

Country Assistance Policy for Nepal

1. Relevance of Assistance

After the 1996-2006 insurgency, Nepal has been moving towards to peace and stability. As Nepal is located between India and China, its stability and development is essential to ensure the stability of South Asia as a whole. Nepal has maintained a longstanding friendship with Japan through tourism and cultural communications.

Nepal remains one of the Least Developed Countries (LDC) in the world, with its per-capita income being the lowest in South Asia. The low economic growth rate is due to low productivity of the agriculture sector, which is the major industry in Nepal; shortage of social infrastructure such as a good power supply, roads, and irrigation; fragile governance, and the geographic constraint of being a landlocked and mountainous country

Japan's development assistance to Nepal has solid relevance in contributing not only to the further promotion of the bilateral relations through supporting peace-building and poverty alleviation, but also to the stability of the whole of South Asia.

2. Basic Policy of Assistance (Major Targets):

The Japan Country Assistance is aiming to bring balance and sustainable economic growth to Nepal in order to make the country graduate from the status of LDC. The Government of Nepal set a target of extricating itself from LDC status and struggled with the challenge of accomplishing social stability by distributing the benefits of high economic growth among the people as a whole. In order to support the goal of the Government of Nepal, Japan, attaching priority to the following three areas, would render assistance for poverty alleviation with due attention to the poor population living mainly in rural areas. In tandem with other donors, Japan would also make efforts to support the construction of social infrastructure and institutions which contribute to peace building, promotion of democracy, and balanced and sustainable economic growth.

3. Priority Areas (Medium Targets)

(1) Poverty alleviation in rural areas

Over 60 percent of the population of Nepal is engaged in agriculture. Because of hilly and steep topography, lack of infrastructure such as irrigation and road

networks, and of agricultural technology, both agricultural productivity and farmers' incomes remain very low. Considering this situation, Japan intends to increase the agricultural productivity and farmers' income by disseminating agricultural technology and fostering farmers' organizations.

(2) Peace building and steady transition to democracy.

Nepal is currently in a transitional period, moving towards a democratic federation. Establishing peace and democracy is a crucial precondition for achieving economic growth. In response to progressing the peace process and the upcoming enactment of the constitution, Japan helps formulate institutions which constitute a basis for democracy by way of assistance to establishing legislative institutions, implementation of election, and media activities. In addition, Japan extends assistance to help upgrade governability by the central and municipal governments for policy making and implementation, and enhances the capability of communities so that the needs of local people, including the socially handicapped are reflected in the administration.

(3) Building social infrastructure and institutions for balanced and sustainable economic growth

Delays in constructing infrastructure for transportation, combined with inferior urban environments caused by the deteriorating shortage of electricity and water supplies over a period of years, has posed a serious, adverse effect on the daily lives of people. In order to directly improve the living standard of people, Japan supports the building of social infrastructure and institutions relating to transportation, with due attention to the environment and disaster prevention.

4. Points to be taken into accounts

(1) In sectors such as education, health and rural roads, where donor coordination and collaboration of international financial institution are proceeding, Japan participates in the discussion for aid co-ordinations to ensure the maximum efficiency and transparency of development assistance. The importance of aid co-ordination among donors and relevant institutions is explicitly stressed in the "Foreign Aid Policy" of the Nepal Government.

(2) Japan will formulate development projects, taking into account effective assistance including Japanese ODA loans, public and private partnership, collaboration with NGOs, and utilization of Japanese technology.