

Country Development Cooperation Policy for Nepal

September, 2021

1. Purpose of Development Cooperation:

(1) Nepal is located between India and China, and the establishment of democracy as well as the stability and prosperity of Nepal are important for Japan to ensure stability in the entire Southwest Asia region, which is politically and economically significant. In regard to its relations with Japan, since establishment of diplomatic relations in 1956, Nepal has been a friendly country which maintains traditionally good relations with Japan through various exchanges such as interactions in the past between the Japanese Imperial Family and the, then, Nepali Royal Family, and visits of Japanese mountaineers to Nepal. Nepal has also supported Japan in terms of elections and resolutions of international organizations.

(2) Nepal faces geographical constraint as a landlocked state, natural disasters, underdeveloped social infrastructure, challenges of governance, and low productivity of agriculture, which is one of Nepal's major industries. It remains one of the Least Developed Countries (LDC) and has the lowest per capita income in Southwest Asia. Nepal had been in the process of recovering from the earthquake in 2015, but its economy plunged due to the COVID-19 pandemic. Therefore, sustainable economic growth is a pressing issue for Nepal.

(3) It is imperative for Nepal's development to strengthen governance as a key component of self-sustaining development, entrench democracy, and continue to support its graduation from LDC status. Japan's development assistance to Nepal contributes to the further promotion of good bilateral relations between the two countries, and also has a significance in terms of the realization of Sustainable Development Goals (SDGs).

2. Basic Policy of Japanese ODA (Major Targets):

Assistance for a balanced and sustainable economic growth, aiming at Nepal's graduation from the LDC status.

The Government of Nepal works to advance the economy as well as to redress the disparities through poverty reduction, and distribute benefits of economic development to the entire nation with its target of graduating from LDC status by 2026, becoming a

middle income country by 2030, and shifting to a developed country by 2043. In light of the perspective of socio-economic recovery from the COVID-19 pandemic, Japan endeavors to provide support for the Government of Nepal's efforts while taking into account consistency with the SDGs.

3. Priority Areas (Medium Targets):

(1) Economic growth and poverty reduction

Japan supports for development of transport infrastructure and improvement of power and energy supplies to encourage the achievement of sustainable economic development. It also supports Nepal's effort on water supplies and sanitation that leads to combating infectious diseases - the COVID-19 pandemic highlighted the vulnerability of these sectors. In addition, it promotes strengthening of Nepal's economy through improvement of the investment environment, system reform, and human resource development aiming at private sector development and vitalization.

Moreover, poverty reduction for correction of disparities remains a critical challenge, therefore Japan supports for income growth and improving the quality of life by increasing the productivity of agricultural sector - which a major industry with a large number of poor class are engaged in - elevating educational standards, improving access to healthcare, and establishing social service infrastructure.

(2) Disaster prevention and climate change measures

Nepal is a land prone to natural disasters such as earthquakes, floods and landslides. Therefore, assistance is required to take disaster risks into consideration. As a leader of disaster risk management, Japan promotes building national resilience in light of the factor that disasters seriously interfere with stable economic development. Japan also supports for measures against climate change, including sustainable development of forest resources.

(3) Enhancement of governance and democratization

As strengthening the fixation of democracy is important to realizing economic growth, Japan extends its assistance in the area of legislation to establish democratic system as the foundation of development. Japan also supports for improving governance capacity of federal and local governments in order to push self-reliant development upwards, and enhances the capacity and human resources of communities so that the needs of local people, including socially vulnerable groups, will be reflected in the administrative measures.

4. Points to be considered

(1) Utilization of Japanese technology in cooperation with Japanese private companies, research institutes, NGOs and others, as well as a synergy effect in other sectors are considered.

(2) The efficiency and effectiveness of assistance are important in the fields where assistance by other donors and organizations have been progressing. Japan also makes arrangements to ensure the visibility of Japanese assistance.

(3) In regard to collaboration with other donors and aid organizations, Japan attaches importance to the perspective how it can be utilized in an effective manner for implementation of Japanese assistance.

(4) Enhancing connectivity in Southwest Asia has great potential to promote development of Nepal and the whole region. Japan endeavors to consider to implement projects which serve enhanced regional connectivity, taking into consideration the stances of the related countries.

Annex: Rolling Plan