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Integrated Country Strategy

NEPAL

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Table of Contents

1. Chief of Mission Priorities	1
2. Mission Strategic Framework	4
3. Mission Goals and Objectives	6
4. Management Objectives	22

1. Chief of Mission Priorities

Nepal is a landlocked and fragile democracy located in a geopolitically delicate space between China and India. Nearly 75 years of U.S. engagement has supported Nepal's transition to a more peaceful, stable, and prosperous democracy. Since the end of its 1996-2006 civil war and the earthquakes of 2015, Nepal has taken great strides to institutionalize its democracy. With a new constitution in 2015 and successful elections in 2017, Nepal has the opportunity to create a more stable political system and democracy. Since the 2017 elections, the government changed in July 2021 via a parliamentary no confidence vote, and despite significant turmoil, the judicial and constitutional systems provided political solutions. Regularly scheduled elections in 2022 are likely to produce another coalition government. The United States 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, endemic corruption, the ongoing and uneven transition to a federal structure, an uncompetitive investment regime, societal inequities and persistent grievances, rampant impunity, weak border security, geopolitical complexities, climate change, and frequent natural disasters will continue to render Nepal vulnerable to instability and impede development. Our aim over the next four years is to support Nepal's stability, democratic reform agenda, and sovereignty so it can develop into a strong, reliable, and resilient partner contributing to U.S. and regional security and prosperity.

Our first goal is to **strengthen good governance; democratic values; and security and stability in Nepal**. Instability and insecurity in the heart of Asia are threats to U.S. interests. Sustainable security and stability will require not only developing security sector institutions' capacity, but deeply embedding democratic principles of inclusive and accountable governance into Nepal's young democratic institutions. Through capacity building and joint efforts, our security cooperation supports disaster preparedness, humanitarian response, counterterrorism, professionalization, and global peacekeeping. Training and exchanges provide specific skills and strengthen the rule of law to promote border and internal security. More broadly, diplomatic

Approved: April 1, 2022

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 deter malign influence by state and non-state actors.

Our second priority is to **support inclusive, equitable economic growth and a clean, resilient energy future in Nepal**. Social grievances and political instability have impeded 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 unconducive business environment. The COVID-19 pandemic has undermined economic growth, eroded progress across sectors, and diverted resources and the attention of Government of Nepal (GON) and other stakeholders. 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, safeguard the environment, and mitigate the effects of climate change. Technical expertise will inform our market-oriented policy advocacy. Our investments will strengthen local governments' ability to deliver quality education and health services – vital to ensuring sustainable economic growth – and improve Nepal's capability to recover from the COVID-19 pandemic and prepare for future disasters and pandemics. In a region beset by natural disasters and hit hard by climate change, we will continue to give 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. Assistance programs will pilot and model productivity and efficiency gains, particularly in the areas of agriculture, private sector growth, 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. While Parliamentary ratification of the MCC agreement finally occurred in February 2022 after delays caused by internal politics and malign foreign disinformation, the United States will now focus on moving

Approved: April 1, 2022

towards implementation. Focused U.S. assistance investments will contribute to a healthy, educated, and resilient population that contributes to sustainable development, supporting Nepal's economic security, and making it more attractive for U.S. investments and exports.

To enable and entrench the above goals, the United States' third priority will be to **work to help Nepal become more self-reliant, independent, and resilient as it confronts global challenges**. Public diplomacy initiatives will engage the Nepali government, civil society, and the private sector to shape public opinion in support of democratic values and institutions, a strong market economy, and transparent and accountable governance – in the face of internal and external challenges. We will also continue to always provide American citizens with top quality services, regardless of their location in Nepal, and stronger government institutions at both the local and national level will benefit U.S. citizens living in and visiting Nepal. We will pursue all our goals and objectives through diplomatic engagement and close coordination with likeminded countries and multilateral organizations. Finally, we will support Nepal in becoming a more active and engaged partner in international fora, improving voting congruence with the U.S. and other democracies, 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.

2. Mission Strategic Framework

Mission Goal 1: Strengthen good governance; democratic values; and security and stability in Nepal.

- **Mission Objective 1.1:** Nepal strengthens its promotion and protection of the equal rights of women, youth, Dalits, and other marginalized groups, consistent with international norms.
- **Mission Objective 1.2:** Nepal's democratic institutions strengthen the rule of law; implement the Constitution; and are more independent, transparent, inclusive, and accountable to its citizens.
- **Mission Objective 1.3:** Nepal increases its capacity to counter threats to its security interests and become a stable partner in a rules-based regional and international order.

Mission Goal 2: Advance inclusive, equitable economic growth and a clean, resilient energy future in Nepal.

- **Mission Objective 2.1:** Nepal increases rules-based trade, competitiveness, and cross-border cooperation, thus advancing inclusive and sustainable economic growth and reducing extreme poverty.
- **Mission Objective 2.2:** Nepal improves health and education outcomes to create a more inclusive society and productive economy.
- **Mission Objective 2.3:** Nepal addresses major climate and disaster risks, accelerates clean energy development, and safeguards natural resources for environmentally sustainable and more equitable economic growth.

Mission Goal 3: Help Nepal become more self-reliant, independent, and resilient as it confronts global challenges.

- **Mission Objective 3.1:** Nepal becomes a more active, engaged, and autonomous partner in international fora, adheres to international agreements and commitments, and promotes regional connectivity.
- **Mission Objective 3.2:** Nepali public opinion is shaped through robust government, civil society, and private sector engagement that is free from repression, censorship, and resilient against state-sponsored disinformation and coercion.
- **Mission Objective 3.3:** Nepal improves coordination of assistance and services to Nepalis and U.S. citizens in Nepal, at all times, and particularly during crises.

Management Objective 1: Modernize information technology resources and tools to increase collaboration, improve service delivery, and enhance internal controls.

Management Objective 2: Operational effectiveness and efficiency enhanced through physical workspace modernization, innovative design concepts, and increased accessibility.

Management Objective 3: Mission performance and effectiveness enhanced through a diverse, equitable, inclusive, and accessible workplace.

3. Mission Goals and Objectives

Mission Goal 1 | Strengthen good governance; democratic values; and security and stability in Nepal.

Description | Our engagement with Nepal's elected officials, government officials and institutions, private sector, and civil society will aim to strengthen democratic principles of inclusive, accountable governance, the protection and promotion of human rights, security, and the rule of law. Our diplomatic engagements and development assistance to bolster citizen-responsive governance and build capacity will counter instability, corruption and nepotism that could threaten U.S. interests and vest society in the country's success. Vibrant oversight by Nepali media and civil society organizations of government institutions is critical to achieving these U.S. priority objectives. Our security cooperation with the Nepali Army, police, and judiciary will build capacity in disaster preparedness and response, humanitarian assistance, and counterterrorism, and support Nepal's contributions to global peacekeeping. Through law enforcement, judicial, and prosecutorial 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. These efforts will help secure the nation's borders and counter threats to Nepal's sovereignty and domestic and regional security, carry out the complicated task of implementing federalism, combat transnational crime, and help Nepal become a more confident and self-reliant regional and global actor.

Objective 1.1 | Nepal strengthens its promotion and protection of the equal rights of women, youth, Dalits, and other marginalized groups, consistent with international norms.

- **Justification** | Nepal's stability is fragile, and there needs to be significant improvements in inclusion, transparency, and protection of human rights 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

Approved: April 1, 2022

completion of a credible transitional justice process to address conflict-era grievances, hold perpetrators of Gross Violations of Human Rights accountable, and advocate for reforms to make policies and governance more inclusive and equitable, especially to historically marginalized groups like Dalits. 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.

- **Linkages** | Links to USAID Nepal Country Development Cooperation Strategy (CDCS) DO1: More effective, participatory, and equitable democratic ecosystem. Links to SCA JRS BO 2.3: Promote and protect the rights of women, marginalized, and underrepresented populations as members of an inclusive democratic society. Links to Indo-Pacific Strategy Pillar 1 as published by the White House in February 2022: Advance a Free and Open Indo-Pacific.
- **Risks** | Institutional and cultural inertia challenge the ability to achieve change in Nepal. Institutionally, Nepal's central government faces ongoing instability based on shifting loyalties that threaten coalition-based governance. The resulting dissolutions of Parliament, early elections and stalled policy change are continual speed bumps to needed reforms. Culturally, many in Nepal's government do not view public office as public service but instead to promote self, family, and friends. Additionally, Nepal's higher and mid-level government officials rotate frequently from one branch or agency to another, which limits decision-makers both in gaining substantive expertise and personal commitment to bring about change. Nepal's government has been Kathmandu-centric for an extended period and notwithstanding the provisions for federalism in the 2015 Constitution, implementation of federalism, with its concurrent creation of greater responsiveness and accountability, has been slow and erratic. Failure to achieve objective 1.1 could increase instability in Nepal and reduce the effectiveness of its government. This risk can be mitigated by consistent and intensive follow up by Mission Nepal to ensure effective implementation of the activities under this objective.

Objective 1.2 | Nepal's democratic institutions strengthen the rule of law; implement the Constitution; and are more independent, transparent, inclusive, and accountable to its citizens.

- **Justification** | Without a holistic approach to developing more inclusive, transparent, and accountable governance, stability in Nepal will remain tenuous. 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 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, carry out the complicated task of implementing federalism, combat transnational crime, and ensure that human rights are respected and protected. A failed or exclusionary transition to the new federal government structure, as well as growing corruption, 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.
- **Linkages** | Links to CDCS DO1: More effective, participatory, and equitable democratic ecosystem. Links to SCA JRS BO 2.1: Reduce corruption; increase transparency, accountability, and efficacy in governance, in the provision of social services and the rule of law. Links to Indo-Pacific Strategy Pillar 1 as published by the White House in February 2022: Advance a Free and Open Indo-Pacific. Links to USAID 2022-2026 Joint Strategic Plan Strategic Objective 3.3: Prevent, Expose, and Reduce Corruption.
- **Risks** | Central government does not adequately devolve authority and resources, limiting sub-national entities' ability to carry out their mandates (recentralization). COVID-19 continues to strain democratic systems (elections, faith in representatives, and the government's ability to provide critical services) and the socio-economic stability of Nepal, causing serious fractures within the country's democracy and stability. Marginalized communities are not sufficiently included in the decision making and political processes. The government could restrict media and civil society freedom

through new legislation and policies, closing the space for civic and media action. Increased corruption at all levels raises overall distrust in governance systems increasing disenfranchisement and destabilizing Nepal at different levels. Failure to implement objective 1.2 could result in increased political instability and waste of government resources. This risk can be mitigated by effective implementation of the activities under this objective, particularly through partnering with civil society institutions.

Objective 1.3 | Nepal increases its capacity to counter threats to its security interests and become a stable partner in a rules-based regional and international order.

- **Justification |** 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. Nepal's long, porous southern border makes it vulnerable to the threat of terrorism and transnational crime, including smuggling of people and other contraband, necessitating increasing the capacity of its security sector institutions. At the same time, a relative dearth of security sector presence along its northern border leaves Nepal open to provocative or coercive military or gray zone activity, which may pose threats to its sovereignty. Highly prone to natural disasters such as earthquakes, landslides, floods and wildfires, Nepal will need to increase the capacity of its institutions that can respond to and mitigate such risks, particularly as climate change exacerbates these vulnerabilities. Supporting Nepal's already robust participation in United Nations (UN) Peacekeeping Operations through training and equipment, as well as through advocacy with the UN to accept Nepal's standing offer for increased participation and for greater leadership roles, will lead to more professional, capable, and interoperable security sector institutions that can contribute to regional security, for example through humanitarian assistance and disaster relief operations in the area. Strengthening Nepal's justice sector institutions' investigative and prosecutorial capacity will reduce Nepal's vulnerability to transnational criminal threats while also improving its citizenry's perceptions of the rule of law, helping to consolidate its democracy. At the same time, the judicious application of U.S.

immigration law while building collaborative relationships with partners in the Nepali government and security institutions will strengthen U.S. border security and the safety of Americans in Nepal.

- **Linkages** | Links to SCA JRS BO 4.1: Strengthen the capacity and political will of South and Central Asian allies and partners to independently manage their own security challenges and support a rules-based regional and international order. Links to Indo-Pacific Strategy Pillar 5 as published by the White House in February 2022: Build Regional Resilience to 21st-Century Transnational Threats. Links to Consular Affairs Functional Bureau Strategy Goal 2, strengthening U.S. border security while facilitating legitimate travel.
- **Risks** | The Nepali political class's penchant for balancing relations with its large neighbors India and the People's Republic of China (PRC) renders security cooperation, including with the United States, prone to political interference. Additionally, Nepal's limited defense budget and procurement process presents a challenge to increasing capacity and interoperability. Social exclusion results in social unrest and violence that will continue to be a challenge to Nepali authorities seeking to maintain security. The interference by malign foreign powers in the domestic affairs, including mis- and disinformation, may erode Nepal's democracy and human rights gains and undermine security. Nepal's justice sector faces challenges based on the frequent job rotations that undermine the effectiveness of key segments of its regulatory, law enforcement, prosecutors, and specialized agencies and units pointed at specific crime problems. Frequently rotated personnel do not gain the substantive expertise to perform critical roles for Nepal's regulatory and justice sectors. Nepal also has had limited resources for training in these sectors and suffers from statutes that leave key actors unclear as to their roles, jurisdiction and extent of authority. Lack of clarity results in inertia to needed reforms. Failure to achieve objective 1.3 could lead to increased PRC influence in Nepal, border encroachment by its neighbors, and Nepal failing to play a constructive role in international fora, including the United Nations. This risk can be mitigated by effective implementation of the activities under this objective, particularly through

strong interagency cooperation and consistent engagement with the NA, APF, Nepal Police and other security organizations in Nepal.

Mission Goal 2 | Support inclusive, equitable economic growth and a clean, resilient energy future in Nepal.

Description | 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. 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, builds effective economic institutions, attracts foreign direct investment, and provides stability for business and investment. Through our development programs and diplomatic engagement, we will strengthen Nepal's efforts to maintain and enhance its natural resources, combat climate change, and pursue a green, inclusive, and resilient development pathway. We will provide support to build Nepal's capacity to participate in regional and international markets, including by leveraging relevant USG agencies such as the DOC's Commercial Law Development Program (CLDP) and/or the U.S. Trade and Development Agency (USTDA), thereby enhancing regional connectivity and opportunities for U.S. businesses. Our MCC Compact and other development programs will support development and maintenance of quality physical capital, including electricity infrastructure and roads and build capacity of national utility and the electricity regulatory commission. Targeting the nearly two-thirds of Nepalis engaged in agriculture, Feed the Future programs will promote inclusive private sector-driven growth in agriculture to increase productivity and profitability, reduce Nepal's high rate of rural poverty, and create greater opportunities for labor to move off-farm. To support Nepal's transition from over-reliance on less productive sectors, we will also focus on high-growth sectors that demonstrate potential to meet domestic market demand, expand trade, and generate income and employment. At the same time, we will work to promote inclusive development and broad-based economic growth

Approved: April 1, 2022

through partnerships with government, civil society, and private sector to strengthen Nepal's health and education systems to deliver equitable, quality services to the population. Our efforts to build environmental sustainability and resilience will promote stability within Nepal, and throughout South Asia, by improving water management in ecologically sensitive areas, enhancing regional power trade, reducing transnational crime associated with wildlife trafficking, and building sustainable frameworks for climate change mitigation and adaptation. 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. A stronger Nepali economy will be one that will make Nepal a more reliable economic partner for U.S. firms who want to invest in and export to this country.

Objective 2.1 | Nepal increases rules-based trade, competitiveness, and cross-border cooperation, thus advancing inclusive and sustainable economic growth and reducing extreme poverty.

- **Justification** | Development of Nepal's economy remains a critical goal for the United States. 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 buttressed by strong institutions 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.
- **Linkages** | Links to CDCS DO2: Broad-based and Inclusive Economic Growth Fostered. Links to SCA JRS BO 3.1: Strengthen transportation, commercial, and energy connectivity within the region by increasing cooperation, partnerships, and trade. Links to Indo-

Pacific Strategy Pillar 3 as published by the White House in February 2022: Drive Indo-Pacific Prosperity.

- **Risks** | Malign actors (domestic or foreign) utilize underhanded methods to influence Nepal's economic policy and environment towards uncompetitive, non-market-based arenas, including the use of misinformation campaigns to derail energy sector support and progress. The MCC Compact – only ratified on February 27, 2022, after years of delays caused by disinformation – was almost defeated through this strategy, providing a model for undermining other USG programs. Malign actors also leverage corrupt or ideologically friendly politicians/parties to bend or re-write the rules in favor of their own (state-owned) companies (resulting, for instance, in a proclivity for non-transparent G2G deals vs open, transparent, competitive bidding). These malign actors also exploit Nepal's own laws to their advantage e.g., the public procurement law, based on lowest cost, being used by PRC companies to win public contracts thereby reducing fair, healthy competition, and dislodging/discouraging other foreign companies from participating in public projects in Nepal. Further rivalry and jostling among Nepal's two large neighbors lead to further political instability, leading to policy uncertainty, delays, and thence economic disarray. Special interest groups and the business-politics nexus promote protectionist policies and foster corruption. Policymaking is hijacked to suit small, special interests, as opposed to the larger and long-term national interest, undermining a rules-based economy and inclusive, equitable growth. Failure to achieve objective 2.1 could result in increased instability, reduced economic growth, and higher poverty rates.

Objective 2.2 | Nepal improves health and education outcomes to create a more inclusive society and productive economy.

- **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 enhance federal, provincial, and municipal governments' ability to

plan, budget and deliver health and education services. It will improve the ability of the health and education systems to reach the most marginalized populations, narrowing existing gaps in gender and social inequalities.

- **Linkages** | Links to CDCS DO3: Inclusive Health and Education Systems Strengthened and USAID's [Education Policy](#). Links to SCA JRS BO 3.3: Improve the enabling environment to expand economic growth and cooperation. Links to Indo-Pacific Strategy Pillar 3 as published by the White House in February 2022: Drive Indo-Pacific Prosperity.
- **Risks** | GON and U.S. partners are unable to embrace multisector approaches required to address complex emergencies such as COVID. Delayed Federal Education Act in Nepal, impacts Local Education Act in Nepal. Federal level efforts to retain power and resources rather than devolving them to sub-national governments (SNGs) negatively impact SNGs ability to fulfill their responsibilities in health and education. Inadequate allocation of HR at the sub-national level hampers effective implementation of programs. GON mechanisms for monitoring, evaluation and reporting are not fully developed, impacting the availability of timely data for decision making. Governance remains too weak to ensure adequate internal control mechanisms. Restrictions on civil society organizations limit their voice for government accountability. Federalism disrupts existing systems for service implementation at the local level, presenting risks to delivery of these public services. Enforcement/compliance of policies is lacking. All these risks potentially impact effectiveness and impact of U.S. assistance, create opportunities for fraud, waste, and abuse of US taxpayer dollars, and could erode hard-won gains in health and education. Mitigation efforts include dedicating U.S. resources to clarifying roles and responsibilities of different actors within the federal structure and identifying and addressing gaps in systems and capacity of individuals and institutions to fulfill their mandates, and effectively plan for, implement, monitor, and oversee health and education activities.

Objective 2.3 | Nepal addresses major climate and disaster risks, accelerates clean energy development, and safeguards natural resources for environmentally sustainable and more equitable economic growth.

- **Justification** | Nepal depends on its natural resources, including energy, water, land, and clean air for long-term growth. Yet the sustainability of these natural resources – and the vulnerable communities that depend on them for their livelihoods – are threatened by climate change, natural disasters, overuse, pollution, and infrastructure development that too often ignores environmental and social safeguards. The environmental richness of Nepal presents an opportunity to lift Nepalis out of poverty; at the same time, natural disasters repeatedly push the vulnerable back into poverty, undermine conservation efforts and constrain economic opportunity for all. Improving natural resources management and disaster risk management, addressing the drivers and impacts of climate change and sustainably developing Nepal’s extensive clean energy resources is crucial to Nepal’s long-term sustainable social and economic development, stability, and independence.
- **Linkages** | Links to CDCS DO 4: More Equitable and Improved Natural Resources and Disaster Risk Management. Links to SCA JRS BO 1.2: Advance approaches to mitigate and adapt to the climate crisis across sectors in collaboration with governments and partners. Links to Indo-Pacific Strategy Pillar 4 as published by the White House in February 2022: help build a more resilient Indo-Pacific.
- **Risks** | GON turf battles and conflicts among the three tiers of governments regarding jurisdiction and resource sharing undermine sound natural resource management. The GON fails to provide necessary financial resources and other support to provincial and municipal governments for decentralized natural resource management planning and project implementation. Natural disasters, climate change and other shocks and stress overwhelm local and national coping capacity, leading to poverty backsliding and increased instability. Poorly managed urbanization and infrastructure development increase disaster risk. The GON fails to implement the MCC Compact, leading to critical transmission infrastructure not being built and undermining Nepal’s clean energy

development and credibility as a destination for international credit and investment. Local and provincial governments are not adequately empowered, equipped, or funded to implement necessary local climate change mitigation and adaptation measures. The GON lacks capacity and political will to take needed action to live up to UNFCCC commitments on emissions reductions, methane, and adaptation. Economic and pandemic pressures reduce local authorities' capacity to prevent, detect and prosecute wildlife trafficking. All these risks threaten key USG foreign policy objectives in Nepal, as climate change and disaster risks threaten Nepal's stability, prosperity, ability to engage in trade with the United States, and could influence regional geopolitics in ways detrimental to USG interests. These risks can be mitigated by effective implementation of the activities under this objective.

Mission Goal 3 | Help Nepal become more self-reliant, independent, and resilient as it confronts global challenges.

Description | The U.S. Mission will use all instruments of diplomacy and development to assist Nepal in becoming a more self-reliant partner, advancing American influence, and enabling both nations to achieve our shared goals. The USG is a longstanding 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. The United States 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 and stable middle-income country 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 more 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

Approved: April 1, 2022

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. These incentives include an increasing amount of development assistance going directly to the GON in support of their development priorities. 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 and resilience – 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.

Objective 3.1 | Nepal becomes a more active, engaged, and autonomous partner in international fora, adheres to international agreements and commitments, and promotes 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. partner 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 (including their signed MCC agreement) 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.

- **Linkages** | Links to SCA JRS BO 4.1: Strengthen the capacity and political will of South and Central Asian allies and partners to independently manage their own security challenges and support a rules-based regional and international order. Links to Indo-Pacific Strategy Pillar 1 as published by the White House in February 2022: Advance a Free and Open Indo-Pacific.
- **Risks** | The shift to federalism causes challenges to direct limited resources where they are needed, rectify their limited government capacity, clarify new expenditure responsibilities, and resolve disputes over revenue sharing and taxation authority. Without achievement of this ICS objective, Nepal's progress towards federalism could be lost. Conservation of Nepal's natural resources is not prioritized, and rapid infrastructure development threatens protected areas, which will accelerate global climate change if the U.S. does not continue to press Nepal to fulfill its international climate change commitments. with U.S. support. To mitigate these risks, the United States must also continue to push the GON to take positive steps to encourage citizen participation and collaboration regardless of caste, ethnicity, gender, sexual orientation, and economic status, otherwise there is the possibility of democratic backsliding if these deep-rooted social and historical inequities are not adequately addressed.

Objective 3.2 | Nepali public opinion is shaped through robust government, civil society, and private sector engagement that is free from repression, censorship, and resilient against state-sponsored disinformation and coercion.

- **Justification** | American information, expertise, and influence can help foster conditions for continued peace and increased prosperity in Nepal. The United States is a reliable partner to those who share our aspirations for freedom and prosperity. U.S. engagement will mitigate Nepal's vulnerability to state-sponsored coercion that runs

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. USAID has developed a new Communications Strategy Framework to support its new CDCS implementation and ensure that it is actively contributing to supporting public and GON opinion in the achievement of Embassy Kathmandu's ICS objectives.

- **Linkages** | Links to SCA JRS BO 2.2: Support the development, capacity, and resilience of civil society and an independent media as safeguards of democracy. Links to Indo-Pacific Strategy Pillar 1 as published by the White House in February 2022: Advance a Free and Open Indo-Pacific. Links to USAID's Strategic Communications Framework, which supports the implementation of its CDCS.)
- **Risks** | If this objective is not achieved, rampant disinformation and misinformation on social media will go unchecked and will pose a significant challenge for the GON as it navigates its development agenda and public policy reform as a new democracy. Access to credible, factual information is challenged by poverty and poor literacy rates for Nepalis living outside of Kathmandu and other urban centers, and malign actors will continue to take advantage of these weaknesses without U.S. opposition through this objective. Sitting between regional powers India and China, Nepal increasingly sees the United States as yet another powerful actor with geopolitical ambitions in Nepal, thanks

in part to state-sponsored disinformation efforts. The constant power struggle between Nepali political parties has made Nepal's vibrant free press a regular target for proposed laws to restrict press activity.

Objective 3.3 | Nepal improves coordination of assistance and services to Nepalis and U.S. citizens in Nepal, at all times, and particularly during crises.

- **Justification** | Nepal remains among the most vulnerable countries in the world to natural disasters, including earthquakes, floods, landslides, and fires, which are a constant threat to its stability and development. In the last decade (2011-2021), disasters killed more than 13,500 Nepalis (2015 Nepal Earthquake Post Disaster Needs Assessment). Every year, thousands of people are affected by disasters such as earthquakes, landslides, and floods, with landslides and floods becoming worse with climate change. Disasters are estimated to reduce GDP growth in Nepal by an average of 1.5 percent per year, backsliding thousands of households into poverty, with socially disadvantaged populations experiencing a disproportionate degree of economic impact [UN Office for Disaster Risk Reduction (2019) Disaster Risk Reduction in Nepal: Status Report 2019]. The 2015 earthquakes alone caused over \$7 billion in losses and damages, killed 9,000 people, and saw 800,000 people backslide into poverty [2015 Nepal Earthquake Post Disaster Needs Assessment and Nepal: Open Data to Improve Disaster Relief (2017)]. These recurrent shocks underscore the risk of erosion of decades of hard-won development gains and exacerbating the inequality among Nepal's diverse population comprising over 88 castes and ethnicities. The emergence of COVID-19 is the latest in the pattern of shocks and disasters in Nepal. As the recovery from the 2015 earthquakes nears completion, COVID-19 now threatens to inflict deep and lasting economic damage and engulf the country in political instability, while also jeopardizing the most marginalized populations' resilience to shocks. The U.S. Mission remains a stalwart partner to Nepal to be better prepared to face recurring natural disasters, including institutionalizing systems that can mitigate economic and human loss.

Improved disaster management capabilities also help protect the security and safety of American citizens in Nepal, while serving to improve regional connectivity.

- **Linkages** | Objective 3.3 links to the USAID/Nepal CDCS 2021-2025 and its Development Objective 4 (DO 4): More Equitable & Improved Nature Resources & Disaster Risk Management. The framework for the sub-objectives of this goal reflects the intermediate results of DO 4, providing uniformity of mission. Objective 3.3 also links to the Consular Affairs Functional Bureau Strategy Goal 1, to protect the lives and serve the interests of U.S. citizens overseas.
- **Risks** | The GON is continuing to implement federalism, and without U.S. support to help decentralize disaster risk response, the impact of future shocks will only increase in severity. Political infighting among the three tiers of government regarding jurisdiction and resource sharing could lead to the government failing to adequately devolve authority and resources, limiting subnational entities' ability to fulfill their mandates. Moreover, COVID-19 continues to strain the democratic systems and institutions that help deliver critical services to Nepalis, and without the resilience activities in this objective, Nepal's risk to future pandemics will remain high. Without sustained U.S. disaster risk reduction programming, devastating natural disasters, shocks, and economic stresses will lead to poverty back-sliding and may overwhelm Nepal's nascent systems. Poorly managed urbanization and infrastructure development increase disaster risk. The pivot away from a reactive GON security forces-led disaster response strategy towards a civilian-led disaster risk reduction-focused strategy is stymied by poor capacity of the nascent Disaster Risk Reduction and Management Authority, which makes continued U.S. support absolutely necessary.

4. Management Objectives

Management Objective 1 | Modernize information technology resources and tools to increase collaboration, improve service delivery, and enhance internal controls.

- **Justification** | The Mission understands the importance of state-of-the-art information technology as a foundation to day-to-day operations. These tools enable the Mission to efficiently and effectively perform essential tasks to achieve ICS goals. The Mission aims to modernize technology to capitalize on advancements in remote and virtual tools that provide more flexible and expansive information sharing. Reengineered Chancery spaces designed for collaboration will include the implementation of modern hardware and outfitted with raw internet access and robust power systems. The effort will push the boundaries of a fully engaged workforce by minimizing limitations imposed by staff location and agency affiliation.
- **Linkages** | Links to SCA JRS BMO: Align personnel and manage resources to implement strategic priorities and to ensure effectiveness and accountability.
- **Risks** | Post's digital security posture must continue to align with Departmental cybersecurity policy and guidance. Supply chain and shipping delays imposed by the COVID-19 pandemic and felt by service providers globally could delay availability of equipment and installation. Information technology advances may be hindered by the reliability of internet performance in the region. To mitigate this risk, the full potential of this service delivery can only be realized with customer training and an embrace of the new tools.

Management Objective 2 | Operational effectiveness and efficiency enhanced through physical workspace modernization, innovative design concepts, and increased accessibility.

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- **Justification** | Embassy Kathmandu has a long history of active collaboration across and within sections and agencies. Innovative design concepts in the physical layout of workspaces will foster communication and coordination. The Mission envisions “collaboration hubs” that will be the center of dynamic workspaces to enhance creativity, brainstorming, and knowledge management.
- **Linkages** | Links to SCA JRS BMO: Align personnel and manage resources to implement strategic priorities and to ensure effectiveness and accountability.
- **Risks** | Funding for a large-scale overhaul is required from each Agency. Supply chain and shipping delays imposed by the COVID-19 pandemic could delay availability of equipment and installation. To mitigate this risk, management must regularly monitor progress towards achieving indicators and milestones of the various sub-objectives.

Management Objective 3 | Mission performance and effectiveness enhanced through a diverse, equitable, inclusive, and accessible workplace.

- **Justification** | A growing body of evidence demonstrates that diverse, equitable, inclusive, and accessible workplaces produce higher-performing organizations. Embassy Kathmandu is at its best when it draws upon all parts of society, when diverse perspectives are heard and valued, and when all persons receive fair treatment under the law. The Mission is implementing a comprehensive Diversity, Equity, Inclusion and Accessibility (DEIA) strategic framework to institutionalize practices that foster a diverse, inclusive, and fair working environment that combats prejudice and empowers Mission Nepal community members, including Nepali and Third Country National staff, American Officers, and contractors.
- **Linkages** | Links to SCA JRS BMO: Align personnel and manage resources to implement strategic priorities and to ensure effectiveness and accountability.
- **Risks** | Translating DEIA concepts into actionable, realistic work plans may be difficult. Assessing the needs of the Mission will require quality data and sound analysis. There is a risk of continuity as staff transitions occur. To mitigate this risk, ensuring consistent direction and momentum will be key.

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