



Integrated Country Strategy

Nepal

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1. Chief of Mission Priorities

Nepal is a landlocked and fragile democracy residing in a geopolitically delicate space between China and India. More than 70 years of targeted U.S. engagement has supported Nepal's transition to a more peaceful, stable, and prosperous democracy. Since the end of its ten-year civil war in 2006 and the earthquakes of 2015, Nepal has taken great strides toward institutionalizing its democracy. With a ruling party possessing a significant majority, Nepal has the potential to break the decades-old pattern of constant political change, and provide political stability to present and implement a proactive policy agenda. The Government of Nepal's (GON) ambitious platform seeks to leverage this newfound stability to fight corruption, improve governance, and reform a lagging economy. If the GON delivers strong leadership and sound governance, Nepal could be at a turning point. The U.S. is uniquely positioned to share proven, credible, and persuasive best practices and models of performance to help build Nepal's capacity and to critically assess and deploy reforms in the political, economic, security, and social realms to jointly advance our shared objectives.

Still, Nepal's challenges are many. If left unaddressed, inconsistent border security, endemic corruption, an uncompetitive investment regime, societal inequities and persistent grievances, rampant impunity, and frequent natural disasters will continue to render Nepal vulnerable to instability and will impede development. Our aim over the next four years is to support Nepal's stability, reform agenda, and sovereignty so it can develop into a strong, reliable, and self-sustaining partner that contributes to U.S. and regional security and prosperity.

The United States' first goal is to **promote American security by supporting a stable, secure, democratic, and sovereign Nepal**. Instability and insecurity in the heart of Asia is a threat to U.S. interests. Sustainable security and stability will require not only developing security sector institutions' capacity, but deeply embedding principles of inclusive and accountable governance into Nepal's nascent democratic institutions. Through capacity building and joint efforts, our security cooperation supports disaster preparedness, humanitarian response, professionalization, counter-terrorism, and global peacekeeping. Training and exchanges provide specific skills and strengthen the rule of law to promote border and internal security. More broadly, diplomatic engagements and development assistance that bolster citizen-responsive governance, encourage capable oversight and accountability, and build capacity will vest society in the country's success, reduce grievances, and enhance national stability. A more capable national government and security sector will enhance regional security and be able to deter malign influence by state and non-state actors.

The United States' second priority is to **increase American prosperity by developing Nepal as a reliable economic partner**. Social grievances and political instability have impeded Nepal's development: per capita income is one of the lowest in Asia, and about 15 percent of Nepalis live in poverty. Lack of opportunity leads millions to work overseas resulting in an economy unsustainably fueled by remittances. Despite ample arable land and massive hydropower and

tourism potential, economic take-off is hindered by an un conducive business environment. Our diplomatic and development efforts will support the GON's reform commitments to create an enabling environment for trade and investment, combat corruption, ensure energy and food security, increase innovation, and safeguard the environment. Investing in a healthy, literate population and genuine stewardship of natural resources will be vital to ensuring that the ensuing growth is sustainable. Technical expertise will inform our market-oriented policy advocacy. Assistance programs will pilot and model productivity and efficiency gains, particularly in the areas of agriculture and natural resources management. Our Millennium Challenge Corporation (MCC) compact will build electricity transmission lines to link power generation with industry, homes, and export markets while creating opportunities for U.S. companies. Focused investments will contribute to a healthy, educated, and resilient population that contributes to sustainable development, supporting U.S. and Nepal's economic security.

To enable and entrench the above goals, the United States will **exercise American leadership to transform Nepal into a more self-reliant, independent, and resilient partner for the United States**. Public diplomacy initiatives will engage the government, civil society, and the private sector to shape public opinion in support of Nepal's ongoing democratic transition, a strong market economy, and transparent and accountable governance. In a region beset by natural disasters, we will continue to provide humanitarian relief in times of crisis while strengthening Nepal's ability to mitigate, prepare for, respond to, and recover from shocks that threaten stability and past gains. Finally, we will support Nepal in becoming a more active and engaged partner in international fora, adhering to international agreements and commitments and furthering initiatives to strengthen regional connectivity.

All goals will benefit from the incorporation of cross cutting themes essential to achieving meaningful change in Nepal and to advancing a shared set of values. These include promoting gender and social inclusion (GESI), combating corruption and promoting accountability, supporting sound public financial management, planning the transition from foreign assistance to independence, and ensuring accountability to the American taxpayer.

This ICS will be the primary policy and management reference guiding our engagement and programmatic efforts. Mission Kathmandu will continue to work as a unified USG team that collaborates through interagency ICS teams aligned with our goals. These ICS teams use interagency strategies and action plans to operationalize our goals and to track progress toward milestones and targets. ICS teams will continue, on a quarterly basis, to share progress updates with Mission leadership and the expanded Country Team and to recommend changes in tactics to achieve our objectives.

2. Mission Strategic Framework

Mission Goal 1: Promote American security by supporting a stable, secure, democratic, and sovereign Nepal.

Mission Objective 1.1: Nepal's security sector institutions have enhanced capacity to counter threats to U.S. security interests.

Mission Objective 1.2: U.S. border security is strengthened through the strict application of U.S. immigration laws.

Mission Objective 1.3: Nepal successfully transitions to a more stable, inclusive, and effective federal democracy, based on international norms and free from malign influence. (Links to CDCS DO 1: More Inclusive and Effective Governance.)

Mission Goal 2: Increase America's prosperity by developing Nepal as a reliable economic partner.

Mission Objective 2.1: Nepal advances inclusive and sustainable economic growth to reduce extreme poverty and increase rules-based trade, competitiveness, and cross-border cooperation. (Links to CDCS DO2: Inclusive and Sustainable Economic Growth to Reduce Extreme Poverty.)

Mission Objective 2.2: Nepal improves health and education outcomes to increase economic productivity. (Links to CDCS DO3: Increased Human Capital.)

Mission Objective 2.3: Nepal establishes environmentally sustainable practices and demonstrates increased capacity to safeguard natural resources.

Mission Goal 3: Exercise American leadership to transform Nepal into a more self-reliant, independent, and resilient partner for the United States.

Mission Objective 3.1: Nepal becomes a more active and engaged partner in international fora, adheres to international agreements and commitments, and furthers initiatives to strengthen regional connectivity.

Mission Objective 3.2: Informed public opinion shapes government, civil society, and the private sector engagements in support of the ongoing democratic transition, a strong market economy, and transparent and accountable governance.

Mission Objective 3.3: Nepal strengthens its ability to mitigate, prepare for, respond to, and recover from shocks, as well as improves coordination of assistance to Nepalis and American citizens in Nepal during crisis situations. (Links to CDCS DO 4: Post-earthquake Nepal rebuilt to be disaster resilient and well positioned for sustainable development.)

Management Objectives:

Management Objective 1: Information Technology resources and tools are modernized to expand data availability and accessibility, increase collaboration, and improve service delivery.

Management Objective 2: Modernized physical workspace and innovative design concepts enhance Mission effectiveness and efficiency.

Management Objective 3: Effectiveness and efficiency improvements leverage data to enhance internal controls, contain costs, and improve customer services across the Mission.

3. Mission Goals and Objectives

Mission Goal 1: Promote American security by supporting a stable, secure, democratic, and sovereign Nepal.

Description and Linkages: In alignment with the values and objectives highlighted in the National Security Strategy, National Defense Strategy, Indo-Pacific Strategy, Joint Regional Strategy, and relevant Executive Orders, Mission Kathmandu aims to support Nepal in becoming a confident regional actor, one whose pursuit of its own national interests is complemented by a shared commitment to promoting good and inclusive governance, rejecting coercive influences that threaten its sovereignty, standing ready to fight and defeat terrorist threats and transnational crime, and advancing democratic values in a strategic region. Our security cooperation with the Nepali Army, police, and judiciary will build capacity in disaster preparedness and response, humanitarian assistance, and counter-terrorism, and support Nepal's contributions to global peacekeeping. Through law enforcement and judicial training, we will strengthen the rule of law through evidence-based criminal investigations and prosecutions; we will also provide training and equipment to improve Nepal's border and airport security, thereby strengthening U.S. security. Our engagement with Nepal's elected officials, government officials and institutions, private sector, and civil society will aim to counter instability and transnational crime that threatens U.S. interests by strengthening citizen-responsive governance, security, and rule of law. Vibrant oversight by Nepali media and civil society organizations of government institutions is critical to achieving these U.S. priority objectives. Without a holistic approach to inclusive governance, stability in Nepal will remain nascent. Given its geostrategic location, our support will be vital to underpinning Nepal's contribution to regional security and to deterring malign influence exercised against Nepal and the region, by state and non-state actors. At the same time, we will work to strengthen U.S. border security and the safety of Americans in Nepal through judicious application of U.S. immigration law and building collaborative relationships with partners in the Nepali government, security forces, and private sector.

Mission Objective 1.1: Nepal's security sector institutions have enhanced capacity to counter threats to U.S. security interests.

Justification: Nepal's security has implications for the protection of U.S. interests and investments in Nepal. By countering insecurity and promoting the rule of law, we contribute to the creation of an improved environment for economic development, the safety and protection of U.S. citizens and interests, regional stabilization, and the development of institutional resilience against external acts of coercion. Conversely, weak security sector institutions create lack of confidence in Nepal's ability to protect U.S. citizens and U.S. business investments, to secure Nepal's borders, to combat transnational crime and terrorism, and to address domestic political violence responsibly. This can serve to undermine broader regional stability and could make Nepal susceptible to pressure and intimidation by external state and non-state actors.

Mission Objective 1.2: U.S. border security is strengthened through the strict application of U.S. immigration laws.

Justification: Protecting the safety and security of Americans in both Nepal and the United States is the core national security goal of our country, as protecting the homeland is the first pillar of the National Security Strategy. Protecting U.S. border security by ensuring rigorous screening of applicants and applying strong fraud prevention measures are means to advance this central objective. Not achieving this objective weakens our ability to protect the American people and to enhance the prosperity of the United States.

Mission Objective 1.3: Nepal successfully transitions to a more stable, inclusive, and effective federal democracy, based on international norms and free from malign influence. (Links to CDCS DO 1: More Inclusive and Effective Governance.)

Justification: With the 2015 constitution in place and the completion of historic elections in 2017, Nepal is on the cusp of unprecedented stability as it commences the lengthy process of transitioning to a federal structure. Stability is a critical element for achieving all of the Mission's ICS Goals, as it sets the conditions necessary to effectively tackle long-overdue economic reform, secure the nation's borders and counter threats to Nepal's sovereignty and to domestic and regional security, complete a credible transitional justice process to address conflict-era grievances, carry out the complicated task of implementing federalism, combat transnational crime, ensure that human rights are respected and protected, and become a more confident and self-reliant regional and global actor. Nepal's stability is both nascent and fragile, and significant improvements in inclusion, transparency, and protection of human rights must evolve over the next four years to ensure it is preserved and maintained. To support Nepal's stability, it is in the U.S. interest and strategic advantage to promote protection of human rights and the completion of a credible transitional justice process, advocate for and advance reform efforts to allow for citizen-responsive policy making and inclusive governance processes, and bolster more transparent and accountable institutions within Nepal. Inclusion of Nepal's vastly diverse population in these activities is paramount to achieving this objective and so will be fully integrated into activities listed below. A failed or exclusionary transition to the new government structures could fuel social grievances or instability. It may also invite malign actors to take advantage of political and governance weakness in ways that contribute to corruption, disrespect for democratic norms, and the rule of law.

Mission Goal 2: Increase America's prosperity by developing Nepal as a reliable economic partner.

Description and Linkages: Mission Kathmandu aims to support Nepal in becoming a more connected and reliable economic partner, with increased capacity to develop and maintain its physical, human, and natural resources, to better engage in regional and international markets,

and to uphold free, fair and reciprocal economic relationships. This goal aligns with the State/USAID Joint Strategic Plan, U.S. Indo-Pacific Strategy, and National Security Strategy. Our engagement with Nepal's elected officials, civil servants, private sector, civil society, and citizenry aims to support Nepal in building a strong economic policy framework that enables an open and transparent marketplace, supports innovation and job creation, attracts foreign direct investment, and provides stability for business and investment. Through our development programs and diplomatic engagement we will strengthen Nepal's ability to protect, maintain, enhance, and manage its physical, human, and natural capital. We will provide support to build Nepal's capacity to participate in regional and international markets, thereby enhancing regional connectivity and opportunities for U.S. businesses. Our Millennium Challenge Corporation (MCC) Compact and other development programs will support development and maintenance of quality physical capital, including electricity infrastructure and roads. Targeting the nearly two-thirds of Nepalis engaged in agriculture, the Global Food Security Strategy and Food for Peace programs will reduce Nepal's high rate of rural poverty and create greater opportunities for private sector expansion. At the same time, we will work to promote inclusive development of Nepal's human capital through health, education, and governance programming that builds collaborative relationships with government, civil society, and the private sector to create a healthy, educated population and institutions that support the country's economic growth goals. A sustainable natural resource base will also promote stability within Nepal, and throughout South Asia, by helping ensure stable access to water locally, nationally, and internationally for hundreds of millions of people. Given its geostrategic location, our support will be vital to bolstering Nepal's contribution to regional connectivity and the country's support for free, fair, and reciprocal economic practices and relationships.

Mission Objective 2.1: Nepal advances inclusive and sustainable economic growth to reduce extreme poverty and increase rules-based trade, competitiveness, and cross-border cooperation. (Links to CDCS DO2: [Inclusive and Sustainable Economic Growth to Reduce Extreme Poverty.](#))

Justification: Development of Nepal's economy remains a critical goal for the United States in that a more robust economy provides increased income for Nepalis, builds a foundation for stability and prosperity, and creates greater opportunities for U.S. business and investment. Without sustainable growth under a competitive and transparent market-based economy, Nepal risks falling further behind the growth of regional neighbors and will remain vulnerable to predatory trade and investment practices. Advancing economic growth and trade will not only provide domestic benefits but also could reduce transnational migration and promote regional stability while denying malign actors opportunities to shape a different economic narrative or expanding external political influence through debt holdings.

Mission Objective 2.2: Nepal improves health and education outcomes to increase economic productivity. (Links to CDCS DO3: [Increased Human Capital.](#))

Justification: Inclusive human capital development is a requirement for broad-based economic growth and democratic governance. A healthy, literate, and skilled population in concert with strong sector planning, budgeting, and execution will increase Nepal's capacity to be a reliable economic partner. U.S. engagement and technical support will mitigate the risk that health and education services and outcomes backslide as the GON undergoes a federal transition or fail to keep pace with economic ambitions. Furthermore, narrowing existing gaps in gender and social inequalities will contribute to robust human capital development.

Mission Objective 2.3: Nepal establishes environmentally sustainable practices and demonstrates increased capacity to safeguard natural resources.

Justification: A sustainable and healthy natural resource base is essential to support a resilient economy. As populations and economies grow, demand for water, timber, and land increases, as does stress on ecosystems and the services they provide. Unregulated economic growth can lead to the rapid degradation and exploitation of these natural resources. Ecosystems that include healthy forests, clean rivers and ground water, and abundant and diverse wildlife, coupled with strong natural resource management plans and policies, will help ensure sustainable economic growth and avert resource-based conflicts.

Mission Goal 3: Exercise American leadership to transform Nepal into a more self-reliant, independent, and resilient partner for the United States.

Description and Linkages: The U.S. Mission will use all instruments of diplomacy and development to assist Nepal in becoming a more self-reliant ally, advancing American influence and enabling both nations to achieve our shared goals. The U.S. Government is a long-standing partner and the largest bilateral donor in Nepal and will leverage its resources and relationships to help transition the country into a more capable and independent ally, in alignment with the National Security Strategy, State/USAID Joint Strategic Plan, and the U.S. Indo-Pacific Strategy. The U.S. will bolster Nepal's capacity to engage more effectively across a range of multilateral venues on priority policy, rights-focused, security, and economic issues. By enabling Nepal to play a more constructive role in regional political and economic affairs, we are empowering the country to transition into a partner that can better support an accountable and rules-based order to advance our shared economic prosperity, social development, and security goals. Providing channels for smart and coherent investment from the private sector and the international donor community is imperative in positioning Nepal to become a prosperous, self-reliant, and independent country. The USG will work closely with civil society, the public, the private sector, political leaders, and government officials to mobilize broad-based support and demand for transparent and accountable governance across Nepal's public and private sector institutions. Development programs and diplomatic efforts will provide the incentives and expertise the GON requires to drive institutional change, wisely leverage commitments from donors and development partners, and more effectively guide Nepal's development. Natural

disasters are a constant threat to Nepal's stability and prosperity that can instantly nullify development gains. For this reason, U.S. humanitarian assistance and investment in disaster risk management – strengthening Nepal's ability to mitigate, prepare for, respond to, and recover from shocks – assists Nepal in becoming more self-reliant, protects the development achievements realized through decades of U.S. taxpayer support, and ultimately reduces the cost of future humanitarian interventions, strengthening the sustainability of all diplomacy and development investments.

Mission Objective 3.1: Nepal becomes a more active and engaged partner in international fora, adheres to international agreements and commitments, and furthers initiatives to strengthen regional connectivity.

Justification: The United States values reliable partners committed to substantive cooperation to enhance regional stability and prosperity in the South and Central Asia (SCA) region. Nepal is an important U.S. ally located at the region's nexus between two global giants, India and China. Greater participation and leadership by Nepal in international fora, including, among others, regional organizations like the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), will expand its influence while enhancing cooperation and stability in the region. Nepal's commitment and adherence to international treaties and agreements will help advance U.S. priorities around fundamental freedoms, accountability, and protection of citizens that foster the governance, security, and economic goals above. Increased regional and sub-regional cooperation and adherence to international commitments will also help reduce Nepal's dependence on impositions by neighboring countries that may not benefit Nepal's own interests or could degrade its sovereignty. Stable regional politics and a more conducive business environment across the region will assist in institutionalizing opportunities for greater intra-regional and U.S. trade and investment.

Mission Objective 3.2: Informed public opinion shapes government, civil society, and the private sector engagements in support of the ongoing democratic transition, a strong market economy, and transparent and accountable governance.

Justification: American information, expertise, and influence can help foster conditions for continued peace and increased prosperity in Nepal. The U.S. is a reliable partner to those who share our aspirations for freedom and prosperity. U.S. engagement will mitigate Nepal's vulnerability to malign influences that run counter to democratic and free-market principles. By seeking partnerships with influential leaders and groups, key populations, government, and civil society, we can influence opinion among Nepalis for greater action to become a more sovereign, prosperous society, based on shared values. Similarly, effective engagement with the Government of Nepal can provide the ability and direction needed to help the country better manage its development partnerships and decrease its dependence on foreign assistance. If Nepal does not seize opportunities to support a vibrant private sector that is active both

domestically and within the region, promote a free and balanced media, and build a public sector that utilizes evidence-based practices to improve its management of resources to deliver to its citizens, Nepal risks deeper economic dependence on its neighbors, the erosion of a free press, civil society, and public support for the system of governance that will ultimately undermine the country's significant democratic gains.

Mission Objective 3.3 - Nepal strengthens its ability to mitigate, prepare for, respond to, and recover from shocks, as well as improves coordination of assistance to Nepalis and American citizens in Nepal during crisis situations. (Links to CDCS DO 4: [Post-earthquake Nepal rebuilt to be disaster resilient and well positioned for sustainable development.](#))

Justification: Nepal is prone to natural disasters, including earthquakes, floods, landslides, and fires, which remain a constant threat to its stability and development. Since 2005, around 35 disaster events (floods, landslides, and earthquakes) have affected approximately 8.1 million people and killed more than 11,000 people. The 2015 Gorkha earthquake and its aftershocks alone caused over \$7 billion in losses and damages, killed nearly 9,000 people, and pushed an estimated 800,000 people back into poverty. As outlined in the National Security Strategy and the Joint State/USAID Strategic Plan, the USG will continue to provide essential humanitarian assistance when disasters strike or crises emerge. It is critical that we also strengthen this country's ability to mitigate, prepare for, respond to, and recover from future disasters in order to decrease the need for future humanitarian assistance. Our investment in building Nepal's self-reliance will lay the groundwork for long-term political, economic, and social advancements, which will consolidate and protect American investments, produce new opportunities, and project American values and leadership. The U.S. Mission also engages in a regular planning process and drills for large-scale disasters to protect the security and safety of American citizens in Nepal in the case of a crisis. In the absence of strengthened disaster management capabilities, Nepal is at risk of the erosion of hard-won development gains, particularly around poverty alleviation; economic losses from annual disasters as the population moves to urban centers; increased vulnerability for a populace already facing a number of shocks and stresses; and reduced government legitimacy as it struggles to protect its citizens from recurring natural disasters. Improved disaster management capabilities can also serve to support regional connectivity.

4. Management Objectives

Management Objective 1: Information Technology resources and tools are modernized to expand data availability and accessibility, increase collaboration, and improve service delivery.

Justification: Mission Kathmandu understands the importance of state-of-the-art information technology, its impact on day-to-day operations, and its ability for the Mission to efficiently and effectively perform essential tasks to achieve ICS goals. Toward this end, we will continue to aggressively pursue knowledge management improvements that streamline our organization and processes, allow for data-driven analysis to support decision-making, and provide more flexible and expansive information sharing and message delivery. Risks associated with not achieving this objective include lack of access to data and poorly informed decision-making, difficulties collaborating across agencies, and impaired service delivery, all of which contribute to high opportunity costs and inefficiencies that reduce effectiveness and erode morale.

Management Objective 2: Modernized physical workspace and innovative design concepts enhance Mission effectiveness and efficiency.

Justification: U.S. Mission leadership has placed a high value on performance management, collaboration, and cross utilization. Extensive efforts are underway to ensure traditional “stovepipes” continue to be dismantled and interagency cooperation increased by establishing ICS Teams focused on Mission goals. Efficiencies are also realized by aligning technical skill sets and by physically reconfiguring workspace, fostering professional innovation and reducing competency duplication. Increased collaboration through strategic workforce planning and development in line with U.S. Mission objectives will improve relational, informational, and operational effectiveness. Not achieving this objective could result in less effective and inefficient workspaces that reduce the ability of Mission staff to maximize the impacts of U.S. efforts and limit the staff’s ability to fully and thoughtfully complete an expanding workload.

Management Objective 3: Effectiveness and efficiency improvements leverage data to enhance internal controls, contain costs, and improve customer services across the Mission.

Justification: Well-targeted and well-analyzed data can increase effectiveness and generate cost avoidance through informed decision-making, performance monitoring, elimination of duplication, and best value identification. Mission managers will actively use data to undertake these practices to sustain and deliver improved customer service and cost effectiveness. Operating without the responsible use of data leaves the mission vulnerable to capricious decision-making, cost increases, and poor performance outcomes.