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This action is funded by the European Union

ANNEX 4

of the Commission Implementing Decision on the financing of the annual action programme in favour of the Asia region for 2018 part III, 2019 part I, and in favour of Central Asia for 2018 part III

Action Document for "EU-Nepal Trade and Investment Programme (TIP)"

1. Title/basic act/ CRIS number	EU-Nepal Trade and Investment Programme (TIP) CRIS number: ACA/2018/40819 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Nepal The Action shall be carried out nationwide and partially outside Nepal.	
3. Programming document	Addendum No 1 to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 ¹ (RIP)	
4. Sector of concentration/ thematic area	Prosperity – Jobs and Growth	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 8 015 000. Total amount of EU budget contribution EUR 8 000 000. This Action is financed through joint co-financing by: - International Trade Centre (ITC) for an amount of EUR 15 000	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management – procurement of services Indirect management with the International Trade Centre (ITC)	
7 a) DAC code(s)	33110 – Trade policy and administrative management 25010 – Business support services and institutions 33120 – Trade facilitation	
b) Main Delivery Channel	41000 – World Trade Organisation – World Trade Organisation - International Trade Centre	

¹ C(2018)4741 of 20.07.2018

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	Trade integration for green and inclusive growth		
10. SDGs	SDG 8: Decent work and economic growth SDG 9: Industry, innovation and infrastructure SDG 12: Ensure sustainable consumption and production patterns			

SUMMARY

The Government of Nepal is committed to achieving sustainable economic development, and aspires to graduate from Least Developed Country (LDC) category by 2022 and reach middle-income country status by the end of 2030. Sustained and inclusive economic performance and growth will be pivotal to reach these ambitious goals. This will require Nepal to improve its trade performance and its investment climate. The proposed action may be complemented by a blending operation in critical infrastructure, and strategically contribute to Nepal's aspiration. The EU is the Enhanced Integrated Framework (EIF) Aid for Trade focal point in Nepal.

The proposal pursues the European Consensus on Development priorities “Prosperity”, “People” and “Planet”. The proposed intervention is also fully aligned with government policies, notably the National Trade Integration Strategy (NTIS 2016).

The proposed Action is in line with the priorities set out in the relevant programme document, as well as relevant other frameworks. The Multiannual Regional Indicative Programme (RIP) for Asia focuses on 4 priority areas: a) Prosperity – Jobs and Growth, b) People – Migration and Forced Displacement, c) Planet – Climate Change and Environment and d) Investment and Partnerships. Overall, the Asia RIP aims to promote conducive conditions for trade and

integration within the region for broad-based inclusive and sustainable growth. In complementarity, the Multiannual Indicative Programme (MIP) 2014-2020 of the EU for Nepal focuses on three sectors: a) Sustainable rural development b) Education and c) Strengthening democracy and decentralisation.

The **overall objective** of the proposed action is to contribute to Nepal's sustainable and inclusive economic growth and poverty reduction.

The action will focus on two thematic areas: trade and investment.

There are three specific objectives:

1. Increased trade and participation in regional and global value-chains;
2. Improved investment climate for attracting Foreign Direct Investment;
3. Improved trade and investment coordination strategy elaborated and agreed between country partners and development partners.

It is expected to achieve the following outputs:

For Specific Objective 1:

Output 1.1 - Enhanced capacities of the Ministry of Industry, Commerce and Supplies (MoICS) and the Trade and Export Promotion Center (TEPC) to formulate trade policies, negotiate trade agreements and effectively implement them;

Output 1.2 - Trade facilitation and export policies toolbox is developed;

Output 1.3 - Increased capacity throughout Nepal's coffee and pashmina value chains;

For Specific Objective 2:

Output 2.1 – Government programme for addressing procedural and regulatory obstacles for foreign investment identified;

Output 2.2 - Government capacity improved to attract foreign investment through a single entry point;

For Specific Objective 3:

Output 3.1 - Integrated Trade and Investment sector policy and strategy developed through policy dialogue underpinned by technical support;

Output 3.2 - Strengthened information sharing and coordination mechanism for rural/economic and trade investment programmes.

The value chain approach will benefit in particular women and youth.

It is proposed to implement the proposed Action through: direct management - procurement of services and indirect management with an international organization as implementing agency. **The International Trade Centre (ITC)** has been identified as the preferred organization to implement part of the Action.

1 CONTEXT

1.1 COUNTRY CONTEXT

Nepal is a landlocked and Least Developing Country (LDC), located between two large and rapidly growing economies, India and China, with a total population of about 28.9 million. In

2017, Nepal's GNI per capita was of USD 2710 in purchasing power parities (PPP) – more than doubled since 2000 –, which however still ranks the country penultimate in GDP of the South Asia region². According to the multidimensional poverty index (MPI) 2018, 28.6% of Nepal's population are considered poor³. Since the end of the armed conflict in 2006, Nepal has experienced accelerated growth, although below that of its neighbours. Nepal is predominantly an agrarian economy, with the agricultural sector accounting for 27.64 % of the total value addition⁴, and employing 71.74% of the workforce⁵. According to ILO and World Bank estimates for 2017, women represented 57.78% of the total labour force and female employment in agriculture (% of female employment) was about 82.83%. The contribution of industries to Nepal's GDP has been continuously declining, from 22.91% in 1996 to 13.47% in 2017, whereas services have experienced a sharp expansion, increasing from 35.5% to 51.53 % of the GDP during the same period⁶.

Micro, small, and medium-sized enterprises (MSMEs) are the main form of enterprises in Nepal, and have experienced significant growth in recent years. They account for more than 90% of total establishments, contribute to 83% of employment generation, and represent more than 80 % of the contribution to the GDP⁷. Nepal's exports are highly concentrated in a handful of products and countries, with over 59% of exports consisting of only 10 commodities⁸. The narrow baskets of exportable goods and the limited market diversification leave Nepal highly vulnerable to external shocks. Likewise, high costs of moving goods across the border due to insufficient Trade Facilitation measures have hindered the capacity of Nepali SMEs to adequately participate in cross-border supply chains and to integrate into global production networks. Nepal has notified in February 2018 to the WTO⁹ its implementation commitments under the Trade Facilitation Agreement with Category C commitments depending upon capacity building support, which can partially be addressed by the present Action.

Besides, Nepal has been facing a rising trade deficit in trade of goods over the recent years. Over the years, exports have been stagnating, while imports have risen steeply. Although the economy has been expanding, there have been very limited additional employment opportunities, particularly for youth and women.

1.1.1 Public Policy Assessment and EU Policy Framework

Nepal has set its goal to graduate to a middle-income economy by 2030, as laid out in the “Envisioning Nepal 2030” document of the Government. The 14th periodic plan 2016/17-2018/2019 emphasises export-led economic growth through trade sector development¹⁰. To support its ambitions Nepal's Trade Integration Strategy (NTIS) 2016, formulated in close

² World Bank: <https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?locations=NP>

³ https://www.npc.gov.np/images/category/Nepal_MPI.pdf

⁴ Ministry of Finance, FY 2016/2017: <http://data.mof.gov.np/data.aspx>

⁵ ILO, 2017: <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=NP>

⁶ World Bank: <https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=NP&view=chart>

⁷ Government of Nepal, Department of Industry and as per the MoI and the Federation of Nepal Cottage and Small Industries (FNCSI)

⁸ Trade and Export Promotion Center (TEPC), FY 2016/2017: http://www.tepc.gov.np/news_events/full_story/foreign-trade-statistics-of-nepal-annual-trade-data-for-fiscal-year-207374

⁹ <https://www.tfadatabase.org/members/nepal>

¹⁰ <https://www.npc.gov.np/images/category/14th-plan-full-document.pdf>

complementarity with its Trade Policy 2015, aims at strengthening the country's trade and export enabling environment; focusing on product development and strengthening supply capacity of priority products; strengthening institutional capacity, trade negotiation and inter-agency coordination; and building and enhancing trade-related infrastructures. The new government targets sustainable and equitable economic development and prosperity also through export-led growth as a key priority.

Nepal is a member of, and actively supports, various regional and bilateral trade agreements. It is a member of the South Asian Free Trade Agreement (SAFTA), which came into force in 2006, and of the SAARC Agreement on Trade in Services (SATIS) signed in 2010. It is also part of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) since February 2004.

The Enterprise Act 2016 institutionalises and supports investment attraction as set out in the Constitution while the Foreign Investment Policy 2015 encourages foreign investment for national priority projects. However, Foreign Direct Investment (FDI) inflows to the country are still comparatively low.

Overall, the Action pursues the European Consensus on Development priorities “Prosperity”, “People” and “Planet” and is aligned with the principles of the updated EU Strategy on Aid for Trade [COM(2017)667 and Council Conclusions 15573/17]. It shall also contribute to achieving the objectives of the European Economic Diplomacy priorities and work plan. In order to maximize the impact and contribution to the development objectives of the Government of Nepal, the proposed Action is complementary to the EU's bilateral assistance to Nepal through its Multiannual Indicative Programme (MIP) 2014-2020 and more specifically its first focal sector, sustainable rural development. Furthermore, the Asia Regional Multi-Annual Indicative Programme (MIP) of the EU foresees complementary support to ensure that the country can benefit from enhanced trade and integration within the region for broad-based inclusive and sustainable growth. The Action is contributing to building supply-side capacity, value addition while promoting women economic empowerment in the country.

1.1.2 Stakeholder analysis

Beyond the governmental sphere – Ministry of Finance, Ministry of Industry, Commerce and Supplies (MoICS), Ministry of Agriculture, Land management and Cooperatives, Ministry of Women, Children and Senior Citizen and National Planning Commission (NPC) - the following stakeholders are expected to play a significant role in the proposed Action:

The Investment Board Nepal (IBN) is responsible for the promotion of economic development in Nepal by creating an investment-friendly environment. The IBN, functioning as a central agency for investment promotion and facilitation, provides a ‘one window’ service for potential investors inside Nepal to help them navigate the requirements for investing in Nepal.

The Nepal Tea and Coffee Development Board (NTCDB) is responsible for overall sectoral development of these commodities, from research support and promotion activities to production, processing and marketing.

The Nepal Pashmina Industries Association (NPIA) is the representative body of all Nepali pashmina entrepreneurs. The NPIA is actively engaged in developing links between concerned stakeholders for the overall development of the Pashmina sector, by facilitating the sourcing of raw materials and market promotion of Nepali pashmina products. It is complemented by the Mustang Chyangra Farmers and Pashmina Producers Association.

The Women Entrepreneurship Development Committee (WEDC-FNCCI) and the Federation of Women Entrepreneurs Association of Nepal (FWEAN) are responsible for advocating women’s economic empowerment and enhancing the capacity of women entrepreneurs in Nepal. Women in the pashmina sector are mainly employed with knitting, weaving, designing and tailoring, whereas in the coffee sector, women mostly work in low-paid and repetitive labour-intensive tasks, especially harvesting and processing. Literacy rate, adult female (% of female ages 15 and above) is 48.83%% for women and 71.70% for menⁱ, and this gender difference in literacy is more pronounced in rural areas. This lack of knowledge lowers self-confidence and affects other activities in the value chain in that women are unable to bargain for instance, for better quality inputs or practice professional farming or credit from financial institutions.

Other stakeholders in relation to the Action include the Department of Customs, Nepal Bureau of Standards and Metrology (NBSM), Department of Food Technology and Quality Control (DFTQC), Network for Quality, Productivity and Competitiveness Nepal (NQPCM), the private sector and civil society and the Trade Export Promotion Centre (TEPC).

Working with these stakeholders, building on their existing programmes, and strengthening their skills and services to the private sector throughout the implementation of the Action will contribute to ensuring programme ownership, maximizing results and their sustainability beyond the programme life span.

1.1.3 Priority areas for support/problem analysis

1.1.3.1 Summary of the economic and trade-related strength, opportunities, weakness and constraints

Nepal is rich in natural endowments. It is also a country with a relatively young population with around 40% of the people in the age group 16-40; providing a demographic window of opportunity until about 2047 according to the NPC. With the promulgation of the Constitution in 2015, the completion of elections in 2017, a two-third majority government in place since 2018 and federalism under implementation equitable economic prosperity is a top priority of the country.

Table 1: Nepal’s trade-related strengths, weakness, opportunities and constraints:

Strengths and opportunities	Weaknesses and constraints
<ul style="list-style-type: none"> • Nepal enjoys political stability and peace • Nepal is in the midst of a youth bulge, and therefore should benefit from a still expanding workforce • As an LDC, Nepal enjoys preferential market access to the EU and other 	<ul style="list-style-type: none"> • Nepal is characterised by infrastructure shortcomings • Nepal faces supply-side capacity constraints • Nepal's export basket is concentrated in a narrow range of agricultural and low-value-added manufactured products • Nepal suffers from a lack of conducive

<p>developed country markets, as well as some emerging economies</p> <ul style="list-style-type: none"> • Nepal is rich in natural endowments • Potential for unique high quality products 	<p>environment for investment</p> <ul style="list-style-type: none"> • Nepal suffers from limited capacities in implementing trade policies • Landlocked and challenging geographic and climatic environment; depends on its two large neighbours for access to international trade and transit routes
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Analysis of the weaknesses and identification of related priority areas of support

The following are the identified key weaknesses of Nepal that the programme aims to address in concert with other initiatives:

Limited supply-side capacity:

Production capacity in the country is not keeping pace with a rising demand. MSMEs are the main drivers of the Nepali economy but they are constrained by a variety of factors such as inadequate infrastructure, lack of credit, lack of availability of skilled labour and technology in sufficient number for enhanced growth. The competitiveness of MSMEs in Nepal is seriously impaired by their high production cost. Nepal has not been able to adequately use its preferential market access to various developing and developed countries' markets (including EU's 'Everything but Arms' initiative). Moreover, the country suffers from a limited capacity to assure product quality and compliance with quality related market requirements and standards.

Narrow export basket and markets:

Nepal's exports are concentrated in a narrow range of agricultural and low-value-added manufactured products. For instance, in 2016/2017 agro-food products contributed to about 28 % of total exports¹¹. Nepali trade is heavily dependent on India, which in 2017 absorbed about 56 % of the country's exports and provided more than 65 % of Nepal's imports.

Lack of a conducive environment for investment:

The average annual investment requirement is estimated by the NPC to be about Rs. 1770 billion per year (EUR 14 billion), or around 50 % of an annual GDP, over the period 2016-2030. However, Nepal receives foreign direct investment of only around 0.8% of GDP which is quite low compared to the LDC's average of 2.4% in 2017¹². The net FDI inflows to Nepal in 2017 was just US\$ 198 million¹³. According to a Nepal Rastra Bank (NRB) survey¹⁴, Nepal has FDI from 39 countries. In terms of paid-up capital owned by foreign partners, India has the highest FDI in Nepal followed by China, Singapore, Ireland. Similarly, the report shows that the FDI in Nepal was highest in the service sector - which was followed by the industry and agricultural sector.

Limited capacities in implementing trade and other relevant policies:

¹¹ Department of Customs

¹² World Bank and UNCTAAD: <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=XL>

¹³ World Investment Report 2018, UNCTAD

¹⁴ Nepal Rastra Bank, 2018:

[https://nrb.org.np/red/publications/study_reports/Study_ReportsA_Survey_Report_on_Foreign_Direct_Investment_in_Nepal\)-new.pdf](https://nrb.org.np/red/publications/study_reports/Study_ReportsA_Survey_Report_on_Foreign_Direct_Investment_in_Nepal)-new.pdf)

International trade requires sufficient human resources with specialized skills, which the MoICS currently is lacking – in particular experienced trade negotiators with expertise in international laws and conventions and an effective institutional mechanism to mobilize domestic resources and development assistance in a coordinated manner.

1.1.3.2 Selection of the value chains

The Action will focus on expanding Nepal's export base in two value chains, notably coffee and pashmina, resulting in income and employment generation of MSMEs. The selection of the value chains has been guided by the following major criteria:

- Requests from country stakeholders;
- Sectors identified by the Government of Nepal's Trade Policy 2015 and Nepal Trade Integration Strategy 2016;
- Existing sector export strategies approved by the Government of Nepal;
- High potential for value addition, growth and export diversification while preserving the local culture and traditions;
- Strong potential to contribute to poverty reduction and employment for women and youth, and ultimately to gender equality.

An extensive desk research was carried out, and sector studies and wider-level consultations were undertaken with relevant government agencies, research institutions and the private sector in Nepal.

(a) Coffee

The coffee sector has been slowly picking up over the past 15 years in Nepal, and is one of the identified export potential sectors by the Nepal Trade Integration Strategy (NTIS) 2016. Today about 32,000 smallholder farmers are growing coffee as a cash crop in about 41 districts of the mid-hills, mostly in the western region and this forms a solid basis to accelerate and expand coffee production¹⁵. The current annual production is still low, around 470 metric tons (MT), while global demand for Nepali coffee is currently estimated by sector experts to be around at least 5,000 MT. Laos and Ruanda, countries with comparable potential for coffee, produce even around 20,000 MT annually; a volume which could also be achieved in Nepal. Nepal has been a net exporter of coffee for the last 10 years. In FY 2016/2017, Nepal exported around NRs. 85 million (USD 805,550) and imported NRs. 50 million (USD 473,852) worth of coffee, releasing a surplus of NRs. 35 million (USD 331,700)¹⁶. In addition, domestic consumption of coffee has been increasing due to a growing trend of a coffee culture among the youths in urban areas of Nepal.

A National Coffee Sector Export Strategy (2017-2021) was prepared by the Government of Nepal in close collaboration with the private sector and supported by the EU and ITC. The Strategy prioritizes the development and promotion of *Himalayan speciality coffee*. This coffee's special appeal lies in its exotic origin, located outside the traditional tropical zone of the coffee belt, and represents a high-altitude, organic, community-based production of *arabica*. Coffee farming is very labour intensive and predominantly women in -relatively poor- rural areas are engaged in these activities. An increase in coffee production to around

¹⁵ National Tea and Coffee Development Board (NTCDB)

¹⁶ Department of Customs

5000 MT would create an estimated 40000 new jobs in Nepal mainly in rural areas and therefore also redress poverty and out-migration. Crucial for the accelerated growth of the coffee sector is effective control of plant diseases, enhanced irrigation, quality seedlings and state of the art fertilisation, roll out of extension services, marketing and economies of scale through strengthened cooperatives.

There is a clear opportunity for inclusive economic growth by developing the Nepalese coffee sector further both for export and for domestic markets. The EU has been engaged in this sector cooperation since 2014. The still relatively small size of the Nepali coffee sector makes it a suitable product for EU's development cooperation in Nepal through impactful pilot projects commensurate with the funds available for the present Action. It also allows to consolidate the gains made with the TPSD programme which runs until 2019.

(b) Pashmina

The pashmina sector has been in the list of priority export potential products in Nepal's Trade Policies 2009 and 2015, and Nepal Trade Integration Strategy (NTIS) 2010 and 2016. At its peak in 2001 the pashmina industry in Nepal created an estimated 50,000 local jobs, predominantly for women, throughout the entire value chain and generated export revenues of around USD 40 million in 2000¹⁷. This is currently down at 15,000 jobs mostly due to competition by other countries with cashmere products. On this backdrop Nepal has recently been repositioning itself through the Chyangra Pashmina (CP) trademark. CP is recognised for its excellent quality, soft texture, warmth, lightness and designs of the final products; i.e. there is a clear global demand for this product, which the present production cannot meet. In fact, currently the "golden fiber" is essentially exported unprocessed and reimported after value addition in other countries. An expansion of CP through integrated in-country value chains can markedly contribute to create new jobs in Nepal, predominantly for women and across the value chain up to the marketing of final textile products. The sector has high potential to contribute to poverty reduction of the communities residing in very remote high lands of Nepal through backward linkages. The quality and designs of CP are unique selling points for high value and niche markets. Nepal exported about NRs 2.5 billion (USD 25 million) of pashmina products in the FY 2016/2017 which is less than 1% of global imports of pashmina products of about USD 3.8 billion¹⁸. The significant spare capacity for increased production of chyangra fibre within the country and reasonable cost of investment indicate that there is a high potential that Nepali producers could significantly increase their exports. The NTIS 2016 estimates that the CP export value could be increased to USD 50 million in the mid-term. Capacity building and value chain development support through the present Action will accelerate this process.

The establishment of wool collection and spinning centres in wool producing regions could promote domestic value addition in terms of supply of yarn from Nepal. Logistical improvements are required to bring value-added fibres from main fibre producing areas, which are in the remote and economically disadvantaged parts of the country such as Mustang, Manang, Dolpa, Humla, and Taplejung.

Also for pashmina there is an important opportunity for inclusive economic growth by developing the value chain further for export markets. This can contribute to economic

¹⁷WITS World Bank and UN Comtrade

¹⁸ Trade and Export Promotion Center and ITC Trade Map

development in remote parts of Nepal, has significant job creation potential across the value chain -specifically for women- and is a high value niche product - which can boost Nepal's export performance. It would also allow to consolidate the gains made by a pilot project funded by the Enhanced Integrated Framework (EIF) and implemented by ITC until October 2017.

Spill over effects of Coffee and Pashmina Value Chain development

Migration of youths to foreign countries is a major challenge for Nepali society, especially in the agriculture sector. More than 4 million Nepali youth work outside the country as temporary migrant workers. The poor participation of young people in farming and the agricultural economy must be seen as a matter of grave concern to all; indeed, it directly threatens the future of agriculture and rural economic transformation in Nepal. The development of the coffee and pashmina value chains does have a potential of spill over effects to other sectors by retaining the youth in the farming business, who through technology and innovation can contribute to the commercialization in the agriculture sector by fostering entrepreneurial development and contributing to agro-industrialization in the country.

2 RISKS AND ASSUMPTIONS

Risks	Risk (H/M/L)	Mitigating measures
Lack of sustained commitment of producers, including MSMEs and women entrepreneurs to participate in project activities	M	<ul style="list-style-type: none"> • Outreach activities will be included to demonstrate economic benefits especially to MSMEs and women entrepreneurs • Inclusive and participatory consultative approach will be adopted during the planning which will build ownership
Weak implementation capacity of Government institutions and frequent transfers of government officers hampering capacity-building initiatives	M	<ul style="list-style-type: none"> • The programme will be designed to take into account the available capacities. Strengthening donor coordination mechanisms, under the leadership of country institutions, and division of labour will contribute to avoid conflicting messages, and improve the implementation capacity. • The government agencies involved in capacity-building initiatives should implement mechanisms to ensure staff undergoing capacity-building trainings are retained and knowledge transfer mechanisms are in place internally.
Political interest for reforms slows down or the prioritisation of reforms changes.	L	<ul style="list-style-type: none"> • The recent publication of the 14th Plan and the NTIS 2016 and discussions held with the various ministries and departments in Nepal do not suggest this is imminent.

Limited dialogue among the public and private sector and vested interests exist in Nepal and may derail reform process.	L	<ul style="list-style-type: none"> An open, structured and supported public-private dialogue is necessary, with significant consultation (and awareness raising), in order to ensure that the interests of all are considered (including women's interests and priorities).
Federalisation and effective coordination in a multi-stakeholder environment	H	<ul style="list-style-type: none"> A programme steering committee along with working groups and continuous relations with all tiers of Nepali authorities will contribute to more effective reporting and transparency among institutions. Programme activities may need to be fine-tuned in such a way that they apply to the maximum of provinces.
Political stability	L	<ul style="list-style-type: none"> The new political majority is expected to be stable in the years to come.
Natural risks (earthquakes, floods, etc.)	M	<ul style="list-style-type: none"> Nepal's situation requires frequent monitoring.
<p>Assumptions:</p> <ul style="list-style-type: none"> The Government of Nepal will be committed to the effective implementation of trade and investment plans, policies, acts, regulations, and strategies; Political, security situation and market access conditions remain stable; Availability of resources (human and financial) of target beneficiaries in the selected value chains to engage and follow-up on programme activities. 		

3 LESSONS LEARNED, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learned

The main lesson learnt from the implementation of a programme or project in Nepal, especially when focusing on possible policy changes, is a need to secure Government commitment/ownership as well as that of key stakeholders from the public and private sector. In that regard, coordination with stakeholders carrying out activities in other sectors is instrumental. In the framework of this action, the MoICS is actively involved in the set-up of the programme. It is expected that the combination of MoICS leadership, along with in-depth and sustained consultations with key stakeholders throughout programme design and implementation will produce sound results and strong ownership.

An additional lesson from the on-going “*EU Trade and Private Sector Development Programme-TPSD*” (2014 to 2019) is that sustainable value chain development in the agricultural sector (i) needs engagement beyond that programme to consolidate gains achieved because the expansion of coffee production requires a longer term approach and (ii) as a trade programme, enhanced coordination with rural development initiatives which purely focus on the national market is required to create synergies. Future support should be directed

towards expansion of the production base mainly through cooperatives and moving up to the higher altitude to adapt to the effects of climate change and to support the implementation of the National Sector Export Strategy of Coffee.

An important lesson from the EIF's *Nepal Pashmina Enhancement and Trade Support (PETS) project* (2013 to 2017) is to conduct a full value chain analysis comprising both backward and forward linkages and map out key actors and their roles at the time of the project design. Similarly, for successful niche product exports such as pashmina, if branding and trademark are traceable, there is a greater possibility of expanding exports and commanding premium prices. Furthermore, the need for a continued knowledge transfer framework and mechanism to pass on new learnings from direct project beneficiaries to their peers and other relevant stakeholders has been identified as lesson learnt for future interventions.

The above lessons learned have been integrated in the formulation of this programme.

3.2 Complementarity, synergy and donor coordination

During the last few years, Nepal has made improvements in the area of trade facilitation with the assistance from the Asian Development Bank (ADB). The Action will subsequently seek synergies with ADB's initiatives under the Customs Reforms and Modernization project.

Overall, there are currently only a few donors which are active in providing direct support for trade sector development in Nepal. However, there are a significant number of indirectly relevant programmes ongoing which focus on rural development. One of the objectives of the present Action is to enhance coordination of the various interventions building on existing mechanisms such as the Aid for Trade and the Economic Growth and Private Sector working groups as well as programme steering mechanisms.

The World Bank (WB) is supporting a US\$101 million Nepal-India Regional Trade and Transport Project (NIRTTP); additionally, the WB has recently signed US\$80 million Livestock Sector Innovation Project to increase productivity, enhance value addition, and improve climate resilience of smallholder farms and agro-enterprises in selected livestock value-chains in Nepal; an initiative which can create significant synergies with the present Action. Denmark is implementing a EUR 54 million project called UNNATI– Inclusive Growth Programme focusing on the commercialization of the value chains of large cardamom, ginger, dairy and organic tea products and widened financial services for smallholder farmers and MSMEs.

This Action is complementary to, and reinforcing, the other major EU rural development interventions in Nepal, notably (i) a sector budget support to the (ADS) Agriculture Development Strategy and (ii) a major contribution the Rural Village Water Resource Management Project (RVWRMP), which allows to significantly scale up a livelihoods component, in particular access to energy and gravity ropeways directed at supporting small businesses and income-generating activities and to foster policy dialogue towards a more cohesive development approach to the most disadvantaged parts of the country. Furthermore, since 2017 there is a significant ongoing EU Nepal cooperation in the sector of technical and vocational training (TVET) which *inter alia* focuses on agriculture. Furthermore, the action will also build on and consolidate achievements of the ongoing TPSD programme.

The EU delegation to Nepal has been the EIF's Aid for Trade (AfT) Focal Point in Nepal since 2017. The EU delegation has been actively coordinating with local development partners to mainstream trade in their country strategies. The Delegation co-chairs the Aid for Trade Donor Group meetings being organized at regular intervals by the MoICS for leveraging resources to implement Government priorities in the trade sector identified in the Trade Policy 2015, NTIS 2016 and National Export Sector Strategies (2017-2021) of Coffee, Tea, Large Cardamom and Handmade Paper. The Action will reinvigorate the coordination and dialogues between the development partners and the Government of Nepal in order to maximize the results and their sustainability.

3.3 Cross-cutting issues

The proposed Action targets poverty reduction as trade can directly contribute to economic growth and job creation. The Action also addresses three cross-cutting issues: gender, migration and environment.

Gender. Nepal has made great strides in gender equality in the recent years and has a relatively high level of women participating in the labour force. However, Nepali women still face severe obstacles in their plain, free and equal participation in the country's economy. Although they have access to income and employment opportunities, they are mainly employed in low-skilled, labour-intensive sectors such as agriculture. The ability for female entrepreneurs to enter value chains and upgrade into higher-value activities are complicated by limited access to key inputs, such as land, finance, extension services and market information. For instance, limits on women's right to own land puts them at a disadvantage in accessing credit from formal financial institutions since land is often used as collateral. Women do not possess equal rights to property, preventing them from using physical capital as collateral. Only, 10.8% of women hold land title. There is a need of raising awareness among financial institutions, developing innovative financial instruments, and improving financial literacy among MSMEs, especially women-owned MSMEs. A baseline study carried out under the EU-TPSD Project of major coffee growing districts in Western Nepal shows that there are 44% female shareholders in all Primary Coffee Cooperatives (PCCs). It also reveals that female representation is only 38% in executive committee of PCC¹⁹. The Action will contribute to women empowerment and gender equality through employment creation and a specific focus on capacity building of women entrepreneurs engaged in the coffee and pashmina sectors in financial literacy, export facilitation, quality managements etc. through various training workshops, and participation in international trade.

Migration. About 500,000 young people are estimated to enter the labour force every year²⁰. Due to lack of meaningful employment at their place of birth, they migrate to urban areas, and go abroad as temporary migrant works mainly to India and Middle East and Malaysia. Developing the coffee and the pashmina sectors further has significant potential for job creation, which therefore can contribute to redress migration pressures.

Environment. The Action will also enhance environmental sustainability and mainstream good economic governance and sustainable production and consumption techniques. Coffee production in an agroforestry system, under the shade of diverse canopy species, has great conservation potential. Advantages of utilizing a shaded system include providing viable

¹⁹ Baseline Study Report 2017 by Good Neighbours International (GNI) Nepal and Beautiful Coffee Nepal (BeaCoN) under the European Union Support to the Competitiveness of Quality Coffee in Nepal

²⁰ Ministry of Finance, Economic Survey 2017/2018

habitat, enhancing biodiversity, sustaining biological control agents, such as birds and bats, and enhancing pollinators of the coffee itself. The TIP aims to promote organic Arabica coffee which is predominantly grown in mixed-crop, agroforestry systems promoting conservation, and organic and sustainable agriculture, minimising the usage of pesticides and chemicals and thus decreasing a strain on local water resources and soil. Similarly, the envisaged support to an integrated CP value chain will expand the knowledge about sustainable production and consumption techniques throughout the value chain from goat rearing, pasture management, animal friendly fiber harvesting to the environmentally friendly production of yarns, cloth and textiles.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/Results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal(s), especially "SDG 8: Decent work and economic growth" and "SDG 12: Ensure sustainable consumption and production patterns", but also promotes progress towards "SDG 9: Industry, innovation and infrastructure". This does not imply a commitment by Nepal benefiting from this programme. The proposal also follows the direction of the European Consensus on Development – "People, Planet, Prosperity, Peace, and Partnership" – and addresses more specifically “Prosperity” (inclusive and sustainable growth & jobs), “Planet” (Protecting the environment, managing natural resources and tackling climate change) and “People” (human development/dignity).

The overall objective of the action is to contribute to Nepal’s sustainable and inclusive economic growth and poverty reduction.

The specific objective / expected outcomes of the action are as follows:

- 1.** Increased trade and participation in regional and global value-chains;
- 2.** Improved investment climate for attracting Foreign Direct Investment;
- 3.** Improved trade and investment coordination strategy elaborated and agreed between country partners and development partners.

The expected outputs of the action are as follows:

Output 1.1.:

Enhanced capacities of the Ministry of Industry, Commerce and Supplies (MoICS) and the Trade and Export Promotion Center (TEPC) to formulate trade policies, negotiate trade agreements and effectively implement them;

Output 1.2.:

Trade facilitation and export policies toolbox is developed;

Output 1.3.:

Increased capacity throughout Nepal’s coffee and pashmina value chains;

Output 2.1.:

Programme for addressing procedural and regulatory obstacles for foreign investment identified;

Output 2.2.:

Government capacity improved to attract foreign investment through a single entry point;

Output 3.1.:

Integrated Trade and Investment sector policy and strategy developed through policy dialogue underpinned by technical support;

Output 3.2.:

Strengthened information sharing and coordination mechanism for rural/economic and trade investment programmes.

4.2 Main activities

The main activities in relation to the respective result area are:

For output 1.1. :

- To enhance capacities of the Ministry of Industry, Commerce and Supplies (MoICS) in formulating trade policies, including gender sensitive trade policies, trade negotiations focusing on bilateral, regional and multilateral trade, Trade data analysis through relevant training/coaching and advisory support programs and gender-disaggregated data on trade;
- Capacity building of the Trade and Export Promotion Centre (TEPC) through (1) training and coaching in promoting and facilitating exports based on gap analysis, (2) develop and disseminate export trade facilitation guides targeting, especially the tailored to the special need of Women enterprises in collaboration with TEPC on coffee and pashmina to raise awareness on the step-by-step procedures to complete an export transaction (including EU import requirements from key destination markets (3) provide support to the TEPC in strengthening and enhancing Nepal Trade Information Portal, (4) awareness-raising activities of exporters, men and women in different provinces of Nepal on opportunities and potential markets for coffee and pashmina, as model for other sectors, using also ITC's Export Potential mapping; Capacity building of Nepal Tea and Coffee Development Board (NTCDB) and Nepal Pashmina Industry Association (NPIA) including on sustainable agricultural practices and processing, in particular water consumption in coffee, and on processing, especially for yarn dyeing for pashmina products with proper water treatment;

For output 1.2.:

- To improve trade facilitation reforms through (1) support implementation of the WTO Trade Facilitation Agreement, especially commitments under Category C and (2) to support business compliance with export procedures for the coffee and pashmina value chain through advisory services;

For output 1.3.:

- To reduce supply side constraints by increasing production, processing, productivity and quality throughout the coffee and pashmina value chains;
- To create business linkages for famers, farmers' cooperatives and women entrepreneurial associations to expand sales in domestic and international markets, while developing online and offline sensitization materials and tools on quality requirements;

- To provide institutional level support to strengthen national quality and Sanitary and Phyto-sanitary (SPS) frameworks, including through enhanced research, extension and certification capacities for improved compliance with international quality requirements;
- Training and capacity building of small-scale chyangra goat farmers and coffee producers on Good Agricultural Practices (GAP) and sustainable consumption and production methods;

For output 2.1.:

- To review the regulatory business and investment climate for international investors in view identify areas of improvement for FDI attraction in light of best international practices through studies, advisory services, multi-stakeholder workshops, roundtables and seminars;
- To support through advisory services the Government of Nepal in developing an implementation plan for regulatory reform and possible changes in legislation, policies and implementation methods to enhance the FDI climate;

For output 2.2.:

- Supporting inter alia through advisory services and other necessary inputs the Government in cooperation with the private sector, such as possibly the European Chamber of Commerce (ECC), the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and the Confederation of Nepalese Industries (CNI) in creating a model for a single entry point for potential investors which could ease attracting foreign investment;
- To develop through advisory services a capacity-building plan for the actual investment promotion agencies, especially Department of Industry and Industrial and investment Promotion Board (IIPB) which are responsible for approving smaller investment up to USD 100 million;
- To organise business to business (B2B) events with specific attention to women-led businesses, investment roadshows and summits to connect foreign and national investors with Nepali enterprises;

For output 3.1.:

- To support the Government through advisory services, studies, multi-stakeholder workshops and similar activities to develop a blueprint for an Integrated Trade and Investment sector policy and strategy which could in the perspective also be supported by EU sector budget;

For output 3.2.:

- To support through advisory services, mapping and development/revision of monitoring and information sharing tools, round tables and other necessary inputs strengthened, more effective and integrated coordination between initiatives, programmes and projects from the Government (at all levels in the new federal system), development partners, private sector and other stakeholders in the domain of rural/economic and trade/investment in view of enhancing concerted impact of the various initiatives.

4.3 Intervention Logic

In order to foster sustainable, inclusive and job generating economic growth and reduce poverty Nepal needs to develop high potential product value chains and increase its exports, attract the needed foreign direct investment to expand its production base and enhance coordination of relevant support initiatives.

Towards this objective the Action will support the Government and private sector in an integrated way, which fosters innovation, to deliver on (i) effective implementation of state of the art trade policies, improved trade facilitation and strengthened priority export value chains (coffee and pashmina); (ii) provision of know-how and tools to attract more foreign investment; and (iii) enhanced coordination to better integrate trade and investment policies and relevant support programmes. To ensure that this plan is likely to succeed, the Action addresses the following major challenges:

- Capacity constraints of public institutions, and private sector along the value chains;
- Enabling environment for trade and investment including foreign direct investment;
- Coordination and synergy of Government trade sector priorities and Aid for Trade support from the development partners.

The Action will adopt a three-pronged strategy to address the identified problems and constraints and provide trade-related technical assistance in the priority areas for support:

1. Contributing to developing an integrated and market-led value chain, enhancing competitiveness through improved trade facilitation, building supply-side capacities to add value to export products, addressing the Nepali Specialty Coffee and Chyangra Pashmina value chain;
2. Enhancing national capacities for formulating and implementing trade and investment policies, and improving regulatory frameworks with an overall goal of contributing to gender equality and sustainable economic growth;
3. Strengthening policy harmonisation and coordination.

The Action will apply the following key principles throughout its implementation:

- Develop an integrated and market-led value chain development approach, market intelligence and diagnostics, in order to customize capacity-building and advisory support;
- Support Nepal's policy priorities (Trade Policy 2015 and NTIS 2016)- to increase and improve its exports and FDI inflows, especially from the EU;
- Integrate gender, youth and environment-related issues as cross-cutting issues. The sector value chains have been selected accordingly;
- Facilitate public-private policy dialogue and coordination as means to support project sustainability and ownership by the country;
- Incorporate a strong institutional and capacity-building focus using and reinforcing local expertise to a maximum extent, working with national experts and conducting training of trainers;
- Enable relevant stakeholders to continue to provide relevant and effective trade support services to the private sector and to replicate the positive results of the project beyond its end date.

5 IMPLEMENTATION

5.1 Financing Agreement

In order to implement this Action, it is foreseen to conclude a Financing Agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this Action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **60 months** from the date of entry into force of the Financing Agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation Modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures affecting the respective countries of operation²¹.

5.3.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Call for tender – technical assistance service contract for results 2 and 3	Services	1	Q1 2019

5.3.2 Indirect management with an International Organisation

A part of the action may be implemented in indirect management with the International Trade Centre (ITC). This implementation entails activities described under Specific Objective 1. This implementation is justified because ITC is an International Organisation specialised in providing trade-related technical assistance and carries out similar projects worldwide. ITC is a joint agency of the World Trade Organization and the United Nations. Its mandate combines the focus on expanding trade opportunities with the aim of fostering sustainable development, assisting small and medium-sized enterprises in developing economies to become more competitive in global markets, thereby contributing to sustainable economic development within the frameworks of the Aid for Trade agenda and the SDGs. Furthermore, the ITC has relevant experience in managing value chain development, SME development and trade

²¹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

capacity building projects in Nepal. The Pashmina Enhancement and Trade Support (PETS) project in Nepal was implemented by the ITC and it also supported the Government of Nepal in preparing the National Sector Export Strategy for Coffee (2017-2021), and carried out a non-tariff measures (NTM) business survey in 2017.

The entrusted entity would carry out the following tasks: launching and managing calls for tenders and calls for proposals, definition of eligibility, selection and award criteria, acting as a contracting authority for concluding and managing contracts, and carrying out payments and recovery orders.

For the tasks not yet assessed, the United Nations Secretariat²² is currently undergoing the ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with tasks under indirect management.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in Euro
5.3.1. Procurement (direct management) for Results 2 and 3	2 800 000	
5.3.2. Indirect Management with an international organisation – ITC for Result 1	5 000 000	15 000
5.8. Evaluation	75 000	NA
5.9. Audit	35 000	NA
5.10. Communication/visibility	90 000	NA
Totals	8 000 000	8 015 000

5.6 Organisational set-up and responsibilities

The programme will establish one programme office in Kathmandu with resident staff, both international and national, embedded within MoICS and TEPC. The programme office will assume coordination and day-to-day management and will also extend technical support to programme implementation. An important function of the programme office will be the

²² As per *Final Pillar Assessment Report of United Nations Secretariat* of 23 November 2016, 'although ITC is not specifically included in the SG Bulletin on the Secretariat structure we did consider it included in the Secretariat'

outreach, communication and development of working relations with provincial and other subnational stakeholders.

The governance of the Action will be assumed by a Programme Steering Committee (PSC) indicatively composed of senior representatives from the Ministry of Finance, National Planning Commission, Ministry of Industry, Commerce and Supplies, Investment Board Nepal, Ministry of Agricultural, Land Management and Cooperatives, the EU Delegation to Nepal, Private Sector Associations (such as FNCCI, CNI, EEC, NPJA), and the ITC. The PSC will indicatively be co-chaired by the Ministry of MoICS and the EU Delegation to Nepal. For the value chains, the programme will also coordinate with the provincial and local government bodies. A local level coordination committee may be set up for the implementation of activities at the Rural Municipality/Municipality level. The secretariat of the PSC will indicatively be the responsibility of the team leader of ITC. Representatives from other public and private sector as well as civil society institutions active in the coffee and pashmina sectors, including the Nepal Coffee Producers' Association (NCPA), the Nepal Pashmina Industries Association (NPJA) and the Mustang Chyangra Farmers and Pashmina Producers Association may be invited to participate in the PSC. The detailed Terms of Reference (TOR) of the PSC shall be elaborated during the inception phase. The PSC will indicatively meet twice a year and ad hoc, as required. The PSC will ensure that the Action maintains coherence with the national development and trade priorities of Nepal, and will provide strategic oversight for its implementation. It will guide the project and approve work plans and will regularly review the progress and performance of the Action. It will also gather lesson learned, identify possible bottlenecks and risks and propose mitigation actions.

At implementation level, Working Groups may be established per output and will be chaired by the appropriate local counterpart agencies, both government and private sector apex bodies/chambers of commerce.

These structures will be reconfirmed during a 6-month inception phase following the signature of the Financing Agreement.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (each semester) and final reports. Every report shall provide an accurate account of the implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a mid-term and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to objective analysis and assessment of the value, worth and merit of the programme achievements (intended and unintended).

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular evidence on the long-term sustainability of the programme interventions, and key lessons learned that may be useful for future programmes and feed into policy development.

The Commission shall inform the implementing partners **at least 30 days in advance** of the dates foreseen for the evaluation missions. The implementing partners shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the programme/project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the programme.

Indicatively, **two contracts** for evaluation services shall be concluded under a framework contract in Q2 2022 and Q2 2024.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, **two contracts** for audit services shall be concluded under a framework contract in Q2 2022 and Q2 2024.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5. above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and other agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, **two contracts** for communication and visibility services shall be concluded in Q2 2020 and Q2 2022.

APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	<i>Results chain</i>	<i>Indicators</i>	<i>Baselines (incl. reference year)</i>	<i>Targets (incl. reference year)</i>	<i>Sources and means of verification</i>	<i>Assumptions</i>
<i>Overall objective: Impact</i>	<i>Contribute to Nepal's sustainable and inclusive economic growth and poverty reduction</i>	<i>OO1: Average Global Competitiveness Score (** EU Results Framework Level 1 #29)</i>	<i>OO1: 4.0 in 2016</i>	<i>tbd in inception phase</i>	<i>Nepal Trade Integration Strategy, Trade Policy, Government Reports, publications and country reports by Development Partners (such as WB, ADB, IMF etc.)</i>	
		<i>OO2: Exports of goods and services as a percentage of the GDP (** EU RF L1 #30)</i>	<i>OO2: 9.49% in 2016</i>	<i>tbd in inception</i>		
		<i>OO3: Agricultural value added per ha area (** EU RF L1 #8)</i>	<i>OO3: Cereal Yield 2605 kg/ha, Land under cereal production 3,306,317 ha in 2016</i>		<i>Nepal Living Standards Survey,</i>	
		<i>OO4: Proportion of population living below \$1.25 (PPP) per day (** EU RF L1 #1)</i>	<i>OO 4: 23.7% 2011</i>	<i>tbd in inception</i>		
		<i>OO5: Real GD growth (** EU RF L1 #3)</i>	<i>OO5:6.9% in 2017</i>		<i>Multidimensional Poverty Index Nepal NTADB, TEPC</i>	
		<i>Number of jobs created in Nepal's coffee sector as a direct and indirect result of TIP</i>	<i>0</i>	<i>tbd in inception</i>		
		<i>Rate of growth of Coffee Production and Exports</i>	<i>Ease of Doing Business rank (105) in 2017</i>			
			<i>Average annual growth rate in green bean production (FY2009/10-</i>	<i>tbd in inception</i>		

		<p><i>Rate of growth of Chayangra Pashmina Exports</i></p> <p><i>Number of jobs created in Nepal's Pashmina sector as a direct and indirect result of TIP</i></p> <p><i>Number of Category C of the WTO TFA commitments implemented</i></p>	<p>2016/2017) is 1.18%</p> <p>Average Annual Growth in Exports (FY2009/10-2016/2017) is 3.02%</p> <p>0</p> <p>0</p>	<p>tbd in inception</p> <p>tbd in inception</p> <p>tbd in inception</p>		
<i>Specific Objective (1)</i>	(1) Increased trade and participation in regional and global value-chains	<p><i>Survey for level of awareness of Nepali MSMEs of international trade</i></p> <p><i>Number of Nepali coffee MSMEs/cooperatives transacted for international business due to TIP</i></p> <p><i>Number of Nepali pashmina MSMEs/cooperatives transacted for international business due to TIP</i></p> <p><i>Share of Nepali women/youth enterprises of coffee in international trade through TIP</i></p> <p><i>Share of Nepali women/youth enterprises of pashmina in international trade through TIP</i></p> <p><i>Level of use of technology in coffee production and processing due to TIP</i></p> <p><i>Level of use of technology in chayangra wool production and processing due to TIP</i></p> <p><i>Number of Nepal coffee enterprises improving their productivity and sales/markets through TIP</i></p> <p><i>Number of Nepal pashmina enterprises improving their productivity and sales/markets through TIP</i></p> <p><i>Status of Nepal Tea and Coffee Development Board (NTCDB) and Nepal</i></p>	<p>Not performed</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>Not performed</p> <p>Not performed</p> <p>0</p> <p>0</p> <p>0</p>	<p>performed</p> <p>tbd in inception</p>	<p><i>Participant Feedback questionnaire</i></p> <p><i>Statistics on use of ITC data tools in reporting period</i></p>	<p><i>There are a sufficient number of men and women entrepreneurs, which are ready and willing to engage with the TIP programme</i></p>

		<p><i>Pashmina Industries Association's annual publications</i></p> <p><i>Level of Coffee plantation area and yield due to TIP interventions in collaboration with NTCDB and Nepal Agriculture Research Council</i></p> <p><i>Number of Chyangra goats and yield per Chyangra goat due to TIP intervention in collaboration with Department of Livestock Services and Nepal Agriculture Research Council</i></p> <p><i>Number of people receiving rural advisory services with EU support (** EU RF L2#7)</i></p> <p><i>Agriculture and Pastoral ecosystems where sustainable land management practices have been introduced with EU support (number of hectares) (** EU RF L2#6)</i></p> <p><i>Number of Micro, Small and Medium Enterprises (MSMEs) applying Sustainable Consumption and Production practices with EU support (** EU RF L2#25)</i></p>	<p><i>None</i></p> <p><i>Area: 2618 ha</i> <i>Yield: 203kg/ha</i></p> <p><i>Chyangra Goat Population is around 325435, Pashmina/goat is 250 gms in 2009,</i> <i>0</i></p> <p><i>0</i></p> <p><i>0</i></p>	<p><i>tbd in inception</i></p>		
Output 1.1	<p><i>1.1. Enhanced capacities of MoICS and TEPC to formulate trade policies, negotiate trade agreements and effectively implement them</i></p>	<p><i>Survey of Nepali exporters for shipping improvement</i></p> <p><i>Number of MoICS officials trained on trade negotiation (bilateral, regional, multilateral)</i></p> <p><i>Number of MoICS officials trained on trade data analysis</i></p> <p><i>The status of the list of TEPC services offered to exporters</i></p> <p><i>Number of active users of ITC data analysis tools in Nepal triggered through TIP</i></p> <p><i>Number of business guides developed on preferential export schemes for Nepali exporters</i></p> <p><i>Number of trained TEPC staff on promoting and facilitating exports, and enhancing the Trade Information Portal through TIP</i></p>	<p><i>Not performed</i></p> <p><i>0</i></p> <p><i>0</i></p> <p><i>None</i></p> <p><i>0</i></p> <p><i>0</i></p> <p><i>0</i></p>	<p><i>Performed</i></p> <p><i>tbd in inception</i></p>	<p><i>Consultant reports, WTO reports, list of TPEC services, WTO country publications</i></p>	<p><i>The MoICS and TEPC officials are available for the trainings and the institutions supervise the quality</i></p> <p><i>The stakeholders collaborate well for the survey, studies and guides.</i></p>
Output 1.2	<p><i>1.2. Trade facilitation and export policies toolbox is</i></p>	<p><i>Status of roadmap/strategies to implement the WTO TFA</i></p> <p><i>Number of project proposals from NTTFC for WTO TFA measures</i></p>	<p><i>None</i></p> <p><i>None</i></p>	<p><i>Tbd in inception</i></p> <p><i>Tbd in inception</i></p>	<p><i>Consultant reports, mid-term evaluation</i></p>	<p><i>Institutions employ required human resources and monitors their performance</i></p>

	<i>developed</i>	<i>Number of Business Process Analysis (BPA) studies conducted</i>	0	<i>Tbd in inception</i>	<i>reports</i>	
Output 1.3 <i>Number of export facilitation</i>	<i>1.3. Increased capacity of Nepal's coffee and pashmina value chain participants</i>	<i>Number of women owned Coffee and Pashmina enterprises reporting having transacted business as a result of TIP intervention;</i> <i>Number of Coffee and Pashmina enterprises with. 20% participation of women due to TIP intervention</i> <i>Number of Coffee and Pashmina producers' cooperatives, and MSMEs participating in training workshops organized on productivity; wool processing, Post-Harvest Quality, Quality Management and Value addition; and Exporter Competitiveness by TIP</i> <i>Number of Coffee and Pashmina related events (B2B, trade fairs) attended by TIP supported SMEs and cooperatives to promote their products</i>	0 0 0 0	<i>tbd in inception</i> <i>tbd in inception</i> <i>tbd in inception</i> <i>Tbd in inception</i>	<i>Consultant and mission reports</i> <i>Workshop and training evaluations</i>	<i>Absorption capacities within private sector institutions and business associations for applying business advocacy skills</i> <i>Presence of local systems for knowledge dissemination and replication (Business advisory, extension services, information portals)</i>
Specific Objective 2	(2) Improved investment climate for attracting Foreign Direct Investment	<i>2.1. World Bank doing business / Distance to frontier (** EU RF L2 #32)</i> <i>2.2. Number of countries whose capacity to trade across borders has improved with EU support (** EU RF L2 #29)</i> <i>2.3. Number of quality certifications issued with EU support (** EU RF L2 #31)</i>	<i>DB rank 105 out of 190 countries/DF value 59.94 in 2017</i> <i>LPI score 2.93 in 2017</i> 0	<i>tbd in inception</i> <i>tbd in inception</i> <i>tbd in inception</i>	<i>WB DB portal Issued certifications</i>	<i>Absence of an internal political economy affecting the competition and property rights' protection</i> <i>Presence of FDI programmes' support advisory services and legal frameworks for effective partnerships</i>
Output 2.1	<i>2.1. Programme for addressing procedural and regulatory obstacles for foreign investment identified</i>	<i>Survey of potential EU and regional investors on attractiveness of investment into Nepal</i> <i>Number of active women entrepreneurs and associations participating in EU Nepal Trade and Investment Policy Dialogue as a result of TIP</i> <i>Status of discussion and a position paper between the government agencies and private sector representatives, including current and potential foreign investors</i>	<i>Not performed</i> 0 <i>No discussion held/ position paper produced</i>	<i>Performed by 2020</i> <i>Tbd in inception</i> <i>Discussions held and a position paper drafted</i>	<i>Programme/ Project reports</i> <i>Consultant and mission reports</i> <i>Workshop and training evaluations</i> <i>Government Publication</i>	<i>Value chain participants, associations and state bodies cooperate to identify and agree on the way to tackle the obstacles</i>
Output 2.2	<i>2.2. Government capacity</i>	<i>Investment information office for potential EU investors in Nepal</i>	<i>None</i>	<i>Established by 2021</i> <i>tbd in</i>	<i>Programme/ Project reports</i>	<i>Various Investment Promotion Agencies</i>

	<i>improved to attract foreign investment through a single entry point</i>	<p><i>Number of potential investors using single entry point</i></p> <p><i>Number officials and specialists of Nepal investment promotion agencies are trained regarding investment promotion in coffee and pashmina value chains by TIP</i></p> <p><i>Number of investment guides drafted and disseminated</i></p> <p><i>Number of current/potential investors and Nepali businesses participating in B2B events and summits organised by the TIP</i></p>	<p>0</p> <p>0</p> <p>2</p> <p>0</p>	<p><i>inception</i></p> <p><i>tbd in inception</i></p> <p><i>tbd in inception</i></p> <p><i>tbd in inception</i></p>	<p><i>Consultant and mission reports</i></p> <p><i>Workshop and training evaluations</i></p> <p><i>Government Publication</i></p>	<p><i>willing to cooperate to sustain single entry point</i></p> <p><i>Continued funding of European Economic Chamber of Trade (EEC) beyond TIP project</i></p>
<i>Specific Objective 3</i>	(3) Improved trade and investment coordination strategy elaborated and agreed between country partners and development partners	<p><i>Status of an Integrated Trade and Investment strategy</i></p> <p><i>Policy coordination mechanism that includes relevant trade/investment and rural development programmes</i></p> <p><i>Joint-decision mechanism for development actions in Trade and Investments</i></p> <p><i>Status of an Integrated AfT and Rural Development Coordination mechanism</i></p>	<p><i>None</i></p> <p><i>None</i></p> <p><i>None</i></p> <p><i>None</i></p>	<p><i>Adopted and agreed for EU support</i></p> <p><i>Established with participation of all involved partners</i></p>	<p><i>Programme/ Project reports</i></p> <p><i>Donor Group meeting minutes, DP's country Strategies Adoption decisions</i></p>	<p><i>Trade sector prioritized in Development Partners' Country Strategy and agreement reached on further contributions</i></p> <p><i>The government possess and the development partners support with sufficient funds to implement the strategy.</i></p>
<i>Output 3.1.</i>	<i>Integrated Trade and Investment sector policy and strategy developed through policy dialogue underpinned by technical support</i>	<p><i>The status of trade and investment policy dialogues between Nepal and the EU and resulting jointly elaborated concept for an Integrated Trade and Investment Strategy</i></p> <p><i>Number of Competitive Value Chains through Agriculture Development Strategy 2015-2035 due to TIP</i></p> <p><i>Implementation of Plan of Actions of National Sector Export Strategies (2017-2021) Coffee, Tea, Handmade paper and Large Cardamom through coordination and resource leveraging by TIP</i></p>	<p><i>None</i></p> <p><i>None</i></p> <p><i>None</i></p>	<p><i>The concept is elaborate and considered for EU BS</i></p> <p><i>tbd in inception</i></p>	<p><i>Programme/ project reports</i></p> <p><i>Donor Group meeting minutes, DP's country Strategies Draft Integrated Trade and Investment Strategy</i></p>	<p><i>Trade sector prioritized in Development Partners' Country Strategy</i></p> <p><i>The development partners support to develop and find a consensus on the Integrated Trade and Investment Strategy</i></p>

<i>Output 3.2</i>	<i>Strengthened information sharing and coordination mechanism for rural/economic and trade investment programmes</i>	<i>Status of an agreed proposal / concept for a single entity for the implementation of the investment policy</i>	<i>None</i>	<i>The concept is agreed among relevant stakeholders and DPs Framework established</i>	<i>Programme/ Project reports Donor Group meeting minutes, DP's country Strategies</i>	<i>Trade sector prioritized in Development Partners' Country Strategy There is an internal consensus among Nepal entities on the roles, power and delegation for the proposed system</i>
		<i>A framework of coordinated decision-making led by the coordinating entity</i>	<i>None</i>			
		<i>Status of an information sharing and coordination decision-making system in the form of a shared IT platform and a database</i>	<i>None</i>			

ⁱ <https://data.worldbank.org/indicator/SE.ADT.LITR.MA.ZS?locations=NP>