

Third Party Evaluation Report 2012  
Ministry of Foreign Affairs of Japan

# Country Assistance Evaluation of Nepal

## -Summary-

February 2013

International Development Center of Japan Inc.

## **Preface**

This report is a summary of the Country Assistance Evaluation of Nepal undertaken by the International Development Center of Japan Inc. entrusted by the Ministry of Foreign Affairs (MOFA) of Japan in FY2012.

Since its commencement in 1954, Japan's Official Development Assistance (ODA) has contributed to the development of partner countries and finding solutions to international issues which vary with the times. Recently, more effective and efficient implementation of ODA has been required not only in Japan but also in the international community. MOFA has been conducting ODA evaluations mainly at the policy level with two main objectives: to improve management of ODA; and to ensure its accountability. These evaluations are conducted by third parties to enhance their transparency and objectivity.

This evaluation was conducted with the objectives of (1) reviewing Japan's overall assistance policy for Nepal since 2006 in order to extract lessons and recommendations on policy formulation for future assistance to Nepal and its effective and efficient implementation, and (2) ensuring accountability through extensive publication of the evaluation results.

Hon. Prof. Ryokichi Hirono, Professor Emeritus, Seikei University, a chief evaluator, and Prof. Hisanobu Shishido, Professor, Tokyo Woman's Christian University, an advisor for the evaluation, made an enormous contribution to this report. Also, MOFA and the Japan International Cooperation Agency (JICA), and the ODA Task Force as well as government institutions in Nepal, donors and NGOs also made invaluable contributions. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, the Evaluation Team wishes to note that the opinions expressed in this report do not reflect the views or positions of the Government of Japan.

February 2013

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## Country Assistance Evaluation of Nepal

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<p><b>2. Period of Evaluation:</b> July 2012 – February 2013</p>	
<p><b>3. Country Survey:</b> Nepal</p>	

Meeting with a Women's Group on their activities with "Participatory Watershed Management and Local Governance Projects"

### Outlines of Evaluation Results and Recommendations

#### **1. Evaluation Results**

From the development perspective, the relevance of Japan's assistance policy was rated as "High." The effectiveness of results was rated as "Moderate." The appropriateness of the process was rated as "Moderate." The overall evaluation of the assistance policy was rated as "Moderately satisfactory." In addition, from the perspective of diplomacy, Japan's assistance highly contributes to the diplomatic relations between the two countries.

#### **2. Main Recommendations**

The following are recommendations on how Japan's assistance policy toward Nepal should be planned and implemented:

##### **(1) Recommendations to Enhance the Diplomatic Relations between the Two Countries**

It is important to proactively use ODA as a diplomatic measure. Therefore, steady assistance should continue to be directed to Nepal by maintaining certain amount of aid, combining the various schemes effectively, and thereby highlight the presence of Japan.

##### **(2) Recommendations for Policy Formulation**

Reification and strategization based on improvements in the format of country assistance policies: When developing similar policies for other countries in the future, it is desirable to reconsider the volume and contents of the document—including clarifying quantitative assistance targets and the development of related baseline data—from the perspective of enhancing the strategy and concreteness of the assistance policy.

Activation of policy dialogue and strengthening contributions to policy: Japan should hold regular high-level discussions with the Nepalese side, discuss the future direction of assistance and priority areas, and provide in-depth advice on policy issues. It would also be effective to dispatch policy advisors to key ministries and in areas with a proven track record of support and have them involved in effective policy formation, implementation, and monitoring.

### **(3) Recommendations to Increase the Effectiveness of Results**

To increase the effectiveness of the assistance, it is necessary to utilize the comparative advantages of Japan to achieve more strategic focus of the assistance. For example, this could include: emphasizing social infrastructure and improvement of the investment climate, utilizing the advantages of Japan's neutral support, achieving the synergy effects of assistance, the use of more visible assistance, and the improvement of agricultural productivity.

### **(4) Recommendations concerning the Implementation Process of the Aid**

Further strengthening of public relations: It is important to strengthen public relations activities targeting stakeholders both in Nepal and Japan. It is necessary to allocate more budget for public relations. In addition, it is important to be aware of and proactively use public relations in a wide variety of situations. To accomplish this, deploying designated staffs with expertise in public relations is indispensable.

A strengthening of efforts related to spreading the assistance model: Projects which formulate a model case should consider creating a model that can be used elsewhere, or continue assistance to the point where it is possible to disseminate the model by carefully constructing the model in the first half of the process, and then simplifying it in the second half to make it easier to deploy.

Appropriate response to aid coordination: It is important to orchestrate coordinated support and deploy human resources with experience and competence in the field of aid coordination. They should have experiences of having a responsible position in international organizations, etc., and possess the relevant language skills so that they can maneuver between donors for aid coordination and subsequently market the outcome.

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Map of Nepal

Photos taken by the Evaluation Team during its field survey in Nepal

# Chapter 1: Implementation Policy of the Evaluation

## 1-1 Evaluation Background and Objectives

Nepal is the least-developed country (LDC) in South Asia, with the lowest per-capita income. While the country is working on social and economic development, they are in need of international assistance due to such reasons as harsh geographical conditions. The Maoists (Communist Party of Nepal (Maoist)) expanded their armed struggle with the Government of Nepal between 1996 and November 2006, when a comprehensive peace agreement was established, and security was a major concern up to that point. The peace and democratization process is still ongoing. In addition, Nepal, a country consisting of a number of ethnic groups, languages and religions under harsh natural and geographic conditions, is struggling to deal with regional disparities, gender disparities, and social inequality.

Nepal is a land buffer between India and China, and its stable development is crucial for regional stability. Nepal is working on the challenge of stabilizing society by promoting economic growth with the goal of breaking away from the poorest countries, and spreading the benefits that economic growth can bring to the entire nation.

Japan has traditionally maintained friendly relations with Nepal and has carried out Official Development Assistance (ODA) to support the efforts of the Government of Nepal. Japan was the largest ODA donor for Nepal in bilateral aid from 1980 until 2002 (with the exception of 1988). Since a standalone policy document had not been created so far, the Japanese government's policy toward Nepal—such as basic policy, priority areas, and so on—was described in the “ODA Databook by Country.”

The Ministry of Foreign Affairs (MOFA) of Japan initiated “the ODA Review” in 2010, and in June of that year summarized the results as follows: the ODA should include (i) more strategic and effective implementation of aid, (ii) strong support and understanding from the people, (iii) and mobilization of resources needed to meet development challenges implement, as written in “Enhancing enlightened national interest – Living in harmony with the world and promoting peace and prosperity.” As a result, MOFA has started to create country assistance policies for all recipient countries, replacing the traditional country assistance programs formulated for the limited number of primary recipient countries. To this end, in April 2012, the first Country Assistance Policy was formulated for Nepal. To date, however, a Japan's ODA policy evaluation for Nepal has not been carried out, and at this time there is significance in, first confirming the results of Japan's assistance policy in Nepal so far, and then summarizing the recommendations and lessons learned to formulate future direction of assistance.

Given the above situations surrounding Japan's overseas assistance, this evaluation was conducted according to the following objectives:

1. An overall assessment of Japan's aid policy for Nepal thus far, from both the point of view of development of Nepal as well as assistance as a diplomatic measure to obtain lessons and recommendations for the planning and implementation of future aid policy,

which would be reflected in subsequent Japanese aid policy toward Nepal.

2. Fulfill accountability to the Japanese public through public disclosure of the evaluation results, as well as assisting ODA public relations by giving feedback on the results to the Government of Nepal and other donors.
3. Draw on the policy lessons learned from the appropriate way of assistance to South Asia, to least developed countries like Nepal, and to traditional friends when Japan pursues “selection and concentration” of assistance, and harness that information for aid policies in similar countries and regions.

## 1-2 Evaluation Scope

This evaluation targets Japan's assistance policy for Nepal in general, and in particular analyzes the period from Japanese FY 2006 (April onwards) to the time of this report. The evaluation reviewed assistance projects planned and implemented during this period; in other words, the ODA loans, grant aid, and technical cooperation carried out since the beginning of FY 2006. Since this is the first time Japan's assistance to Nepal has undergone an overall aid policy assessment, the evaluation team has also conducted an analysis of earlier trends concerning: (1) political and economic trends, and development in Nepal; (2) the performance of Japanese aid; (3) the effectiveness of results; and (4) the evaluation of assistance as a diplomatic measure.

## 1-3 Methodology of the Evaluation

### 1-3-1 Evaluation Framework and Analytical Methods

The analyses of this evaluation were carried out according to the MOFA's “ODA Evaluation Guidelines” (7th edition, April 2012). The evaluation team first organized the policy objectives, and then conducted the evaluation from four perspectives: the relevance of policies, the effectiveness of results, the appropriateness of the process, —all three with regard to the development perspective—and finally from the viewpoint of diplomacy. It should be noted that a rating system was used for the evaluation of the above three items and overall evaluation from the developmental perspective (See Table 1–1).

Table 1-1: Evaluation Items and Rating Scale

Evaluation Items	Rating Scale
Relevance of Policies	<p>(a) <b>Very high:</b> Obtained an evaluation of “extremely high” for all items, and strategically conducted activities with originality and ingenuity.</p> <p>(b) <b>High:</b> Obtained an evaluation of “high” for most items.</p> <p>(c) <b>Moderate:</b> Obtained an evaluation of “high” for many items.</p> <p>(d) <b>Marginal:</b> Not obtained an evaluation of “high” for many items.</p>
Effectiveness of Results	<p>(a) <b>Very high:</b> A very large effect was confirmed in all main sectors of assistance.</p> <p>(b) <b>High:</b> Significant effect was observed in most main assistance sectors.</p> <p>(c) <b>Moderate:</b> Some effect was confirmed in a number of main assistance sectors.</p> <p>(d) <b>Marginal:</b> Not obtained any noticeable effect in a number of main assistance sectors.</p>

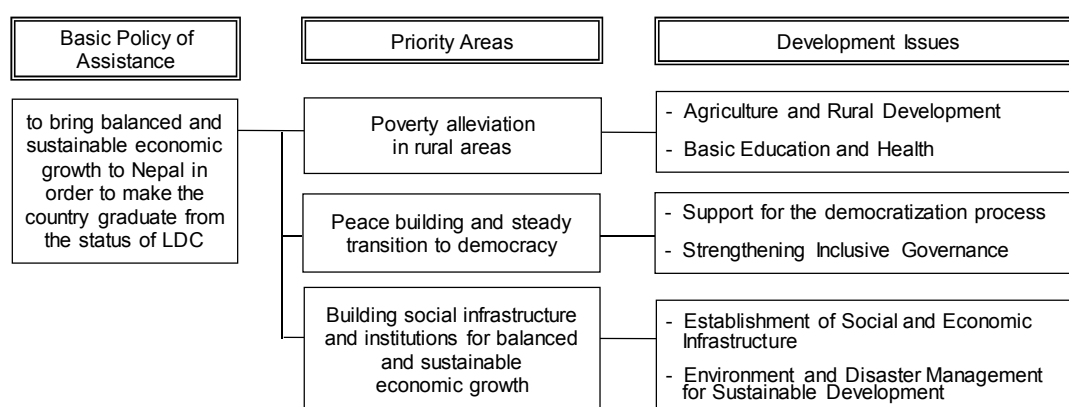
Appropriateness of Process	<p>(a) <b>Very high:</b> Obtained an extremely high evaluation for all items in the implementation process, and good practices were confirmed in the process of policy formation or implementation, which could be a reference for other countries.</p> <p>(b) <b>High:</b> Obtained a high evaluation for most items in the implementation process.</p> <p>(c) <b>Moderate:</b> Obtained a high evaluation for many items in the implementation process.</p> <p>(d) <b>Marginal:</b> Not obtained a high evaluation for many items in the implementation process.</p>
Overall Evaluation	<p>(a) <b>Extremely satisfactory:</b> Obtained a rating of (b) or higher for relevance, and the highest rating for the remaining two.</p> <p>(b) <b>Highly satisfactory:</b> Obtained a rating of (b) or higher for relevance, and a rating of (c) or higher for the remaining two.</p> <p>(c) <b>Moderately satisfactory:</b> Obtained a rating of (c) or higher for all three items.</p> <p>(d) <b>Marginally satisfactory:</b> Obtained a rating of (d) for any of the items.</p>

The analysis of the evaluation was also based on the MOFA's "Gender Consideration in the Evaluation of ODA" (August 2012). Specifically, analysis and evaluation focused on the following:

## 1. Organization of Policy Objectives

To determine the scope of the evaluation, the policy objectives were systematically arranged. The first Country Assistance Policy for Nepal was formulated in April 2012. However, the Japanese ODA has been conducted in the same priority areas from 2006 to the date of this evaluation, inspired by the democratization movement in Nepal in April 2006. This information is recorded in the "ODA Databook by Country" and was confirmed in interviews with the people involved in Japanese ODA to Nepal. Therefore, the evaluation team created a tree figure (see Figure 1-1) that shows the objective system for assistance to Nepal since 2006 based on the Country Assistance Policy of April 2012.

Figure 1-1: Objective Framework of Japan's Assistance Policy for Nepal



Source: created by the evaluation team based on MOFA "Country Assistance Policy for Nepal" (April 2012) and "ODA Databook by Country."



## **2. Relevance of Policies**

The evaluation validated the assistance policy displayed in the Objective Framework (Figure 1-1) from the standpoint of whether the direction of Japan's assistance policy for Nepal was relevant with: (1) Nepal's development needs, (2) Japan's high-level ODA policy (ODA Charter, Medium-Term Policy on ODA), (3) international priorities (Millennium Development Goals (MDGs)), (4) the assistance trends of other donors, and (5) was consistent and in concordance with comparative advantages for Japan.

## **3. Effectiveness of Results**

After organizing the inputs and results, the evaluation team conducted an analysis by identifying and examining the relevant indicators of Japan's assistance in each of the priority areas and the objectives of the assistance from the perspective of "to what degree have the set goals, priority areas, etc. been achieved as a result of the assistance activities and Japan's assistance policy for Nepal?" However, since numerical targets have not been set for Japanese assistance targets and priority areas, it is impossible to identify the degree of good attainment by comparing the numerical targets with achieved performances. Furthermore, it is extremely difficult to measure the exact contribution of Japanese assistance with changes in the course of time. The evaluation determined the overall effectiveness by fully utilizing qualitative information obtained from interviews of the people involved in Japan and Nepal. At the same time, the direct impact of individual projects was also taken into consideration.

## **4. Appropriateness of the Process**

First, from the perspective of whether the process employed would guarantee the relevance of Japan's assistance policy for Nepal as well as the effectiveness of results, the evaluation checked the overall framework of Japanese and Nepalese structures concerning the formulation and implementation of the assistance policy. It then tested the clarity of the process, the level of information sharing and stakeholder collaboration, ownership of the Nepalese side, the presence or absence of coordination and cooperation with other donors, the presence or absence of collaboration between schemes, and public relations.

## **5. Evaluation of Assistance as a Diplomatic Measure**

The evaluation examined the diplomatic importance of Nepal and the strategic positioning of Nepal in Japan's diplomatic policies, and then analyzed the effect of ODA on the bilateral diplomacy from the position of whether the assistance has an effect on the diplomatic relations between the two countries, as well as how important Nepal is in Japan's diplomatic policies. For this analysis, the evaluation examined remarks by dignitaries during VIP visits as well as information gathered in interviews with Nepalese and Japanese government officials and other experts familiar with the relationship between the two countries.

### **1-3-2 Implementation of the Evaluation Procedure**

This evaluation was conducted during the period from July 2012 to February 2013. Three consultation meetings were held with concerned sections and departments of MOFA and the Japan International Cooperation Agency (JICA) during this period. The specific procedures of this evaluation are as follows:

#### **1 . Development of Evaluation Plan**

The evaluation team developed a draft implementation plan including the purpose, subject, rating scale, and work schedule of the evaluation, and reported it to the related organizations and departments during the first consultation meeting. The team also created a framework for evaluation that summarizes specific items to be verified, evaluation indicators and how to collect information, on the four perspectives of the evaluation indicated above, and obtained the agreement of the parties concerned.

#### **2 . Literature Review and Interviews in Japan**

The evaluation team collected information alongside the developed implementation plan. Specifically, the literature was gathered on trends in assistance to Nepal from Japan and other donors, socioeconomic information and statistics on Nepal, an overview of individual projects, and diplomatic relations with Nepal. The “Review of JICA Official Development Assistance in Nepal” (FY 2009-10), which contains a comprehensive review of performance, including a confirmation of the impact, sustainability, and effectiveness of the JICA projects by sector over the past decade, as well as the evaluation reports on individual projects were also utilized. Interviews were conducted with officials from MOFA and JICA, a Nepalese government official who is familiar with Nepal-Japan relations, as well as other experts.

#### **3 . Field Survey**

Based on the results of the research and interviews in Japan, the evaluation team conducted a field survey from September 20, 2012 to October 4, 2012. During this survey the team visited the Kathmandu Valley, Dhading District, and areas along the Sindhuli Road. The team visited some of the sites and interviewed relevant parties from Japanese government agencies, project experts, Nepalese government agencies and organizations, political and business establishments, other donors, and beneficiaries.

#### **4 . Analysis and Report Writing**

The evaluation team organized and analyzed the information obtained from literature, field research, and interviews. Together with the overall evaluation judgment made in light of the criteria for each evaluation item, the team also derived lessons learned and recommendations by extracting the factors both promoting and inhibiting effectiveness.

## Chapter 2: Performance of Japan's Assistance to Nepal

### 2-1 The Overall Performance of Japan's Assistance to Nepal

After the establishment of diplomatic relations in 1956, Japan began providing assistance to Nepal starting with commodity loans and technical cooperation in 1969. Grant aid began in 1970, starting with food aid, and was followed by assistance for basic human needs such as health and education, and culminated with assistance for basic infrastructure such as transportation and power facilities. In 1972, young people from the Japan Overseas Cooperation Volunteers (JOCV) began arriving as volunteers. In the latter half of the 1970s assistance efforts for Nepal began in earnest, and the amount of economic assistance Japan provided to the country increased rapidly. Among donor nations, Japan provided the largest amount of assistance to Nepal from 1980 until 2002, with the exception of 1988.

As of 2010, Japan has provided 63.889 billion yen in loan aid (based on the exchange of notes), 186.797 billion yen of grant aid (based on the exchange of notes), and 59.738 billion yen in technical cooperation. In 2010, Nepal ranked seventh (based on net expenditure) on the list of countries receiving Japanese grant aid (excluding debt relief) totaling US\$66.97 million (1.93% of the total grant aid), and twenty-first of countries receiving technical cooperation totaling US\$24.28 million (0.70%). Also, in 2010 Nepal ranked eighteenth out of 166 Japanese ODA recipient countries and regions. It was the fourth in ranking in South Asia following India at the first place, Pakistan at the fifth place, and Sri Lanka at the six place<sup>1</sup>.

### 2-2 Japan's Assistance to Nepal during the Evaluation Period

Japan's assistance to Nepal during the evaluation period (FY 2006-2012) is shown in Table 2-1.

Table 2-1: Japan's Assistance to Nepal by Type (FY2006-2012)

FY	ODA loans (¥100 mil.)	Grant aid (¥100 mil.)	Technical cooperation (¥100 mil.)	Total (¥100 mil.)	Grant Assistance for Grassroots Human Security Projects (case)(¥100 mil.)	Grant Aid for Japanese NGO's Projects (case) (¥100 mil.)	Grant aid through multilateral institutions (case) (¥100 mil.)	Trainee acceptance (person)	Dispatching of experts (person)	Provision of equipment (¥1 mil.)	Dispatching of JOCV (person)	Dispatching of other volunteers (person)
2006	-	55.36	17.52 (13.69)	72.88	5 [0.58]	3 [0.26]	-	194 (141)	63 (54)	25.56	29	14
2007	-	24.09	15.35 (10.90)	39.44	5 [0.49]	1 [0.10]	-	193 (141)	61 (61)	18.07	31	11
2008	-116.91	25.69	18.69 (13.71)	-72.53	3 [0.26]	3 [0.20]	1 [1.80]	328 (254)	130 (93)	21.26	25	17
2009	-	54.22	21.16 (15.25)	75.38	5 [0.36]	2 [0.16]	2 [3.00]	657 (640)	120 (114)	9.42	38	9
2010	-	39.65	(14.66)	54.31	3 [0.25]	2 [1.07]	-	(151)	(145)	0.08	42	25
2011	-	32.73	(17.24)	49.97	3 [0.23]	4 [1.19]	-	(155)	(140)	-	20	7
2012	-	10.53	-	10.53	-	1 [0.20]	-	-	-	-	-	-
Total	-116.91	242.27	84.64	229.98	24 [2.17]	16 [3.18]	3 [4.8]	1,482	697	74.39	185	83

Note: Figures in parentheses in the Technical Cooperation and Dispatch of Experts/Trainees were provided by JICA. Totals for Technical Cooperation and Dispatch of Experts/Trainees only include JICA amounts (only identified portions). Negative number for ODA loans represents debt relief.

Source: Compiled by the evaluation team: portions from 2006-10 taken from the ODA Databook by Country. Portions from 2011-12 were taken from the MOFA website and various JICA materials.

<sup>1</sup> Material compiled from the Japan's ODA White Paper 2011 of MOFA.

ODA loans figures only include debt relief from FY 2006 to FY2012 and represent 26 percent of the total from the same period. Grant aid figures total approximately 50 percent of assistance from the same period with 17 percent going to technical cooperation and the remaining 3 percent for Grant Assistance for Grassroots Human Security Projects and Grant Aid for Japanese NGO's Projects. Japan has also accepted an average of 250 trainees and dispatched 120 experts per year, and approximately 40 to 50 volunteers are also dispatched each year, although there are fluctuations in the numbers from year to year.

## **Chapter 3: Evaluation Results**

The evaluation results of Japan's assistance to Nepal from the point of view of developmental assistance, according to the rating scale (table 1-1), were as follows: The relevance of policies was rated as "High;" the effectiveness of results was rated as "Moderate;" and the appropriateness of the process was rated as "Moderate;" and the overall rating was "Moderately Satisfactory." In addition, from the perspective of diplomacy, Japan's assistance highly contributes to the diplomatic relations between the two countries.

### **3-1 Evaluation from the Perspective of Development of Nepal**

#### **3-1-1 Relevance of Policies**

In this section, the four items of the assistance policy shown in Figure 1-1 (Objective Framework of Japan's Assistance Policy for Nepal) were examined: (1) Nepal's development plans and policy needs (the 10th Five Year Plan, and the Three-Year Interim Plan, etc.), (2) Japan's high-level ODA policy (ODA Charter, Medium-Term ODA Policy), (3) international priorities (Millennium Development Goals (MDGs)), and (4) assistance trends of other donors. Also included were answers to "Is there a comparative advantage for Japan?" as well as "Is there alignment and harmonization?" to evaluate whether the direction of Japan's assistance policy for Nepal is reasonable. It was determined that relevance of Japan's assistance policy was "High," since almost all of the results for the evaluation criteria scored high.

The basic policy for Japan's assistance to Nepal (major objective) is assistance to support sustainable and balanced economic growth, with the goal of allowing the country to graduate from the status of LDC. It consists of the following three priority areas: poverty alleviation in rural areas, peacebuilding and steady transition to democracy, and building social infrastructure and institutions for balanced and sustainable economic growth. This assistance policy for Nepal ensures consistency with the government policies and development needs of Nepal, international priorities, and is highly consistent with the high-level policy of Japan's ODA Charter and Medium-Term ODA Policy. Nepal's development needs are enormous, and there is no significant overlap of support from other donors since each donor's assistance plays a complementary role with the others, dividing roles between regions and sectors.

The main comparative advantage of Japan is (1) assistance from a politically neutral standpoint with no particular conflict or interest, (2) technical skills especially in the infrastructure sector, (3) visible assistance through volunteers and experts, and (4) the development of human resources through assistance for technology transfer and training in the field. It can therefore be said that Japan's assistance was based on comparative advantage. In particular, cooperation from JOCVs based on the needs of local residents in urban and rural areas has received high commendations from both the central and local government levels, and a high-ranking official remarked that it was the JOCV they felt closest to among various Japanese ODA activities, together with the road projects.

However, while the field of infrastructure development was always described as being first in the development policy of the Government of Nepal, received the largest portion of Japanese assistance, and was recognized as a comparative advantage for Japan by the stakeholders, the sector was the last of the three priority areas for the Japanese assistance policy. To appeal to something more characteristic of Japan and consistent with the Nepalese government's goals, the evaluation team believes the order of the priority areas should be swapped, and "building social infrastructure and institutions for balanced and sustainable economic growth" should be placed as the top priority to achieve the basic policy.

In addition, among the donors and the Government of Nepal, there is an expectation for Japan to contribute to the area of disaster prevention and the policy aspect of each sector; however there is not a great deal of importance placed on these issues in the current aid policy or its implementation. It is desirable to look at these points when considering the weighting among the priority areas and formulating specific projects.

### **3-1-2 Effectiveness of Results**

In this section, the evaluation team aimed at evaluating the effectiveness of Japanese assistance for Nepal to date. The team inspected the three priority areas of the assistance policy: poverty alleviation in rural areas, peacebuilding and steady transition to democracy, and building social infrastructure and institutions for balanced and sustainable economic growth, as well as basic policy (major objective) achievement. There is a lack of specific policy objectives for the basic assistance policy (major objectives), priority areas (medium objectives), and developmental challenges (minor objectives) in the assistance policy for Nepal, and quantitative target have not yet been set. In addition, there are other forms of assistance by multiple donors in each area and from the input aspect and macro outcomes it is difficult to clearly show Japan's contribution to socioeconomic development of Nepal because the effectiveness appears as comprehensive results.

The evaluation team judges from the results of the analysis, including examining the status of individual projects—and based on the above limitations—the effectiveness of results was "Moderate." Although Japan's assistance policy for Nepal has contributed consistently especially to subsectors to which Japan has made large-scale input, it was impossible to verify the effect on the entire sector from community-focused assistance and there were subsectors that had very small scale input. Because many years of assistance had produced a great accumulation of outcomes before the evaluation period in the areas of

agriculture, education, health, roads, power, water supply, communications, and disaster prevention, the evaluation also considered past assistance-based achievements and accomplishments.

Regarding “poverty alleviation in rural areas,” Japan has directed approximately 26 percent of total assistance to Nepal for the two development challenges of “improving the lives of rural residents” and “improving education and health services.” Of these, the two areas of agriculture and education can be said to have received constant contributions from the standpoint of input size. In the area of agriculture, the Government of Nepal is grateful for the especially large amount of assistance in the many years of food assistance (KR) in the form of grain assistance and assistance to poor farmers (2KR) in the form of fertilizer assistance. In the area of education, there have been many years of assistance, including the evaluation period, and it can be said to have contributed to the improvement of access to education, particularly through the construction of classrooms.

On the other hand, although Japan has carried out a number of technical cooperation projects in all subsectors under this priority area and while individual projects have achieved results, each individual project is small, and the contents of each project are not adjusted and integrated as a whole. It is therefore difficult to see overall contributions. Moreover, considering that the majority of agricultural support goes to KR, it can be said that contributions to the achievement of the stated objective, “improving agricultural productivity and farmers’ incomes,” are limited. Furthermore, the impact on the overall health sector is limited because during the evaluation period alone the assistance was centered on small-scale projects.

With regard to “peacebuilding and steady transition to democracy,” Japan has directed approximately 5 percent of its total assistance to Nepal for two development challenges—“create a framework for democratic country and society” and “improving public administration.” The analysis confirmed the outcome of projects on an individual project basis. The success of Japan’s technical cooperation approach “to activate the existing system through practice in the field” is particularly evident in high Nepalese ownership in “Participatory Watershed Management and Local Governance Projects,” and is common to the field of education. However, such support is limited to a small number of target areas, and when looking at the entire sector the visible effects on any of the development challenges were limited. Even considering that this is a sector in which it is difficult to show tangible results in the short term, the Japanese input size was small, and so the financial contribution was also limited. On the other hand, there are assistances such as development of judiciary system that can expect significant long-term impact for a relatively small input of assistance. This kind of assistance was possible only because Japan has built up a relationship of trust with Nepal through the many years of assistance without historical constraints or interests for Japan.

In terms of achieving success in this field, the present political situation of Nepal has a serious impact: the conflicts between the political parties have continued endlessly, and the Constituent Assembly has not restarted at the time of writing of this report, which means the state supreme legislature cannot even formulate a Constitution. For this, the responsibility of the Government of Nepal is large, and there is a need to encourage reflection and efforts to improve the situation.

### BOX 1: Japan's Assistance to Activate Existing Systems

In the areas of education and public administration, etc., efforts at revitalization of existing Nepalese systems through technical cooperation have been effective especially at the on-site level.

For example, the “Support for Improvement of Primary School Management” Project (SISM) revitalized the structure of subsidies given according to the number of students based on the School Improvement Plan (SIP) submitted by each school. While SIP and the School Management Committee (SMC) have become a mere façade, the SISM has specifically given assistance to SIP creation in each school, and in this way the structure was activated. The Ministry of Education is aware of this, and activities for the reactivation of SIP developed by the project are budgeted for and being implemented (or implementation is currently under planning), such as the creation of SIP guidelines and related training and orientation.



Support for Improvement of Primary School Management Project  
(Source: the project website)

Another example can be seen in the local governance sector. There is a system where local residents submit proposals for the use of local grants and the local council examines them, but due to the absence of a locally elected representatives or problems with local level government dysfunction it has not been functioning very well. The Government of Nepal has been promoting gender equality and social inclusion, but even though related policies and guidelines have been developed, the actual practice on-site is weak. “Gender Mainstreaming and Social Inclusion Project” (GeMSIP) is actually working on the functionality of these systems and providing feedbacks to the government regarding the effects.

Like these examples, the key to success is to identify systems that already exist in Nepal or systems that are not currently active or not in line with the actual situation in the field, and to activate the structure successfully in the field. This idea is being accepted in the field. This is a grassroots perspective, and is an example of the Japanese bottom-up approach functioning effectively by actually doing it with the people and learning by doing.

Since these assistance methods are focused on the targeted areas, the issue is to let the concerned parties know about these achievements and the developed models for the future, and to create structures and measures to spread the model across the country. In addition, given the absence of many posts of Village Development Committee (VDC) secretary and an absence of local elections, this would not be easy. As the SABIHAA model of the “Participatory Watershed Management and Local Governance Projects” that is widely accepted in the Ministry of Forests and Soil Conservation after many years of assistance shows, it needs to be carefully addressed in the long term.

The area of assistance for “building social infrastructure and institutions for balanced and sustainable economic growth” was equivalent to about 66 percent of Japan’s total aid to Nepal during the period covered by the evaluation, and goes toward supporting the two development challenges of “social and economic infrastructure” and “environment and disaster management for sustainable development.” In the transportation sector, Japan improved (widened) the Kathmandu-Bhaktapur road that directly goes to the international airport and large bus terminal, and links Kathmandu to eastern Nepal and China to India. This shortened the travel time of 48 minutes during times of heavy traffic to 20 minutes. Although the length of road widened was short at just 9.1 km, Japan’s ODA received a good deal of recognition for this as the road was of high quality and the traffic flows smoothly in this area. Japan received a great deal of appreciations and compliments from both the citizens and officials of Nepal, which was confirmed in the evaluation.

Japanese assistance has been used for many years for construction of the Sindhuli Road connecting the capital of Kathmandu to Bardibas in southern Nepal. Although the evaluation was only able to determine a partial effect in numbers as some sections are still under construction, the signs of large socioeconomic effects are already identified, such as an increase in the number of stores and an increase in the shipments of agricultural products along the road. Japan is also focusing its assistance on a wide range of fields—such as agriculture, education, and health—in the areas and regions adjacent to the Sindhuli Road. Because of these, if the assistance is taken as a comprehensive Sindhuli regional development program that goes beyond road construction, it is expected to have a large impact over the medium and long term.

In the power sector, Japanese aid has so far accounted for nearly half of the country’s existing power generation capability. A master plan and feasibility study have been carried out for future development, and although they do not yet contribute to the actual amount of power generation required it is expected they will contribute significantly toward resolving the gap in the amount of power needed during the dry season. In particular, if dam construction is realized in regions upstream of the major rivers, Japan’s assistance to Nepal will be highly regarded through the power sector because it will alleviate situations in which insufficient electrical power supply is inhibiting industrial development. In the water sector, the “Melamchi Water Supply Project” has long been delayed due to external circumstances, and if it is completed it is expected to contribute significantly to the improvement of the water supply situation in the Kathmandu Valley.

Assistance for “environment and disaster management for sustainable development”—including earthquake disaster prevention (one project), green energy (one project), and forest conservation (one project)—is somewhat lacking in unity, and is limited in terms of both performance and effectiveness. According to the rolling plan attached to the Country Assistance Policy, the development challenge includes disaster prevention, hydroelectric power, and waste treatment. However, because support for road maintenance, waste disposal, and hydroelectric power are classified as “social and economic infrastructure” and watershed management support is classified in the field of “improving public administration,” the results of assistance and number of projects are actually more than what is seen. In addition, the fight against global warming and glacial lake outburst measures referred to as potential areas of assistance in the same plan have



still not progressed beyond the project formulation stage.

Moderate economic growth has continued in Nepal and the country's poverty rate has improved overall during the evaluation period, but growth is sluggish when compared to neighboring countries, and because most of the growth is dependent on overseas remittances from migrant workers the effects of government policies and foreign assistance is not large. Although there are areas where disparities have been alleviated, these areas are still limited. There are still challenges, such as fostering promising industries that are able to drive economic growth as well as increasing the productivity of agriculture as a main domestic industry for sustainable economic growth without relying on overseas remittances, and further alleviating disparities that will lead to balanced economic growth. With regard to attaining Japan's assistance policy goal to Nepal "to support balanced and sustainable economic growth aimed at allowing the country to graduate from the status of LDC," although it cannot be said there has been an outstanding contribution to reaching this goal, Japan had managed to maintain its position as the lead donor up until 2002. Without Japanese assistance, which has accounted for 11.6 percent of the total aid to Nepal during the period covered by this evaluation, it is also believed that achieving even a limited underpinning for economic growth during the political turmoil seen in Nepal over the past decade would have been difficult.

## **BOX 2 Regional Development along the Sindhuli Road**



A Milk Business Begun by Dairy Farmers along Sindhuli Road

The feature of the Sindhuli Road project is that it is positioned as a cornerstone of a comprehensive regional development program through numerous projects including: 1) developing local roads and bridges that connect the community to the Sindhuli Road ("The Project for the Improvement of Community Access"), 2) technical cooperation on road maintenance ("The Project for the Operation and Maintenance of Sindhuli Road"), 3) the master plan to promote agricultural development of the area through building the value chain for

agricultural and livestock products which can be sold using the road ("The Project for the Master Plan Study on High Value Agriculture Extension and Promotion in Sindhuli Corridor"), and 4) school construction using grant aid ("The Project for Basic Education Improvement in Support of the School Sector Reform in Nepal"). In addition, there are many volunteer dispatch and health, education, and agriculture projects through the Grant Aid for Japanese NGO's Projects and the Grant Assistance for Grassroots Human Security Projects. There are also various technical cooperation projects related to strengthening governance and democracy which have target areas along the Sindhuli Road (such as "Strengthening Community Mediation Capacity for Peaceful and

Harmonious Society Project,” “Participatory Watershed Management and Local Governance Project,” and “Strengthening Monitoring and Evaluation System Project Phase 2”). Similar to the Kathmandu-Bhaktapur road project mentioned above, the multifaceted assistance program for the Sindhuli Road and the area surrounding it is regarded as the symbol of Japan’s ODA, and awareness of the project among government officials in Nepal as well as residents in the area along the road is very high even at the point of this evaluation when not all sections are fully open yet.

According to the “Baseline Survey on the Project for the Operation and Maintenance of the Sindhuli Road” which was conducted in May - June 2012, 15 percent of residents along the road took advantage of the road almost every day, 28 percent use the road two to three times per week, and 14 percent use the road at least once every week. 4 percent of residents in areas further away from the road used it almost every day, 12 percent used it two to three times per week, and another 12 percent use the road at least once every week. The road was mostly being used for purposes of shopping, hospital visits, to visit friends and relatives, to commute to work and school, to attend meetings, and for sales of agricultural and non-agricultural products in that order. In spite of the fact that not all sections of the road were fully operational yet, the results imply that construction of the road has led to activation of social and economic activities as well as improved access to education and health. According to an ex-post evaluation of grant aid and the JICA’s review, areas in the region of the road are already making effective use of it for the transportation and sales of milk and other agricultural products to Kathmandu, and shops and bazaars have begun to appear in increasing number along the road. When all areas of the road become fully operational, the impact is expected to grow even larger due to the synergy effect of various activities across sectors as mentioned above.

Sources: The ex post evaluation of grant aid, the project overview for the “Project for the Operation and Maintenance of Sindhuli Road,” and the “Baseline Survey on the Project for the Operation and Maintenance of the Sindhuli Road” (including the photo above), “Review of JICA Official Development Assistance in Nepal,” and interviews of people involved.

### **3-1-3 Appropriateness of Process**

From the perspective of whether the process employed would guarantee the relevance of Japan’s assistance policy for Nepal as well as the effectiveness of results, the evaluation checked the overall framework of Japanese and Nepalese structures concerning the formulation and implementation of the assistance policy. It then tested the clarity of the process, the level of information sharing and stakeholder collaboration, ownership of the Nepalese side, the presence or absence of coordination and cooperation with other donors, the presence or absence of collaboration between schemes, and public relations. The results show that the implementation process of Japan’s ODA to Nepal has received a high evaluation in many items. However, judging from the fact that items were found that still need improvement, it was determined that the formulation and implementation process was “moderately appropriate.”

The formulation procedures of the Country Assistance Policy for Nepal were established in

a way that can take into account the opinions and needs of various stakeholders. The formation and adoption of projects is being conducted through an appropriate process in line with the assistance policy to Nepal. On the other hand, while the importance of “selection and concentration” is recognized among concerned parties, the concept has yet to be concretely embodied. The direction of the actual assistance is not necessarily clearly shown in the selection and weighting of the priority areas. This gives an overall impression of both an exhaustive yet vague policy, and for the Nepalese government and other donors it is difficult to see what Japan is thinking, what strategy it is following, or what kind of vision it is holding.

Regarding the implementation structure of the Japanese side, in general communication between relevant organizations is good, and the framework for the division of labor is adequately designed. With regards to the receiving structure in Nepal, while there are various problems common to developing countries, the Nepalese government agencies including the Ministry of Finance are recognized as having a relatively high degree of capability.

However, there are some factors impeding the smooth implementation of assistance, such as frequent personnel changes and general strikes, inconsistency in the rule of law, arbitrary legal interpretations, and political corruption. The timeframe covered by this evaluation—the period from 2006 to the present—corresponded to the transition period from conflict. This chaotic political situation did have a somewhat significant effect on the external assistance to Nepal in general, but it is noteworthy that the Japanese assistance projects progressed relatively smoothly even during this period of difficulty. Communications with the Nepalese government to understand their needs were in general deemed to have been performed adequately; however, the need for regular policy consultations is also noted. The Embassy of Japan and JICA have monitored and evaluated assistance in accordance with the provisions, and a monitoring system was in place in case problems appeared.

With respect to cooperation with other institutions, Japan participates in the donor meetings and is collaborating with pool funds as a non-pool fund donor. However, based on interviews with the Government of Nepal and other donors, it has become clear that there is limited awareness regarding the substance of Japanese assistance and a misunderstanding in more than a few cases that Japan is not collaborating with pool funds. In the interviews it was pointed out that the reason for this was Japan made few proactive remarks in the donor meetings, and opportunities for presentations were insufficient. JICA has been considering expanding the results of its assistance nationwide by taking advantage of pool funds in the future, and improvements on the point above are necessary to move this forward.

Cooperation with individual donors has been carried out mainly with the Asian Development Bank (ADB) and the United Nations Development Programme (UNDP), and assistance through NGOs is also being promoted. Assistance by ‘whole-of-a country’ approach combining and coordinating efforts of various organizations and Japanese nationals working for multilateral institutions, and cooperation with the private sector have also begun in recent years. In this respect, there are big expectations for public-private partnerships through seminars organized by the Embassy of Japan such as the recently

initiated public-private joint forums with local Japanese companies and seminars with the Federation of Nepalese Chambers Of Commerce and Industry (FNCCI). In addition, cooperation between assistance schemes and projects has been promoted. Synergy effects have been observed between the Japanese Trust Fund in multilateral institutions and counterpart funds, and the ODA projects. In these funds, there are mechanisms to involve Japan in the process of project selection.

Where public relations activities are concerned, activities for information dissemination are conducted mainly by the Embassy of Japan and JICA utilizing various media. They are both adequate at providing basic information, but this still requires greater public relations efforts and ingenuity, considering the lack of awareness of Japan's assistance by many Nepalese government officials and other donors.

### **3-2 Evaluation of Assistance as a Diplomatic Measure**

The diplomatic relationship between Japan and Nepal is important considering the perspectives of a history of friendly relations, the geopolitical positioning of Nepal, and a sharing of basic values.

Nepal is considered a buffer zone in South Asia between China and India, and is the least developed country with the lowest income level in South Asia. From the perspective of democracy and peacebuilding, it is necessary to provide assistance to Nepal to contribute to the stability of the region as a whole and prevent it from reverting to conflict. Japan has been conducting a variety of forms of assistance to date to achieve balanced economic growth based on political and social stability in Nepal. In the 1980s and 1990s, Japan was the largest bilateral donor for Nepal (with the exception of 1988) and has placed a particular emphasis on the development of various social and economic infrastructures such as power facilities, roads, and schools. Although the amount of assistance has stagnated since 2003, these social and economic infrastructures are functioning effectively as the foundation of Nepalese economy and society. People in Nepal recognize this, and think Japan is a generous donor and are very impressed with Japan.

As can be seen in the results of past mutual VIP visits, diplomatic relations between the two countries began in 1956 when Royal-Imperial exchanges were established. These have expanded into exchanges involving ministers, prime ministers, and parliamentary members. Even though the Nepalese monarchy has been abolished, Japan has continued to provide democratization assistance. It can be said that the current friendly bilateral relationship is a result of continued diplomatic relations through uninterrupted assistance. In particular, human resource development programs for the people of Nepal primarily involving many years of study and training programs in Japan and training and networking plans implemented after the students/trainees returned to Nepal have made a considerable contribution to strengthening friendly relations between the two countries. In this way, the strong relationship that the two countries have grown through assistance as well as the historical background between Nepal and Japan over many years has become the foundation of the current bilateral bond.

From the perspective of a diplomatic effect of the assistance, the impact is still limited in

that investment by Japanese corporations in Nepal is still small; however, it can be expected to lead to further development if the advancement of democracy, the establishment of the rule of law, and economic infrastructure in the southern region continue to be productive. A further strengthening of the economic relationship stemming from promotion of public-private partnerships and improvement of the investment environment through the ODA and OOF is a desirable situation.

Furthermore, Nepal has shared ideas with Japan and supported the position of Japan in the international community. At present, various types of people-to-people exchanges are growing rapidly, and this is believed to have contributed to the promotion of friendly relations. Results of these widespread grassroots friendly relations seem to have come to fruition as a variety of assistance from the general public in Nepal flowed into Japan after the Great East Japan Earthquake.

Overall, the evaluation concludes that assistance to Nepal from Japan has contributed significantly to the diplomatic relations between the two countries.

## **Chapter 4: Recommendations**

### **4-1 Recommendations to Enhance the Diplomatic Relations between the Two Countries**

#### **(1) Proactive Use of ODA as a Diplomatic Measure**

Because it has been contributing to a strengthening of the friendly and diplomatic relations between Japan and Nepal, steady assistance should continue to be directed to Nepal. In that sense, it is important for Japan to display its presence through early resumption of ODA loans, maintenance of the current level of grant aid, and combination of various types of assistance such as technical cooperation. Assistance to diversify and expand private sector investment activity for Nepal and other forms of private-level networking and cooperation is also of critical importance. In the future, Japan must strategically continue to offer various highly effective forms of assistance including training in Japan, dispatch of JOCVs and senior volunteers (SVs), and NGO activities, as well as spread Japan's culture and work ethic throughout Nepal to continue to garner respect.

There is a complex public sentiment in Nepal regarding India and China from a geographic and historical perspective. Japan, however, is politically neutral, and has supported Nepal for many years, so Nepal has a favorable impression of Japan. In particular, the JOCV and SV are well known for their people-to-people cooperation, and contribute to a strengthening of friendly relations. NGOs are also playing a large role, mainly in the social sector such as health and education. Economic ties between Japan and Nepal are still sparse, but Nepal has emphasized aid, trade and investment relations with Japan, and has a great number of expectations and a great deal of gratitude.

It is important for Japan to have allies, such as Nepal, who can side with Japan in critical situations. Therefore, rather than simply determining the importance of assistance in terms of tangible interests such as natural resources or economic ties, giving attention to a

pro-Japanese country is vitally important as a diplomatic strategy. Ongoing assistance activities create a friendly relationship and at the same time the maintenance of good relations is a condition for effectively employing aid.

## **4-2 Recommendations for Policy Formulation**

### **(1) Reification and Strategization Based on Improvements in the Format of Country Assistance Policies**

The Country Assistance Policy for Nepal was one of the first created under the current country assistance policy format, and when formulating the next country assistance policy for Nepal or one for another country, it is desirable to re-examine and enhance the strategy and concreteness of the document in terms of its volume and contents. It is also desirable to clarify quantitative assistance targets, and develop related baseline data. In addition, with regards to the separately attached rolling plan for the country assistance policy, consideration must be given to a clearer representation of the direction of Japanese assistance, thereby increasing the predictability of assistance by including new areas which Japan will support in the future even without any existing project and projects not yet formally adopted but expected to be adopted with a high degree of certainty.

The overall budget for Japanese assistance has been declining. However, even under these circumstances the importance of considering strategies to display Japan's presence and the need to more effectively implement aid is increasing more than ever. The current Country Assistance Policy is not only lacking in amount but in the concreteness of its content. A clear strategy has also not been shown in the selection, concentration, and weighting of priority areas, and as a result the overall impression of the document is comprehensive but lacks strategies and directions.

### **(2) Activation of Policy Dialogue and Strengthening Contributions to Policy**

Japan should hold regular high-level discussions (such as annual talks) with the Nepalese side, and discuss the future direction of assistance and priority areas. In this regard, at an economic cooperation policy meeting in April 2012, the two countries agreed to reconvene every six months to follow up on all previous projects. This follow-up meeting is crucial, and should be implemented. Depending on the situation in Nepal, timely proposals from Japan for policy dialogue would also be useful in developing closer diplomatic relations between the two countries. At these policy discussions, MOFA, the Embassy of Japan, and JICA officials should give in-depth advice on policy issues, not just an explanation of the assistance policy.

Moreover, it should be considered to dispatch policy advisors to key ministries and agencies such as the Ministry of Finance, Office of the Prime Minister, and the National Planning Commission, as well as the strengthening of support systems at the JICA office, the Embassy of Japan and within Japan for effective policymaking and planning by those advisors. Involvement in overall sector development planning through development studies in the areas of highest comparative advantage for Japan would also be effective.

Furthermore, it is also worth considering assistance for policy by experts, SVs, and JOCVs,

centered on areas in which Japan is currently providing assistance. In this case, it is important to receive support from the Embassy of Japan and the JICA office to properly communicate these activities consistently to high levels—including the ministerial and vice-ministerial levels—similar to what the Embassy of Japan is currently working on.

There is a perception among donors and the Nepalese government that economic growth has remained modest despite tremendous amounts of assistance for many years by donors such as the Japanese government. From this, donors including the World Bank recognize there may have been policy issues, and some reflection and responsibility must be borne by the recipient country of Nepal and the donors. For example, in the dry season Nepal has been implementing load shedding that sometimes last 16 hours per day. Given that past assistance from Japan for the power generation has accounted for nearly half of the existing power generation capability, if Japan had given advice and made an active policy contribution regarding the power sector as a whole—such as implementation of an early energy development plan based on future demand forecasts and concerning the nature of effective public private partnerships (PPP) for development in the same sector—there is a possibility the current situation could have been avoided or mitigated.

During the field survey for this evaluation, the Ministry of Finance indicated that policy consultation has been insufficient. In addition, the economic advisor to the Prime Minister also recognizes that Japan's assistance policy to Nepal was not fully explained. There is a need to reform policy consciousness in Japan, such as making the necessary recommendations to the Government of Nepal no matter how painful they may be, on the basis that the government and donors hope that Japan will contribute in terms of policy in Nepal. For example, policies, measures, and institutional mechanisms for development of urban infrastructure and investment environment and for directing international remittances by migrant workers towards domestic investment would be useful advice.

#### **4-3 Recommendations to Increase the Effectiveness of Results**

##### **(1) Strategization of Assistance**

In order to increase the effectiveness of assistance, it is important to utilize the comparative advantage of Japan to achieve more strategic focus of assistance, such as in the following example.

##### Emphasizing Social Infrastructure and Improvement of the Investment Climate

While implementing the current three area assistance policy as a whole, it is important to clarify priorities (from most to least) to these areas. Thinking that in order to improve people's lives it is first necessary to improve the foundation, or the infrastructure, the assistance policy must place more emphasis on the infrastructure, the high-impact area of medium to long-term economic development, and thereby support the development of the private sector. The priority area in the country assistance policy is just as named: "building social infrastructure and institutions for balanced and sustainable economic growth." The Government of Nepal, which is concerned about the increase in the budget deficit, recognizes the importance of the inflow and activation of domestic and foreign private

investment and an active and strong spirit of entrepreneurship for long-term sustained economic growth similar to other developing nations in Asia. For this purpose, development of infrastructure in strategic regions is indispensable, and is expected to contribute to improving political stability, efficient government, and an increase in the level of health care and education. It is therefore desirable that infrastructure becomes the top priority in Japan's assistance policy for Nepal. In spite of rapid urbanization, the current absolute lack of quality and quantity of urban infrastructure is a severe constraint on economic growth, and it is of vital importance to expand assistance to the urban infrastructure sector, including environmental improvement. As moving forward, more importance must be placed on urban infrastructure development, not only on rural development strategy.

The Nepalese government has emphasized attracting investment and promoting employment. Improving the investment environment is an important issue for accomplishing these. It is important for Nepal to continue deepening cooperation and economic relations, not only with India, but with many countries in East Asia considering their remarkable economic growth, and because the Nepalese response is limited due to the current investment environment. While other donors have strengthened their assistance in Nepal's social sector, there must be a focus on infrastructure in order to promote sustainable economic growth. Nepal is most grateful for Japan's assistance, and for the citizens of Nepal the most visible areas of assistance are infrastructure development including power generation projects, bridges, roads, schools, hospitals and clinics. The areas which carry the greatest expectations are those in which Japan can leverage its experience and high technology.

Japan must consider assistance that indirectly supports tourism, for example, roads, airports, waste disposal, and the related legislation. For this, coordination is needed with non-ODA frameworks such as private sector assistance implemented by MOFA, the Ministry of Economy, Trade and Industry, Ministry of the Environment, and the Embassy of Japan, the JICA's BOP Business Promotion Survey and Preparatory Survey for PPP Infrastructure schemes, and public-private joint forums. In particular, due to rapid urbanization, many problems are becoming worse every year. Traffic congestion, air and water pollution in local cities starting with Kathmandu, the problem of the accumulation of solid waste and its being left untreated in rural tourist areas, are evident and are negatively impacting the development of the tourism industry.

#### Advantages of Neutral Assistance

Nation-building assistance is assistance which can be done by Japan precisely because of its neutral position in Nepal. It is necessary to continue assistance in this area so as to maximize success for a relatively small input over the long term. In view of the unstable political situation, it is necessary to maintain maximum flexibility from request to adoption, and all the way through to implementation.

#### Achieving Assistance Synergy

Each project is excellent, but some believe that the overall impact is not visible. Innovation is required to exhibit the synergy effect of assistance, thereby maximizing impact and assuring continuity.



Japan should proceed with further publicity, including publicity in other countries, of development along the Sindhuli Road as a good example of comprehensive regional development with a focus on infrastructure. Japan should activate, maintain, and extend cooperation in areas where it has a strong presence like this, while continuing to review the scale and content of assistance. “One Village, One Product” (OVOP) type products such as junar<sup>2</sup> and rainbow trout are well-known and established in Nepal. In addition, comprehensive regional development focusing on the Sindhuli Road is starting to show results, and is expected to become much more effective after the completion of the road. Japan should persist in promoting synergy by continuing to develop the area with the implementation of high-value-added agricultural assistance based on the master plan currently underway along the Sindhuli Road, the establishment of way stations on the road, making OVOP products available there, and implementing health, education, and other projects in the region.

In order to ensure sustainability, assistance in developing human resources through training, etc. must be considered, not just on individual technologies but also on entrepreneurship and overall project or program management. It would be better to have this kind of training as a long-term training. The selection and concentration of areas clearly positioned in assistance policy for training is even more important.

#### The Use of More Visible Assistance

To promote synergy, Japan should continue to implement initiatives calling for the uncovering of potential grassroots grant aid projects through interaction with the Embassy of Japan and Japanese NGOs, the JOVC, SV, and Japanese officials of international organizations.

Japan should continue to actively utilize small schemes such as grassroots technical cooperation, Grant Assistance for Grassroots Human Security Projects, Grant Aid for Japanese NGO's Projects, trust funds of international organizations, the JOVC, and SV, in areas in close contact with local people, at the same time focusing larger schemes of loan, grant and technical cooperation on infrastructure development. Japan should also consider positioning JOCV and SV more in its assistance policy to enhance coordination of their activities with other projects and gather recommendations from their grassroots perspectives. It is also important to effectively collaborate with NGOs, and when doing so, keep in mind the need to determine which organizations are appropriate.

#### Improvement of Agricultural Productivity

For the agricultural sector, and from the perspective of investment and employment promotion, Japan should provide assistance in such areas as high-value-added agriculture, the agro-processing industry, and agricultural productivity. However, the highly politicized situation in rural areas<sup>3</sup> is such that when deciding to whom in the village technical assistance is to be given, it should not be assumed that new technology will be spread throughout the village just because wealthy farmers and other people of influence are instructed to do so. As a part of these efforts, cooperation of the VDC and farmers'

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<sup>2</sup> A high-quality sweet orange grown in the eastern hills of Nepal.

<sup>3</sup> In areas where the legislature has not been open the local government decision-making process has been greatly affected by the balance of power between political parties in that location and at that time.

organizations that have been active in the region for many years is essential.

The percentage of Japanese assistance to Nepal in KR and 2KR schemes is large, and because of their long-term assistance, they are incorporated into the system of the Nepalese government. The findings on these schemes indicate that the needs are clear and reasonable; there is a certain degree of effectiveness; the Government of Nepal is grateful; and the counterpart funds are reserved and utilized properly in general. However, there is a problem with sustainability from the fact that the assistance of a single year in nature is actually built into the operations of state-owned corporations. It also has a problem in terms of the impact on alleviation of poverty, as it does not lead to a fundamental improvement of the situation despite many years of assistance. Based on the results of the evaluation of the KR scheme last year, Japan must clarify the goals of the assistance and the time required to achieve them, and consider the appropriate form of the assistance. Considering the fact that the schemes continued for 35 to 40 years, it is time to consider assistance which will lead to sustainable solutions (such as improving agricultural productivity, market access, etc.).

#### **4-4 Recommendations concerning the Implementation Process of the Aid**

##### **(1) Further Strengthening of Public Relations**

Starting with the Nepalese government and the citizens of Nepal, it is necessary to strengthen publicity activities targeting stakeholders both in Nepal and Japan. A current challenge is the reduction in the JICA public relations budget, and this must be increased (to cover working hours, insuring full-time staff, conducting workshops, etc.).

The main on-site players are the JICA, project experts, and the Embassy of Japan. They are engaged in public relations activities such as running a website and other forms of media, and this plays a role in providing basic information, and information to Nepalese government officials. There is, however, room for improvement in the degree of public awareness in Nepal. In addition to widely publicizing English translations of the Country Assistance Policy to the relevant organizations, this evaluation summary can also be utilized as a public relations material to the Nepalese government and to the other donors. In addition, actively publicizing such occasions as the visit of this evaluation by creating a press release, etc. is worth considering in the future. It is important to take a proactive publicity approach, and deployment of designated staffs with expertise in public relations who can take advantage of publicity opportunities is indispensable. For these personnel, in addition to having a good knowledge of public relations, it would be useful to be equipped with economic expertise to enable productive discussions on economic policy with donors and the government officials.

The Embassy of Japan and JICA regard themselves as making a concerted effort in public relations, including presentations at donor conferences, within the staffing constraints. However, the evaluation team has received many comments from government officials and donors who do not understand the details or the direction of Japanese assistance. There was some implementation agency which had a poor understanding of Japan's assistance scheme and the implementation and request process. Frequent personnel relocation in

counterpart ministries is a problem behind these issues, but under the present circumstances it would be necessary to devise further publicity activities in the manner mentioned above. Explanations should be repeated to counterpart ministries and implementation agencies on the assistance policy, Japanese aid scheme, and the request and implementation process.

## **(2) A Strengthening of Efforts related to Spreading the Assistance Model**

Mechanisms to revitalize existing systems through Japanese technical cooperation in the education and governance sectors have proven effective in the field. However, the Government of Nepal has pointed out that there is a problem in the dissemination of such assistance models. It was pointed out that in many cases carefully constructed models that are proven effective in a few target areas were either too complex or too expensive to be applicable to the whole country. In projects which formulate a model case, it is important to create a model which can be spread or to continue assistance until such time as it is possible to disseminate the model. For example, a project can carefully construct a model in the first half of the process and then simplify it in the second half to make it easier to deploy.

Failure to adopt a successor project aimed at spreading the model due to sudden reductions in JICA's budget for Nepal had a significant impact. This budget reduction also caused large-scale revisions of activity plan of technical cooperation projects. Problems of this sort impair the trust and commitment of those involved, including project experts, the Government of Nepal, and donors, and they affect the realization, establishment, and dissemination of results. Therefore, the Government of Japan should refrain from undermining promises by changing the commitments made to Nepal for medium and long-term plans. The budget must be secured in advance for the entire project periods of multiple year projects, and even if there is a reduction in the total aid for Nepal, it is essential to take measures to minimize impact in those cases. Moreover, consideration should be given to the system introduced by multilateral institutions such as UNDP in which allocation from a reserve fund is made for priority projects when there is a reduction in budget to certain countries, or where there is an urgent increase in the amount of aid to specific countries, by providing advanced reserve funds in the total ODA budget every year. The above problems are due to transfers of budget to other countries and regions to the point where continuity of projects cannot be guaranteed. To resolve this, Japan must consider a fundamental solution regarding the nature of the aid, including a review of the Japanese government's single-year budget accounting system.

## **(3) Appropriate Response to Aid Coordination**

A great deal of competence will be required for bargaining between donors, marketing the results in the case of pool fund participation, or the deployment and dissemination of the result of Japanese aid projects using pool funds even without participating in them. To do this, it is necessary to deploy human resources with experience and competence in the field of aid coordination who assumed responsible positions in international organizations and who have language skills. Furthermore, the Embassy of Japan and JICA staff must change the mindset to utilize the donor coordination meetings not only for obtaining information but also for marketing. This will require organizational support, for example to allow them to make substantial statements based on their understanding of the intentions

of their headquarters. Of course, the discretionary expansion of on-site personnel, regardless of participation or non-participation in the pool fund, is important in helping to improve coordination with other donors and partners to increase the efficiency of Japanese aid in the field.

The Government of Nepal emphasizes on enhanced aid coordination and expects Japan to participate in pool funds and implement assistance in as many regions as possible. While the issue of accountability has been pointed out on pool fund management, results are being seen in the areas of health and education, and each donor is moving toward continued support while enhancing financial management. On the other hand, many donors are skeptical of pool fund results in the area of local governance, and some of them are as yet undecided about continuing their support of the pool fund.

The advantage of participating in the pool fund for Japan is that it ensures the right to comment and have a presence. If Japan participates in the pool fund it must establish a system where it does not simply pass it over and leave it at that, but introduces advisors and others, and continues to monitor and make constructive recommendations about the use of funds. When considering participation in the education sector pool fund, Japan should also refer to the conditions of public finance management the World Bank is making for its support to the education sector.

Even if Japan decides to distance itself from the pool fund, it should explain how Japanese support fits in with the development policy of Nepal through the use of the above-mentioned human resources. At the same time Japan must clearly affirm its position by strengthening publicity as described above.

## Map of Nepal



Source: The University of Texas Perry-Castañeda Library Map Collection  
[http://www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/nepal\\_pol90.pdf](http://www.lib.utexas.edu/maps/middle_east_and_asia/nepal_pol90.pdf)



**Photos taken by the Evaluation Team during its field survey in Nepal**



Meeting with the Ministry of Finance



Meeting with the Ministry of Agricultural Development



Meeting with the National Planning Commission



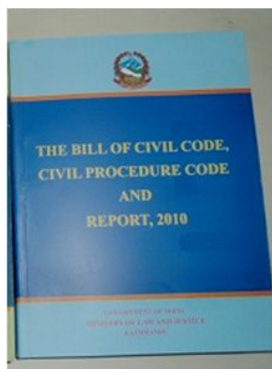
Silkworm Rearing House Constructed by the "Promotion of Quality Cocoon Production and Processing Project"



Classrooms constructed with Japanese Grant Aid



Mothers Bringing Their Babies in for Vaccination at the Health Post constructed with Japanese Assistance



Draft Civil Code Developed with Japanese Assistance



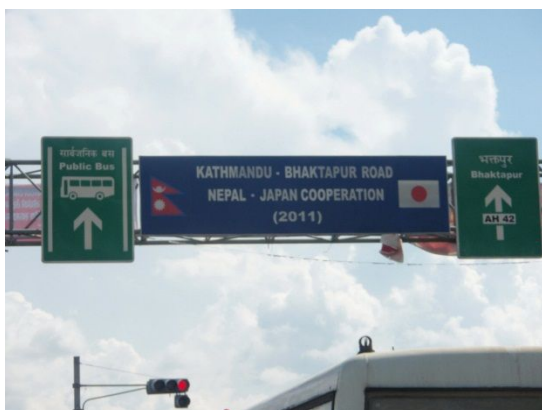
Villagers at the Opening Ceremony of a Community Mediation Center supported by a JICA's Technical Cooperation Project



A Gently Curving Section of the Sindhuli Road



Broadcasting Equipment Provided by Japan



Sign Board of Japanese Assistance for the Kathmandu-Bhaktapur Road



The Members of the Health Post under Construction with the Japanese Grassroots Grant in Khurkot just off the Sindhuli Road