Auditor General (OAG), despite the availability of external audit reports. This has led to increasing pressure—both directly and indirectly—from government officials to shift toward a 100% on-budget, on-treasury system. **This development offers a critical lesson for future program design and underscores the importance of aligning project support with national public financial management systems.**

Effective mainstreaming of GESI requires shared responsibility across the SDC team, leadership, and implementing partners. By engaging in early discussions during the conceptualization and budget negotiation stages, rather than treating GESI as an afterthought, SDC has moved beyond the ineffective "add and stir" approach. This ensures GESI becomes a core pillar of program design, fostering mutual ownership and responsibility. Each partner can then integrate targeted actions into their activities, ensuring GESI is embedded from the outset. In Nepal's federalized context, where provincial and local governments vary in their capacity to implement inclusive policies, early engagement allows SDC to tailor interventions accordingly. This approach has been instrumental in the redesign of the Provincial and Local Governance Strengthening Program (PLGSP), where GESI priorities were clearly defined from the planning stage. Similarly, GESI analysis in the Municipal Revenue Enhancement Project has proven effective. By identifying the needs and challenges of implementing partners, including the Government of Nepal, from the start, SDC plays a catalytic role in bridging gaps, providing technical assistance, and fostering locally owned, sustainable solutions that advance gender equality and social inclusion.

Section 3 – Strategic outlook

The assumptions and risks outlined in the Swiss Cooperation Programme 2023–26 remain highly relevant. However, experience has shown that the deep-seated institutional and governance transformations Switzerland supports in Nepal unfold over extended timeframes, making it challenging to measure tangible progress within a four-year cycle. At the political and policy level, critical framework legislation—most notably, the Federal Civil Service Act—remains absent, creating persistent delays in human resource allocation at the sub-national level. The ongoing review of the

Unbundling Report holds the potential to clarify the division of responsibilities among the three spheres of government, even in the absence of sector-specific legislation. However, progress remains sluggish, as intergovernmental mechanisms remain largely inactive and reform decisions lack the necessary momentum for effective implementation. Without decisive action, the devolution of power will continue to be more symbolic than substantive. Nepal's governance remains predominantly vertical, reinforcing centralized decision-making at the expense of provincial and local autonomy. In this context, while advocating for the adoption of key legislation in support of the Constitution remains crucial, Switzerland must also supplement this by strategically aligning its efforts with development partners (DPs) and likeminded actors to foster horizontal cooperation—both across provinces and among local governments. *Switzerland is taking a lead role in the discussions among development partners with the goal to delegate planning and decision-making authority to the provinces themselves, foster more effective inter-governmental collaboration and reinvigorate federalism debate at a higher level, including required framework conditions – leveraging existing projects such as PLGSP, PSP, MDTF PFM.*

On transitional justice, Switzerland will continue its political engagement to support the implementation of the TRC Act through formation of victim centric by-laws, operationalizing the trust fund through existing Government instead of parallel systems. Policy dialogue with provincial and local government leaders to institutionalise support to conflict victims will be scaled up. Switzerland will support the three spheres to implement the mental health strategy, with a special focus on psychosocial counselling. The Embassy will further coordinate with well-placed like-minded actors that can spearhead such efforts to "share the burden".

The Municipal Revenue Enhancement Project (MunRev) will strategically prioritize own-source revenue (OSR) generation, accountability (anti-corruption measures), and strengthened service delivery in priority sectors. Designed in coordination with the national ministry, the project will establish a crucial engagement with local governments in Nepal, where corruption is widely considered systemic and rampant, yet often remains an unspoken challenge in governance discourse. By working in 12 municipalities across Koshi and Bagmati provinces, MunRev presents a unique opportunity to adopt a systematic methodology to test the effectiveness of new tools, processes, and stakeholder engagement approaches in diverse local contexts. Given that the first phase of the project will focus on piloting and learning, a quasi-experimental methodology will be employed to generate evidence on what works and what does not. This evidence-based approach will not only enable knowledge-sharing but also lay the groundwork for scaling up successful interventions. A key entry point in this effort is digitalization, which offers a powerful mechanism to enhance transparency, efficiency, and anti-corruption measures. By embedding digital solutions in revenue collection and public service delivery, MunRev will be strategically placed to challenge entrenched governance inefficiencies, enhance fiscal autonomy of local governments through increased Own Source Revenue and foster greater public trust in local governments by delivering inclusive services effectively and efficiently.

Switzerland, through Subnational Governance Programme, will **promote evidence-based federalism dialogues at both the federal and subnational levels while strengthening inter-provincial coordination** in line with the spirit of the Constitution. As regressive narratives and pro-monarchist demonstrations challenge the implementation of the federal system, fostering fact-based discourse becomes not only relevant but strategic imperative for informed civic engagement. Engaging civil society organizations, academia, and the media is essential to counter misinformation and disinformation around merits and challenges of federalism and reinforce public confidence in federal setup. Additionally, in the absence of legally binding frameworks for interprovincial cooperation, investing in robust provincial systems, generating provincial data/evidence and promoting horizontal

cooperation mechanisms amongst provinces is critical to ensuring the long-term viability of federal governance.

Input Paper SPO 2 - Employment and Income

The Swiss Cooperation Program Nepal 2023-26 was developed to contribute to the improved socio-economic well-being of women and men and support an inclusive and accountable federal state in Nepal. In alignment to this ambition, the Employment and Income (E&I) domain has supported the three spheres of government to strengthen framework conditions for inclusive and sustainable economic growth. With an enabling business environment and focused support, Swiss programs support private institutions to expand markets, and for the Nepali people (including those from disadvantaged groups- DAGs) to increase productivity and find employment.

The systemic change the Swiss portfolio outcome (E&I) intends to contribute to is the following:

IF the three spheres of government create the framework conditions for an inclusive economic growth and, **if** all women and men including DAGs increase their productivity and build market-relevant skills, **then** private institutions will expand their markets resulting in increased economic activity leading to more employment and increased incomes, **because** Swiss supported interventions support the increase of inclusive human capital, enhance better connectivity, effective commercialisation of agriculture, promote financial, monetary, and fiscal stability that favour investment and entrepreneurship in the country.

The impact hypothesis is built on three interrelated outcomes. Outcome 1 focuses on creating an enabling environment through inclusive frameworks. Outcomes 2 and 3 centre around expansion of market that increases demand for skilled labour, which in turn will increase labour productivity and employment opportunities.

1. Assessment of SDC Current Engagement

Swiss interventions in the E&I Domain have overall yielded satisfactory results. Swiss support has contributed to the expansion of the private sector, increased productivity, better connectivity and improved employment opportunities. Progress at the policy level however is hampered by slow implementation, mainly due to political instability until July 2024, and slow uncoordinated bureaucratic practices. The assumptions made and risks identified in the Swiss Cooperation Programme 2023-26 remain relevant. The section below summarizes the main results achieved under each program outcome.

Outcome 2.1 The three spheres of government create framework conditions for inclusive and sustainable economic growth

Rating: Satisfactory

The first outcome aims to support the three spheres of government in creating a conducive investment climate, leading to enhanced production and productivity for sustainable and inclusive growth.

The provincial and local governments endorsed a total of 114 reform-oriented inclusive policy instruments. Notable at provincial level is the one-window small irrigation guideline to fortify the constitutional mandates and reduce duplication that was endorsed by Koshi province and is being used by all the 59 project partner municipalities in the last two years. Bagmati and Koshi Province also endorsed the Provincial Road Network Master Plan which will support provinces internalize their constitutional mandate and direct public investment strategically.

Significant progress has also been achieved in enhancing SMEs' access to growth capital in Koshi Province through the Udaya – Investment and Innovation for Economic Development programme. Two key policy instruments—the Provincial SME Risk Reduction Mechanism (PSRRM) procedure and the Technical Assistance Facility (TAF) procedure—have been successfully endorsed to support SME development. To operationalise these instruments, the project implementation unit for both PSRRM and TAF has been established within the Ministry of Economic Affairs and Planning (MoEAP) of the Koshi Province which will also lead both the units.

At the federal level, a TVET sectoral strategic plan was endorsed that recognizes the role of the private sector in TVET, along with consideration to important thematic elements like gender equality and social inclusion, and green jobs. Additionally, by-laws related to dual VET apprenticeships with greater voice of the private sector are in the final stage of endorsement.

Similarly, Swiss efforts on common advocacy through development partners, development finance institutions and business associations has also led to some remarkable policy improvements in the investment space. Three policy reforms[1] created a level playing field for foreign investment and five procedural reforms contributed to improving business environment through the easing of procedures primarily for starting business, approval of foreign investment and addressed key operational bottlenecks such as enforcing contracts and resolving insolvency. The enactment of an automatic route for FDI approval resulted in NPR 11.18 billion (CHF 79 million) being approved within the first two months.

The provincial and local government have also showed financial ownership in the Swiss supported programs. In the first two years of the cooperation program (spanning FY 22/23 and 23/24), the government budgeted a total of CHF 140.87 million in SDC's sectoral priority areas like TVET, infrastructure and agriculture markets. In motorable bridges alone, the seven provincial government has allocated a budget of about CHF 55 million annually. In TVET programs, the cumulative budget in the seven provinces was CHF 481,000 (CHF 158,000 in 2023 and CHF 323,000 in 2024). Similarly, through the promotion of agricultural commercialisation and public-private initiatives in Koshi Province, the provincial government has co-invested a total of CHF 957'032. Additionally, during FY 2023/24, the federal Education Ministry also initiated financing for career guidance services at a nation-wide level, allocating a total budget of CHF 250,000.

Of the total allocated funds by the government of Nepal in SDC priority areas, 72% (CHF 100.84 million) has been spent which show increasing ownership of programme by the provincial governments. This achievement is primarily due to active involvement of the political leadership in the project activities at the federal, provincial and local levels.

Outcome 2.2 Private institutions expand markets
Rating: Satisfactory

Swiss programs work closely with the private sector- supporting initiatives to strengthen their capacity to provide inclusive services while also advocating for favourable economic framework conditions and sectoral policies.

[1] Securities Board of Nepal (SEBON): lock-in period for DFI equity investment reduced through an amendment of SEBON's regulations; Recognition of DFIs as regulated financial institutions and addressed hosts of issues related to Debt investment; Ministry of Finance: disparity in withholding tax rates applicable for DFIs based on MoUs with DFIs

Although the reference period witnessed weak business sentiment, and low trade and credit demand, Swiss efforts to stimulate private sector growth were effective. Private companies supported through Swiss programs continued to invest and increase their trade value. A total of CHF 5.6 million was invested during the two years. Through the TVET dual-vet apprenticeship programs, the private sector invested a total of CHF 935,000 (CHF 375,000 in 2023 and CHF 560,000 in 2024). Similarly, Invest for Impact Nepal has invested a total of CHF 128,372 (CHF 18,734 in 2023 and CHF 109,638 in 2024) to prepare the financial institution to attract foreign investment and develop market and institutional capacity to adhere to international compliance standards for financial institutions.

Similarly, private investment in agri-SMEs has shown strong and sustained growth, with a total of CHF 4.8 million mobilised through bank loans and direct contributions from agri-SMEs. This surge in investment reflects growing confidence and engagement of the private sector in agricultural commercialisation, facilitated by targeted support under the Nepal Agricultural Market Development Programme (NAMDP) Phase II. As a result of these efforts, trade value in Koshi Province has steadily increased over the past four years, achieving an average annual growth rate of 8.84%.

Similarly, Switzerland's support to facilitate Development Finance Institution's investment in Nepal has enabled the inflow of $155 million debt investment in commercial banks.

Outcome 2.3 Women and men, including those from disadvantaged groups, increase productivity and find employment.
Rating: Satisfactory

Swiss interventions in infrastructure, TVET and agricultural market development has resulted in improved employment for Nepali women and men, including from disadvantaged groups. During the reference period, a total of 2,649 persons (50% DAGs[2], 20% women[3]) found new employment. Of this, 692 full-time equivalent (FTE) jobs were created through the PSD programs. Over 4.6 million person-days of employment (68% DAGs, 25% women) were generated through infrastructure-related projects. These projects also support productivity gains, as the motorable bridges programs led to freight costs being reduced by 95%[4] (inflation adjusted).

Similarly, NAMDP Phase II has created 652 FTE jobs, generating CHF 1.8 million in income, with strong inclusion of women (28%) and discriminated groups (48%). Despite this, average monthly earnings remain below the national minimum wage. Additionally, 34,146 farmers—including over 6,000 women and 5,000 from discriminated groups—have increased their incomes through strengthened value chains in key sectors.

In addition to employment generation, it is also noteworthy that a total of 4,496 persons have graduated from the Swiss supported TVET programs, enhancing their employability.

2. Lessons learnt

The following section summarizes the main lessons from the E&I domain implementing the Swiss Cooperation program 2023-2026:

[2] For DAG, only TVET data was considered as PSD project report on discriminated groups only.
[3] Includes ENSSURE and NAMDP
[4] Motorable Local Roads Bridge Project (MLRBP) external evaluation report draft March 2025

- The Embassy's approach to combine different instruments at political, policy and programmatic level has proved to be relevant and effective for the E&I domain. Through pertinent engagements with political leadership at the federal and provincial level, some critical reforms were institutionalised in the TVET sector including the TVET sectoral strategic plan and the by-laws related to dual VET apprenticeships (in final stages of endorsement). It has also led to increased engagement of the governmental representatives at provincial and local levels, and timely and adequate allocation of resources for joint activities.
- The anchoring of programs at the province level has been effective. Regular and focused engagements with the provincial and local governments have helped in building ownership in the programs and fostered synergies with the key stakeholders.
- Concentrating efforts in Koshi province has strengthened the impact of existing SDC investments by creating synergies across government, private sector and other stakeholders. For example, the Koshi government is now increasingly recognizing the role of private sector actors in driving agricultural market development through the success of private sector led services approach demonstrated by the NAMDP project. As a result, the provincial Ministry of Industry, Agriculture and Cooperative has now shifted away from the traditional subsidy-driven model towards a more strategic subsidized credit approach in areas like agri-mechanisation, warehousing, etc. This demonstrates a growing understanding and recognition that enabling private actors through facilitation and co-financing mechanisms can lead to more sustainable, scalable impact than direct subsidies approach.
- Nevertheless, it has also poised some challenges to the programs- particularly originating from the political instability leading to subsequent changes in bureaucratic appointments. The adverse effects are felt across a number of programs in the form of non-convening of the Project Steering Committees, delays in approvals of YPOs, etc. Most importantly, as the domain increasing works with SMES, scaling up of interventions beyond Koshi is also necessary to expand their market.
- Political changes have often led to frequent changes of key government officials at the federal and provincial level, requiring the re-induction of the new governmental counterparts on the Swiss programs which demands frequent additional engagements. Therefore, as a part of the adaptation, the Swiss programs have started to also engage more with the second-tier bureaucrats (like Undersecretaries) who are more stable and are less affected from politically induced appointments. This approach has been effective as an internal induction of the new appointees and has also helped to maintain and continue the institutional memory on collaborations with the governmental counterparts.
- Thematic committees are considered to be an effective mechanism to promote intergovernmental coordination. A formal thematic committee meeting was organized for TVET which, however, has not been a priority of political leadership. Therefore, their effectiveness is yet to be determined for Swiss programs.
- On a more holistic level, the domain has learned that a strategic approach requires time and would benefit from continuity in steering. By reflecting on past experiences, we see that significant resources are invested in developing and testing new approaches. However, when decisions to change course are made prematurely such as for NAMDP Phase 2, the impacts and learnings from these approaches, which only become apparent much later, are not captured. This results in a critical knowledge gap at the programmatic level.
- The maturity of projects has also brought to light two key gaps in Switzerland's private sector interventions: 1) the need to increase engagement directly with regulators for both policy intervention and capacity building to adapt with the fast-changing context and need of the private sector; 2) the need to address the challenges at individual level (e.g. women, discriminate and disadvantaged) so as to create a dynamic ecosystem for private sector to foster.

- Business development support (BDS) services are still important and relevant working with SMEs. The importance is exemplified by the NAMDP project whereby pre-loan BDS services for SMEs have led to a significant private sector investment in the Koshi Province (as detailed above). This successful approach is now being continued through the Udaya project.
- Programs under the E&I domain are addressing GESI issues systematically across the portfolio and at all levels- political, policy and programmatic. However, working with the private sector on GESI has been challenging because businesses, especially small-scale SMEs with minimal resources, do not yet prioritize social inclusion and workforce diversity. Therefore, Swiss programs should continue with persistent reinforcement of these principles, which could be enhanced through demonstration of a strong business case and inspiration through champions.
- Alliances that advocate for common goals are also critical for sustained change. Many programs under the domain are working closely with the development partners and private sector associations which has been effective to amplify the common messaging, particularly on the policy and programmatic level. Joint advocacy messages by development partners have been instrumental in coaxing the government to advance the TVET Act. For example, when ADB stood firm with its stance that any loans to the government in the TVET schools would be implemented by provincial government as per the constitutional mandate, it expedited the government's effort to hold discussion on the TVET Act. Another example is TVET programs working closely with private sector associations. Their continued advocacy resulted in changes on the selection criteria for appointment into CTEVT's council. In an unprecedented move, the government appointed people from BIA in the council. Similarly, Swiss efforts on common advocacy through development partners, development finance institutions and business associations has also led to some remarkable policy improvements. As also noted above, Swiss-supported policy dialogue with pre-agreed common advocacy points among development partners and business association created a level playing field for foreign investment through procedural reforms, most notably the enacting of an automatic route for FDI approval.
- Demonstration effects can be an effective tool for bringing sustained programmatic change often in scenarios of uncertainty and ambiguity. For example, even in the absence of a broader TVET act, the provinces were able to realise their mandates leading to successful accomplishment of apprenticeship, career guidance, instructor training and TVET school quality improvement in all seven provinces. Realizing the mandate, three provinces have established their own TVET offices[5] to deliver services.

3. Strategic outlook

The review of programs under the E&I domain reflected that the Swiss Cooperation Programme (2023-2026) is strategic and relevant.

The domain will continue to be agile in the evolving context and shape future designs of projects for relevant and meaningful engagements. The progressive phasing out of programs in the infrastructure sector is being complemented with the strengthening of the PSE/PSD programs in Koshi and other provinces. In the pipeline are projects supporting promotion of SME-based sustainable tourism, women economic empowerment, and innovative financing for SMEs and migrant workers.

The domain will continue to strengthen alliances with sectoral associations under TVET and PSE/PSD programs which are important to institutionalize project interventions. The PSE/PSD programs acknowledge the operational challenges of working with the private sector in terms of limited pool of

[5] Bagmati Province operationalized Provincial Council for TVET and Lumbini established a division within MoSD for TVET during the reporting period.

actors, multiple engagements in similar programs, conflict of interest, etc. and will therefore take a more strategic approach in forging meaningful partnerships with the private sector. Working with federal association for policy change has been effective in TVET whereby provincial/regional association have been instrumental for programmatic collaboration. For example, regional business associations are encouraging member industries to train apprentices resulting in increased participation of larger industries in the program leading to a 20% increase in private investments.

Moving forward, the domain will also explore opportunities of creating synergies and cross-learnings between the projects and programs for effective and sustained changes. The opportunities of increasing private sector engagement in the TVET system or developing innovative financial products for the returnee migrant are some intersections being considered. Creating the right financial incentives for the private sector but also at individual level to invest will be key for future project collaborations.

In terms of geographic coverage, concentrating efforts in Koshi province has strengthened the impact of existing programs by creating synergies across government, private sector and other stakeholders. Nevertheless, scaling up of interventions beyond Koshi is needed, especially to reinforce interventions in the access to market area. Therefore, the possibility of scaling up existing projects (like Udaya) in other provinces in subsequent phases will also be considered. As the Swiss programs opt for a system strengthening approach, with decreasing direct support at the grassroots levels, the programs would be more effective if they are implemented across a number of provinces. This will not only help achieve the scale that is required for sustained changes but would also be sustainable through coordination and exchange of learnings across provinces. The TVET portfolio will continue to work nationwide across all seven provinces while digital economy focused projects (like DIGI Nepal, NIIC 2) will not have a predefined geographic focus but may be concentrated on specific areas based on demand. New projects (like SME-based tourism) will take a more regional or cluster-based approach to be implemented in a number of provinces including Koshi.

The domain will also enhance meaningful participation of discriminated and disadvantaged groups deriving through the sectoral GESI plan. Moving forward, the domain will also increase direct engagement with selected segments of the population to reinforce better economic participation and inclusion. A potential intervention in this approach would be the design of a standalone Women's Economic Empowerment (WEE) program for the improvement of women's socio-economic well-being as a part of building an inclusive and accountable federal state.

At the political level, the E&I domain will continue engagement with private sector associations for voicing common advocacy messages and increasing the private sector engagement in impact sectors (like TVET, inclusive financing, BDS services etc). The domain will also support the Embassy and partners to encourage all three tiers of government to seek private sector perspectives in relevant sectoral policies and also continue to support the private sector in providing feedback to influence these sectoral policies and economic framework conditions. The domain will also explore opportunities of working more directly with the local governments as they are the closest to the people and local businesses and have particular significance on service delivery aspect.

At the policy level, Swiss programs will continue identifying policy bottlenecks to address the market expansion issues. To ensure a more enabling environment for economic growth, Swiss programs will continue to advocate and facilitate the drafting or amendment of relevant sectoral policies. As the progress at the policy level is often hampered by slow implementation, the programs will also increasingly focus on the enactment of existing policies through support in development of relevant by-laws. In the evolving context of resource limitations across the board, it is pertinent that Switzerland continues to strengthen its collaboration and coordination with development partners and development

finance institutions. This has proved to be an effective and efficient model to mobilize resources and create joint advocacy for common objectives.

Input Paper SPO 3 - Migration

SPO 3 – Migrants and their families improve their economic and social well-being and are better supported and protected by government institutions at all levels.

1. Introduction

The Swiss Cooperation Programme's (CoopProg) impact hypothesis is built on three interrelated outcomes. Outcome 1 focuses on creating an enabling environment through inclusive and accountable institutions, and Outcomes 2 and 3 centre around expansion of market that increases demand for skilled labour, which in turn will increase labour productivity and internal and foreign employment opportunities.

In this CoopProg period, Nepal is witnessing a paradigm shift in the labour migration sector. Economies of the major Countries of Destination (CoDs) are undergoing transitions. Saudi Arabia, for example, formulated a vision (Saudi 2030 vision) to become a service, entertainment, and sports economy and the Malaysia Economic Planning Unit (EPU) set cap of max 2.5 million migrant workers.[6] This implies a shift in skills required and opportunities to enhance migrants' rights and protection. While traditional destinations like Malaysia and the Gulf Cooperation Countries (GCC) continue to dominate, high-income nations such as South Korea, Japan, and Australia are attracting more Nepali migrants. Similarly, in the recent years, the Nepali migrants are increasingly going to Europe (e.g. Romania, Croatia, Malta and Poland; 30,000 in 2022/2023)[7]. In addition, contribution of remittance to GDP ratio is among the highest in the world. The share of the remittances from non-traditional destinations increased from 2% in 2010 to 10% in 2022, mainly send by the migrants from the rich households[8]. Diversifying the CoDs poses additional challenges to the Nepal's limited negotiation capacity to ensure robust Bilateral Labour Migration Agreements (BLMAs) and to deliver effective migration services in CoDs. Nepali migrants are working in more than 100 countries but there are only 12 BLMAs. BLMAs positively influence to ethical recruitment, decent work conditions, minimal wages and workplace safety.

The number of women migrants has been doubled (women migrants' ratio is 5.6% in 2013/14 to 11% in 2023/24)[9] in the last decade and this trend will continue with the increasing gender parity in secondary education amid low employment opportunities in the domestic labour market. Data about women labour migrants does not portray an accurate picture given that many women migrate through informal channels in order to circumvent bans and restrictions. Yet, compared to the men the women migrants face significantly higher barriers for safe and decent migration in CoDs and in Nepal.

GBV is a significant driver of migration for many women and girls. In Nepal, the number of incidences of GBV is increasing, a total 23% of women aged 15–49 have experienced physical violence since age of 15 which is higher compared to 2016.[10] One in four married women have experienced spousal physical, sexual, or emotional violence. The de-facto migration bans on women domestic workers by the government resulted increased the number of perspective women migrants to follow irregular (undocumented) migration and in turn limits their access to protection mechanisms and welfare services increases the vulnerability of experiencing GBV.[11]

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[6] https://www.channelnewsasia.com/asia/malaysia-migrant-workers-arrivals-visa-saifuddin-nasution-ismail-4387741

[7] https://www.ilo.org/resource/news/between-pre-and-post-covid-19-nepal-experienced-highest-percentage-increase

[8] World Bank, 2024

[9] https://ceslam.org/wp-content/uploads/2024/11/women-migrant-workers-from-nepal-key-statistics.pdf

[10] NDHS, 2022

[11] https://nepal.unfpa.org/sites/default/files/pub-pdf/formativeresearchbrief.englishversion.pdf

2. Assessment of SDC Current Engagement in Migration

Since 2022, the SDC migration portfolio is covering the entire migration cycle: pre-departure, migration, return and reintegration, active in 5 provinces and 156 local governments (SaMi) and 20 LGs in Koshi and Madhesh (ReMi) respectively. The relevance of safer migration and need for successful reintegration of returnees gained political recognition in Nepal. As a result, SaMi is being scaled across the country, reintegration is reflected in the final federal draft Labour and Migration Policy as well as the Labour and Migration Policy of Madhesh, Bagmati and Gandaki Provinces and the Government of Nepal (GoN) is allocating more budget for migration and reintegration services for returnees than ever before. Yet, the sector overall is still not fully federalized, Nepal's capacity to negotiate with the growing number of CoDs is weak and successful reintegration remains a challenge, socially as well as economically.

2.1 Progress against outcomes – Rating: Satisfactory

Outcome 3.1. The three spheres of government collaborate and provide services that address the needs of migrants and their families.

At the system level, the outcome under SPO3 is highly satisfactory. Safer migration information and justice services are expanding across Nepal with increased ownership from the Government. The three spheres of government committed over the next four years (2024-2028) CHF 21.6 million while Switzerland provides technical assistance for capacity building and policy development support of CHF 11.3 million, reflecting the ownership of the GoN for this programme. Similarly, Madhesh Province allocated NPR 34.2 million (CHF 215'000) for employment promotion, including plans for start-up and entrepreneurship funds and skills training. In addition, SDC advocated successfully for additional government staff at provincial level which will allow to scale some reintegration related activities from 20 to 136 LGs. SDC also supports the strengthening of the Labour Management Information System (LMIS) that includes disaggregated information of returnee migrants at the federal level.

Nepal is making efforts to protect labour migrants in CoDs through bilateral agreements and with additional human capacity (increasing number of staff in missions abroad dedicated to labour migration issues to a total of 90 against zero back in 2020/2021). The line Ministry, the Ministry of Labour, Employment and Social Security (MoLESS) has endorsed the Integrated Labor and Employment Service (Operation and Management) Procedure 2023, which define that Employment Service Centre (ESC) have the mandate for professional skills development, employment promotion, productive employment creation, entrepreneurship promotion and migration. Madhesh, Koshi, Bagmati and Gandaki Provinces formulated new labour and employment policies and directives, enabling effective migration services at the provincial and local level.

With respect to institutional capacity and sustainability, results are moderately satisfactory as the Employment Service Centres (ESCs) and Migration Resource Centres (MRCs) are not yet fully capacitated and anchored in the federal law (nor in the Foreign Employment Act). Enabling ESCs as the key institution to deliver employment services is one of the key challenges. Further clarification is needed on the role of ESC in engaging with private sector and the role of provincial government in employment and reintegration services, demonstrating their relevancy in the service delivery system.

The National Academy for Vocational Training (NAVT), an institution established by MoLESS in 2023 to regulate vocational skill development trainings (up to 6 months), is now actively institutionalizing the approaches SaMi had introduced to train aspiring migrant workers. For example, NAVT is now revising its vocational training course design process to ensure returnee migrants are part of the curriculum development process. Similarly, it is revising the skill assessment by-laws to ensure alignment with the National Vocational Qualification Framework, and they are allocating resources to certify aspiring migrants' skill with internationally recognized certificates.

Outcome 3.2 Migrants and their families build human social capital and increase the economic benefits from migration.

The number of LGs providing safer migration services has been significantly increased and therefore the CoopProg target on service delivery will be surpassed. For example, in 2024, 50% migrants' justice related cases were resolved at the federal and 30% at the local level (targets: FG: 40%; LG: 60%) and the ratio of skilled labor has increased. In 2024, the remittance growth was 14% compared to 2023. Through SaMi and the gender-based violence project (GBV), SDC reached to 281 LGs (target: 200 LGs by 2026) providing psychosocial services, including for migrants and their families. Through SDC project support, a total of 13'792 gender-based violence survivors received help, ranging from medical treatment and psychosocial support to legal aid. This constitutes a 42% increase in beneficiaries due to increased awareness and accessibility of services.

2.2 Lessons Learned

- Lack of political will to empower provincial and local levels by engaging them in dialogue i.e., organising regular thematic committees, provincial coordination committee is a major challenge for successful engagement while SDC has limited influence to operationalize inter-governmental cooperation.
- Swiss support has made significant contribution to increased access to migration services i.e., information on safer migration, psychosocial counselling, access to justice, and access to finance and business development services. However, these services are not always anchored to the legally mandated institutions creating a potential challenge with respect to long term sustainability. For example, the psychosocial counselling services, supported through SaMi bypassed the health system, as the engagement was negotiated with MoLESS for the administrative reason and the service delivery point was the municipality office instead of the Ministry of Health and Population and municipality level hospital.
- Swiss investment in skills development for aspiring migrant workers through SaMi has opened doors to further institutionalize the work currently being undertaken in TVET (SPO2), especially to align TVET courses offered through MoLESS (which also has a significant mandate and budget for TVET) to align with the National Vocational Qualification Framework (NVQF). For example, NAVT's leadership played a crucial role in bringing the education and labour ministers together to take (policy) decision ensuring all skill assessments done in Nepal are aligned to the NVQF.
- Switzerland together with World Bank (WB) contributed funds to ILO to strengthen ESCs/employment services and create an enabling (policy) environment for the returnees. However, the ILO's performance was particularly weak, further limiting the usually slow progress towards policy reforms. The support to ILO through MiRiDew delivered some concrete outcomes, however, progress is also particularly slow.
- The GBVPRII project has demonstrated positive outcomes in service delivery, as evidenced by the increasing number of beneficiaries as the project design focused to ensure access to services rather than system building. Furthermore, the project has picked up on engagement at the political and policy level, nevertheless, institutionalisation of project support is possible only if there is a stronger focus on system building, well embedded in the design of interventions.

2.3 Efficiency and effectiveness

- For efficiency, joint steering committee or using the existing thematic committee as the project steering committee should be considered. In addition, inter project collaboration can be further strengthened. For example, ReMi and SaMi and the TVET projects could have joint/shared office buildings (at provincial level) and share human resources/vehicles; joint policy and advocacy events and dialogues and strengthen 'Swissness' in their working modalities.
- Political engagement is useful in influencing the policies and budget. The SaMi steering committee is led by political level at all levels. This should be reflected in the ReMi Phase II.

- Instead of focusing local government level interventions, it is more strategic to increase SDC investment into provincial level system-building as well as advocating at federal level for delegating the respective role to the provinces (support LGs to deliver quality migration services by norm setting, quality assurance and coordination).

2.4 Missing Pieces or Overdoing

The SPO 3 does not directly address some of critical issues, most importantly informal migration. Similarly, there is no anchorage of engagement with the Ministry of Foreign Affairs (MoFA), which has the mandate to negotiate bilateral agreements and support labor migrants in CoDs), even though MiRiDew is supposed to work equally with MoLESS and MOFA and a corresponding governance mechanism is in place on paper. Linkages to SDC regional and global initiatives could be further explore, especially for new regional and global initiatives.

Remittances and the social capital of returnees are potential drivers of economic growth. However, this opportunity is largely untapped as the total 24% of men and 60% of women reported being unemployed more than six months after their return, and only 22% of returnees used the skills they acquired abroad in their current jobs (IOM, 2024). SDC's engagement on the productive use of remittances and empowering returnees to make use of obtained skills is limited until to date.

Providing access to quality psychosocial services should be part of public health services and should therefore not be anchored under the migration engagement/MoLESS but the Ministry of Health and Population (MoHP). What should be addressed is the lack of (i) regular updates to relevant training curricula, (ii) regular clinical mentoring and supervision system at the provincial level, (iii) mental health/psychosocial service providers within the local and provincial health institution's organogram, and poor referral mechanisms. Furthermore, psychosocial services are not recognized within the Health Management Information System. Engagement with MoHP and respective provincial ministries will be decisive for the long-term sustainability of this particular component of SDC's engagement.

Migrants/returnees and families remain weak to present their voice in local, provincial and federal level policy, planning and budgeting discussions through the migrant networks despite continued support through SaMi.

Furthermore, there is an emerging opportunity to increase the ethical recruitment of migrant workers by leveraging the opportunity brought by introduction and/or stringent implementation of due diligence and supply chain laws (most importantly EU) as well as evolving public pressure in the global North that is forcing many manufacturers in Malaysia, GCC countries and other potential destination countries to adopt ethical recruitment practices.

Finally, closer collaboration with the non-conventional development partners such as Qatar, Korea, and Japan, particularly for skilling and reintegration initiatives, might be beneficial.

3. Strategic Outlook

Key Priorities – Forward Looking

- *Support socio-economic benefits of migration towards creating decent employment opportunities*
- *Improve negotiating capacity of Nepal for BLAS with CoDs and service delivery in missions aboard*
- *Strengthen GBV and mental health services anchored at the federal and provincial health ministries*
- *Foster linkages and synergies with the private sector, TVET and SDC's Middle East Portfolio*

3.1 Suggested adjustment for the remainder of the CoopProg

Switzerland key focus of migration portfolio will be on socio-economic benefits of migration and creating more decent employment opportunities in Nepal. The policy and system strengthening mandates to ILO need to be revisited based on the MTRs for both projects (MiRiDew and the Strengthening Employment Service Centre SESC) projects).
SDC needs to further strengthen the voice and agency of migrants primarily at the federal and provincial levels through the migrant networks, based on existing project support (SaMi, ReMi and MiRiDew).
Nepali migrants are slowly shifting to the skilled occupations from largely unskilled, and therefore average earnings overseas are slowly increasing (World Bank, 2024)[12]. With increasing demand for qualified workers in CoDs, the low skilled Nepali migrants continue to be poorly paid. Developing internationally recognised skill training and certification to the perspective migrants are also prioritised to ensure that the migrants have gainful income as well as ensuring that Nepal's national TVET system also responds to the needs of the labour markets in destination countries.
Switzerland supports MoLESS to better address the needs of female migrant workers and other discriminated groups. SaMi GESI audits will be conducted to diagnose the issues, followed by provincial level stakeholder consultations. The GESI audit report will be the basis for formulating concrete actions making planning and budgeting more GESI sensitive and transformative; revisiting existing tools/manuals on ESCs, EICs and MRC; review the complaint handling mechanisms (legal cases); etc. The new ReMi phase will include some targeted actions for addressing the needs of returnees with disabilities.
The current SPO 3 result framework will be revised to align it to the new TRIs/ARIs and comprehensively capture strategic results produced from all existing projects. For that, a dedicated discussion is required.

3.2 Potential directions for the next Cooperation Period (2027-2030)

Recognizing that Nepal will continue to have high labor migration outflow amid low in-country decent work opportunities and remittances being the major contributor of GDP, Switzerland should continue prioritizing employment and migration issues, potentially under the broader Employment and Income Domain. The support will be shifted from service delivery to the system strengthening, focusing on ESCs a pivotal service delivery point at local level, linking public service delivery with industry and market needs.
The safer migration services targeted to the perspective migrants will be institutionalized and Switzerland's support will be phased out in the next CoopProg. However, for the new SaMi locations, very limited TA support could be provided through the ReMi Phase II, further clarifying the complementarity between MRCs and ESCs and referrals between the two institutions, if need be. Support to MoFA and MoLESS to enhance capacities for BLMA negotiations and service delivery in CoDs might be continued. More synergies can be built with a new SDC regional social protection program in the corridor South Asia and the Middle East (ILO project).
More importantly, from 2027 onwards, the focus should be on ensuring that the private and public system enable migrants and their families productively use remittances. Shifting from consumption investments to the productive sector requires a strong collaboration with the private sector as evidence suggests that remittances would be safer and used more productively if they entered the banking system before being invested. Raising awareness of existing incentives for migrant workers to engage with formal banking channel and the preferential access to securities market coupled with comprehensive business and investment counselling, can facilitate the redirection of remittance earnings into the formal productive sector. This initiative should be further reinforced through targeted tax and non-tax

12 https://documents1.worldbank.org/curated/en/099439009302442870/pdf/IDU1bade747310f41144991a576183a9a3eb57d4.pdf

incentives to maximize participation and economic impact. Collaboration with the TVET sector is essential for both the perspective of migrants and returnees to gain better income opportunities. Experience suggests that there is no single instrument powerful enough to turn a substantial proportion of remittances into investments hence, it is important to carefully select potential new project components to fill this gap. For effective coordination among donors, SDC should enhance its engagement with non-conventional development partners such as Qatar, Saudi Arabia, Korea, Japan, China among others. In addition, the approach will be aligned to the SDC Section Migration and Forced Displacement Programme (SMFD) Framework 2025-2028.

GBV prevention and response and psychosocial counseling services to the migrants and their families experiencing GBV will remain a priority. Moving forward, SDC support shifts from the GBV service delivery focused intervention to the system/institution building and from local level focused support to the provincial government focused support.

Input Paper - Gender and Social Inclusion (GESI)

Section 1 - Assessment of SDC GESI Approach

Responding to KGQ 8: What has been achieved so far for the implementation of the GESI approach under the CoPr 2023-2026?

The Embassy of Switzerland's GESI implementation under Cooperation Programme (CoPr) 2023–2026 has contributed to meaningful shifts in inclusive governance, economic empowerment, and social transformation across Nepal. From strengthening women's leadership in federal structures and local planning to expanding access to income opportunities and gender-responsive services, the programmes achieved notable results across domains. While progress was seen in various programmes, challenges such as weak policy uptake, entrenched social norms, and limited monitoring frameworks remain. Sustained political commitment, system-level integration, and targeted adaptations are critical to deepening and sustaining GESI outcomes moving forward. The following table summarises the key results achieved across domains/ sub-domains.

Domains/ Sub-domains	Rating	Key GESI Results Achieved
Federal State Building (FSB)	Satisfactory	• Over 18,000 women (elected representatives and civil servants) trained under Provincial and Local Government Programme (PLGSP), leading to greater engagement in planning and budgeting. • GESI audits institutionalised in 55 provincial ministries *(including various provincial departments*) and 641 local governments. • 463 Local Governments (LGs) and 12 ministries began implementing GESI strategies. • 135 LGs and 1 province adopted inclusive workplace codes of conduct. • She Leads empowered 1,293 elected women representatives (EWRs); 64% contributed to policymaking, 89% led public campaigns, 50% re-nominated. • 98% reported improved male support, showing a shift in leadership norms.
Employment and Income (Infrastructure)	Satisfactory	• Skills for Reconstruction Project (SRP) trained 240 masons (45 women, 153 Disadvantage groups (DAGs); 88% certified. • 12,000 person-days of paid work (~NPR 20,000 per trainee). • 21 of 24 model houses built for DAG households (13 women-headed, 1 with disability). • Small Irrigation Programme (SIP) created 1.62 million person-days of employment (27% women, 66% DAGs). • Women held 35% of Water Users Association (WUA) leadership positions. • 33% of female masons and 72% DAGs trained.

		• 20 women engineers received traineeship in small irrigation in SIP. • In Motorable Local Roads bridge programme (MLRBP), 42 women engineers received traineeships, and they are mentored through Senior engineers in the Provincial Roads Bridge Support Unit (PRBSUs).; 4 promoted to senior technical officer roles in Provincial Roads Bridge Support Unit (PRBSUs). • Motorable Local Roads Bridge Programme (MLRBP) generated 1.9 million person-days of work (75% DAG inclusion);
Employment and Income (Private Sector Development/ Engagement)	Satisfactory	• Nepal Agricultural Market Development Programme – Phase II (NAMDP): 21% of job beneficiaries were women; 48% from DAGs. • 40% of SMEs receiving loans under NAMDP belonged to women and 65% of the total SMEs in the programme were women-led, leading to 28.2% increase in sales, 35.3% increase in revenue. • Banks shifted lending practices after seeing strong female repayment. • Invest for Impact Nepal (IIN) facilitated USD 45M from International Development Finance Corporation for women/rural MSMEs.
Employment and Income (Technical Vocational Education and Training (TVET))	Satisfactory	• Female enrolment in Dual VET apprenticeship (APT) increased from 21% in 2022 to 47% in 2024. • Similarly, female enrolment in 10-months training with on-the-job-training (OJT) increased from 12% in 2022 to 20% in 2024. • Labour market outcomes for youth enrolled in APT and OJT program show no significant variation by gender or disadvantaged status, with employment rates, course completion, foreign employment, and income levels differing by less than 2% percentage points. • A RCT showed women who went through APT were 2.5 time more likely to employed in Nepal than who did not. The effect was only 50% for men. • Opened pathway for 1921 youths (F: 13%; Discriminated: 73%) to have the skills they acquired in the informal labour market to be certified (i.e. RPL). The recognition

		enhances the employability of individuals who couldn't complete formal education or vocational training by opening pathways to formal jobs or greater geographic mobility and higher-paying opportunities. • 225 TVET schools incorporated action plan to improve GESI in their school. Examples include communication plan to reduce occupation stigmatization, improving information flow, improving physical facilities, having gender and socially diverse instructor pool, grievance handling mechanisms, etc.
Migration	Satisfactory	• Safer Migration (SaMI) exceeded target, reaching 281 LGs and supporting 13,792 GBV survivors with legal, psychosocial, and medical services. • 178 LGs now have trained community psychosocial workers. • Social perception of labour migrants improved, recognising their economic contribution.
Gender-Based Violence (GBV)	Highly Satisfactory	• 19 LGs adopted GESI-responsive GBV policies. • Gender-responsive budget (GRB) allocations increased (e.g., safe house cost-sharing rose from 17% to 33%). • GBV response committees formed at national level. • Survivors empowered through access to integrated support services and reintegrated into education and peer advocacy roles.

Section 2 - Lessons Learned

Responding to KGQ 9: What were the successes and constraints in achieving the outcome? What didn't work and why? How did we adapt?

Domain	Successes	Constraints / Challenges	Adaptations Made
Federal State Building	Strong uptake of GESI audits and workplace codes under PLGSP. She Leads enabled EWRs to engage in planning and policy.	Provincial Support Programme (PSP) limited by political instability and slow reform uptake. GESI fatigue observed in rollout.	Linked She Leads to provincial training centres; introduced mentorship model. Highlighted gaps in political mandates, reinforcing the need for formal institutional anchoring and policy integration.

Employment & Income (Infrastructure)	Strong local ownership in SIP and SRP; engineering traineeships for women were successful. WUA leadership increased women's visibility.	Domestic burdens and social norms limited full leadership and skilled job uptake. Contractor-led models in MLRBP limited inclusive hiring practices.	SIP addressed this with traineeships and SRP adjusted stipends and technical support. However, skilled role uptake by women (e.g., masons) remained low due to persistent structural norms.
Employment & Income (Private Sector Development/ Engagement)	Financial de-risking helped expand access to women/DAGs. Trainings and capacity building exercises formalised women-led businesses. Banks improved lending practices after seeing results.	Weak decision-making power for women; limited digital access; social norms hindered market access and mobility. Low awareness and willingness to put in efforts and resources where immediate financial return is not visible, makes it difficult to pursue GESI related activities.	Used phase-wise private sector engagement and monitoring based evidence to enhance and strengthen GESI approach.
Employment and Income (TVET)	Deep dives using FGD to identify and remove barriers for enrolment. (Financial, stigmatization, information flow, etc) improved enrolment rate; developing tools like RPL to enhance labour market mobility showing promising results; building business cases to encourage SME owners to hire diversified trainees/ apprentices and utilizing champions to spread the word;	Very few GESI transformative initiatives with the exception of female entrepreneurs in sector skill committees and awards for best female apprentices by industry association[13]; TVET's social image, where it is only considered for "other people's children" still a challenge	Concentrated efforts to improve the social image of TVET is planned with media partnerships and awards/skill competitions; systemic change such as ensuring permeability of courses, engagement of larger/more palatable enterprises also planned.
Migration	SaMi and Employment Service Centres (ESC) expanded local psychosocial support systems. Public	Lack of GESI indicators and weak integration in national frameworks (e.g., Reintegration of Returnee Migrant	Small action to support LGBTIQ and girls working in Adult Entertainment Sector with relevant safer

[13] In the award ceremony, apprentices were asked to share how their family supported them such as their husbands supporting with household work as well as their in-company supervisors sharing how they created an enabling environment for the female apprentice to thrive.

	perception of labour migrants improved. Reaching out the groups with safer migration information for the LGBTIQ and girls working in Adult Entertainment Sector, mainly those who are most like to take informal channels of migration amid legal and social barriers.	Workers (ReMi)). No structural policy alignment or tracking of transformative GESI outcomes. High risk of taking informal migration routes due to de facto ban of women's migration.	migration information through.
Gender-Based Violence (GBV)	Government-led ownership enabled sustainability of GBV response. GRB allocations and local cost-sharing increased significantly.	Removal of prevention component mid-course reduced holistic impact. Fragmented preventive efforts due to lack of formal policy anchoring.	Integrated prevention into response through Community Based Psychosocial workers (CPSWs) and community initiatives (e.g., Rupantaran). However, highlighted need for policy-anchored and institutionally embedded prevention mechanisms.

The table highlights that while GESI is increasingly mainstreamed in programme delivery, structural barriers—such as weak political buy-in, social norms, and fragmented systems, continue to limit outcomes. Cross-sectoral learning reveals the need for better alignment between policy intent and implementation, and a shift from short-term adaptations to long-term system strengthening. This calls for deeper integration of GESI into institutional frameworks, stronger accountability mechanisms, and targeted investments in norm change, particularly within the domains. A transformative GESI approach must now move from isolated gains to systemic reform.

Section 3 - Strategic Outlook

Responding to KGQ 10 and 11: What is further needed to increase inclusion? What are the missing pieces? Considering the allocated budget, what should we change?

Swiss Agency for Development and Cooperation (SDC) GESI Framework Paper provides a strategic foundation for institutionalising inclusive practices across all domains by outlining transformative objectives, performance scorecards, action plans, and a funding accelerator. These efforts are reinforced by sector-specific GESI Theories of Change, targeted capacity-building for staff and partners, and steps toward integrating GESI-responsive policies into federal, provincial, and local governance systems. The upcoming Cooperation Programme offers an opportunity to further strengthen sector-wide inclusion and systemic GESI monitoring.

To advance transformational change, GESI must be elevated as a political and structural priority—not merely a technical component. This requires embedding GESI into national policy, budgeting, and regulatory frameworks to address power asymmetries and promote inclusive governance. Project-based interventions must evolve into system-strengthening models that mainstream GESI across planning, fiscal transfers, procurement, and service delivery.

To deepen impact, GESI can be engaged through three important hierarchies: political, policy, and programmatic (3Ps):

Political Level: GESI must be anchored within national and provincial legal and planning frameworks. This includes continued advocacy for gender-equitable provisions in revision of acts such as the Intergovernmental Fiscal Transfer Act, Local Government Operations Act and Civil Service Act, and formal mandates for integrating GESI across spheres of governance. For example, viable entry points must be explored to promote inclusion within the civil service, both at federal and provincial levels; continued engagement with political leaders and civil service commissions is essential to influence recruitment quotas, promotion pathways, and equitable workplace standards; additionally, SDC should continue to advocate for gender-responsive provisions in the transitional justice process by ensuring that Truth and Reconciliation Commission (TRC) related by-laws and procedures are GESI-sensitive and victim-centric. In TVET, political advocacy would be necessary to ensure governing boards (e.g. Sector Skill Committee, CTEVT) would have be inclusive when TVET Act at federal and provincial level are finalized. In the migration domain, legal mandates should also ensure the protection and empowerment of returnee migrants, particularly women and those with disabilities.

Policy Level: Sectoral policy reforms on TVET can be explored to embed GESI as a core objective by supporting the government in sectoral policy formulation and amendment processes such as in school accreditation manual and scholarship policies. Moreover, policies related to the operationalisation of the National Vocational Qualification Framework—which would enable all TVET graduates to enrol in higher education—as well as policy changes to streamline the recognition of prior learning process, will continue to remain a key focus. Promoting systemic inclusion of women and DAGs in policy instruments like Udaya Provincial Guarantee Fund would be relevant. Migration and GBV policies can integrate responsive protocols addressing the economic and psychosocial needs of returnees and survivors.

Programmatic Level: At the operational level, reforms are advanced by increasing the efficiency and effectiveness of service delivery and influencing behavioural change through technical backstopping. This lies within the mandate of respective projects. SDC must scale successful project models with a focus on institutional embedding. For example: (1) using GESI audits to inform local planning cycles under PLGSP; (2) expanding the reach of Women and DAGs Forums to ensure ward-level participation in budgeting and service delivery; (3) strengthening women's digital financial inclusion and promoting GESI-aligned fintech innovations through initiatives such as the Digital Innovation for Growth and Investment Programme (DIGI) and the Nepal Investment Impact Community Programme (NIIC 2); (4) introducing innovative mechanisms to de-risk women-led business investments through partnerships with financial service providers, such as through Udaya; (5) prioritising gender-disaggregated data systems within financial institutions and value chain actors to identify access gaps and measure impact; (6) embedding GESI-transformative services across Migrant Resource Centres (MRCs), Emergency Information Centres (EICs), and Employment Service Centres (ESCs), with expanded psychosocial and economic empowerment support for returnees; and (7) building on programmes like She Leads to ensure continuity in leadership development for EWRs; (8) improving the social image of TVET as various RCTs has shown the resultant improvement for females enrolled in the program. Moreover, GESI could also be integrated into the PCM process through focused GESI assessments (proportionate to the scope and scale) to identify critical entry points for systemically addressing the sectoral bottlenecks. Experiences from DIGI Nepal and MunRev demonstrates its effectiveness.

Input paper on climate change[14]

Context

Climate change impacts are becoming increasingly evident in Nepal; the country is facing more frequent and severe disasters. The heavy downpour in Kathmandu and nearby districts in September 2024, coupled with an exceptionally dry winter the same year, including the Thame glacier lake outburst flood, highlight the urgent need for effective disaster risk reduction (DRR) and resilience-building. Increasing numbers of forest fire and regular Dengue outbreaks are other hazards linked to climate change.

Addressing the root causes of climate change (mitigation) and proactive measure to reduce its impacts (adaptation and DRR) are required for sustainable development. The Government of Nepal (GoN) has recognized the need to take into account climate and environmental consideration in all development efforts, endorsing a Green, Resilient and Inclusive Development approach (GRID; Kathmandu Declaration) together with 15 development partners including Switzerland back in 2021. The GRID approach was operationalized through the Strategic Plan of Action (SAP), which identifies 10 priority areas for action and investment in 2024.[15] The 16th National 5 Year Plan (2024-29) also identifies resilient and sustainable development as key priority.

However, challenges persist, particularly in the effective implementation of these plans, due to poor law enforcement, a lack of clarity regarding the roles and responsibilities of the different levels of government, weak governance structures (gaps in horizontal and vertical coordination) and a lack of capacity in public and private institutions to effectively implement measures (budget, awareness, know-how).

Swiss Cooperation Program Nepal 2023-26 - targets and plans

The Swiss Cooperation Program Nepal 2023-2026 integrates climate change as a transversal theme into all cooperation efforts, "*aiming to support climate-smart local and provincial development plans, environmental policies, and disaster risk guidelines, while strengthening inter- and intra-governmental coordination. A key focus is on promoting environmentally friendly, low-carbon technologies and enterprises to support Nepal's transition towards the GRID approach*". To translate commitments into action, existing and possible additional climate change adaptation and mitigation measure within the existing portfolio were identified back in 2021[16]. One key sector for additional measures was identified: Technical Vocational Education and Training (TVET) and concrete measure were implemented starting back in Jan 2024 (see next section). In addition, climate change considerations have been systematically mainstreamed into SDC's management results. One indicator was added to the current results framework, to monitor selective efforts[17]:

Current SDC engagement

As the SCP Nepal 2023-2026 unfolds, Switzerland has introduced the Foreign Policy Strategy 2024-2027 and the International Cooperation Strategy 2025-2028, reinforcing its commitment to environmental priorities. The Foreign Policy Strategy identifies the environment as a key focus,

[14] In this document, the term climate change (CC) is used in a broad sense, referring to climate change, disaster risk reduction (DRR) and environmental considerations. Any mentioning of CC should be understood as encompassing these interconnected aspects unless explicitly stated otherwise.
[15] link to GRID SAP
[16] link to CC mainstreaming paper
[17] "Women and men, including those from disadvantaged groups, increase productivity and find employment has an indicator related to climate change" (CCE_TRI_3), capturing selective aspects of the ongoing efforts (project data source currently from: ENSSURE; SIP, NAMDP and ReMi)

emphasizing climate mitigation, adaptation, biodiversity conservation, pollution control, and sustainable energy while enhancing disaster risk prevention. Meanwhile, the International Cooperation Strategy designates climate and environment as one of its four objectives, maintaining a CHF 400 million annual allocation to climate action. This alignment between Nepal's needs and Switzerland's climate objectives presents a strong foundation for enhanced collaboration in this field, ensuring resilience-building through diverse support mechanisms.

As the Swiss Cooperation Program Nepal 2023-2026 progresses, significant advancements on CC have been made. Two **new regional projects** have been developed:

- *Regional Climate Action Partnership project (ReCAP project, 2024-2028):* The *overall goal* of the project is that the GoN prioritizes climate resilience in public investments reducing the social and economic impact of disasters. ADB and WB are investing into major hydropower infrastructure in Nepal, creating an immediate and strong demand from the GoN and the development banks for timely de-risking of their investments. Through this project, SDC will leverage Swiss expertise and knowledge built over decades of disaster risk management in mountainous regions and the past and ongoing SDC project activities in the region, most notably in India and China.
- *Clean Air Project in the Indo-Gangetic Plain (CAP IGP) – Phase 2 (2024-2028)*: The first phase of the CAP project was implemented in selected provinces of India. In its second phase, activities are scaled to Nepal and Bangladesh. This project addresses the problem of transboundary air pollution with a financial contribution to the WB's regional Air Quality Management program, by developing subnational, national and regional plans and supporting decision-makers in Bangladesh, India and Nepal in preparing coordinated sectoral measures.
- *Feasibility Study LC3 Cement (Oct 2023 – April 2025)*: Through a small action, SDC Nepal has supported the feasibility study of producing more sustainable cement in Nepal, LC3 cement, a technology developed with financing from SDC India over the past decade. The LC3 technology offers significant advantages in terms of cost, energy efficiency, and environmental impact. LC3 cement could potentially play a vital role in achieving net zero goal of Nepal by 2045. SDC is in touch with WB, the GoN and the cement industry to assess the options for bringing this technology to Nepal.

With respect to **mainstreaming,** the focus was on the TVET portfolio during 2024. The major achievements were:

1) Technical school accreditation standards have incorporated greening elements in order to create incentive for school administrators to be more energy and material efficient, reducing waste by composting, recycling and proper disposal (see criteria in text box below).
2) The guide to develop National Competency Standards (NCS) was revised which now mandates that green competencies[18] are proactively incorporated in the NCS. NCS is the mother document from which curricula are designed, and assessment items are developed. After the revision, 42 NCS have been developed where green competencies were incorporated.
3) Two new curricula on green occupations were developed and approved: Solar Technicians and Electric Vehicle Mechanic.
4) 775 existing workers have received skill upgrading trainings where they learnt green competencies such as enhancing energy electrical efficiency in factories, maintaining automobiles at less polluting Euro-6 standards, improve engine system management to be more energy efficient, conducting carbon footprint assessments, preventive maintenance, improving

[18] **Green competencies** refer to the skills, knowledge, and attitudes required to perform tasks i) applying the 3R principles (Reduce, Reuse, Recycle) in waste management; ii) ensuring proper storage and disposal of materials to prevent environmental harm; and iii) promoting material and energy efficiency through effective use and management of tools, materials, and equipment.

efficiency of machines/motors using programmable logic controllers & variable frequency drives etc.

After one year of implementation and learnings (incorporated in the reflection section), concrete additional measures until 2026 were agreed with project partners for the TVET portfolio (see Annex 1).

Finally, it should be noted that the Swiss Embassy has taken over the formal lead in representing Switzerland in formal steering meetings of ICIMOD by beginning of 2025.

Engagement of other development partners, based on GoN priorities

The World Bank mapped current, pipeline, and potential projects according to the GRID SAP for the 10 transition areas defined jointly by the GoN and development partners (DPs) in Oct 2024, which are outlined in Table 1 below. The detailed mapping (see Annex 2) reveals significant support for certain transition areas while others lack DP support. A simple color-coding reveals potential areas and niches for future Swiss engagement:

Table 1: *GRID Transition Areas, the current level of DP support (green: more than 1500 million USD; yellow: 500 to 1500 million USD; orange: less than 500 million USD) and identification of DPs engaged in the transition area.*

Transition area		Level of current/planned support and DP
1	Managing Landscapes to Optimize Benefits from the Water-Agriculture-Forest Nexus	WB, ADB, FCDO, IFAD, RNE, KOICA, FAO, EU, ACIAR, DFAT, WFP, USAID, SDC
2	Disaster Risk Management, Preparedness, and Social Protection	WB, ADB, FCDO, EU, WFP, USAID, JSB, UNDP, SIDA, DFAT, SDC
3	Sustainable and Inclusive Land Administration	WB, UN-HABITAT, JICA, USAID
4	Resilient Roads and Sustainable Transport	WB, ADB, FCDO
5	Unleashing Nepal's Renewable Energy Potential	WB, IFC, ADB, FCDO, EU; NOR
6	Green, Resilient and Inclusive Cities	WB, ADB, EU, SDC
7	Resilient Water Supply and Sanitation	WB, ADB, UN-HABITAT, UNICEF, FCDO, EU, USAID, Gates, Foundation
8	Improved Air Quality for Public Health	WB, USAID, UNICEF, SDC
9	Sustainable Solid Waste Management and Plastics	WB, ADB, UNDP, KOICA
10	Leverage Human Capital	WB, ADB, UNDP, UNICEF, WHO, FAO, USAID, FCDO, EU, RNE, CHN, KOICA, SDC, COVAY

It is important to note that this picture is rapidly shifting – and regular updates through dialogue with DPs is required to ensure information is up to date.

Reflections

General

1. Political priority: There is increasing political pressure/demand to step up efforts on climate change, DRR and the environment, from SDC Headquarters and also GoN; which is reflected in strategic plans/policies on both ends.

GREEN TVET PRACTICES FOR TVET SCHOOLS – LINKED TO ACCREDITATION

TVET schools earn 0.5 points in the accreditation process if they meet any of the following criteria in the accreditation process. Based on the accreditation score, schools would be classified (platinum, gold, silver or bronze standard) which affects the publicly financed resources they receive.

- Strategies to instil behaviour change among students is detailed in the School Improvement Plan (SIP)
- SIP enlists strategies which cover two of the following: enhance resource efficiency, improve energy efficiency, dispose hazardous water properly or increase recycling/upcycling of waste.
- Student led activities are in place to foster behaviour change
- School has made concentrated efforts in the past three years to reduce the use of non-renewable energy/resources such as switching to solar energy in lieu of diesel generator back up, using bamboo fencing instead of iron ones, etc.
- School has made concentrated efforts in reducing energy consumption such as switching to electrical cookware, installed motion sensitive lighting, installed devices to measure electrical usage of heavy machinery, etc.
- Energy usage per student currently enrolled has decreased over a one-year period
- School sells recyclable items amounting to more than 10 kgs annually

2. **From Disaster Preparedness to Response and Recovery**: Nepal faces recurring disasters, with SDC providing immediate response and recovery support. However, inadequate mainstreaming of CC considerations into the policy dialogue and operations, limits the preparedness of public institutions and communities, causing long-term vulnerabilities. For SDC, there would be the potential and need to strengthen the humanitarian-development nexus on this aspect.
3. Actionable and understandable messaging and measures: Climate change remains an abstract concept. When we refer to "climate change mainstreaming or initiatives", it might entail climate change, DRR or environmental considerations. For advocacy as well as concrete action at project level, the concept of climate change needs to be translated into understandable, actionable and for the audience relevant terms (e.g., SMEs might aim for reduced energy consumption for economic reasons or switch to clean energy for health considerations of their staff).

Portfolio and project level

4. Niches for future Swiss engagement: There is a clear niche and need for Swiss support in GRID transition areas, particularly in the area of *Green, Resilient, and Inclusive Cities* where only a few DPs are engaged currently (WB, ADB, EU besides SDC). Switzerland has the expertise and technical know-how to substantially contribute to this area, especially on energy-efficient buildings or sustainable building materials (LC3 cement). Currently, the Building Energy Efficiency in Nepal (BEEN) project, funded by the EU, is the only initiative targeting this sector. Given the challenges of rising temperatures, energy shortages during dry seasons, and increasing energy demand, this sector is not only relevant but also crucial for the country's sustainable development.
5. Prioritization for mainstreaming: Climate change mainstreaming is essential across all domains. However, it is crucial to identify the added value it brings to each domain and priorities based on available human and financial resources. For that purpose, a simple prioritization system is developed per sector and projects (see Annex 3).

6. Enhancing coordination and synergies across SDC portfolio: Enhanced coordination between the sectors will foster synergies. While the TVET sector might foster environmentally aware workforce, the impact may be limited when trainees enter the industry. However, if – through the PSD portfolio – incentives are created for SMEs to green their operations, employers will eventually see the added value of workforce with respective skills. Projects like MunRev can support this effort by facilitating the development of local laws and policies, forcing private sector to integrate sustainable practices within their jurisdictions.
7. Amendment of Log frame: As the climate change portfolio entails two major regional projects and mainstreaming efforts will be enhanced, the current log frame needs to be amended to capture results adequately in next cooperation program, based on existing ARIs and TRIs (see Annex 4).

Conclusion and way forward

Switzerland has progressively expanded its engagement on climate change in Nepal and ensured pragmatic integration of climate considerations across its portfolio. The Green Embassy Action Plan further underscores SDC's commitment to leading by example on environmental sustainability. Considering Swiss and Nepalese strategic and policy priorities and in light of a growing project portfolio, Switzerland might consider climate change as stand-alone domain under the next Country Cooperation Programme.

For future project level engagements, well defined niches based on current DP support and available Swiss expertise and know-how needs to be identified, with considerable co-investments from the GoN and or private sector. Moreover, the strategic engagement at political and policy level needs to enhanced and systematized. For that purpose, the required formal and informal networks need to be carefully built.

Actions

1. 3P approach: Strengthen and systematize engagement at political and policy level, to that end, further develop required formal and informal networks.
2. New stand-alone initiative: Develop new stand-alone initiative based on the gap/niche assessment and Swiss expertise in this field. "Green buildings/building materials" seems to be a promising area – an initial discussion will be held with EU (on the EU-supported BEEN project)
3. Mainstreaming in existing portfolio: Mainstreaming will be prioritized as per Annex 3. Measures for the TVET sector are presented in Annex 1. Measures in the PSD portfolio will be developed and implemented as the portfolio evolves (see Annex 5).
4. Amendment of Log frame: will be amended as outlined above.
5. Involve CC focal person for conceptualizing Disaster Response and Recovery support: to ensure support takes into account the whole possible spectrum of measures from preparedness to response and recovery.
6. CC indicators in project log frames: If a project intends to integrate climate change (CC) from the outset, relevant CC indicators should be incorporated into the project log frame.

Annexes

Annex 1: CC mainstreaming measures in projects of TVET sector

Annex 2: Summary of GRID SAP Sectoral Financing Detail from Development Partners

Annex 3: Prioritization of mainstreaming per sector and projects

Annex 4: Proposed indicators suitable for next cooperation program

Annex 5: CC mainstreaming measures in projects of PSD/PSE sector

Annex 1: CC mainstreaming measures in projects of TVET sector

Mainstreaming measure with intended outcome	Results to be achieved by mid-July 2026
NVQS	
Outcome: Emerging green occupations[19] are proactively identified by Sector Skills Committees enabling vocational skill development trainings and certification programs to be designed for those green occupations. *Measures:* • Occupational map preparation (OMP) guideline is updated, and facilitators are oriented such that green occupations are proactively identified in each sector/sub-sector. • National Competency Standards are developed for Green Occupations.	• All new occupational maps identify at least two green occupations each (Total: 4) • 4 NCS in green occupations.
Outcome: National Competency Standards (NCS) would enlist occupation specific green competencies[20]. *Measures:* • NCS Development facilitators training revised to ensures facilitators proactively integrate green competencies into the NCS. • NCS would enlist occupation specific green competencies.	• 20 NCS development facilitators trained on how to integrate green competencies in the NCS. • 20 NCS enlists occupation specific green competencies.
Outcome: Trainees and candidates for skill certification through recognition of prior learning (RPL) are assessed on their green competencies and Occupational Health & Safety (OHS) standards. *Measures:* • Assessors and RPL counsellor (refresher) training revised to include contents on assessment of green competencies including preparation of a checklist. • Assessors and RPL counsellors assess green competencies and application of OHS standards during skills assessment and RPL counselling sessions.	• 100 assessors trained on using checklist to assess green competencies. • 1000 candidates for skill certification through recognition of prior learning (RPL) are counselled and feedback provided on their green competencies and Occupational Health & Safety (OHS) standards.
Outcome: Candidates for skill certification (including those through RPL process) can observe techniques and approaches to enhance material & energy efficiency, improve waste management and augment OHS standards.	• 1 accreditation standards revised. • 7 most eco-friendly ASACs rewarded (1 per province).

[19] **Green Occupation** are occupations that require broad set of technical and transversal skills that are driven by, or contribute to, the green transition i.e., shift from a fossil fuel-dependent economy to a sustainable, low-carbon economy. These roles typically involve renewable energy, energy efficiency, waste reduction, pollution control, and sustainable resource management. Examples include solar panel installers, hydro-electric plant operators, electric vehicle mechanics.

[20] **Green competencies** refer to the skills, knowledge, and attitudes required to perform tasks i) applying the 3R principles (Reduce, Reuse, Recycle) in waste management; ii) ensuring proper storage and disposal of materials to prevent environmental harm; and iii) promoting material and energy efficiency through effective use and management of tools, materials, and equipment.

Mainstreaming measure with intended outcome	Results to be achieved by mid-July 2026
NVQS	
Measures: • Accreditation standards for ASACs revised. • Most eco-friendly ASACs rewarded.	
ENSSURE	
Outcome: Youth learn green competencies in work-based trainings implemented by ENSSURE. *Measures:* • Green competencies are incorporated in apprenticeship (APT) and 10-month training with OJT (OJT) curricula. • New curricula in green occupations will be developed in APT and OJT.	• In existing 8 APT and 8 OJT courses, green competencies would be incorporated as annex. • Revised 1 APT and 2 OJT curricula would incorporate green competencies. • One new three-year diploma (apprenticeship) curriculum will be developed in green occupation • One new professional (1696 hrs.) curriculum will be developed in green occupation
Outcome: Exiting workers would gain green competencies. Measures: • Impart skill upgrading training in green competencies such as enhancing energy electrical efficiency in factories, maintaining automobiles at less polluting Euro-6 standards, improve engine system management to be more energy efficient, conducting carbon footprint assessments, preventive maintenance, improving efficiency of machines/motors using programmable logic controllers & variable frequency drives etc.	• 800 existing workers receive upskilling training enabling them to gain green competencies.
Outcome: Youths (including secondary school students) are aware about emerging green occupations. Measures: • Career cards would show green occupations.	• 10 career cards in green occupations developed.
Quality	
Outcome: TVET schools have the incentive and capacity to i) be energy and material efficient, ii) enhance waste manage and iii) increased awareness among students about climate change mitigation strategies. *Measures:* • Accreditation manual details the measures for the schools to have Green TVET Policy and Practice (see text box above for details)	• 1 Accreditation Manual with measures • 140 schools implement their action plans to make their TVET schools Eco-efficient School • 140 schools have student lead eco-clubs to increase awareness among students about climate change mitigation strategies. • 7 Eco-efficient schools awarded

Mainstreaming measure with intended outcome	Results to be achieved by mid-July 2026
NVQS	
• Principals and designated focal person develop action plan to make their TVET schools an Eco-efficient School[21] • Province government awards the TVET schools who made the greatest progress on becoming Eco-efficient Schools	• 21 schools improve their material and energy efficiency
Outcome: All future secondary school level TVET courses incorporate occupation specific green competencies in their curricula. *Measures:* • National Curriculum Framework would mandate dedicated learning hours be assigned to learn about general and occupation specific climate change mitigation measures.	• 1 National Curriculum Framework which mandates dedicated learning hours be assigned to learn about general and occupation specific climate change mitigation measures. • 10 secondary school level TVET courses with CC mitigation measures.

[21] **Eco-efficient TVET schools** are those TVET school that i) improve energy and material efficiency, ii) enhance waste manage and iii) increase awareness to students about climate change mitigation strategies.

Annex 2: Summary of GRID SAP Sectoral Financing Detail from Development Partners (by 10/2024)

Priority Transitions for GRID SAP	External Financing (USD/Million)			
	Portfolio	Pipeline	Potential Projects	Total
Transition 1: Managing Landscapes to Optimize Benefits from the Water-Agriculture-Forest Nexus	971.87	895.50	130.00	1’997.37
Transition 2: Disaster Risk Management, Preparedness, and Social Protection	564.28	287.50	45.00	896.78
Transition 3: Sustainable and Inclusive Land Administration	14.29	0.00	79.70	93.99
Transition 4: Resilient Roads and Sustainable Transport	1’844.31	465.00	0.00	2’309.31
Transition 5: Unleashing Nepal’s Renewable Energy Potential	1’110.13	636.00	0.00	1’746.13
Transition 6: Green, Resilient, and Inclusive Cities	302.00	471.00	155.00	928.00
Transition 7: Resilient Water Supply and Sanitation	276.90	600.90	0.00	877.80
Transition 8: Improved Air Quality	14.20	197.00	0.00	211.20
Transition 9: Sustainable Solid Waste Management including Plastics	0.00	105.80	200.00	305.80
Transition 10: Leverage Human Capital				
Transition 10A: Building the Skills for a Green, Resilient Economy through the Education System	*596.05*	*104.00*	*50.00*	*750.05*
Transition 10B: Equipping the Health System for Preparedness, Prevention and Response	*503.44*	*0.00*	*50.00*	*553.44*
Transition 11: Cross-cutting for All Sectors	100.00	450.00	0.00	550.00
Transition 11 A: Environmental Governance	*0.00*	*0.00*	*0.00*	*0.00*
Transition 11 B: Gender and Social Inclusion	*51.29*	*103.54*	*0.00*	*154.83*
Transition 11 C: Private Capital Mobilisation	*300.39*	*298.38*	*105.00*	*703.77*
Transition 11 D: Accelerating Digital Development	*45.47*	*68.40*	*0.00*	*113.87*
Total	**6’694.62**	**4’683.02**	**814.70**	**12’192.34**

Annex 3: Prioritization of mainstreaming per sector and projects

Key criteria are considered for the prioritization of the sectors and projects for CC mainstreaming:

Criteria	Description
Impact Potential	How significantly can climate mainstreaming improve sector outcomes
Economic and Financial Feasibility	Availability of funding and cost-effectiveness of climate integration
Policy and Institutional Readiness	Existing policies, frameworks, and institutional capacity for climate action.
Scalability & Replicability	Potential for expanding climate integration across regions and projects.
Climate Risk & Vulnerability	Degree to which the sector is exposed to climate risks.

Sectors and projects will be prioritized and follows:

Priority	Sector and projects	Reasoning
I	TVET	SDC has been engaged in the entire TVET cycle, from needs assessment to service delivery and quality assurance. Integrating climate change into TVET is crucial for creating for-furfure-ready (green) jobs, driving innovation in climate adaptation and mitigation technologies, and supporting the transition to a low-carbon economy. There are also opportunities related to the concept of circular economy. Based on the above criteria, mainstreaming in TVET was done since 2024 and will continue these efforts as first priority.
II	PSE/PSD	Mainstreaming climate change into private sector engagement has the potential to significantly improve sector outcomes while addressing growing vulnerabilities to climate risks. As a key driver of economic growth and employment, the private sector is increasingly exposed to climate-related disruptions—such as supply chain instability, resource scarcity, rising energy costs, and climate-induced disasters. These risks can severely impact productivity, investment flows, and long-term business viability. By integrating climate considerations into business models and investment decisions, companies can build resilience, enhance operational efficiency, and ensure continuity in the face of environmental shocks. Climate mainstreaming also enables businesses to align with global sustainability standards, access emerging green markets, attract climate-conscious consumers and investors, and comply with evolving regulatory frameworks. Programs like the Challenge Fund and Guarantee Fund under the Udaya Project show how focusing on climate-friendly actions—like providing climate finance and following environmental rules such as reducing waste and saving energy—can help businesses grow in a more sustainable way. In the same way, SDC's support for digital businesses highlights its wider

		goal of promoting a circular economy by encouraging businesses in Nepal to use resources more efficiently and adopt environmentally friendly practices.
III	FSB	Nepal has established key policies and plans for climate change adaptation and mitigation at the federal level. However, at the subnational level, challenges persist in harmonization, clarity, and institutional capacity building. Despite these challenges, the government's interest in climate mainstreaming remains limited due to other pressing legislative priorities, such as the Civil Service Act and the Education Act, which are awaiting endorsement. Given this context, and in pragmatic comparison with other Swiss portfolio domains, Federal State Building (FSB) is considered a second priority for immediate climate mainstreaming efforts. However, windows of opportunity for integrating climate considerations will emerge within different FSB projects. For example, the ongoing design of the Municipal Revenue Enhancement Project presents a potential entry point to incorporate climate change considerations, particularly in solid waste management. Additionally, engagement in the National Building Code provides another critical avenue to integrate climate resilience and disaster risk reduction measures. Strengthening building standards and enforcement mechanisms can enhance Nepal's preparedness for climate-induced hazards, aligning with broader resilience objectives. These strategic interventions could ensure that climate considerations are progressively mainstreamed, even when broader policy-level prioritization remains constrained
IV	Migration	Climate change is increasingly recognized as a contributing factor to migration, as it exacerbates environmental vulnerabilities and disrupts livelihoods. However, in the context of Nepal, poverty, lack of job opportunities, and economic instability remain the primary drivers of migration. While climate-induced migration is emerging as a concern, response measure would be the same as for safer migration and climate change adaptation. On the first aspect, Switzerland is well engaged on the second, there was a strategic decision to not engage on climate change adaptation as the DP support is already at a significant level (see above table on GRID).

Annex 4: Proposed indicators suitable for next cooperation program

Indicator ID	Indicator title	Indicator description	Disaggregation
TRANSVERSAL (governance, policies and capacities)			
CCE_ARI_2	Training on climate change, DRR and	Number of persons trained on climate change, DRR and environmental issues	• Females in LNOB target group • Females in non-LNOB target group • Males in LNOB target group • Males in non-LNOB target group
CCE_ARI_3	Policies and legal frameworks on climate change, DRR and environmental	Number of climate change, DRR, environmental policies and/or legal frames supported	• Related to climate change • Related to DRR • Related to environment
5.Reduction of environmental pollution			
CCE_ARI_7	Reduced exposure to environmental pollution	Number of persons benefiting from reduced exposure to environmental pollution	• Females in LNOB target group • Females in non-LNOB target group • Males in LNOB target group • Males in non-LNOB target group
TRANSVERSAL (governance, policies and capacities)			
CCE_TRI_6	Improved awareness and capacities on climate change and disaster risks	Number of persons aware of and capable of better using information and tools to respond to climate change and disaster risks	• Females in LNOB target group • Females in non-LNOB target group • Males in LNOB target group • Males in non-LNOB target group
1. Inclusive and clean energy transition / 2. Low carbon and resilient built environment			
CCE_TRI_4	Reduction of greenhouse gas emissions in tonnes of CO2eq	This Standard Indicator (SI) - Thematic Reference Indicator (TRI) measures the reduction in greenhouse gas emissions in tonnes of CO2eq	• Tonnes of CO2eq avoided • Tonnes of CO2eq saved
6: Integrated Disaster Risk Management			

DRR_TRI_1	Understanding Disaster Risk	Number of plans or programmes supported or influenced that are based on a comprehensive integration of climate, environment and disaster risks.	• Administrative division: Local • Administrative division: National • Administrative division: Regional
DRR_TRI_3	DRR governance and investments for resilience	Number of regional and /or national and/or local systems supported or influenced that enhance the resilience to natural hazards (including climate and environmental hazards) of people, communities, countries and their assets.	• Administrative division: Local • Administrative division: National • Administrative division: Regional

Annex 5: CC mainstreaming measures in projects of PSD/PSE sector

Activities	Key actions to encourage SME growth by addressing the issue of climate change	Proposed start actions
Udaya		
Technical assistance facility (TAF) to Business Development Service (BDS) provider and Bank via challenge fund	• One of the focus areas of the Challenge Fund is **access to finance**, where **climate finance** is a key theme for banks. The fund will provide **technical support to banks** to help them design loan products that attract SMEs working in green value chains.[22] Additionally, when selecting banks or Business Development Services (BDS) providers, the Challenge Fund applies environmental and social criteria. This includes a demonstrated commitment to sustainability practices such as	Q4, 2025

[22] Definition of green business and business with green value chain (Climate friendly business model)- A green business model refers to businesses that directly address climate change through sustainable practices, such as organic farming, which reduces carbon emissions and avoids harmful chemicals. In contrast, a business with a green value chain focuses on incorporating circular economy principles or an eco-friendly supply chain. This could involve using recycled materials like plastics or paper in manufacturing, thereby minimizing waste and reducing the reliance on virgin resources (International Training Centre of the International Labour Organization, 2022).
International Training Centre of the International Labour Organization. (2022). *GREEN BUSINESS GUIDE.* ITALY: International Training Centre . file:///C:/Users/KCN/AppData/Local/Temp/MicrosoftEdgeDownloads/407e16f3-df15-4d60-8749-5a43dd811891/wcms_882794.pdf

	reducing waste, improving energy efficiency, responsible sourcing, and other eco-friendly measures.	
Guarantee Fund (GF)	• To strengthen the Provincial SME Risk Reduction Mechanism (guarantee fund) Scheme and boost credit flow to SMEs, the cost of guarantees will be optimized. Moreover, the guarantee fees will be set at the lowest rates for those businesses transitioning to a circular economy.	Q4, 2025
Post BDS services	• Incorporating climate adaptation practices into post-loan BDS services mean helping SMEs take practical steps to deal with the effects of climate change—such as using drought-resistant crops, protecting buildings from floods, or collecting rainwater to reduce water shortages. At the same time, educating SMEs about Nepal's Green Finance Taxonomy—a guide that explains what types of business activities are considered environmentally friendly—helps them understand how to qualify for the green funding opportunities, defined by the low interest rate. These post-loan BDS services are delivered by private BDS providers, potentially sourced locally depending on availability, with the aim of helping SMEs scale their businesses while integrating climate-smart practices.	Q4, 2025
NIIC2		
One to Watch (OTW) and Global IME Bank (GIME)	• NIIC2 places a strong emphasis on climate considerations within its investment thesis. Through its selection criteria, the fund prioritizes enterprises that offer innovative solutions leveraging ICT to enable SMEs to adopt smarter, cost-effective, and more sustainable business practices. These practices aim to reduce emissions and optimize resource use, including areas such as smart waste management and climate-smart agriculture—contributing to both climate change mitigation and adaptation. • In the implementation of Business Development Services (BDS), the interventions focus on promoting climate-responsible actions within companies. This includes supporting businesses in: 1. Integrating Environmental, Social, and Governance (ESG) practices into their operations, covering aspects like waste management, greenhouse gas emissions reduction, and responsible business conduct. 2. Implementing environmentally friendly value chain processes that align with circular economy principles—such as using recycled raw materials and adopting energy-efficient production methods. 3. Adopting sustainable sourcing practices, including the use of biodegradable or recyclable raw materials, and utilizing digital platforms to reduce carbon footprints.	Ongoing Q1, 2025
DIGI Nepal		

Grant funding	• Additional funds could be allocated to selected small businesses in the agriculture sector to help them adopt eco-friendly practices as relevant to their business. For Agri-tech innovation supporting production, using organic fertilizers, drip irrigations solar-powered machines, etc. would be encouraged. This support will also help these businesses reach a wider market by appealing to **environmentally conscious consumers**—people who prefer to buy products that are grown or made in ways that do not harm the environment.	Q2, 2025
Technical assistance	• As a part of post-funding technical assistance, the selected companies will receive technical training on specific green technologies such as sustainable farming methods and **eco-friendly manufacturing processes as relevant**. These processes could include using energy-efficient machines, reducing water use, recycling materials, use of energy efficient technologies, managing waste properly, etc. The goal of this training is to help businesses grow in a way that is both profitable and responsible toward the environment. The technical training will be provided by subject matter experts. • Assisting SMEs in developing actionable plans to integrate green practices into their operations, enabling them to grow and succeed. These **actionable plans** may include switching to energy-saving equipment, setting targets to reduce waste or water use, replacing plastic packaging with biodegradable alternatives, or training staff on how to recycle and manage resources better.	Q3, 2025 Q4, 2025

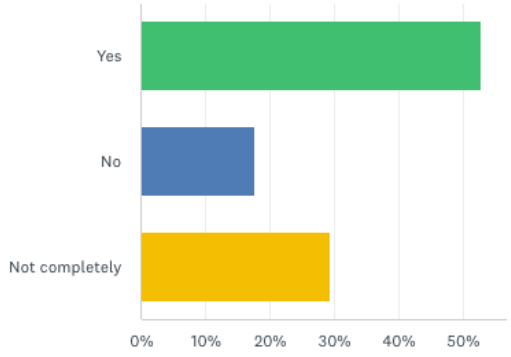
Annex 3: Group work on Relevance and Coherence

Group A: Coherence Answer the 3 questions in bold (30 minutes)

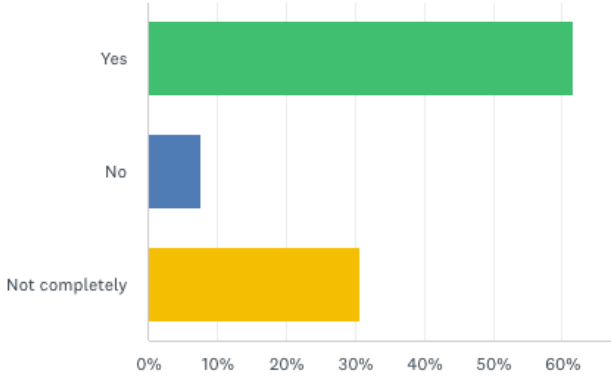
Is the program coherent with (a) Nepal's development goals (b) The aspiration of the Nepalese society?

Graph below are internal and external response to the survey questions.

Internal views Graph



External Views Graph



Identified Gaps and Areas to Strengthen (Responses from SDC colleagues / Internal views)

- Local economic development, trade and competitiveness, civil society engagement, internal migration - some areas worth considering that we don't strongly cover.
- Formal Education, Health, and Agriculture: Critical sectors absent or that will disappear Yet, SDC should remain focused on the area of its comparative advantage and focus to create employment opportunities in Nepal.
- Geographic coverage is limited: heavy focus on Koshi Province leaves many areas and populations unaddressed.
- Climate Change and Disaster Risk Reduction: Need to be given greater prominence.
- Employment: Stronger emphasis needed on sectors like IT exports and hospitality, which are seen as key to creating sustainable, high-quality jobs.
- The political context (rising pro-monarchy sentiment and discontent with political leadership) and global economic complexity should be better reflected in the SPOs.
- Exit from agriculture is seen as a significant gap

Identified Gaps and Areas to Strengthen (Responses from Partners / External views)

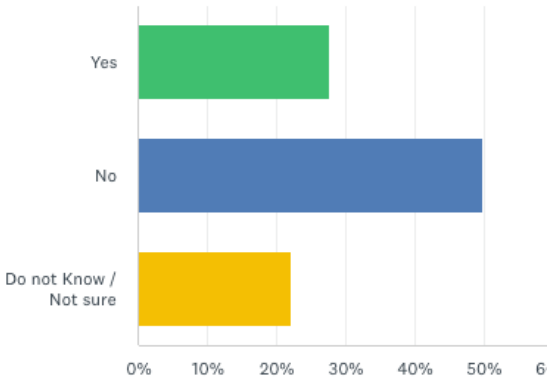
- Geographic Limitation: Programs are largely concentrated in Koshi Province, missing broader national coverage.
- Political Stability and Federal State Building: More direct support needed to strengthen provincial and local governments to reinforce federalism.
- Scope Limitation: A single program cannot address all of Nepal's complex, multi-layered needs. Focused interventions are good, but broader systemic change requires more comprehensive coverage.

Is the program coherent with the new International Cooperation Strategy or regional strategies defined by Switzerland? There are no survey responses, if you want to check the Swiss IC it is here: **Do we need to adapt the program to become more coherent for the end of the phase? If yes, what do we need to do?**

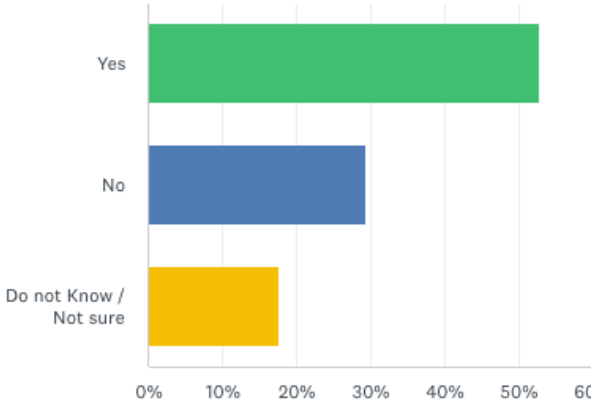
Group B: Federalism - Answer the 2 questions in bold (30 minutes)

Do all spheres of government contribute to the federalization process as per constitutional mandates?

Internal views Graph



External Views Graph



Responses from SDC colleagues / Internal views

Federal government tendencies and issues:

- The federal government continues to exhibit centralizing tendencies, both politically and administratively.
- Critical laws such as the Civil Service Act, Police Act, and Education Act have not been prioritized, weakening the empowerment of provincial and local governments.
- The federal government curtails the functions of provincial and local governments through budget cuts, undermining their ability to deliver services.
- The bureaucracy at the federal level remains resistant to reform and decentralization efforts. There is ongoing encroachment on exclusive and concurrent rights of other government spheres, causing confusion and tension.

Provincial and local government tendencies and issues:

- Provincial and local governments show some willingness to assert their roles but lack the political power, administrative capacity, and resources to fully push for federal reforms.
- Provinces often want federalism to benefit their level but are sometimes reluctant to devolve powers further to local governments.
- Secondary education, which constitutionally falls under local governments' jurisdiction, is an example where reforms have not been realized due to the absence of federal sectoral reforms like the School Education Bill.

Structural and systemic observations:

- Administrative and fiscal federalism remains weak, with over 75% of resources still controlled at the federal level.
- Power dynamics and ambiguities in roles and responsibilities often allow the federal government to assert authority, with provincial and local governments deferring rather than pushing for their mandates.

Responses from Partners / External views

Federal tendencies:

- The federal government is primarily responsible for setting national policies but often does not sufficiently support the federalization process.
- There is a lack of clear guidance and demarcation from the federal level, causing confusion.
- There is a tendency for the federal government to encroach on provincial government functions.
- Critical laws and acts needed to empower provincial and local governments are delayed or missing.
- There is a need for a shift away from centralized mindsets at the federal level to allow provincial and local governments to operate more autonomously.

Provincial and local tendencies:

- Provincial governments are weak and not fully effective, often blamed on limited power sharing by the federal government.
- There is also a tendency for provincial governments to encroach on local government roles.
- Local governments are intended to implement local policies but face challenges due to unclear mandates and weak support from higher levels.
- Capacity and resource constraints at the provincial and local levels significantly hinder their ability to perform their constitutional mandates.

Structural observations:

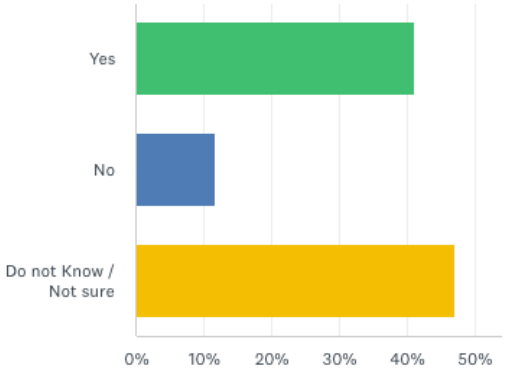
- The federal system is well-designed in theory but struggles in practice due to poor capacity and lack of clear functional demarcation.
- Resource constraints, legal ambiguities, and coordination issues among the three spheres of government impede smooth execution.
- Effective intergovernmental mechanisms are lacking, resulting in struggles over the sharing of power and inefficient service delivery.
- While all levels of government contribute to some extent, the degree and effectiveness of contribution vary widely depending on the sector.

What does these findings mean for the cooperation program?

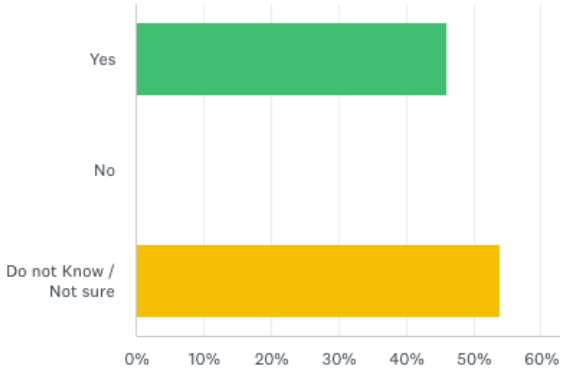
Group C: Fit for conflict - Answer the 2 questions in bold (30 minutes)

Given the delayed implementation of key elements of the Constitution, does SDC's approach to Federalism and its interventions continue to be relevant? Delayed FSB could brew conflicts. Do we continue to be relevant and fit for potential conflicts?

Internal views Graph



External Views Graph



Responses from SDC colleagues / Internal views

Yes — Relevant, but only partially fit:

- Several respondents agree the program is relevant because it addresses key areas:
  - Institutional strengthening
  - Intergovernmental cooperation
  - Legal and policy reforms
  - Political engagement
- There is a belief that continued engagement can help prevent conflict over time.

Responses: "It is relevant. Federal State Building is not an easy or fast process, but continuous engagement is needed."; "Yes, to the extent a DP engagement can address potential conflicts, and yes, since we cover many relevant topics and geographies."

And some concerns:

- Effectiveness is limited due to:
  - Low political will to implement reforms.
  - Weak provincial capacity and resource capture by the federal government.
  - Overreliance on government systems without broader engagement (e.g., civil society, watchdogs).

Responses "All eggs in working with government. Government delivery has been poor, leading to frustrations and possible political upheaval." "Despite investments in policy reforms, political changes have stalled promulgation and implementation."

Responses from Partners / External views

Yes — Relevant, but only partially fit:

- The Cooperation Program is designed with the goal of strengthening the capacity of provincial governments and supporting federalism, which can help minimize conflicts.
- If all three spheres of government—federal, provincial, and local—become clear on their roles and responsibilities, and deliver better services, it would significantly contribute to conflict prevention.
- The Program supports stability and federalism indirectly, but a more explicit focus on conflict prevention, governance coordination, and equitable resource distribution is needed.

Responses "If all three spheres of government are clear on their roles and create an enabling environment, it can significantly help minimize conflicts." "The cooperation program is being implemented with this goal in mind but overlapping responsibilities and poor coordination between government spheres remain major challenges." "Delays in federal state building and disparities in resource allocation could increase regional frustrations."

However — Concerns about limits:

- Coordination between the three spheres of government remains weak due to overlapping roles, lack of communication, and misaligned priorities.
- Some stakeholders expressed that delays in federal state building are already creating frustrations and potential conflict risks.
- There is uncertainty about whether the current program is fully designed to address the political and societal dynamics of conflict risk.

Responses: *"Projects sometimes seem overambitious and push the government too fast; if change is forced, it could have negative effects." "Delays seem to create conflict, but it is unclear whether the programs are adequately designed to address such conflicts."*

Do we need to adapt the program to become more relevant and fit for the end of the phase? If yes, what do we need to do?

Group D - DP and Multilateral – Answer the 4 questions in Bold.

Where should Switzerland be a thought leader among development partners, in which area / theme and how? Do we need to do more than what we are doing until the end of the phase?

Responses from SDC colleagues / Internal views

- Switzerland is already seen as a thought leader in TVET, federal state building, and migration.
- Switzerland is recognized for its role in bringing a provincial perspective across sectors (3Ps approach).
- Switzerland has gained visibility in private sector engagement, particularly through access to finance initiatives.
- Switzerland's experience in transitional justice and provincial transport infrastructure adds to its leadership potential.
- Switzerland's innovative approaches in private sector development are noted by other development partners.
- Switzerland's leadership in GESI is acknowledged and could be expanded.
- Switzerland could increase its influence by advancing GovTech solutions and investing in cutting-edge research.
- Opportunities exist to strengthen leadership in disaster risk reduction linked to federalism.
- There is also potential for Switzerland to lead in climate change and environment-related initiatives, and employment through TVET and employment service centres.

Responses from Partners / External views

- Switzerland is highly respected, accepted, and trusted by Nepali people for its development cooperation.
- Switzerland's continuous, long-term support, clear vision, and context-based interventions strengthen its credibility and leadership role.
- Switzerland is already well positioned to lead in federal state building, employment promotion, and migration management.
- Switzerland has a strong opportunity to expand leadership in entrepreneurship development, private sector development, and vocational skills.
- In the TVET sector, Switzerland is recognized as a leader and could further consolidate its position among development partners.
- Switzerland's work in vocational education, policy and strategy reform, and promoting gender and social inclusion is highly valued.
- Switzerland could increase its leadership role in inclusive digital transformation, good governance, and decentralization.
- Moving forward, Switzerland could focus more on promoting an inclusive pattern of economic growth linked to federalism.

What can we learn from the lessons and thinking of other DPs?
Is there any way we can support DP to increase coordination and harmonized approaches in line with the constitution?
Can we change and improve the way we work with the multilateral actors?