

1. Background

Displomatic relations were established in 1956. Japan started its economic cooperation with a commodity loan (Loan Aid Assistance) to Nepal in 1969. Thus, friendly and cooperative relations between Japan and Nepal have existed for many decades. After the restoration of democracy in 1990, the country has been striving for a stable democratic process and economic liberalization.

2. Objectives and Significance of the Support

Nepal is one of the Least Developed Countries of South Asia with the lowest per capita income. Topographically Nepal is situated between China and India, and its stable development is also important for regional stability.

Started in 1996, the insurgency led by the Maoist (an armed socialist group aiming for the abolishment of the monarchy and the establishment of a republic state), has resulted in the degradation of the security situation within the country. It is now more important than ever to provide support to reduce the poverty and social inequity which has been the reason for the Maoist problem, and to install a stable democracy in the country.

After taking over the government by dismissing the Prime Minister on February 1, 2005, the King imposed a State of Emergency, taking measures to restrict human rights, placed political leaders under house arrest and took control of the media. Even after the State of Emergency was lifted on April 29, 2005 and the re-instatement of most human rights, Japan has been carefully monitoring the development of issues concerning human rights and keeping a serious watch on individual projects.

3. Major Area of Cooperation

With a view to addressing poverty reduction as prescribed in the 10th Five Years Plan (July 2003 – June, 2008), Japan has been providing assistance in the major sectors: Improvement of Social Sector (Education, Health etc), Agricultural Development, Development of Economic Infrastructure, Human Resource Development and Environmental Protection. As memntioned above, the root of the Maoist problem lies with the inequitable treatment of the poor and disadvantaged; people to whom Japan is currently extending support to.

4. Loan Aid Assistance

Loan Aid Assistance has been extended mainly for hydro-power generation (Kaligandaki 'A' Hydroelectric Project, Kulekhani Hydropower Station), Disaster Prevention Project. No new Loan Aid was extended in FY 2004.

(ref:) Cumulative Loan Aid Assistance till FY 2004: 63.889 billion Yen

5. Grant Aid

Grant Aid started with Food Aid in 1970 (Fertilizers and small scale agricultural equipment). Mainly Japan has supported the basic social sectors of health/medical, education, as well as development of basic infrastructure in the field of transport and hydro-power. In 2004 support was given for the Project for Construction of Primary Schools in support of Education for All; the Project for Expansion and Reinforcement of Power Transmission and Distribution System in Kathmandu Valley (Phase III) and the Sindhuli Road Construction (Section 2). In addition there was an extension of support for Increase of Food Production, Food Aid, Non-Project Grant Aid etc.

(ref:) Financial support for FY 2004: 4.129 billion Yen (E/N base)

Cumulative Grant Aid till FY 2004: 165.6 billion Yen (E/N base)

6. Technical Cooperation

JICA support in FY 2004 was 1.77 billion Yen. Total Technical Cooperation amounts to 51.498 billion Yen. Cumulative: No. of technical personnel: 3,389, No. of experts: 1,379

