

Country Development Cooperation Policy for Federal Democratic Republic of Nepal

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1. Purpose of Development Cooperation

As Nepal is located between India and China, support for the development and stability of Nepal can contribute to the stability of the whole of South Asia, which is important for Japan in terms of politics and economics.

On the other hand, Nepal's economic growth rate has been low due to the geographic constraints of being a landlocked and mountainous country, the shortage of social infrastructure, fragile governance, and low agricultural productivity. Nepal remains one of the Least Developed Countries (LDC) with its per capita income being the lowest in South Asia. Moreover, in April 2015, the severe earthquake which caused 9,000 deaths resulted in a depressed economic growth rate that year.

Currently the country is carrying out earthquake reconstruction and building national resilience. Furthermore, in September 2015, the new constitution was promulgated through a peaceful and democratic process after the armed conflict. For the development of Nepal, it is important to promote development projects as well as steadily implement the new constitution and establish democracy.

Nepal has maintained a long-standing friendship with Japan through economic cooperation, interactions in the areas of tourism and culture, and human exchanges. Japan's development assistance to Nepal contributes to the further promotion of these bilateral relations.

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 has promoted post-earthquake reconstruction work and set a target of "graduating from the LDC status before 2022" and struggles with the challenge of accomplishing social stability by accelerating high economic growth and distributing its benefits among all citizens.

In order to support this policy of the Government of Nepal, Japan has set four priority areas as below and endeavors to provide positive support for the country.

3. Priority Areas (Medium Targets)

(1) Recovery works and disaster resilient nation-building in both structural and non-structural aspects

In the last earthquake, tremendous damage was caused to thousands of homes and to infrastructure, and this fact clearly reveals the necessity of strengthening the disaster risk reduction framework. Japan, as a leader of disaster risk reduction, and based on the "Build Back Better" principle proposed in the "Sendai Framework for Disaster Risk Reduction 2015-2030", implements reconstruction work mainly in the areas of housing, schools, and infrastructure and supports making Nepal resilient to future disasters, whether from climate change or other causes, both structurally and non-structurally in the medium- to long-term perspective.

(2) Social and economic infrastructure and mechanism development which directly lead to economic growth and the national livelihoods improvement

Delay in constructing infrastructure for transportation and deteriorating supplies of electricity and water, combined with worsening urban environment caused by sewage, waste materials and air pollution, are the main factors that hinder economic growth in the country and that pose serious adverse effects on people's daily lives. Additionally, as a landlocked country, improvement in connectivity with neighboring countries, both in structural and non-structural ways, is also an urgent issue. Based on these issues, Japan supports building of social infrastructure and mechanisms related to transportation, electricity, urban environment, etc. which directly connects to economic growth, private sector development, and the improvement of the living standard of people.

(3) Poverty reduction and quality of life improvement

Over 60 percent of the population in Nepal is engaged in agriculture and because of low productivity in this sector, national incomes remain very low. Although some levels of improvement have been seen in the social sector that forms the basis of living such as health care, education, etc., the progress still remains unsatisfactory. In consideration of this situation, Japan works to improve quality of life as well as reduce poverty by the betterment of agricultural productivity and farmers' incomes through extending agricultural technology and improving the standard level of health care, education, etc.

(4) Governance enhancement and basic framework development for democracy

In order to promote the federal republic democratic system in the transition

period, Japan supports the improvement of governance capacity at both central and local government levels. In addition, the capacity and human resources of communities in Nepal is to be enhanced by the supports so that the needs of local people, including socially vulnerable groups, will be reflected in the administrative measures. Moreover, it is important that Nepal steadily implements the new constitution and consolidates democracy to achieve economic growth. In this respect Japan extends its assistance in the area of legislative systems, elections etc. to establish institutions as foundation of the development.

4. Points to be considered

- (1) In implementing the above support, domestic political stability accompanying the enforcement of the new constitution, security, and logistics with neighboring countries etc., are carefully taken into consideration.
- (2) To ensure efficient utilization of assistance and transparent development to the maximum level, Japan participates as much as possible with other donors and financial institutions in areas which have been progressing in terms of coordination and collaboration in the sectors/projects such as reconstruction work, electricity development, and education.
- (3) Japan considers the formulation of aid projects through taking into account the possibility of coordination between private companies, local municipalities, universities and research institutes, and NGOs, as well as utilization of Japan's technology.
- (4) Strengthening the connectivity within South Asia has a great potential for the development of the whole region including Nepal, and thus Japan tries to formulate and implement projects that will contribute to regional connectivity.
- (5) With the achievement of "Sustainable Development Goals (SDGs)" in mind, Japan will take into consideration sustainable production and consumption, conservation of mountain ecosystems, climate change, and improvement of social inclusion such as gender, etc.