

**The Republic of Korea's Country
Partnership Strategy for
the Government of Nepal
2016-2020**

The Government of the Republic of Korea

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The Republic of Korea's Country Partnership Strategy for the Government of Nepal

I. Summary

Graduation as a Middle Income Country by 2022
Graduate as a Middle Income Country through welfare state with social justice eradicate poverty, improve the quality of life, and create a 'prosperous, peaceful and just Nepal'



14 th National Development Plan (2016/17~2018/19)						
Reduce the proportion of the population below the national poverty line to 17% <u>Inclusive achievement of national development goals and tasks</u>						
Goals	Inclusive and sustainable economic development through cooperation of the government and private sectors.	Establish infrastructure	Develop socioeconomic capacities in the priority development areas	Improve the quality of and access to social services	Carry out development projects taking climate change adaptability into consideration	Improve public sector governance
Tasks	Develop tourism, manufacturing and trade sector	Develop hydroelectric power and other energy sources and build roads	Improve productivity, diversity and commercial potential of the agriculture sector	Improve basic education, health and water sanitation	Preserve natural resources and the environment	Improve public sector governance



Objectives of the Republic of Korea's Development Cooperation for the Government of Nepal
<ul style="list-style-type: none"> ▪ To support universal health coverage by strengthening basic health services ▪ To develop human resources to strengthen national competitiveness and the foundations for economic growth like human development, enlarging human choices, focusing on the richness of human lives rather than economic richness ▪ To support expansion of agricultural value chain to increase rural income and achieve a balanced national development ▪ To provide support for the improvement of hydroelectric power production capacity to help achieve a stable power supply



Priority Cooperation Areas and Support Plans	Public Health
	<ul style="list-style-type: none"> ▪ Contribute to expanding child and maternal health services and improving basic health services ▪ Contribute to the establishment of universal health coverage by implementing health insurance service ▪ Contribute to improve girls' health and living conditions
	Education
	<ul style="list-style-type: none"> ▪ Support efforts to strengthen the capacities of TVET teachers and improve higher education capacities to train young, technical workforce
	Rural Development
	<ul style="list-style-type: none"> ▪ Support inclusive rural development focused on strengthening self-sustenance ▪ Support rural development through sustainable preservation of natural resources
	Energy
	<ul style="list-style-type: none"> ▪ Support efforts to expand hydroelectric power production capacities to contribute to the establishment of industrial infrastructure

1. **(Vision)** The Government of the Republic of Korea aims to contribute to poverty reduction and rapid economic growth in Nepal and assist Nepal's graduation from the least developed country (LDC) status to a middle income country status through development projects aligned with Nepal's 14th National Development Plan (2016/17-2018/19).

The Korean government will support efforts to build a socio-economic infrastructure and strengthen the Government of Nepal's public services.

2. **(Priority Cooperation Areas)** Priority areas are selected based on Nepal's national development plan, the Republic of Korea's capacities for development cooperation projects, development challenges, anticipated financial resources, and opportunities for cooperation with other donor countries/organizations. Minimum of 70% of the total ODA for Nepal will be allocated for the priority areas.

(Public Health) To support universal health coverage by strengthening basic health services

(Education) To develop human resources to strengthen national competitiveness and the foundations for economic growth

(Rural Development) To support expansion of agricultural value chain to increase rural income and achieve balanced national development

(Energy) To provide support for the improvement of production capacities in the hydroelectric power sector as well as alternate energy to help achieve a stable power supply

3. **(Implementation Strategy)** **Efficiency, sustainability and harmonization** will be the 3 values emphasized to improve effectiveness of ODA projects for Nepal.

- **Efficiency:** Creating synergy among development projects
- **Sustainability:** Promoting participation of relevant stakeholders in Nepal and improving the institutional management competencies of aid recipient organizations to improve project sustainability
- **Harmonization:** Increasing opportunities for cooperation with the Government of Nepal and donor organizations by strengthening field work coordination and dialogue

4. **(Strategic Foundation)** Compliance with the OECD/DAC Paris Declaration, Busan Global Partnership Implementation Strategies, UN's Sustainable Development Goals (SDGs), DAC's recommendations, and international standards on foreign assistance will be ensured throughout project implementation.

II. Priority Cooperation Areas and Implementation Measures

A. Public Health

1. Needs Assessment

Improving public health indicators has been an important agenda for the Government of Nepal in the past years. The past and current national development plans and the 3-Year National Development Plan (TYP 2016/17-2018/19) indicate that the government has been focused on both the quality of and access to public health services.

The government's focus area for public health is identified in the sectoral implementation paper. The National Health Sector Programme 2015-2020¹ (NHSP-III) covers child and maternal health, reproductive health, communicable disease control, and health finance as main public health agenda. The government's drive is not only shown on the policy and planning level but also in the increase in government budget for public health services reflected in the government's plans.

The past focus on the child and maternal health services is closely linked to the efforts to improve national health indicators for MDGs 4, 5 and 6. The reasoning for its focus is not far off from the current indicators. While some of the past indicators for MDGs 4 and 5 show a level of improvement in this area, others still have room for improvement. As such, the under-5 mortality rate in 2015 reached 35.8 per 1,000, a lower figure compared to South Asia's regional average of 43.08, but the maternal mortality ratio remained high at 258 per 100,000 in 2015.

On the other hand, Nepal holds one of the highest teenage pregnancy rates in South Asia. Recent data for adolescent fertility observed 72.5 per 1,000 women aged 15-19 in 2014. This is a higher figure compared to neighboring countries such as Pakistan (48), India (38.5), and Sri Lanka (24.1). Therefore, there is a clear and urgent need for health and reproductive health projects for schools and communities.

Despite the efforts by the government and civil society organizations to ameliorate the quality of public health services, the challenge remains in the access to health care services. High barriers to accessing public health services exist. When theoretically out-of-pocket expenditure (OOPE) should not exceed 30-40% of the total expenditure of the entire health sector, the past OOPE averaged 35.3% of total health expenditure (THE) for the period of 2004-2009².

To achieve better access to health services, the Nepalese government has shown a strong willingness to build universal health coverage. The government is aiming to reduce household out-of-pocket medical expenditures, and is currently planning to implement a pilot public medical insurance program in 3 districts.

¹ NHSP-III was developed by the External Development Partners (EDP), the health sector consultative group of the donor agencies, to which the Government of Nepal provides up to 28% of its national health budget.

² For the same period, the government expenditure accounted for 35.3%, non-profit institution 30% and private insurance expenditure 0.2% of THE.

It is important not only to continue to implement current policies but also to launch new initiatives in order to improve health care systems and address challenges such as disparities in healthcare across different regions and lack of health facilities, qualified health professionals, and basic drugs and medical supplies.

2. Korea's Strength in Development

In the 1970s, the Government of the Republic of Korea underwent a major transformation in the national public health system in a short span of time. The transformation resulted in an effective and functioning public health system and improved national health indicators. However, the result would not have been possible without relevant policies and laws, such as the Mother and Child Health Act, which were enacted and implemented to support the government's drive for a better public health care system.

Other factors that were implemented are:

- Systematization of the regional health system with a focus on regional health centers
- Efficient health worker resource management in each level of the health institution, such as family planning workers and health centers
- Strengthening financial management capacity in health care

Implementation of development cooperation projects in Nepal should take the Nepali social and geographical context into account. Having undertaken a series of development cooperation projects in the health care sector, the Korean government has become familiar with local contexts in Nepal. Particularly, the Republic of Korea has the experience of working closely with the government of Nepal, WHO, World Bank, and GIZ on improving the health care service in vulnerable regions, strengthening community-based financial management for health care, and providing universal health coverage.

3. Implementation Measures

The Government of the Republic of Korea will focus on maternal health, reproductive health for teenage girls, universal health coverage, and resilience-building in the health infrastructure. Korea has extensive experience in supporting health care coverage system and improving child and maternal health services in accordance with the Nepal's current 3-Year National Development Plan and the second 5-Year Health Sector Programme. The Korean government will build on the past experience in Nepal and continue to strategically focus its ODA resources on the health sector.

a. Strengthen child and maternal health services

- Priority will be given to vulnerable groups (women, children, ethnic minorities, the poor and the marginalized group) that have little access to public health services, which needs to be improved to reach targets for national health indicators.

- Community-based approaches to improve child and maternal health will be taken to expand primary health care service. Efforts to strengthen the community health care system will be in line with the plan to improve the national health care system.
- Opportunities to cooperate with UNICEF, UNFPA, and WHO on reproductive maternal and child healthcare services will be explored. Duplication of such services will be avoided in the same area of the country.

b. Strengthen the capacity to provide universal health coverage

- The Korean government will cooperate, share information and develop long-term aid plans with other donor entities to build public health finance and health insurance systems.
 - * In order to establish universal health coverage in Nepal, a health insurance system along with a health finance system need to be established. To do so, a foundation needs to be built first through a more inclusive form of ODA, such as the establishment of strategies, laws and regulations for health finance and the integration with the current free health care service system.
- Opportunities to cooperate with GIZ, concerning UN agencies and WHO on health care finance system for universal health coverage will be explored.

c. Contribute to girls' healthy lives

- One of the main target groups will be teenage girls. To improve health and sanitary conditions in schools, Korea plans to increase awareness of reproductive health among teenage girls.

d. Resilience-building in the health infrastructure

- Korea is currently implementing the post-disaster health service recovery program in the Nuwakot district of Nepal following the earthquake of April 2015. The program aims to help restore vital health services in the earthquake-hit areas, particularly focusing on building resilience in health facilities.
- The Korean government is committed to the successful completion of the project. The project aims to facilitate the following activities: rehabilitation of public health facilities; strengthening of the Health Management Information System (HMIS); and normalization of health service delivery and building capacities of health workers.
- In addition to basic health care services, sexual and reproductive health education targeting teenage girls and counseling programs on post-traumatic stress disorder (PTSD) will be provided for local residents in Nuwakot.

B. Education

1. Needs Assessment

Education is viewed as a driver for economic growth and poverty reduction. In the current 3-Year National Development Plan, the Government of Nepal is of the view that education contributes to youth employment, inclusive economic growth, and better quality of life. The key development goals also include building basic infrastructure, increasing employment opportunities, and achieving balanced inter-regional development.

One of the priority goals of the 3-Year Plan includes the increase in the access to and quality of education. The priority goals also identified agriculture, tourism, manufacturing industry, and export-oriented trade as key areas for employment and economic growth.

Training competitive skilled technical workers and improving capacity of TVET (technical and vocational education and training) trainers, training programs, and vulnerable groups' access to education are other focus areas of the Nepalese government. The focus on TVET is given in recognition of young people entering the job market every year as an important growth engine for national development. The Nepalese government also recognizes the importance of TVET program to meet the demands of domestic and international labor markets. In addition, the capacity of TVET program teachers is an important link to improve the technical competencies of young people entering the workforce. As such, the focus will be put on the TVET program and system with special attention on training and building capacities of TVET program teachers and with special focus on female and socially marginalized group.

Moreover, for the long-term national development, the capacity to generate and accumulate knowledge will need to be nurtured. In order to do so, strengthening higher education and research capacity is necessary. A national strategy and plans for higher education should be developed, and greater consideration should be given to the current national education sectoral budget, which presently allocates only 10% to higher education.

To ensure inclusive growth, sustainable development, and poverty reduction in the long run, more relevant policies and institutions need to be put in place to produce qualified skilled technical workers.

2. Korea's Strength in Development

The Republic of Korea is well-known for its experience in human resource development, one of the key factors that contributed to successful industrialization and economic growth. A large pool of highly skilled workers and vocational training programs in automobile, power, electronics and ICT industries helped achieve rapid industrialization.

TVET is an area in which Korea has been particularly strong. In the 2015-2016 Global Competitiveness Report, Korea was ranked 23rd among 140 countries in the area of higher education and training.

3. Implementation Measures

The Republic of Korea aims to develop human resources to strengthen national competitiveness and the foundations for economic growth in accordance with the current 3-Year Plan. In addition, the Korean government will pay special attention to industrial growth and employment targeted to domestic industries when designing the projects.

a. Strengthen the capacity of technical education program and TVET teachers

- The Korean government will cooperate and share information with other donors (ADB, SDC, Finland, etc.) that are currently implementing projects on TVET and TVET qualification assessment and certification. Improving project effectiveness and efficiency will always be a key point in designing new projects.

b. Strengthen the quality of higher education and research capacity

- To accumulate advanced scientific knowledge, the Korean government will provide support for university education to strengthen universities' research capacity.

c. Promotion of Public-Private Partnership for completed projects

- In collaboration with completed projects' partner organization, the Korean government will seek opportunities for public-private partnerships within Nepal, such as seeking cooperation between industries and the academic world, with a view to supporting the smooth admission of graduates of TVET programs into domestic or international job markets.

C. Rural Development

1. Needs Assessment

The Government of Nepal has recently adjusted its agricultural and rural development strategic plans. The adjustment was done based on the 20-Year Agricultural Development Strategy (ADS 2015-2035) launched in 2015 and Nepal's plan to graduate from LDC status by 2022.

The ADS 2015-2035 recognizes that agricultural development is a prerequisite for national development. The main goal underlines achieving food security through increased agricultural productivity and commercialization of farming. The subset goals include the strengthening of agricultural infrastructure and production technologies.

The main tasks for agricultural and rural development include:

- Improve local governance
- Develop overall physical infrastructure such as small-scale agricultural infrastructure
- Increase support for social capital and trust accumulated through intense personal interactions in the community such as education and health services

- Increase agricultural productivity by strengthening community capacity in agricultural production technology
- Develop non-agricultural economic activities
- Strengthen response capacity for natural disasters

2. Korea's Strength in Development

With the Korean government's strong will to support the agricultural sector, Korea's rural development and balanced urban-rural regional development are considered exemplar. A series of the Korean government's policies generated a large pool of trained human resources. Such policies include:

- Implementing agricultural policy
- Opening various organizations in order to institutionally support agricultural development
- Increasing agricultural productivity through agricultural input supply expansion and the improvement of seeds, cultivation techniques, and infrastructure
- Expanding value-added agriculture
- Training rural community leaders to strengthen local capacity

The shared similarities between the Saemaul Undong initiative and the Local Governance and Community Development Program (LGCDP) of Nepal would allow sharing of success factors and measures of the Korean experience in the Nepali context. The experience of the Saemaul Undong was promoted by rural development activities led by local community-based organizations and its leaders while the LGCDP is led by the local government and the self-sustaining local community.

3. Implementation Measures

The Republic of Korea will support the expansion of agricultural value chain and the introduction of non-agricultural economic activities. While increasing rural household income is an important component, achieving comprehensive rural development is the ultimate goal for which the Korean government will work closely with the 3-Year Plan and the Agricultural Development Strategy (ADS).

a. Promotion of inclusive rural development

- The Korean government will create opportunities for agricultural and non-agricultural economic activities to increase rural household income, and build agricultural capacities of individuals or communities.
- The projects will be designed with social capital generating elements, and may also include support for social services (education and health) that would create a mutually reinforcing effect with economic activities.

b. Promotion of sustainable rural development and support for living

- While aiming to improve agricultural productivity, Korea will take into account biodiversity, environment, and local culture to identify adequate agricultural techniques such as a science-based agriculture system.

- Interventions will aim to increase agricultural productivity through improved product distribution structure in Nepal.
- When carrying out agricultural technology development projects and comprehensive rural development projects, the Korean government will consider cross-cutting issues such as climate change, preservation of biodiversity, women's participation, and sustainable development.

D. Energy

1. Needs Assessment

Despite its hydropower potential, Nepal has yet to meet the domestic power demand. The hydropower potential is estimated to be 83,000MW in total, while only half of the potential capacity (approximately 43,000 MW) is considered to be technically and economically viable. However, only about 2% of the hydropower has been developed with the power generating facility capacity of 829 MW as of 2015/16. The government has adopted the ambitious target of generating 2,279 MW by the completion of the 14th Plan (2018/19), by the time of which the government also set the target for 87% of the population with access to electricity.

Only about 74% of the total population has access to electricity, and the power shortage averages 400MV during dry season. The power generation is currently done through various means—hydropower, thermal power and alternative energy.

The Nepal Electricity Authority estimated that electricity demand will continue to increase. Consequently, the power generation facilities need to be expanded by 15.8% annually. An estimated 97MW per year is needed to respond to future demand. By 2017, the power demand may potentially reach 1,526MW, which is 2.4 times the current demand.

2. Korea's Strength in Development

With advanced hydropower technology, the Republic of Korea's electric power transmission and distribution loss is a mere 3%. In addition, a number of energy research institutes in Korea serve as a pool for potential partners for technical assistance.

3. Implementation Measures

The Republic of Korea will help improve the production capacity of hydroelectric power to secure a stable power supply.

a. Promotion of hydropower

- The Korean government will cooperate with other donors (ADB, JICA, etc.) and relevant organizations in Nepal (NEA, universities, private organizations, and corporations) that are involved in energy and hydropower development in order to improve project efficiency.

III. Assumptions

The following critical assumptions may affect Korea's strategy and approach to development cooperation in Nepal.

1. Possible logistical complications and challenges that may arise due to the landlocked nature of the country
2. Implementation of the new constitution of Nepal
3. Vulnerabilities to natural disasters such as earthquakes and floods
4. Impacts of climate change and their extent

IV. Country Partnership Strategy (CPS) Evaluation Framework

Nepal’s National Development Plan (An approach to the graduation from the LDC by 2022) Graduate from the Least Developed Country (LDC) Status by 2022 by eradicating poverty, improving the quality of life, and creating a 'prosperous, peaceful and just Nepal'				
CPS Strategic Goals				
Priority Areas	Goals	Expected Challenges	Achievements	Evaluation Index
Public Health	Strengthening basic health capacity as contribution to building universal health coverage	The continuity and consistency of health policies, willingness and capacity	<ul style="list-style-type: none">- Reduced maternal mortality- Improved child and maternal heath in vulnerable areas- Improved physical and financial access to health services	CPS Conformity (whether a project has been appropriately identified and developed in accordance with the CPS goals) Project Implementation Status (whether projects have been implemented in alignment with CPS)
Education	Develop human resources to strengthen national competitiveness and the foundations for economic growth	<ul style="list-style-type: none">- Low level of domestic industries that can absorb the trained technical workforce- Public financial status and management capacity	<ul style="list-style-type: none">- Improved capacity of technical teachers- Increased certificate qualification rate among teachers and students- Improved curriculum- Training of advanced researchers	
Rural Development	Expand agricultural value chain to increase rural income and realize a balanced national development	<ul style="list-style-type: none">- Low quality rural and agricultural infrastructure- Limitations of agricultural income improvement	<ul style="list-style-type: none">- Improved agricultural income in project implemented areas- Increased agricultural productivity- Strengthened communities’ self-sustenance ability	
Energy	Improving production capacity of hydroelectric power as contribution to improve stability of power supply	<ul style="list-style-type: none">- Low quality infrastructure construction and management capacity- Domestic environment	<ul style="list-style-type: none">- Increased hydropower generation capacity and power supply coverage	
Assumptions		<ul style="list-style-type: none">a. Landlocked nature of the countryb. Implementation of the new constitution of Nepalc. Natural disastersd. Impacts of climate change		

V. Mid-Term Allocation Plan

(Financial Resources) At least **70%** of Korea's ODA will be concentrated in the **priority areas** of bilateral cooperation, while some flexibility will be applied in order to respond to urgent humanitarian demands and socio-economic changes in Nepal.

However, policy plans and projects shall be adjusted based on program mission, policy dialogue, interim monitoring, and delay in projects, or other possible changes in circumstances.

The budget allocation could also be adjusted during the budget discussions and project planning stages, and is subjected to parliamentary decision.

VI. Partnership Plans

1. Partnership with Other Donor Agencies

Cooperation with other key donors in the areas of health care, TVET, agriculture, or rural development will be explored.

In particular, GIZ, WB, WHO, relevant UN agencies, SVC, and others involved in the health insurance system and health finance projects will be considered.

2. Partnership with the private sector

During the project planning phase, the Government of Korea, in coordination with the Ministry of Finance, will utilize its local offices in Nepal, carry out demand surveys, and build partnerships with research institutions and universities in Nepal to develop projects that meet the demands.

3. Alignment with the plans and strategies of the Nepalese government

The Government of Korea will develop projects that are aligned with the Government of Nepal's Development Cooperation Policy 2014. Furthermore, the government of Korea will develop projects and programs that support Nepal's achievement of Sustainable Development Goals.

Through periodic policy discussions and working group meetings with the Government of Nepal, relevant policies and project plans of Korea and Nepal will be aligned. The dialogue will also be used to discuss the possibility of connecting potential projects and other development areas.

Projects will take Nepal's historical, regional, social and cultural background into account in order to minimize any risk or conflict that can arise from mutual misunderstanding.

4. Utilization of the Nepalese government systems

The Government of Korea will utilize and enter the data into the Aid Management Platform (AMP).