

## Preface

Economic Survey 2009/10 is prepared to inform and appraise all about the progress the country has achieved on the economic policies and programs the Government of Nepal launched as a campaign targeted to build a prosperous, modern and just Nepal. For this, it has become imperative to uplift the overall economy through full utilization of opportunities available while maintaining political stability in the country. Despite the fact that overall economy has remained positive even during such a difficult time, obstacles the country is facing are maintaining economic stability on the one hand, while accelerating the pace of economic development on the other. It is equally important to give higher priority to the issues of financial inclusiveness to uplift the socio-economic status of people.

I have the honour to present this Economic Survey before this dignified Legislative Parliament. The survey reflects and narrates evaluation of present situation, changes, trends, achievements in the areas of economy and analyses of problems and challenges sectors of the economy are confronted with. Beside, information on the progresses made in the past fiscal years, we have put our earnest effort to make this document more useful by incorporating economic activities and data for the first eight months of the current fiscal year.

From this year, the Survey is prepared and published in two Volumes to make it collectable and more useful to all the stakeholders. Volume I covers overall economic analysis and challenges, while all data tables are collated in an organized way in Vol. II.

I am confident that this Survey will prove useful to Honorable Members of the Legislative Parliament and leaders of Political Parties. Likewise, this document should also serve as a handbook for Intellectuals, Professionals, Researchers, Teachers, Students, Industrialists, Entrepreneurs, and other people interested on keeping track of the country's economic development.

Finally, I would like to thank all those involved in the preparation of this Economic Survey especially, the staff of Economic Affairs and Policy Analysis Division of the Ministry of Finance, the concerned officials of Nepal Rastra Bank, and experts of the subject matter. Likewise, I express my grateful thanks to all the line Ministries, Departments and other entities, which provided necessary data, information and other details in the process of completing this task.

July 2010

Surendra Pandey  
Minister for Finance

# Contents

Preface	
List of Boxes	i
List of Tables	ii
List of Charts	v
Acronyms	vi
Executive Summary	xii
Macroeconomic Indicators	xvii
Major Challenges of the Economy	xxii
1. Economic Activities	1
2. Public Finance	16
3. Price and Supply Situation	29
4. Money and Banking	39
5. Capital Market	74
6. External Sector	82
7. Poverty Alleviation and Employment	93
8. Agriculture, Industry and Tourism	106
9. Public Enterprises	134
10. Energy and Forestry	151
11. Transport and Communication	163
12. Social Sector	179

## List of Boxes

<b>Box No.</b>	<b>Subject</b>	<b>Page</b>
Box 4(a)	Salient Features of Monetary Policy for FY 2009/10	33
Box 4(b)	Mid-Term Review of the Monetary Policy for FY 2009/10	43
Box 4(c)	Reengineering of Nepal Rastra Bank	60
Box 4(d)	Structural Reform of NBL and RBB	60
Box 4(e)	Capacity Enhancement of Overall Financial Sector	63
Box 4(f)	Arrangements for Productive Sector Refinancing Facilities	66
Box 4(g)	Amendment on Margin Lending Type Loan	67
Box 4(h)	Highlights of the Directives on Lending for Land, Housing/ Real-estate Lending and Total Lending	68
Box 4(i)	Progress of Inspection and Supervision up to mid-March 2010	73
Box 5(a)	Nepal Securities Data Management System	77
Box 5(b)	Central Depository System of Securities	78
Box 5(c)	Future Program for Share Market Regulatory Provision and Infrastructure Development	79
Box 6(a)	Nepal India Trade Agreement	86
Box 6(b)	Special Arrangements Made for Imports of Gold and Silver	90
Box 6(c)	Procedural Reforms in the External Sector	90
Box 7(a)	Measuring Poverty	93
Box 8(a)	Major Activities in Agricultural Sector	106
Box 8(b)	Major Activities of Industry and Commerce Sector	122
Box 8(c)	Major Activities in the Tourism Sector	129
Box 9(a)	Challenges in Implementation of Privatization	149
Box 10(a)	Policy & Working Policy Adopted in the Management of the Forestry Sector	158
Box 10(b)	Forest Resource Data	158
Box 10(c)	Forestry at a Glance	159
Box 12(a)	Literacy Status in Nepal	189
Box 12(b)	Student appeared and passed in SLC Examination	193
Box 12(c)	Major Legislations Adopted by Ministry of Local Development in Fiscal Year 2009/10	224
Box 12(d)	Major Tasks Accomplished by Ministry of Peace and Reconstruction	267

## List of Tables

<b>Table No.</b>	<b>Subject</b>	<b>Page</b>
Table 1(a)	World Economic Growth Rate	1
Table 1(b)	CPI Based Rate of Inflation	2
Table 1(c)	Total Domestic Demand	3
Table 1(d)	World Trade	4
Table 1(e)	Economic Growth Rates of Nepal and Neighboring (SAARC) Countries	5
Table 2(a)	Ratio of Fiscal Heads to Total Government Expenditure	16
Table 2(b)	Ratio of Government Expenditure and Revenue to GDP	17
Table 2(c)	Capital and Principal Repayment and Sources	18
Table 2(d)	Fiscal Deficit	28
Table 3(a)	CPI-based Annual Point-to-Point Inflation Rate	30
Table 3(b)	Point to Point Urban Consumer Price Index	31
Table 3(c)	Average Urban Consumer Price Index	32
Table 3(d)	Point to Point National Urban Consumer Price Index	33
Table 3(e)	National Wholesale Price Index	35
Table 3(f)	National Salary and Wage Rate Index	36
Table 4(a)	Bank Rate, Refinancing Rate and Cash Reserve Ratio	42
Table 4(b)	Factors Affecting Money Supply	44
Table 4(c)	Change in Reserve Money	45
Table 4(d)	Open Market Operations	46
Table 4(e)	Interest Rate in 91-days Treasury bills, Inter-bank and Fixed deposit	48
Table 4(f)	Number of Banks and Financial Institutions	49
Table 4(g)	Some Indicators of Banks and Financial Institutions	49
Table 4(h)	Indicators of Financial Expansion and Deepening	50
Table 4(i)	Commercial Bank Branches	52
Table 4(j)	Status of Non-Performing Loan of Commercial Banks	53
Table 4(k)	Transaction Details of Rural Self-Reliance Fund	58
Table 4(l)	A Glimpse of Activities of Saving and Credit Cooperatives	59
Table 4(m)	Negative Net-worth of NBL and RBB	61
Table 4(n)	NPA out of Total Credit	62

Table 4(o)	Status of NBL and RBB	63
Table 5(a)	Primary Market Trend	74
Table 5(b)	Secondary Market Trend	76
Table 6(a)	Status of Foreign Trade (First Eight Months)	84
Table 6(b)	Gross Foreign Exchange Reserves	89
Table 6(c)	Foreign Exchange Trend	92
Table 6(c)	Prices of Oil and Gold in the International Markets	92
Table 7(a)	Poverty Measures (1995/96 and 2003/04)	95
Table 7(b)	Comparative Indicators of Nepal Demographic Surveys 2001 and 2003	100
Table 7(c)	Grants Disbursement of Poverty Alleviation Fund	102
Table 7(d)	Findings of Nepal Labour Force Survey, 2008	104
Table 7(e)	Country-wise Employment Situation	104
Table 8(a)	Productivity of Agricultural Crops	111
Table 8(b)	Description of Credit Flow, Recovery and Outstanding Loan	116
Table 8(c)	Description of Cooperatives Operating throughout Nepal	118
Table 8(d)	Industries Permitted for Foreign Investment FY 2008/09	124
Table 8(e)	Foreign Investment by Countries	124
Table 8(f)	Industries Permitted for Foreign Investment in 2009/10	125
Table 8(g)	Industries Permitted for Foreign Investment by Mid March 2010	126
Table 8(h)	Targets and Achievements of Ministry of Tourism and Civil Aviation	131
Table 9(a)	PEs Failed to Complete Annual Auditing	142
Table 9(b)	Number of Board Directors in some Public Enterprises	143
Table 9(c)	Discrepancies in Government Accounting for Share Investment in Public Enterprises	144
Table 9(d)	Discrepancies in Accounting of Government Lending to Public Enterprises	144
Table 9(e)	Unfunded Potential Liabilities of Public Enterprises	145
Table 9(f)	Divested and Liquidated Public Enterprises	147
Table 9(g)	Government Investment for Payment of Liabilities of Public Enterprises	150
Table 10(a)	Status of Alternative Energy in Nepal	156
Table 10(b)	National Parks at a Glance	161
Table 10(c)	Wild Life Reserves at a Glance	161

Table 10(d)	Conservation Areas at a Glance	161
Table 10(e)	Buffer Zones at a Glance	162
Table 11(a)	Road Networks in Nepal	163
Table 11(b)	Number of Vehicles	164
Table 11(c)	Activities under the Transportation Sector	165
Table 11(d)	Geographical Distribution of Postal Offices	172
Table 11(e)	Description of Telecommunication Services users/ Service Providers by mid-March 2010	173
Table 12(a)	Schools Transferred to communities	179
Table 12(b)	Progress of Community based Child Development Centres	180
Table 12(c)	Description of Martyr's Memorial Boarding School Students	184
Table 12(d)	Food for Education Program	185
Table 12(e)	Trainings Conducted by the Council	186
Table 12(f)	School, Student and Teacher Ratio	190
Table 12(g)	Teacher Student Ratio in Academic Year 2009/10	190
Table 12(h)	Schools by Development Regions	191
Table 12(i)	Details of the Affiliated HS Schools by Development Regions	194
Table 12(j)	Number of Students Appeared and Passed in Annual Examination	195
Table 12(k)	Campuses and Students under Various Universities	196
Table 12(l)	Details of Major Academic Programs	197
Table 12(m)	Institutions/Faculties under TU	199
Table 12(n)	Non-technical Human Resource Production by TU	200
Table 12(o)	Technical Manpower Production of TU	201
Table 12(p)	M. Phil. and Ph.D. Registration under TU	202
Table 12(q)	Services Availed by TU Teaching Hospital	202
Table 12(r)	Services availed by TU Veterinary Medical Teaching Hospital Rampur	204
Table 12(s)	Student Enrollment/Production Status of Purbanchal University	207
Table 12(t)	Students Enrolment in Nepal Sanskrit University	209
Table 12(u)	Students Studying at Pokhara University in Academic Year 2008/09	213
Table 12(v)	Scholarships Awarded by Pokhara University	214
Table 12(w)	Medical Specialists Registered with Nepal Medical Council	223
Table 12(x)	Achievements on Physical Infrastructure Development	230

Table 12(y)	Allowances in Social Security Program	231
Table 12(z)	Formula of Grant Allocation in Local Bodies	241
Table 12(aa)	Internal Income of Local Bodies	243
Table 12(ab)	Major Achievements of Women Development Program	246
Table 12(ac)	Status of Foreign Employment	249
Table 12(ad)	Skilled Oriented Training Details	249
Table 12(ae)	Progress of Rural Drinking Water and Sanitation	263
Table 12(af)	Expenditure in Peace and Reconstruction Sector	267

## List of Charts

<b>Chart No.</b>	<b>Subject</b>	<b>Page</b>
Chart 1(a)	Real GDP Growth Rate	5
Chart 1(b)	Sectoral GDP Growth	10
Chart 1(c)	Sectoral Contribution to GDP	12
Chart 2(a)	Growth Rate of Government Expenditure and Revenue	19
Chart 2(b)	Commitment and Disbursement of Approved Foreign Aid	25
Chart 2(c)	Fiscal Deficit Government Loan and Domestic Borrowings	28
Chart 3(a)	Change in Consumer Price Index	29
Chart 3(b)	Average Urban Consumer Price Index	31
Chart 3(c)	National Urban Consumer Price Index	32
Chart 4(a)	Growth Rate of Money Supply	44
Chart 4(b)	Change in Major Factors Affecting Money Supply	45
Chart 4(c)	Interest Rate of Treasury Bills 91-Days, Inter-bank and Fixed Deposits	48
Chart 4(d)	Deposits, Loans and Advances of Commercial Banks	51
Chart 4(e)	Deposits, Loans and Advances of Finance Companies	55
Chart 4(f)	Provident Fund, Loan and Investment of EPF	55
Chart 5(a)	Primary Issue	74
Chart 5(b)	Market Capitalization	75
Chart 5(c)	Paid-up Value and Turnover	76
Chart 5(d)	NEPSE Index	77
Chart 6(a)	International Trade	83
Chart 6(b)	External Sector Situation	88
Chart 6(c)	Foreign Exchange Holding of Banking System	89
Chart 8(a)	Production Status of Major Food Crops	108
Chart 8(b)	Foreign Currency Earning from Tourism	133
Chart 10(a)	Electricity Generation and Consumption	154
Chart 11(a)	Extension of Road Facilities	163
Chart 11(b)	Extension of Telephone Facilities	173
Chart 12(a)	Number of Public Schools	190
Chart 12(b)	Region-wise Details of Schools (Government, Community and Private)	192
Chart 12(c)	Students Enrollment	193
Chart 12 (d)	Expansion of Health Service	220
Chart 12 (e)	Expansion of Health Facility	221



# Acronyms

ADB	- Asian Development Bank
ADSL	- Automatic Dependent Subscribers Line
AFIS	- Aeronautical Flight Information System
AGM	- Annual General Meeting
AIDS	- Acquired Immune Deficiency Syndrome
AIP	- Aeronautical Information Publications
AITIC	- Agency for International Trade Information & Cooperation
AMHS	- ATS Message Handling System
AMT	- Aircraft Maintenance Technician
ANM	- Assistant Nurse Midwife
AOC	- Air Operation Certificate
API	- Annual Parasite Incidence
ARI	- Acute Respiratory Infection
ART	- Antiretroviral Therapy
ASA	- Air Service Agreement
ATM	- Air Traffic Management
ATS	- Air Traffic Services
ATSEP	- Air Traffic Safety Electronic Personnel
AusAid	- Australian Aid
AVSEC	- Aviation Security
BCG	- Bacille Calmette-Guérin
BDS	- Bachelor of Dental Science
BDSPPO	- Business Development Service Provider Organization
BIMSTEC	- Bay of Bengal Initiative for Multi- Sectoral Technical and Economic Cooperation
BSP	- Bio-gas Support Program
CAAN	- Civil Aviation Authority Nepal
CAC	- Comprehensive Abortion Care
CAP	- Corrective Action Plan
CAP	- Community Action Process
CBD	- Convention on Biological Diversity
CB-IMCI	- Community-Based Integrated Management for Child Illness
CBR	- Community-Based Reform
CCTV	- Closed Circuit Television
CD	- Credit to Deposit

CDCF	- Community Development Carbon Fund
CDM	- Clean Development Mechanism
CDMA	- Code Division Multiple Access
CDS	- Central Depository System
CEDAW	- Convention on Elimination all forms of Discrimination Against Women
CEO	- Chief Executive Officer
CEOC	- Comprehensive Emergency Obstetric Care
CER	- Certified Emission Reduction
CFIT-	- Control Flight into Terrain
CICL	- Credit Information Center Limited
CITES	- Convention on International Trade and Endangered Species
COSCAP-SA	- Cooperative Development of Operational Safety and Continuing Airworthiness Program – South Asia
CPR	- Current Prevalence Rate
CRC	- Camera Ready Copy
CTEVT	- Council for Technical Education and Vocational Training
CUTE	- Common User Terminal Equipment
CYP	- Couple Year of Protection
DAG	- Disadvantaged Group
DCP	- Designated Check Pilot
DDC	- District Development Committee
DFID	- Department for International Development, UK
DGHR	- Dangerous Goods Handling Requirements
DI	- Ductile Iron
DI pipes	- Ductile Iron pipes
DOLIDAR	- Department of Local Infrastructure Development and Agriculture Road
DOTs	- Direct Observation Treatments
DPMAS	- District Poverty Monitoring and Analysis System
DPPR	- Disaster Preparedness Program Review
DPR	- Detailed Project Report
DPT	- Diphtheria, Pertussis and Tetanus
DRF	- Debt Relief Fund
DTH	- Direct to Home
EC	- European Community
ECD	- Early Childhood Development
EDV	- Electronic Diversity Visa
EFA	- Education for All

EIA	- Environmental Impact Assessment
EIF	- Enhanced Integrated Framework
ENT	- Ear, Nose and Throat
EOC	- Emergency Obstetric Care
EPZ	- Export Processing Zone
EU	- European Union
EWARS	- Early Warning Reporting System
FD	- Flight Data
FISIM	- Financial Intermediation Services Indirectly Measured
FM	- Frequency Modulation
FNCCI	- Federation of Nepalese Chamber of Commerce's and Industry
FOB	- Free on Board
FOR	- Flight Operation Requirement
FY	- Fiscal Year
GAVI	- The Global Alliance for Vaccines and Immunization
GCE	- General Certificate of Education
GDP	- Gross Domestic Product
GFATM	- Global Fund for AIDS Tuberculosis Management
GHC	- Grievance Hearing Cell
GMPCS	- Global Mobile Personal Communication System
GNI	- Gross National Income
GPS	- Global Positioning System
GSM	- Global System for Mobile Communications
GNSS	- Global Navigation Satellite System
GTZ	- Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
GYE	- Gynecologist
ha	- hectare
HIV	- Human Immunodeficiency Virus
HIV/AIDS	- Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
HPAI	- Highly Pathogenic Avian Influenza
HSEB	- Higher Secondary School Education Board
HSS	- Higher Secondary School
ICAO	- International Civil Aviation Organization
ICT	- Information and Communication Technology
IDA/PRSC	- International Development Association/Poverty Reduction Strategy Credit
IEC	- Information, Education and Communication
IEE	- Initial Environment Examination

IFAD	- International Fund for Agricultural Development
IFRS	- International Financial Reporting Standards
ILO	- International Labour Organization
ILS	- Instrument Landing System
IMCI	- Integrated Management of Child Illness
IMF	- International Monetary Fund
ISDN	- Integrated Services Digital Network
ISIC	- International Standard Industrial Classification
IT	- Information Technology
ITU	- International Telecommunication Union
IUD	- Intrauterine Device
IUSOAP	- ICAO Universal Safety Oversight Audit Program
JE	- Japanese encephalitis
JICA	- Japan International Cooperation Agency
JITCO	- Japan International Training Corporation Organizaion
KFW	- German Development Fund
KG	- Kilo Gram
Km	- Kilo Meter
KOICA	- Korean International Cooperation Agency
KU	- Kathmandu University
KUKL	- Kathmandu Upatyaka Khanepani Limited
LDO	- Light Diesel Oil
LGCDP	- Local Governance and Community Development Program
LIBOR	- London Inter-Bank Offered Rate
LMFF	- Liquidity Monitoring and Forecasting Framework
LOA	- Letter of Agreement
MBBS	- Medicinae Baccalaureus et Baccalaureus Chirurgiae (Latin), (Bachelor of Medicine, Bachelor of Surgery)
MC	- Minimum Conditions
MCPM	- Minimum Conditions and Performance Measures
MD	- Doctor of Medicine
MDA	- Mass Drugs Administration
MDGs	- Millennium Development Goals
MDR	- Milti-Drug Resistant
MDs	- Masters in Dental Surgery
MfDR	- Management for Development Results
MOU	- Memorandum of Understanding
M.Phil	- Master of Philosophy

MS	- Master of Science
MT	- Metric Ton
MTEF	- Mid-Term Expenditure Framework
MTO	- Mineral Turpentine Oil
MUAN	- Municipalities Association of Nepal
MW	- Medium Wave
NASC	- Nepal Administrative Staff College
NATTA	- Nepal Association of Tour and Travel Agents
NBL	- Nepal Bank Limited
NCAR	- Nepal Civilian Authority Regulation
NCASTP	- National Civil Aviation Security Training Program
NCD	- Non-Communicable Diseases
NDHS	- Nepal Demographic and Health Survey
NFHP	- National Family Health Program
NGO	- Non-Government Organization
NLSS	- National Living Standards Survey
No.	- Number
NPA	- Non-Performing Assets
NPL	- Non-Performing Loan
NRB	- Nepal Rasta Bank
NSIC	- Nepal Standard Industrial Classification
NTCS	- Nepal Trade Competitiveness Study
NTV	- Nepal Television
OBS	- Obstetric
OFID	- OPEC Fund for International Development
OMO	- Open Market Operation
OPD	- Out-Patient Department
OPV	- Oral Polio Vaccine
OVOP	- One Village One Product
P1	- Priority First
PABX System	- Public Telephone Exchange System
PATA	- Pacific Area Travel Agency
PBM	- Performance-Based Monitoring
PCF	- Per Capita Funding
PCO	- Public Call Operator
PGDP	- Population Gender and Development Program
PhD.	- Doctor in Philosophy
PLR	- Personnel Licencing Requirement
PMAS	- Poverty Monitoring and Analysis System
PMEU	- Program Monitoring and Evaluation Unit

PMTCT	- Prevention of Mother to Child Transmission
PNC	- Post-Natal Care
PPIS	- Project Performance Information System
PPP	- Public-Private Partnership
PPP	- Purchasing Power Parity
PPR	- Peste Des Petits Ruminants
PRSP	- Poverty Reduction Strategy Paper
PSI	- Population Service International
PSTF	- Partial Subsidy Tuition Fee
PSTN	- Public Subscriber Telephone Network
RBBL	- Rastriya Banijya Bank Limited
RCAG	- Remote Center Air/Ground
RFF	- Rescue Fire Fighting
RUPP	- Rural-Urban Partnership Program
RWRMP	- Rural Water Resource Management Project
SAFTA	- South Asian Free Trade Area
SAPTA	- SAARC Preferential Trading Arrangement
SARPs	- Standard and Recommendation Practices
SBA	- Skilled Birth Attendant
S.No.	- Serial Number
SOL	- Single Obligor Limit
SDC	- Swiss Development Cooperation
SEZ	- Special Economic Zone
SITC	- Standards International Trade Classification
SLF	- Standing Liquidity Facility
SLR	- Statutory Liquidity Reserve
SMD	- Strengthening Maintenance and Development Process
SNA	- System of National Accounts, 1993
SOP	- Standard Operation Procedures
SPS	- Sanitary and Phytosanitary
STI	- Second-Tier Institution
SW	- Short Wave
TA	- Technical Assistance
TB	- Tuberculosis
TDP	- Teachers Professional Development
TIA	- Tribhuvan International Airport
TITV	- Thai International Television
TOR	- Terms of Reference
TOT	- Training of Trainer

TRADE	- Tariff Relief Assistance for Developing Economies
TT	- Tetanus Toxoid
TU	- Tribhuvan University
TYIP	- Three-Year Interim Plan
UDLE	- Urban Development through Local Efforts
UDLE/RUPP	- UDLE/Rural-Urban Partnership Program
UN	- United Nations
UNCTAD	- United Nations Conference on Trade and Development
UNDP	- United Nations Development Program
UNFPA	- United Nations Fund for Population
UN-HABITAT	- United Nations Human Settlement Program
UNICEF	- United Nations Children's Fund
UNSECAP	- UN Social and Economic Commission for Asia and the Pacific
UNWTO	- UN World Tourism Organization
USAID	- United State Aids
USAP	- Universal Security Audit Program
USOAP	- Universal Safety Oversight Audit Program
VCT	- Voluntary Counseling and Testing for HIV
VDC	- Village Development Committee
VHF	- Very High Frequency
VOR/DME	- Very High Frequency Omni Range / Distance Measuring Equipment
VRS	- Voluntary Retirement Scheme
VSAT	- Very Small Aperture Terminal
WHO	- World Health Organization
WLL	- Wireless Loop
WTO	- World Trade Organization

## Executive Summary

1. The world economy, which grew by 3.0 percent in 2008, is estimated to turn negative by 0.6 in 2009. The economic growth rates in all the groups of advanced economies, emerging and developing economies, developing Asia, Middle East and North Africa, Central and Eastern Europe and newly Industrialized Asian economies are estimated to remain lower in 2009 compared to that of 2008 and in 2008 as against that of 2007. Advanced economies, Central and Eastern Europe and newly industrialized Asian economies are expected to have negative economic growth rates in 2009. The economic growth rates are expected to be negative due to the contraction in both export and import after the global financial crisis reflected in the decline in their gross domestic demand. The projections of such growth rates at 4.2 percent for the year 2010 and at 4.6 percent for the year 2011 indicate that the impact of American Financial Crisis started from the early 2007 has started slowing down signaling further improvements in the time to come.
2. Most of the developed and developing countries have adopted flexible monetary and fiscal policies to recover their economies from recession and to contain the deepening impact of such recession. The need for continuing such policy relief measures for some further time has caused demand to rise and price to increase. The rate of inflation based on consumer price is estimated to go up even in 2010. Inflation rate is expected to remain high in Middle East and North Africa, emerging and developing economies, Central and Eastern Europe and developing Asia compared to that of advanced economies.
3. The impact of economic growth rate and inflation reflects in gross real domestic demand and adverse impact on income due to low employment opportunities causing decline in demand for internal and external goods and services for both consumption as well as investment purpose.
4. Nepal's two neighbors, China and India achieved 9.6 and 7.3 percent respective economic growth rates in 2008, with estimates of such growth rates limited to 8.7 percent and 5.7 percent respectively in 2009.
5. Nepal's economic growth rate in the current FY 2009/10 is estimated to decline. In comparison to 4.0 percent GDP growth achieved at producers' prices in FY2008/09, is estimated to grow in this fiscal year only by 3.5 percent.
6. Major factors attributable to slower growth in GDP are the decline in production mainly of monsoon (summer) crops due to adverse weather



situation and the expansion of economic activities under non-agriculture sector remaining not so favorable. Such performance of the economy below the expectation is mainly attributable to *bandhs*, strikes, labor problem, electricity supply problem and contraction in external market.

7. Non-agriculture sectors of the economy that recorded expansion in FY2009/10 in comparison to the previous fiscal year have been, mining and quarrying (from 0.7 percent to 4.2 percent); industry (from -1.0 percent to 2.6 percent); electricity, gas and water (from -0.9 percent to 0.5 percent); construction (from 0.9 percent to 6.6 percent); hotel and restaurant (from 3.0 percent to 8.5 percent); financial intermediation (from 1.5 percent to 1.6 percent); and real estate, rent, professional services (1.7 percent to 4.8 percent).
8. Other sectors except those mentioned above recorded lower growth in FY2009/10 in comparison to FY2008/09. These sectors are: agriculture and forestry (from 3.0 to 1.1 percent); fisheries (from 5.7 percent to 5.3 percent); Wholesale and retail trade (from 5.9 percent to 5.6 percent); transport, communication and warehousing (from 7.6 percent to 6.5 percent); public administration and defense (from 7.3 percent to 4.2 percent); education (from 11.3 percent to 6.5 percent); health and social works (from 11.2 to 5.6 percent); and other community, social and personal services (from 13.0 percent to 6.1 percent).
9. Observation of the sector-wise structure of GDP according to the ISIC classification shows, the shares of different sectors are, agriculture and forestry 33.0 percent, fisheries 0.5 percent, wholesale and retail trade 14.0 percent, transport, communication, and warehousing 9.8 percent, real estate and professional services 8.3 percent, education 6.7 percent, construction 6.6 percent and industry 6.3 percent. Likewise, the shares of the other remaining sectors to total GDP are, financial intermediation 4.1 percent, other community, social and personal services 3.7 percent, public administration and defense 2.0 percent, hotel and restaurant 1.7 percent, electricity, gas and water 1.5 percent, health and social works 1.5 percent and , mines and explorations 0.5 percent.
10. In recent years, there has been a steady growth in the tertiary sector with its increasing contribution to the Nepalese economy. This sector, which contributed 51.6 percent to the GDP in FY 2008/09, is not expected to change much with a share of 51.5 percent in FY2009/10. Likewise, primary sector in FY2009/10 is estimated to contribute 34.1 percent to total GDP compared to that of 33.2 percent in the previous year and secondary sector with a 15.2 percent share in the previous year is expected to be contained 14.4 percent. Tertiary sector, primary sector, and secondary sector are

expected to grow by 5.5, 1.2, and 3.9 percent respectively in FY2009/10. In the last fiscal year 2008/09, tertiary sector increased by 6.3 percent and primary sector by 3.0 percent whereas secondary sector recorded a negative growth rate of 0.3 percent.

11. The ratio of domestic savings to GDP at current prices, which stood at 9.7 percent in FY2008/09, slightly declined to 9.4 percent in FY2009/10 as compared to 11.2 percent in FY2007/08. Similarly, the ratio of national saving decelerated from 36.1 percent in FY2008/09 to 34.4 percent in FY 2009/10. The ratio of investment to GDP is expected to be 38.2 percent in FY 2009/10 as against that of 31.9 percent in the previous year. Ratio of net exports of goods and services to GDP, which remained negative by 18.9 percent in the previous year, is estimated to be excessively negative by 28.4 percent during this period.
12. Revenue mobilization increased by 33.3 percent in FY2008/09. Such growth was 22.7 percent in the corresponding period of its preceding year. Due to encouraging increase in revenue mobilization, the ratio of revenue mobilization to GDP is expected to stand at 15.1 percent in the current year. Such ratio was 14.5 percent in FY2008/09.
13. Both the domestic and foreign debts are increasing due to widening gap between the expenditure and income. Though, the ratio of outstanding debt to GDP has declined in the review period. The total outstanding debt, which stood at 37.4 percent during the first eight months of FY2008/09, has come down to 33.8 percent during the same period of FY2009/10. Both the external as well as domestic debt to total GDP ratios declined in this period. The ratio of foreign debt declined from 25.3 percent in the previous year to 23.3 this year and domestic debt to total GDP ratio remained at 10.5 percent in the review period as compared to 12.1 percent last year. In terms of outstanding debt in amount, it was 370.697 billion in mid-March 2009, comprising of Rs. 250.71 billion foreign and Rs. 119.98 billion internal, which grew by 7.8 percent (9.8 percent foreign and 3.7 percent domestic) totaling Rs. 399.75 billion comprising of Rs. 275.30 billion foreign and Rs. 124.45 billion domestic.
14. The Government of Nepal has invested total amount of Rs. 160.73 billion comprising of Rs. 86.13 billion as share investment and Rs. 74.60 billion as loans in 36 public enterprises by the end of 2008/09. By FY2007/08, it totaled to Rs.165.61 billion comprising of Rs.81.92 billion as shares and Rs. 73.69 billion as loans. In FY 2008/09 the Government of Nepal received Rs. 3.47 billion as dividend from public enterprises, which accounts for 4.0 percent of the total share investment. In FY 2007/08 the total amount received as dividend by the Government of Nepal was Rs. 1.51 billion.

15. Inflation rate in the current fiscal year has remained very high. The point-to-point based CPI, which rose by 13.1 percent in mid-March 2009, recorded a growth rate of 11.2 percent by mid-March 2010. During the same period, the wholesale price index, which grew by 12.3 percent last year, remained more or less at the same level of 12.3 percent this year. The GDP deflator price index, which went up by 15.8 percent in FY 2008/09, recorded a rise of 14.0 percent in FY2009/10.
16. In the current FY 2009/10 the growth rate of deposits of the banking system has been declining. The 14.3 percent growth in deposit mobilization observed in the first eight months of FY2008/09 grew only by 4.2 percent in the first eight months of FY2009/10.
17. Exports, which increased by 16.2 percent during the first eight months of FY2008/09 has deteriorated by 8.0 percent during the corresponding period of FY2009/10. Imports followed the rising trend with 43.9 percent growth in the review period of this fiscal year as compared to 26.3 percent growth recorded during the same period of the previous fiscal year. Likewise, remittance, which increased by 58.9 percent to Rs. 131.0 billion in the first eight months of the previous fiscal year, has gone up by 9.9 percent to Rs. 143.96 billion during the review period of this fiscal year.
18. The volume of trade deficit has been widening due to heavy increase in imports and decline in export. Due to heavy trade deficit, the balance of payment recorded a deficit of Rs 23.53 billion in the first eight months of FY 2009/10. However, import coverage of current level of foreign exchange reserve remains satisfactory. Obstacles in movements, deterioration in industrial relation, and uncertainty in the energy supply are the factors that have not been helpful for export promotion.
19. In comparison to 5.0 percent decrease in the number of visitors to Nepal in the calendar year 2008, the number of visitors grew though nominally in 2009 by 1.9 percent. In the numerical term, 500,277 tourists had visited Nepal during last year while the number reached to 509,752 in 2009. Average stay of tourist has marginally decreased from 11.78 days to 11.60 days in this period. This sector earned foreign exchange worth Rs. 27.96 billion in the first eight months of the current fiscal year, which stood at Rs. 16.82 billion during the review period of the preceding fiscal year.
20. Efficiency of the overall economic management has become questionable on the backdrop of adverse impact on living standards caused by deteriorating purchasing power with double-digit inflation and adversely affected economic development process due to low economic growth rate. There is an urgent need for wider reform initiatives on development efforts, investments, and regulatory areas for the expansion of the economy

on one hand and the economy has been facing undesired serious adverse supply shocks due to frequent closures (*Bandhs*,) strikes, *chakka* jams, energy crisis, labour problems etc on the other. Hence, it becomes important as well as urgent to formulate sufficient legal and administrative arrangements for complete ban on *Bandhs* and strikes for ever, especially movement of goods and people and effective enforcement of the same thereby saving people from ever looming uncertainty.

21. As development of social sector remains a major priority sector of the Government of Nepal, it has been raising the level of investment in this sector helping this sector to expand relatively satisfactorily. The overall literacy rate is increasing due to literacy campaign program conducted by the Government. In addition to government, investment and participation of the private sector is also expanding. The contribution made by Government and the private sector from primary to higher-level education has been encouraging. Consequently, the number of primary, lower secondary and secondary schools that stood at 30,924; 10,636; and 6,516 respectively in the academic year 2008/09 has gone up to 31,655; 11,341; and 6,928 respectively in the academic year of 2009/10. Similarly, in the previous academic year the total number of students was 6,994,000, which reached to 7,295,000 in this academic year. In addition to this, universities in Nepal are actively involved in producing highly qualified general and technical human resource of international standard. As a result, the number of students enrolling in different subjects and faculties at the universities in Nepal has been gradually increasing.
22. Under the basic health service, the Ministry of Health and Population and other entities under the Ministry along with the support from donor agencies conducted different programs for ensuring easy access of the people to health services. Different health related indicators and programs like decline in child mortality rate to 14 (per thousand live births), maternal mortality rate to 281 (per 100 thousand), providing free health treatment to tuberculosis patients , increase in the number of contraceptive prevalence rate to 41.6 percent, notable progress achieved in vaccine including polio, adopting controllable measures for the prevention from highly transmitted diseases, awareness program for the prevention from HIV/AIDS, conducting training programs for the capacity enhancement of health workers and increased people's access to Ayurvedic health service indicate positive achievement in health sector.
23. Development activities of smaller scales such as local roads, suspension bridges, drinking water, irrigation and physical infrastructure plans are taking place in coordination with concerned agencies as per the requirement, demand and capacity of the people at the local level. Besides,

programs creating public awareness are continuing. The Ministry of Women, Children and Social Welfare has been implementing various programs to protect and enhance the welfare of women, children, disables and senior citizens and to make every entity of the State accessible for them through skill development programs. The Ministry of Labor and Transport Management is conducting a number of programs for the available labor force in the country to make them skilled in the technical profession through training provisions and provide secured employment opportunity to those going for foreign employment thereby contributing to the economy through inward remittance.

24. Government of agencies and authorities concerned with carrying out activities related to social security programs for backward communities, disables, senior citizens, urban development, drinking water, and sanitation are engaged towards achieving the goal of poverty reduction as envisaged in the Interim Three-year plan.

## Macro Economic Indicators

Description	Unit	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 *
Economic Activities										
<i>Real GDP</i> in Basic prices including Financial Intermediation	Annual % Change	0.2	3.8	4.4	3.2	3.7	2.8	5.8	4.0	3.5
<i>**Agriculture</i>	Annual % Change	3.1	3.3	4.7	3.5	1.9	1.0	5.8	3.0	1.2
<i>**Industry</i>	Annual % Change	0.7	3.1	1.5	2.9	4.4	4.0	1.6	-0.3	3.9
<i>**Services</i>	Annual % Change	-1.8	3.7	6.8	3.3	5.6	4.5	7.3	6.3	5.5
<i>Real GDP</i> at Producers' Prices	Annual % Change	0.1	3.9	4.7	3.5	3.4	3.4	6.1	4.9	4.6
<i>Real Percapita GDP</i>	Annual % Change	-2.0	1.6	2.5	1.5	1.5	1.4	3.8	1.5	2.3
<i>Percapita Gross National Income (at constant prices)</i>	Annual % Change	-2.5	1.6	2.3	2.1	1.9	1.7	3.8	2.9	2.2
<i>Gross Domestic Products (at Current Prices)</i>	Annual % Change	4.1	7.1	9.0	9.8	11.0	11.3	12.1	21.5	19.3
<i>Gross National Income (at Current Prices)</i>	Annual % Change	3.5	7.1	8.9	10.5	11.5	11.6	12.0	21.8	19.1
<i>Gross National Disposable Income (at Current Prices)</i>	Annual % Change	3.6	7.6	9.3	11.1	14.0	10.1	16.5	24.5	18.1
<i>Percapita GDP</i>	US Dollar	255	261	293	328	350	390	464	467	562
<i>Percapita GNI</i>	US Dollar	254	261	292	329	352	394	469	472	568
<i>Percapita GNDI</i>	US Dollar	292	301	339	383	420	464	573	589	703
<i>Real GDP</i> in Basic prices including financial intermediation	billion Rs.	427.40	442.13	464.83	480.34	499.54	515.13	545.30	567.61	588.53
<i>**Agriculture</i>	billion Rs.	162.40	167.80	175.77	181.98	185.36	187.18	198.07	204.03	206.39
<i>**Industry</i>	billion Rs.	72.22	74.45	75.56	77.76	81.15	84.41	85.79	85.56	88.87
<i>**Services</i>	billion Rs.	192.78	199.87	213.50	220.61	233.03	243.54	261.44	278.02	293.27
<i>Real GDP</i> at Producers' Prices	billion Rs.	442.05	459.49	481.00	497.74	514.49	532.04	564.52	591.93	619.03
<i>Real Percapita GDP</i>	Rs.	18682	18990	19467	19754	20043	20332	21108	21416	21905
<i>Percapita Gross National Income(at constant prices)</i>	Rs.	18658	18964	19406	19809	20194	20540	21313	21924	22417
<i>Gross Domestic Products (at Current Prices)</i>	billion Rs.	459.44	492.23	536.75	589.41	654.08	727.83	815.66	991.32	1,183
<i>Gross National Income (at Current Prices)</i>	billion Rs.	458.8	491.6	535.1	591.0	659.0	735.3	823.6	1003.1	1195.1
<i>Gross National Desposable Income (at Current Prices)</i>	billion Rs.	527.0	567.1	620.0	688.8	785.2	864.3	1006.4	1252.6	1479.1
<i>Percapita GDP</i>	Rs.	19410	20340	21694	23300	25290	27525	30171	35865	41851
<i>Percapita GNI</i>	Rs.	19385	20312	21626	23365	25482	27806	30465	36290	42291
<i>Percapita GNDI</i>	Rs.	22265	23433	25056	27227	30359	32684	37227	45316	52340

Description	Unit	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 *
Gross Consumption/GDP	%	90.5	91.4	88.3	88.4	91.0	90.2	90.2	90.3	90.6
Gross Domestic saving/GDP	%	9.5	8.6	11.7	11.6	9.0	9.8	9.8	9.7	9.4
Gross National Savings/GDP	%	24.2	23.8	27.3	28.4	29.0	28.6	33.2	36.1	34.4
Gross Fixed Capital Investment /GDP	%	19.6	19.9	20.3	19.9	20.7	21.1	21.9	21.3	21.3
*Government/GDP	%	3.7	2.9	2.6	2.7	2.6	3.2	3.6	3.7	4.1
*Private/GDP	%	15.5	16.3	16.3	15.7	17.2	16.9	15.7	14.7	14.6
Gross Investment /GDP	%	20.2	21.4	24.5	26.5	26.9	28.7	30.3	31.9	38.2
Gap between Gross Domestic Saving and Gross Investment/GDP	%	-10.8	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.2	-28.8
Net exports of goods and Services (Export-Import)/GDP	%	-10.9	-11.3	-11.1	-13.1	-14.7	-15.2	-16.5	-18.9	-28.4
*Imports /GDP	%	28.5	28.5	29.5	29.5	31.3	31.7	33.3	34.6	38.1
*Exports/GDP	%	17.7	15.7	16.7	14.6	13.4	12.9	12.8	12.4	9.2
Total Population	Million	23.7	24.2	24.7	25.3	25.9	26.4	27.0	27.6	28.3
Price										
Consumer Price Index#	% change	2.9	4.8	4	4.5	8	6.4	7.7	13.2	10.7
GDP Price Deflator	% change	3.9	3.1	4	5.9	6.9	7.3	5.6	15.8	14.0
*Primary	% change	3.6	0.7	2.8	3.5	4.4	6.1	3.3	20.3	20.0
*Secondary	% change	4.8	4.1	5.4	5.5	3.6	5.7	11.0	13.3	7.5
*Tertiary	% change	3.8	4.7	4.5	7.8	9.9	8.3	5.3	13.6	11.9
*Wholesale Price Index@	% change	4.9	3.8	4.1	7.3	8.9	9.0	9.1	12.8	13.3
Salary and Wages Rate Index&	% change					3.9	9.8	9.7	15.4	13.9
*Salary	% change					0.3	6.3	10.9	10.5	13.8
*Wages	% change					5.3	10.9	9.4	16.9	14.0
Public Finance										
Revenues	% change	3.2	11.5	10.9	12.5	3.1	21.3	22.7	33.3	24.6
Total Government Expenditures	% change	0.3	4.9	6.5	14.7	8.1	20.5	20.8	36.1	20.9
*Recurrent Expenditure	% change	6.6	6.6	6.6	11.0	8.6	15.1	18.6	39.7	25.1
*Capital Expenditure	% change	-12.5	-9.8	3.3	18.4	8.1	34.2	34.7	36.6	19.4

Description	Unit	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 *
*Principle Payments	% change	13.1	48.6	12.9	25.4	5.4	17.4	-2.2	14.9	-1.9
<i>Debt Servicing (Principal &amp; Interest</i>	% change	17.5	32.6	7.1	13.9	3.4	12.2	-0.7	18.6	5.5
<i>Revenue/GDP</i>	%	11	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.1
*Tax Revenue/GDP	%	8.6	8.7	9.0	9.2	8.8	9.8	10.4	11.8	13.3
*Non-Tax Revenue/GDP	%	2.4	2.8	2.6	2.7	2.3	2.3	2.8	2.7	1.7
<i>Total Government Expenditure/GDP</i>	%	17.4	17.1	16.7	17.4	17.0	18.4	19.8	22.2	22.5
*Recurrent Expenditure/GDP	%	10.6	10.6	10.3	10.5	10.2	10.6	11.2	12.9	13.5
*Capital Expenditure/GDP	%	5.4	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.4
*Principal Payment/GDP	%	1.4	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.6
<i>Debt Servicing (Principal &amp; Interests)/GDP</i>	%	2.7	3.3	3.2	3.4	3.1	3.1	2.8	2.7	1.6
<i>Foreign Grants/GDP</i>	%	1.4	2.3	2.1	2.4	2.1	2.2	2.5	2.7	3.4
<i>Budget Deficit/GDP</i>	%	5.0	3.3	2.9	3.1	3.8	4.1	4.1	5.0	3.9
<i>Foreign Loan/GDP</i>	%	1.7	0.9	1.4	1.6	1.3	1.4	1.0	1.0	1.1
<i>Domestic Loan/GDP</i>	%	1.7	1.8	1.0	1.5	1.8	2.5	2.5	1.9	2.6
<i>Grants and Loans Received/GDP</i>	%	3.1	3.2	3.5	4.0	3.4	3.6	3.6	3.7	4.5
<i>Total Outstanding Debt</i>	billion Rs.	293.8	308.1	318.9	307.2	328.7	320.4	366.0	399.8	386.8
*Outstanding Domestic Loan	billion Rs.	73.6	84.7	86.1	87.6	94.7	103.8	116.0	122.8	140.7
*Outstanding Foreign Loan	billion Rs.	220.1	223.4	232.8	219.6	234.0	216.6	250.0	277.0	246.0
<i>Outstanding Debt per capita</i>	Rs.	12395	12731	12911	12142	12708.4	12117.0	12331.3	13505.0	13686.7
<i>Total Outstanding Debt/GDP</i>	%	63.9	62.6	59.4	52.1	50.3	44.0	44.9	40.3	32.7
*Outstanding Domestic Debt/GDP	%	16.0	17.2	16.0	14.9	14.5	14.3	14.2	12.4	11.9
*Outstanding Foreign Debt/GDP	%	47.9	45.4	43.4	37.3	35.8	29.8	30.6	27.9	20.8
<i>Outstanding Foregin Debt/Revenue</i>	%	436.4	397.4	373.5	313.2	323.7	247.0	232.3	193.1	137.6
<i>Outstanding Foreign debt/Export</i>	%	468.9	447.5	431.8	374.1	388.4	364.8	421.8	409.2	402.5
<i>Debt Service (Principal and Interest Payments)/Recurrent Expenditure</i>	%	25	31.1	31.2	32.0	30.5	29.7	24.9	21.1	17.8



Description	Unit	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 *
<i>Outstanding Foreign Debt/Foreign Exchange Reserve</i>	%	207.9	206.4	178.8	169.1	141.8	131.2	117.6	98.9	97.1
<b>Money and Banking</b>										
<i>Domestic Credit</i>	% change	10.4	10.4	9.9	13.8	7.8	16.7	20.4	25.7	17.3
*Private Sector	% change	5.2	13.2	14.3	14.2	14.4	12.3	24.3	28.3	18.3
*Net Government Credit	% change	22.4	5.9	1.8	11.3	10.4	10.4	11.2	20.4	13.7
<i>Share of the Private sector in the Banking Sector credit</i>	%	65.7	67.4	70.1	70.3	75.5	75.8	77.7	78.8	79.4
<i>Narrow Money Supply (M1)</i>	% change	9.3	8.6	12.2	6.6	14.2	12.2	21.6	27.3	12.3
*Currency	% change	15.2	2.2	11.1	8.8	13.3	7.4	19.9	25.5	18.1
*Current Deposits	% change	-3.5	25	14.4	2.2	16	22.8	25	30.5	2.1
<i>Broad Money Supply(M2)</i>	% change	4.4	9.8	12.8	8.3	15.6	14	25.2	27.7	12.4
*Time Deposits	% change	2.1	10.4	13.1	9.2	16.4	14.9	27	27.9	12.5
<i>Total Deposit (Commercial Banks)</i>	% change	1.4	10.3	14.7	7.7	15.8	15.3	26.0	30.4	9.6
<i>Total Deposits/GDP</i>	%	40.0	41.2	43.3	42.5	44.3	46.0	51.7	55.5	51.0
<i>Total Domestic Credit/GDP</i>	%	44.2	45.5	45.9	47.5	49.3	49.5	53.6	55.8	54.9
*Private Sector Credit/GDP	%	29	30.7	32.1	33.4	37.2	37.6	41.7	44.0	43.6
*Net Government Credit/GDP	%	13	11.9	10.7	10.8	10.9	11.2	11.2	10.6	7.2
<i>Narrow Money Supply/GDP</i>	%	16.8	17	17.5	17	17.3	17.4	18.9	19.8	18.7
*Currency/GDP	%	12.1	11.6	11.8	11.7	11.9	11.5	12.3	12.7	12.6
*Current Deposit/GDP	%	4.7	5.5	5.7	5.3	5.4	6.0	6.6	7.1	6.1
<i>Broad Money Supply/GDP</i>	%	48.8	50	51.7	51	53.0	54.3	60.7	63.8	60.2
*Time Deposit/GDP	%	32	32.9	34.2	34	35.7	36.9	41.8	44.0	41.5
<b>External Sector</b>										
<i>Export (Goods)</i>	% change	-15.6	6.4	8	8.9	2.6	0.9	12.0	14.2	-9.7
<i>Import (Goods)</i>	% change	-7.2	15.8	9.6	9.7	16.3	10.3	23.9	28.2	28.9
<i>Export/Import Ratio</i>	% change	43.7	40.2	39.6	39.3	34.7	30.5	26.7	23.8	16.7
<i>Trade Deficit</i>	% change	0.7	23.1	10.7	10.2	25.1	19.2	20.2	33.3	41.0
<i>Income from Tourism</i>	% change	-26.1	35.7	54.5	-43.3	8.7	6	84.2	49.9	-0.3
<i>Expenditure on Tourism</i>	% change	3.8	7.7	62.4	-3.3	23.4	32	32.2	50.5	8.0
<i>Remittance Income</i>	billion Rs.	47.22	47.54	54.20	58.59	65.54	97.69	142.68	209.70	224.29

Description	Unit	Fiscal Year								
		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 *
<i>Remittance Income</i>	% change	0.7	14	8.1	11.9	49	2.5	42.5	47.0	7.0
<i>Current Accounts Balance</i>	billion Rs.	18.16	11.62	14.60	11.55	14.23	-0.90	23.68	41.44	-27.60
<i>Export/GDP</i>	%	10.2	10.1	10	10	9.2	8.2	7.3	6.8	5.2
<i>Import/GDP</i>	%	23.4	25.3	25.4	25.4	26.6	26.8	27.2	28.7	31.0
<i>Trade Deficit</i>	%	-13.2	-15.1	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-25.8
<i>Income from Tourism/GDP</i>	%	1.9	2.4	3.4	1.8	1.5	1.4	2.3	2.8	2.4
<i>Expenditure on Tourism/GDP</i>	%	1.2	1.3	1.9	1.6	1.8	2.2	2.6	3.2	2.9
<i>Remittance Income/GDP</i>	%	10.3	11	10.9	11.1	14.9	13.8	17.5	21.2	19.0
<i>Current Accounts Balance/GDP</i>	%	4	2.4	2.7	2	2.2	-0.1	2.9	4.2	-2.3
<i>Balance of Payments</i>	Billion Rs.	-3.34	4.36	16.01	5.74	25.60	5.90	29.68	41.28	-19.57
<i>Foreign Exchange Reserves</i>	Billion Rs.	105.90	108.23	130.21	129.90	165.03	165.13	212.62	279.99	253.36
<i>Foreign Exchange Reserves</i>	% change	0.7	2.2	20.3	-0.2	27	0.1	28.8	31.7	-9.5
<i>Capacity of Reserves to Import</i> *Goods	Equivalen Months	11.6	10.4	11.5	10.4	11.4	10.2	11.5	11.8	8.4
*Goods and Services	Equivalen Months	9.8	9	9.7	8.8	9.6	8.4	9.3	9.7	7.3
<i>Exchange Rate**</i>	USD = Rs.	76.88	77.79	73.79	72.06	72.32	70.49	65.02	76.88	74.19

\* Annual Preliminary Estimates (Based on 8 month data)

# Base Year 1995/96 = 100

@ Base Year 2001/02 = 100

& Base Year 2004/05 = 100

% Change = Annual change in percentage

\*\* Annual Average of buying and selling rates, 11 months average of the current fiscal year.

Note: Ratio of GDP is calculated at the current producers' Prices. Some figures are updated accordingly as they are updated by the sources themselves.

# Major Challenges of the Economy

## 1. Economic Activities

- 1.1 Low economic growth rate has remained a major challenge in the economic development process of Nepal. Economic growth rate of 5.5 percent as envisaged by the three-year interim plan and targeted accordingly in FY2009/10 budget has been difficult to achieve due to a number of factors. Such major factors are frequent closures (*bandh*), strikes, labor problem, shortage of energy supply, and contraction in external market. Agriculture sector has been the major contributor in the Nepalese economy from production, employment, and livelihood aspects. Nepalese economy having background of planned development process for the last five decades, overcoming the weakness in irrigation system, a major contributor to agricultural development, is a major challenge in the agriculture sector.
- 1.2 Investment-friendly environment is an imperative condition for investment promotion. Persistent energy shortage, labour problem, and uncertainties came in the way of creating appropriate investment climate necessary to facilitate businesses, manufacturing industry and service sector to flourish. As a result, growth rate in the non-agriculture sector as targeted in the interim plan and current fiscal year has been difficult to achieve.
- 1.3 Consumption is increasing even amidst low economic growth rate thereby causing contraction in domestic saving. Therefore, another challenge of the economy is to create encouraging environment for saving.
- 1.4 Millions of Nepalese youths are going overseas for employment due to very low employment opportunities in the country. They are sending remarkable amount of remittances for the livelihood of their relatives in the country, which comes out to almost 21 percent of GDP. The large chunk of such remittance, however, is spent in consumption of imported consumer goods and real-estate purchases. As such, the inward remittance could not be mobilized as financial savings.
- 1.5 Economic activities could not be expanded to the extent as desired in absence of sustainable utilization of physical infrastructures created in the past through planned development efforts by carrying out their timely repair and maintenance on the one hand and making the best use of human resource developed so far on the other. It is a challenge for creating productive employment opportunities for the local labor force,

and those returned from foreign employment as well for the expansion of basic economic activities through optimum utilization of these resources.

- 1.6 Judicious and equitable distribution of means and resources is imperative for maintaining social harmony and peace. Promoting balanced and broad-based economic activities is the top necessity to face up to the challenge of gradually widening income disparity.
- 1.7 The country has enormous potential for raising GDP through maximum utilization of opportunities available in the areas of agro-processing and high-value herbs processing industries; tourism and hydropower; and education and health. Mobilization of domestic and foreign investments becomes very much necessary for enhancing the use of available exclusive natural wealth. Amidst the current uneasy atmosphere to attract investments, attention of all concerned needs to be drawn towards this reality. It is a challenging responsibility of creating interest of all concerned towards the fact that investments in such industries can make solid contribution towards reducing unemployment and poverty.
- 1.8 Relative importance of agriculture in Nepal's economy is expected to grow more in the days ahead. This sector occupies one-third share of GDP while its contribution especially to rural employment has been very high. The strong role agriculture plays in the national economy is evident from the fact that the country's more than 80 percent population live in rural areas with their dependence on agriculture as major source of income. Taking into consideration the current global food crisis, giving prime importance to adoption of improved agriculture system is necessary for attaining self-sufficiency in the agriculture sector. Return from agriculture sector to the extent desired has not been possible despite the priority accorded to ensure irrigation facility, organic fertilizer, warehousing, improved seeds, agriculture extension service, and construction of agricultural roads.
- 1.9 There is no doubt about economic activities to gain momentum if competitiveness could be enhanced by containing the cost the economy by easing movements and transport (of goods and services) by discouraging the present trend of creating frequent obstructions on roads transport. In addition, it is a challenge of expanding industrial and trading, and other commercial activities by bringing appropriate improvement in industrial labor relations.

## **2. Public Finance**

- 2.1 In FY 2009/10, the main characteristics of public finance sector observed are, encouraging revenue mobilization, comparatively satisfactory capital expenditure, and low budget deficit. It has been a challenging task

making the revenue mobilization process dynamic, better, efficient and productive in a sustainable manner for the growth of revenue surplus. Ensuring the maximum flow of resource to the capital investment is necessary for creating a sustainable base for attaining the objective of economic growth. Controlling non-prioritized and unproductive expenses has been a challenge towards achieving this objective.

- 2.2 On one hand, there is need to keep Government fiscal deficit within the desirable limit for maintaining economic balance, and on the other, it is necessary to increase public expenditure to materialize the commitments of the Government towards fulfilling limitless aspirations of the people. It has been a big challenge to maintain a balance between these two situations, and to make the transformation process of developing the economy of a country like Nepal more dynamic.
- 2.3 From the point of view of excessively heavy reliance on foreign aid for the Government executed development and construction works, there is the possibility of negative impact on the country's economic structure in the long-term and its overall economic equilibrium, with added potential risk to the health, sustainability, and strength of development efforts. Hence, it is necessary to make efforts to increase revenue, grant component in foreign aid, optimum utilization of resources through effective project management, improve recurrent expenditure management, and pay attention to the expansion of capital expenditure.
- 2.4 The widening gap between the Gross Domestic Savings Ratio and Investment will hinder regular development activities on one hand, while making resource management and foreign debt services more complex on the other. Therefore, it is necessary to give special attention to increase Gross Domestic Savings Ratio, control unproductive recurrent expenditure and increase productive utilization of development funds by maintaining foreign debts and services at a controllable level for sustainable Government finance and overall economic development of the country.
- 2.5 In recent years, the trend of revenue mobilization has remained encouraging to make the revenue mobilization more dynamic. To maintain this, there is a challenge to control tax leakages after identifying the possible leakage areas, and increase the revenue mobilization specially the VAT and income tax, which are the major instruments of tax revenue. Since, there is a need to enhance work efficiency, effectiveness and professionalism of revenue administration, a strong challenge has been there to make necessary arrangements for achieving desired results.

- 2.6 It has been challenging to institutionalize the progress made in revenue mobilization in the recent past. For this, the concept of establishment of Central Revenue Board could not be formalized yet.

### 3. Price and Supply

- 3.1 Food and Beverage Index with greater weight in the Consumer Price Index (CPI) is increasing by two digits since last year. The rise in food prices in the world and India, decreased food production this year, high population growth rate and supply hurdles are the main reasons for the surge in the prices. It is challenging to enhance the market monitoring system to facilitate market price determination system, and to control activities against the interest of consumers like, creating artificial shortages, changing prices drastically without any logical reason, and cartelling in sales and distribution of goods.
- 3.2 The country is facing the tragic co-incidence of having two digits price increase in the backdrop of stagnant pace of development process with low economic growth rate. Adverse impact on purchasing capacity in the living standard of the people has posed a big question mark in the overall macroeconomic management efficiency. Therefore, there is an urgent need for wider reform initiatives on development efforts, investment, and regulatory areas for the expansion of the economy; and at the same time the economy is experiencing undesired serious adverse supply shock due to frequent *bandhs*, strikes, *chakka jams*, energy crisis, labour problems etc.
- 3.3 Fluctuation in the POL prices in international market has its effect on the Nepalese price situation. There is no other better alternative than to adopt automatic price adjustment system to avoid the problem of resorting to sudden price hike measures like in the past.
- 3.4 The steep price rise of sugar and sugar products has also been one of the factors of inflation. Although import of sugar is the solution to ensure adequate supply of sugar in the short-term, the only long-term solution is raising the domestic production. For this, there is a need of consolidated effort of both on the part of Government and private sector. Ensuring regular operation of sugar factories expansion of sugarcane farming remains a challenge.
- 3.5 There is a need to improve the existing warehousing capacity to avoid the domestic food crisis emanating from the global food-crisis situation as experienced in the past. Likewise, due to open border, farmers store their agricultural produces across border in India creating dual pressure on prices of certain commodities. It is a challenge of maintaining buffer stock of commodities such as salt, oil, sugar, pulses and food grains at different buffer zones with the involvement of the Government and private sector

for getting rid of the problem to ensure smooth and regular supply of these commodities when needed.

- 3.6 Monetary expansion aggravates inflation necessitating continuous monitoring. Since stability is the major objective of monetary policy, one cannot argue on the importance of effective monetary management for maintaining its stability. Hence, there is a challenge to make the Open Market Operations (OMO) capable and robust, an important tool for the implementation of monetary policy towards maintaining price stability through better monetary management.
- 3.7 At present, there is a difficulty in the supply of necessities like food grains, salt, oil, sugar, and lentils (pulses) in some remote areas of Nepal. For this, it is necessary to create the situation of eased supply of necessities through the establishment of various storage centers with the consolidated involvement of the Government and private sector. It is also necessary to make provisions of air-conditioned vehicles for transportation of perishable agro-products like vegetables, fruits etc.
- 3.8 Proper mobilization of cooperatives that are scattered all over the country would smoothen the supply system so that price of goods and services could be closely monitored against the possibility of creating artificial shortages with unreasonable price hike. Therefore, it is a challenge to bring effectiveness in the supply of goods and services and their sales and distribution through the development and management of cooperative organizations.

#### **4. Money and Banking**

- 4.1. The financial system of the country is further deepening with the increased number of establishment and operation of banks and financial institutions. With nature of the banking business operating at high-risk environment, the degree of risk grows in proportion of business expansion. Hence, building wider and effective regulatory and supervisory mechanism to monitor the steadily escalating risk has become a challenge. It is also essential to make corporate governance and self-regulation aspects effective.
- 4.2. Since last few years, Nepal Bank Limited and Rastriya Banijya Bank Limited, having largest market shares in the Nepalese banking system, are under restructuring process under the Financial Sector Reform Program for improving the situation of these two banks. Though, some improvements have been achieved through restructuring, both these banks still have negative capital base. Adequate capitalization of these two banks remains a big challenge.

- 4.3. Prompt implementation of deposit insurance scheme is required for the economic development of the country by encouraging savings mobilization, utilizing savings for capital formation, promoting credibility of banks and financial institutions, protecting depositors' interest, and adopting best practices emerged in the international financial spectrum. It is equally important to be cautious of moral hazard in the financial sector with such scheme. There is a need of formulating and implementing deposit insurance/guarantee Act to cover as many as individuals and communities.
- 4.4. Establishment of a second tier institution (STI) through the enactment of umbrella Act for micro-finance has become essential to regulate, inspect and supervise institutions involved in micro-finance such as micro-credit development banks, saving and credit cooperatives and non-government organizations (NGOs).
- 4.5. There is a an immediate need of framing and executing the required laws, rules, manuals and programs for the effective implementation of Microfinance Policy 2008. It has become a challenge to ensure a sustainable financial source for Rural Self-Reliance Fund for providing access to financial resources and services through micro-financial institutions and cooperatives to remote rural and deprived sector. Also, continuity of the policy of encouraging the establishment of development banks and micro-finance in the remote and hills requires continuity.
- 4.6. It emerges as a challenge for making necessary arrangements to establish Asset Management Company and to strengthen Debt Recovery Tribunal as measures of reducing the level of non-performing loans (NPLs).
- 4.7. In line with the spirit and the urgency of Secured Transactions Act, operation of Secured Transaction Registry Office requires materialization.
- 4.8. The program related to automation and mechanization of the Credit Information Centre Limited (CICL) under the Financial Sector Reform Program needs to be prioritized and finalized within the specified time.
- 4.9. Establishment of a Credit Rating Agency has become a most for evaluating the achievements of financial institutions and for ensuring transparency in various aspects of their transactions. Such type of institution helps all the stakeholders benefit through the evaluation of achievements of banks and financial institutions as well as other corporate entities. Besides, such an arrangement makes financial market more competitive by controlling through the market process, helps in maintaining financial stability, and therefore, a Credit Rating Agency in the country in joint venture with renowned foreign institution will be appropriate to establish.



- 4.10. It is noticed that some institutions, in addition to rendering deposit, are mobilizing resources from the people going for foreign employment in the name of network marketing, in insurance, shares, and health related transactions without obtaining approval from financial intermediaries. Necessary action is needed to be in place to stop such activities with joint efforts of all the concerned stakeholders.

## **5. Capital Market**

- 5.1 Absence of access to reliable advice and suggestion to investors on stock and market opportunities has increased risk on investment in stock market. There is a need to increase the confidence of public investors by making the stock market more efficient and competitive with inducting new brokers in the market.
- 5.2 Emphasis should be given to enhance the institutional capacity of Security Board of Nepal by upgrading physical facilities, autonomy in financial matters, strengthening legal aspects, provision of adequate numbers of capable and technical human resources and improvement in internal governance system to enable the board to act as a competent regulatory body for regulating the stock market.
- 5.3 The secondary market for the Government Development Bond is not vibrant due to excessive (more than 99 percent) participation of organized institutions in the primary issuance; and the ignorance of the general investors about issuance of Development Bonds, and lack of facilities available in the secondary market transactions. Hence, there is the necessity of generating interest of the general investors through the promotion of extension services like training and coaching for encouraging them to participate in the primary market and making them aware of risks and benefits of secondary market as well.
- 5.4 It is necessary to accumulate the capital fund by issuing debentures in order to avoid the scarcity of investment instruments for institutional investors and to provide these instruments to them through Stock Exchange Market by making specific regulatory arrangement of Group and Unit Plans. In addition, institutions like Citizen Investment Fund and Employee Provident Fund, which mobilizes large amount of long-term saving needed to introduce modern financial management system to manage its fund, so that the fund with these institutions can be utilized in long-term profitable and productive sector through capital market.
- 5.5 In the backdrop of the development of concept of international securitization and transaction in South Asia, a autonomous and competitive Central Depository System of stocks is needed to make recently introduced electronic transaction system reliable, faster

ownership transfer and introducing easier way of identifying investors involved in transactions. Further, there are challenges on opening such facilities to Non-resident Nepalese and Foreign Institutional Investors and expanding the services both at national and international level.

- 5.6 In view of the private sector involvement in most of industries/businesses and in the absence of proper institutional culture among public companies, there is a need to develop and effectively implement the institutional governance principles and values to support the emergence and growth of the credible and reliable private sector.
- 5.7 It is challenging to make listed institutions transparent and responsible by introducing International Financial Reporting Standards (IFRS) to discourage the practices i.e. not completing the audit of their financial transactions in time, lack of comparability of audited financial statements, disclosing sensitive information in a favorable manner.
- 5.8 Centralized deposit system requires immediate implementation to address the ever-increasing complications in the financial system and support the development potentials of the capital market. Similarly, legal and regulatory barriers for merger and acquisition of small companies needs to be minimized to strengthen the capital fund of banks and financial institutions.
- 5.9 Lack of regulation and legal mechanism on trustee operation is adversely affecting the development of stock market, because, trustee is needed to protect the interest of clients participating in the institutional debentures, collective investment fund and depository services. Therefore, urgent enactment of trustee related Act is urgent.
- 5.10 In the present context of expanding commodity and future market, there is a need to devise a policy and legal system for regular monitoring and analysis by bringing into existing legal provisions and regulatory mechanism.
- 5.11 Absence of the Book Building Process in determining the share price has resulted excess pressure on share trading (offerings) at quoted price in the primary market, while share price in the secondary market is highly fluctuating. Stability and credibility of the stock market has been affected due to high share of stock in capital market, limited use and transaction of alternative forms of stocks and bonds, absence of Option, Future, Hedge Fund, etc. There is also the lack of integrated debenture market, low participation, or absence of institutional investors in stock market operation, lack of basic infrastructure in the capital market including rating agencies, lack of opportunities to choose secondary market operators, weakness in the flow of market information and institutional

governance. Lack of access to knowledge and information related to stock market operation among small investors, and low capacity of regulator to monitor and supervise stock market operation are other shortcomings felt in this area. These shortcomings related to capital market operation needs to be addressed in order to develop stock market as one of the important capital mobilization tools.

## **External Sector**

- 6.1 In the current situation facing deficit in the overall balance of payment with negative growth rate of export and substantial increment in import, attention needs to be focused on export promotion through improving policy, institutional and structural aspects. Nepal, on the one side, has to diversify market as well as product through identifying export potential products, seeking appropriate market for such products and enhancing competitive capacity and import substitution is needed by increasing domestic production of agro-based products including rice, milk, fruits and vegetables and construction materials including cement on the other hand.
- 6.2 Readymade garment processing zone will be appropriate to establish nearby dry port so as to cut down the cost to some extent in the context of highly competitive international market of Nepal's major exportable items-ready-made garment, *pashmina* and carpet. In addition to this, appropriate strategy needs to be in place to promote export to the European market and India of major exportable items especially ready-made garment, carpet and other potential items. Export of ready-made garment, which is taking place even in India in the recent years, is affected with additional duties levied from time-to time by the Government of India and effective initiations are to be taken to remove such trade barriers.
- 6.3 Export promotion is to be focused with major trading partner countries on bilateral prudential Agreement/negotiation basis as it will be easier to obtain favourable trade facilities and terms in bilateral arrangement compared to collective arrangement. Step needs to be taken to utilize facilities not only by being affiliated in the trading arrangement and groups of under-developed countries but also by forming the group of land-locked countries.
- 6.4 The Government needs to approve branding of items like tea and coffee as early as possible as branding has become increasingly important for

the promotion of exportable commodities in the international market. It is necessary to establish an international-standard laboratory in participation of the government and the private sector to test and certify the quality of metals used in handicrafts. A provision is needed to certify the quality, the use of organic fertilizer and bio-pesticides in producing Nepalese products (production) especially tea and coffee by an authorized agency. Export trade needs to be simplified by establishing internationally-recognized quarantine points to certify the quality of exportable agricultural products of Nepal.

- 6.5 There is high demand of flower and cut flower in Delhi, India currently met from far off Indian States. Nepal can take this advantage of this market. There is, however, a lack of policy and program to provide required technical and financial support for extensive expansion of floriculture in far western region.
- 6.6 The Government of Nepal has decided to celebrate the year 2011 as Nepal Tourism Year with the objective of establishing as a unique tourist destination through introducing Nepal as a Separate Tourism Brand in the international community. In this context, a number of efforts far short of the need such as tourism promotion, tourism infrastructure development, diversification of tourism industry, extensive publicity need to be addressed. In addition, increasing the number of tourist arrivals in Nepal through disseminating adequate and fair information about Nepal to tourists in the international community, discouraging unnecessary rumours about Nepal, stretching average length of tourist stay and encouraging quality tourism are some other steps necessary in that direction.
- 6.7 There is lack of policy on issues like extension of road transport and air services, concessional entry or visa fees for tourists from neighbour countries and package tourism to increase the number of Chinese and Indian tourist arrivals.
- 6.8 In the present context of outflow of billions of rupees through education and health service sector, enhancement of quality and capacity of these sectors has not developed.
- 6.9 New foreign airlines are expanding their services to Kathmandu because of passengers' inflow and outflow. The tendency of frequent travelling to and from abroad for foreign employment and study reason is growing. The growth rate of foreign currency has been declining due to continuous deterioration in the capacity of the only national flag carrier of Nepal.

- 6.10 Gravel, boulders, chips, and sand are the major items exported from Nepal. Export of such items earns foreign currency through trading of wastage items on the one side, while haphazard exploration on the other adversely affects the environment. Export with necessary regulation is required in order to sustain its long-term utilization and environmental protection.
- 6.11 Remittance, the major source of foreign currency, requires policy, institutional, and structural improvements for making it sustainable and mobilizing the same in investable activities. A conducive environment is lagging with regard to foreign employment especially the enforcement of labour agreement, permission to only semi-skilled and skilled work force as far as possible, provision of special passport for foreign employment and accordingly arranging exchange, interest rate and custom facilities for them.
- 6.12 Necessity of formation of a high-level mechanism is felt for taking comparative advantages from international trade by designing appropriate strategy and for addressing obstacles that might occur in the course of executing government policies and rules. The challenge is such that it will have to act as a centre for design and development of exportable items through studying, conducting research and analyzing changes in international customers' interests.

## **7 Poverty Alleviation and Employment**

- 7.1 In the present context of the nation's restructuring and transformation process, challenge lies in moving ahead through adoption of the policies and programs aimed at ensuring people's rights, access and equity so that the people and regions entrapped in the abject poverty besides being suppressed, weakened and sidelined for ages could be brought into the center-stage. There is a dire need for reassessing and restructuring the existing State structure and the related household, social, cultural, religious, and legal systems to equally benefit the poor and deprived gender, class and region. The nation currently faces a strenuous task of creating a feeling of expanded people's access and self-inclusiveness built on directly pro-poor, equitable, and effective measures in the process of redefining the structures of nation-state, power relations, and the governance.
- 7.2 The challenges lie in addressing urban poverty-related problems fostered through increased spatial mobility arising from the situations of conflict, its enhanced forms, and post conflict-stages, with the pressures of such

mobility centered on cities and locations offering more facilities and improved security conditions.

- 7.3 It is a challenging task to provide continuity to policies and programs on poverty reduction while narrowing down the gap between the rich and the poor in a situation whereby opportunities for productive employment have weakened, industrial sector has contracted, reliance on external resources has widened due to the remittances, and the problem of the landless has remained unabated.
  - 7.4 In order to ameliorate the conditions of the deprived group, region, gender, castes, ethnicities and people with different physical traits, the need for specialized, effective policy and program that is interventionist and transfer-oriented is utmost necessary. Besides, lack of an institutional structure for coordination, facilitation, and monitoring at the district-level is direly felt.
  - 7.5 The workforce of 400,000 entering annually in the labour market is compelled to seek foreign employment due to lack of employment opportunities amidst imbalance between the demand and supply of skill labour again in the country. The need of the day is to promote employment opportunities at domestic and foreign markets by equipping domestic workforce with new technology, qualitative knowledge, and skills.
  - 7.6 It is essential to make Nepalese workforce skilled and competitive so as to make the foreign employment dignified, secured and systematic. Labor agreements should be signed by identifying new destinations for foreign employment. The resources and capacities of the diplomatic missions should be upgraded and safe houses should be constructed and operated. There is also the need to review the wage of Nepalese workers abroad and service promotion fees, update the data. Similarly the need is to study and formulate an appropriate policy on foreign employment.
- 8. Agriculture, Industry and Tourism**
- 8.1. After the policy implementation for delivery of agriculture extension service with the involvement of the private sector, the organizational structure of the Ministry of Agriculture and Cooperatives has been changed with a view to deliver such services through the private sector thereby reducing the numbers of service center/sub-centers. But, the private sector could not be attracted to deliver extension services as expected.
  - 8.2. Lack of scientific and technical human resource, inadequacy of lab facility and equipment and dilapidated laboratory infrastructure for agricultural research has adversely affected research and testing functions.

- 8.3. Due to absence of the flow of formal information and coordination on the programs of NGO/INGO, the resources provided to the district are unknown causing the duplication of the program and misuse of resources.
- 8.4. Due to the geographical location of districts, project cost differs (for example small irrigation projects) from district to district for the same type of program. It has created difficulties in comparing the performance against the grant amount provided among districts.
- 8.5. Supply of chemical fertilizers is inadequate as compared to the demand. The excessive rise in the international market price has affected import of this commodity. The government has introduced a policy to provide fertilizers on the basis of cost participation. But, more than 80 percent of small and marginalized farmers could not access to fertilizer supply as per their demands. Though the farmers have not experienced the shortage of fertilizers due to availability through informal channels, there have been complaints of poor quality fertilizers getting imported in absence of quality monitoring leaving open the question of the possibility of soil quality degradation in the future.
- 8.6. Lack of adequate legal provision and dispute in land acquisition has caused delay in establishing Special Economic Zones (SEZ).
- 8.7. Slow pace of internal tourism development, lack of integrated system of immigration, customs, and tourism information center at border entry points and lack of adequate and trained human resource and resources in Tourism Offices are major challenges in the development of tourism.

## **9. Public Enterprises**

- 9.1 In FY 2008/09, out of 36 public enterprises with full ownership of Government of Nepal, 18 Public Enterprises are running in loss and number of public enterprises has negative net worth. Unfunded liabilities such as gratuity, pensions, provident fund etc. are being piled up. A tendency of more and more dependency on the Government is growing among the loss-making PEs. On the contrary, profit-making PE's are enjoying and demanding more facilities than necessary. Most PE's have not made their mandatory annual auditing while some others have not made it for many consecutive years. This has resulted in the decreased public confidence, which may negatively affect the process of reforming these PEs. Most PEs lack the access to appropriate and new technology, and operating capital, which is a great challenge for their progress and sustainability.
- 9.2 Overhead cost of public enterprises is increasing since they are not rightsizing the number of employees. Realization and commitments is

necessary on part of the concerned Ministries and Public enterprises of bearing responsibilities for their implementation (for cutting costs and bringing efficiency) as per the need of time. Lack of skilled human resources and hiring unnecessary unskilled work force in most PEs is another challenge.

- 9.3 The overall progress of the PEs does not seem satisfactory towards achieving the goals. With every change in Government, there is a change in the Board of Directors and Chief Executive Officers thereby decelerating the management and operation efficiency. There is a question of existence with some PEs finding no freedom in deciding their product's prices as per the market rate. The lack of coherent policy and mechanism for monitoring and follow-up of these PE's is another problem.
- 9.4 Implementation aspect of privatization of public enterprises is also challenging. There are problems of reconciliation of accounts and adjustments in already privatized enterprises and asset management of some liquidated and closed enterprises. The process of privatizing commercially unsustainable enterprises has remained stalled since some time. The task of privatization of public enterprises is challenging due to number of other problems including employee organizations.

## **10. Energy and Forestry**

- 10.1 Lack of expected investment-friendly environment and human as well as physical facilities matching with the passage of time, the development of electricity generation continues to be adversely affected. Moreover, the lack of peace and security, political instability and national commitment has added more challenges to the development of this sector.
- 10.2 The lack of eco-physical resources, problems in the construction and implementation process and inability to move according to the PPP concept are the major challenges for the development of renewal energy technology.
- 10.3 Forest management has been marred with number of problems like lack of enough resources for the development and preservation of forest, encroachments, less priority, illegal deforestation, and landslides.
- 10.4 Physical destructions of district, and area forest offices and range posts during the conflict period have been causing difficulty in program operations. Difficulty in controlling poaching activities, inability in checking encroachments in some national parks and reserves and buffer zones, and inability in containing damages caused by uncontrolled fire are also some more challenges.



## **11. Transport and Communication**

- 11.1 Maintaining the flight security in line with international standard by Nepal as an ICAO member country has been its major responsibility. It is therefore necessary to take initiative for the retention of current skilled employees and development of skilled human resource and experts including enough resources.
- 11.2 High-skilled human resource at professional level is required to operate technically more advanced aviation security related instruments but there has been no separate wing of skilled manpower in Nepal to operate such instrument and Nepal police have been carrying out functions as such with their ordinary skills. Therefore, necessary arrangements have to be made in order to develop human resource in this regard.
- 11.3 Due to Nepal's complex geographical structure, the only international airport in Nepal is facing difficulty to extend its operation. Hence arrangement for appropriate financial and technical resources is the need of time for installation of modern navigational and other instruments necessary for efficient and safe air service to attract maximum number of international airlines to Nepal.
- 11.4 Lack of appropriate human resource management in postal service and diversification of its services as required; inability to extend rural telecommunication services as per the commitment made by license holding telecommunication service providing companies; deterioration in quality of mobile telephone services due to inadequate supply of electricity; failure to extend the transmission signals of Radio Nepal and Nepal Television as expected; and difficulty in collecting Motion Picture Development fee have been other major challenges in this sector.

## **6. Social Sector**

- 12.1 Informal education and child development programs have not been effective due to lack of inter-ministerial coordination and lack of ownership among local bodies. Likewise, lack of clarity in function and responsibility between Ministry of Education and local bodies, lack of support from politicians in program operations, and lack of information management and reporting system in education sector at lower units are some of the major challenges.
- 12.2 There are problems in timely printing of textbooks due to delay in receiving authority and basis for spending the annual budgetary allocation, and lack of regular electricity supply. In the same way, education sector is badly affected due to geographical remoteness, natural calamities and general strikes etc. There are difficulties in delivery of food items,

maintaining its quality, its storage, and regular distribution under Food for Education Programme. Additional problems and challenges this sector is facing are non-presence of VDC secretaries, the main operators of literacy campaign, at their posting stations; non-fulfillment of the positions of District Education Officers in Terai districts and lack of integrated monitoring system.

- 12.3 The problems under Council of Higher Secondary Education include non-fixation of the qualified teachers, their service quality, and their number. Besides, absence of practical curricula, problem in conducting fair and quality examination, lack of equitable access in granting affiliation approval, and lack of consistency between education regulation and higher education regulations are other problems in this sub-sector.
- 12.4 Excessive pressure to admit number of students and lack of financial resources in Tribhuvan University has remained a challenge. In the similar fashion, education program and examination results of Purvanchal University are adversely affected due to strike, *bandh* and padlockings. Likewise, problems in Nepal Sanskrit University are encroachment and capture of its land, lack of resources to provide Ayurved education and prepare textbooks in different languages.
- 12.5 Despite the positive achievements in major indicators of health sector by organizing number of programs to provide access health services to the people by recognizing basic health services as their fundamental rights, it has remained a challenge to provide health services in villages and remote areas. Major challenges confronted are the low level of awareness, difficult geographical topography, weak economic condition, lack of sufficient qualified doctors, lack of health information system, and analytical capability.
- 12.6 There are number of problems and challenges in development work of local bodies due to absence of elected representatives, lack of VDC secretaries and technical staff, timely formulation of legal arrangements, encroachment in public land, and weak security. Reimbursements against expenditures made on projects have not materialized due to failure in timely submission of appropriate documents to the donor agencies. Lack of coordination and duplication by I/NGOs with local bodies in organizing programs according to the demand and need of the locals have caused ineffectiveness in the achievements of the programs. The budget, expenditure, and achievements of these I/NGOs are not available in integrated manner to the local bodies and the public. The provisions of ILO 169 are understood (and interpreted) differently at local levels, which have created problems in mobilizing local resources.

12.7 Establishing rights in the area of social security only through legal provisions without changing deep-rooted conservative norms and values in society has remained challenging. It has not taken expected momentum in economic, social and cultural transformation due to lack of awareness, unable to transform the work of women into income generation activities, unable to fulfill the commitments made in international forums on women and child rights and their expectations through limited means and resources. There were not enough programs to utilize the knowledge and skills of aged and handicapped, so that they can feel that they are not burden to the society. The I/NGOs still run their programs without consulting and coordinating with stakeholders about demands and requirements of local beneficiaries.

# 1. Economic Activities

## World Economy

### Economic growth

- 1.1 Global economy had expanded by 5.2 percent and 3.0 percent in years 2007 and 2008 respectively. The global economic growth in 2009, however, is expected to be negative by 0.6 percent. Global economic growth forecast for 2010 and 2011 is estimated to expand by 4.2 percent and 4.6 percent respectively. Such contraction is expected due to the contraction in both exports and imports resulted by reduced aggregate domestic demand. The effect of US economic crisis that started in 2007 is slowly improving with a trend of further improvement in the coming years. All groups of Advanced Countries; newly Emerged and Developing Economies; Developing Asia, Middle-East and North African countries; Middle and East European countries; and Newly Industrialized Asian Economies that recorded lower growth rate in 2008 than in 2007 are estimated to record further lower economic growth in 2009. Advanced Economies, Middle and East European Countries, and newly Emerging Asian Industrial Economies are estimated to record negative economic growth rate in the year 2009 also. Global economic growth rate is given in the following Table:

**Table 1(a) : World Economic Growth rate**

(Annual Percentage Change)

	2007	2008	2009	Forecast	
				2010	2011
<i>World Output</i>	5.2	3.0	-0.6	4.2	4.6
<i>Advanced Economies</i>	2.8	0.5	-3.2	2.3	2.4
<i>Emerging and developing</i>	8.3	6.1	2.4	6.3	6.5
<i>Developing Asia</i>	10.6	7.9	6.6	8.7	8.7
<i>African Countries</i>	5.6	5.1	2.4	4.5	4.8
<i>Middle-East Countries</i>	5.5	3.0	-3.7	2.8	3.4
<i>Newly industrialized Asian</i>	5.7	1.8	-0.9	5.2	4.9

Source: International Monetary Fund (World Economic Outlook), 2010

## Consumer Price

- 1.2 Almost every advanced and developing country had adopted expansionary monetary and fiscal policies to minimise the effect of recession. Necessity of continuation of such expansionary policies is felt for economic revival from recession. Price is increasing due to the rise in demand caused by the rate of economic recovery of especially of Developing Asia, other Developing Economies. This trend of price increase is expected to continue in 2010 as well. In developing countries where economic growth rate was 0.5 percent in 2008, inflation was 3.4 percent, while the growth rate recorded negative 3.2 percent in 2010, the rate of inflation was only 0.1 percent. In the same manner, the rate of economic growth and the rate of inflation also showed similar trend. The following table illustrates the trend of inflation.

**Table 1 (b) : CPI Based Rate of Inflation**

(Annual Percentage Change)

<i>Particulars</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Forecast</i>	
				<i>2010</i>	<i>2011</i>
<i>Advanced Economies</i>	2.2	3.4	0.1	1.5	1.4
<i>Emerging and Developing Economies</i>	6.5	9.2	5.2	6.2	4.7
<i>Developing Asia</i>	5.4	7.4	3.1	5.9	3.7
<i>African Countries</i>	10.0	13.5	6.6	6.5	6.4
<i>Middle-East Countries</i>	6.0	8.1	4.7	5.2	3.6

Source: International Monetary Fund (World Economic Outlook), 2010

## Total Real Domestic Demand

- 1.3 The effect of economic growth and rate of inflation in the global economy gets reflected in aggregate domestic demand. As employment opportunities decrease, it causes adverse impact on income of the people, which is reflected in reduction of demand for domestic and external goods and services for consumption and investment thereby resulting decrease in aggregate demand, and ultimately stagnating the economic growth. The

following table mirrors the status of demand forecast made for some advanced and emerging Asian economies.

**Table 1(c): Total Domestic Demand**

(Annual Percentage Change)

<i>Particulars</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Forecast</i>	
				<i>2010</i>	<i>2011</i>
<i>Advanced Economies</i>	2.8	0.5	-3.2	2.3	2.4
<i>United States of America</i>	2.1	0.4	-2.4	3.1	2.6
<i>EU Countries</i>	2.8	0.6	-4.1	1.0	1.5
<i>United Kingdom</i>	2.6	0.5	-4.9	1.3	2.5
<i>Canada</i>	2.5	0.4	-2.6	3.1	3.2
<i>Newly Industrialized Asian Economies</i>	5.8	1.8	-0.9	5.2	4.9

Source: International Monetary Fund (World Economic Outlook), 2010

- 1.4 Employment opportunities are expected to shrink due to slackened dynamism in economic activities resulting from decreased aggregate demand in Advanced Economies. Consequently, demand for foreign labours in these countries declines, causing the demand for fewer workers from developing countries. Decline in remittances, which have been a significant source of income for developing countries, have adversely affected causing serious concern against possible imbalance in their overall economies. Accordingly, the trend of decreasing demand for consumer goods from Advanced Countries may result in decreased export from Developing Countries. International Monetary Fund (IMF) has projected aggregate domestic demand in the Advanced Economies to stagnate at the level of 2007 with no improvement expected in 2010.
- 1.5 The impact of global financial and economic crisis is clearly reflected in the global trade scenario. The following Table illustrates the serious impact on the global trade caused by the rising trend in the price of petroleum products and food grains. The rate of growth of export from Advanced Economies and the Emerging Economies has been decreasing since 2008 and 2009, while that for both group of these economies in 2007 was 6.3 percent and 9.7 percent respectively. According to IMF forecast, the rate of growth of export from Advanced Economies and that from Emerging and

Developing Economies is estimated at 8.3 percent and 6.6 percent respectively in 2010. In 2007, the growth rate of imports of Advanced Economies stood at 4.7 percent while that of Emerging and Developing Economies was 12.7 percent. Compared to 2007, the rate of import for both the group of economy declined in 2008 whereas it recorded a negative growth in 2009. IMF has projected normal recovery in both imports and exports in 2010 and 2011.

**Table 1(d) : World Trade**

(Annual Percentage Change)

<i>Particulars</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Forecast</i>	
				<i>2010</i>	<i>2011</i>
Volume of World Trade (Goods and Services)	7.2	2.8	-10.7	7.0	6.1
<i>Exports</i>					
<i>Advanced Economies</i>	6.3	1.9	-11.7	6.6	5.0
<i>Emerging and Developing Economies</i>	9.7	4.0	-8.2	8.3	8.4
<i>Imports</i>					
<i>Advanced Economies</i>	4.7	0.6	-12.0	5.4	4.6
<i>Emerging and Developing Economies</i>	12.7	8.5	-8.4	9.7	8.2

Source: International Monetary Fund (World Economic Outlook), 2010

## Growth Rates of Neighbouring Economies

- 1.6 Economic growth rate for neighbouring countries, India and China, has been encouraging for the year 2007 and 2008. China achieved Growth rates of 13.0 percent and 9.6 percent respectively in these 2 consecutive years, while growth rates for India in the same period was 9.4 percent and 7.3 percent respectively. Economic growth rate for the year 2009 is estimated to be relatively lower for both these countries with 8.7 percent for China and 5.7 percent for India. The trend of economic growth in other countries of South Asian Association for Regional Cooperation (SAARC) has been mixed for those years. However, decline is observed in the growth rate in majority of these countries in 2009 as compared to 2008.



**Table 1 (e): Economic Growth Rates of Nepal and Neighboring  
(SAARC) Countries**

(Annual Percentage Change)

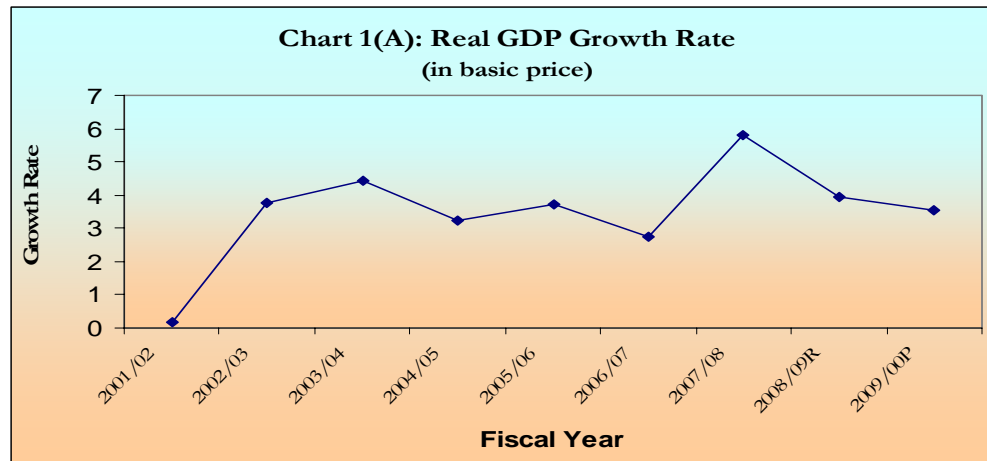
<i>Countries</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>Forecast</i>	
				2010	2011
<i>China</i>	13.0	9.6	8.7	10.0	9.9
<i>Afghanistan</i>	14.2	3.4	22.5	8.6	7.0
<i>Bangladesh</i>	6.3	6.0	5.4	5.4	5.9
<i>Bhutan</i>	19.7	5.0	6.3	6.8	6.6
<i>India</i>	9.4	7.3	5.7	8.8	8.4
<i>Maldives</i>	7.2	6.3	-3.0	3.4	3.7
<i>Pakistan</i>	5.6	2.0	2.0	3.0	4.0
<i>Sri Lanka</i>	6.8	6.0	3.5	5.5	6.5
<b>Nepal</b>	3.3	5.3	4.7	3.0	4.0

Source: International Monetary Fund (World Economic Outlook), 2010

## National Economic Activities

- 1.7 The real Gross Domestic Product (GDP) is estimated to grow only by 3.5 percent in the current fiscal year against the targeted 5.5 percent. According to revised estimate, GDP in the previous fiscal year grew by 4.0 percent. Various external and internal factors are responsible for failure in achieving the targeted GDP growth. Among the internal causes, only a moderate growth in the production of monsoon crops is estimated due to adverse monsoon condition. Similarly, economic activities in the non-agriculture

sector did not expand as desired due to closures, labour problems, interrupted electricity supply, and the contraction of external market.



## Agriculture Sector

- 1.8 Agricultural sector (agriculture and forest) is estimated to grow by 1.1 percent in the current fiscal year 2009/10 (at constant prices of 2000/01), against 3.0 percent growth in the previous year. Contribution of this sector to GDP for the current fiscal year 2009/10 is estimated to be about 33.0 percent against the previous fiscal year's 32.1 percent.
- 1.9 Reason for decline in production of monsoon crops is due to adverse monsoon condition. Food crops production in this fiscal year is estimated to decrease by 5.8 percent compared with the previous year based on Index of Agricultural Production. Particularly, production of paddy (rice) and maize crops are estimated to decline by 11.1 percent and 3.9 percent respectively. Production of vegetables, however, is estimated to increase by 7.3 percent as compared to the previous fiscal year. Similarly, production of other items in this category like fruits, meat, and milk is estimated to go up by 22.0 percent, 2.7 percent and 4.1 percent respectively. As per preliminary estimate, production of forest products will decrease by 0.3 percent in the current fiscal year.

## Fisheries

- 1.10 According to preliminary estimates, the fisheries sector will grow by 5.3 percent in the current fiscal year 2009/10. The sector recorded a 5.7 percent

growth in the previous fiscal year. This sub-sector has attained an average annual growth rate of 6.2 percent for the last five years.

### **Non agricultural sector**

- 1.11 The growth rate of the non-agriculture sector in the fiscal year 2009/10 is estimated to remain at 5.1 percent. This growth rate is slightly lower as compared to the growth rate of 5.7 percent attained in the previous year. The shortage of energy supply has been a major factor for lower growth rate of non-agriculture sector. One group of sub-sectors with lowest growth rate are electricity, gas and water supply, while another is financial intermediation. These sub-sectors are estimated to grow only by 0.5 percent and 1.6 percent in the current fiscal year 2009/10. These sub-sectors in the previous year had also recorded the lowest growth rates (negative 0.9 percent and 1.5 percent respectively).

### **Hotel and Restaurant**

- 1.12 This sub-sector's estimated growth rate of 8.5 percent in the current fiscal year is the highest among 15 sub-sectors of GDP. This sub-sector's growth in the previous year was 3.0 percent. The causal factors of this significant growth are the gradual revival from the effect of the global financial crisis and recession as well as the positive trend in the tourism sector. Contribution of the tourism sector to GDP is estimated to have increased notably with boost in the tourists inflow credited to improved peace and security. Despite average growth rate of 5.6 percent of this sub-sector in the last five years, its contribution to GDP has not reached even at 2.0 percent.

### **Construction**

- 1.13 This sub-sector is estimated to grow by 6.6 percent in the current fiscal year 2009/10 in comparison to 0.9 percent in the previous year. The overall growth rate of this sub-sector is satisfactory with rapid growth of constructions of buildings in the public and the private sectors, private homes, real estate development, and government offices in the Kathmandu valley and other urban areas. This sub-sector has recorded a satisfactory growth rate in the last five years averaging 4.5 percent annually while

contributing 6.7 percent to the GDP. Investment of the banks in real estate and housing sector has directly contributed for the development of this sub-sector.

### **Transport, Communication and Warehousing**

- 1.14 Growth rate of this sub-sector during the current fiscal year 2009/10 is estimated at 6.5 percent. This sub-sector had recorded 7.6 percent growth in the previous fiscal year. The sector could achieve such satisfactory growth especially due to gradual expansion of the communications sector. The sector would have achieved higher growth rate than the present estimates if it were not affected by frequent closures (*bandhs*) and load shedding. This sub-sector's achievement for the last five years is also worth mentioning. On the one hand, it has achieved an average growth rate of 7.1 percent while contributing 9.9 percent to the GDP on the other.

### **Education**

- 1.15 In the fiscal year 2009/10, this sub-sector is estimated to grow by 6.5 percent due mainly to the expansion in the government's budgetary allocation on education with an objective of development of social infrastructure and enhancing the quality of human resource in the social sector along complemented by the private sector's contribution to this sub-sector. Although the estimated growth in this sector is lower than 11.3 percent achieved in the previous fiscal year, this rate of growth is considered as satisfactory. The growth rate achieved by of this sub-sector over the last five years has remained satisfactory averaging 7.1 percent with 6.2 percent contribution to GDP during this period.

### **Wholesale and retail trade**

- 1.16 Growth rate of this sub-sector is assumed to be satisfactory. This sector is estimated to grow by 5.6 percent in the current fiscal year, which is little less than 5.9 percent growth, recorded in the previous year. The reason for such not so impressive growth is assumed primarily to stagnancy observed in the demand for marketable goods. Despite this sector's notable contribution of 13.7 percent to the GDP, average growth rate of this sector for the period is contained to 2.3 percent.

### **Real Estate, Rent and Commercial Services**

- 1.17 This sub-sector is estimated to achieve the growth rate of 4.8 percent in the current fiscal year as compared to lower growth rate of 1.7 percent in the previous year. Even though the productive sector could not be expanded, it is estimated that expansion in housing construction has made positive impact in the real estate and commercial services. This sub-sector has achieved an average growth rate of 7.0 percent for the last five years and contributed average 9.2 percent to the GDP.

### **Mining and quarrying**

- 1.18 Mining and quarry, one of the sub-sectors of the non-agriculture sector, which grew nominally by 0.7 percent in the previous fiscal year, is expected to improve with an estimated growth by 4.2 percent in the current fiscal year 2009/10. This sub-sector has been achieving annual average growth rate of 4.0 percent for the last five years.

### **Industry**

- 1.19 Manufacturing industry, one of the sub-sectors of the non-agriculture sector, recorded normal growth. This sub-sector is estimated to grow by 2.6 percent in the current fiscal year, as compared to negative growth of 1.0 percent in the previous fiscal year. According to Industrial Production Index, higher production of biscuits, iron rod, beverages, and noodles are expected to raise the contribution of the industry sub-sector to GDP growth. Despite the sub-sector's annual average contribution of 7.1 percent to GDP for last five years, its average annual growth rate has been the lowest with 1.1 percent only.

### **Electricity, gas and water supply**

- 1.20 In comparison to the previous fiscal year, production of this sector is estimated to grow by 0.5 percent in the current fiscal year. This sector had recorded a negative growth of 0.9 percent in the previous year. Although this sub-sector has recorded an average annual growth of 3.5 percent for the last five years, its contribution to the aggregate GDP is not significant.

### **Financial Intermediation**

- 1.21 Growth rate of this sub-sector is estimated to be only 1.6 percent in this fiscal year. The sub-sector had achieved 1.5 percent growth in the previous year. Reason for slowdown of the pace of financial intermediation has been

mainly due to energy crisis and other obstructions being faced by various branches of financial activities. Since financial intermediation has achieved 9.6 percent growth rate in the last five years, this sub-sector has made significant contribution to the economic development of the country.

### **Public Administration and Defence**

- 1.22 As per an estimate based on budgetary allocation and expenditure on public administration and defence, this sub-sector is estimated to attain a growth rate of 4.2 percent. This sub-sector had recorded a growth rate of 7.3 percent in the previous fiscal year. Likewise, this sub-sector's growth rate has remained at 4.1 percent on an average for the last five years.

### **Health and Social Works**

- 1.23 Growth rate of this sub-sector stood at 5.6 percent in the current fiscal year in comparison to 11.2 percent growth achieved in the previous year. This sub-sector is one of the major factors contributing to GDP growth in the review period. Budgetary allocation made with the State's commitment to make health services accessible to the people through its expansion, and expenditures made accordingly together with expanded health services in the private sector are the major factors contributing to the growth of this -sub-sector.

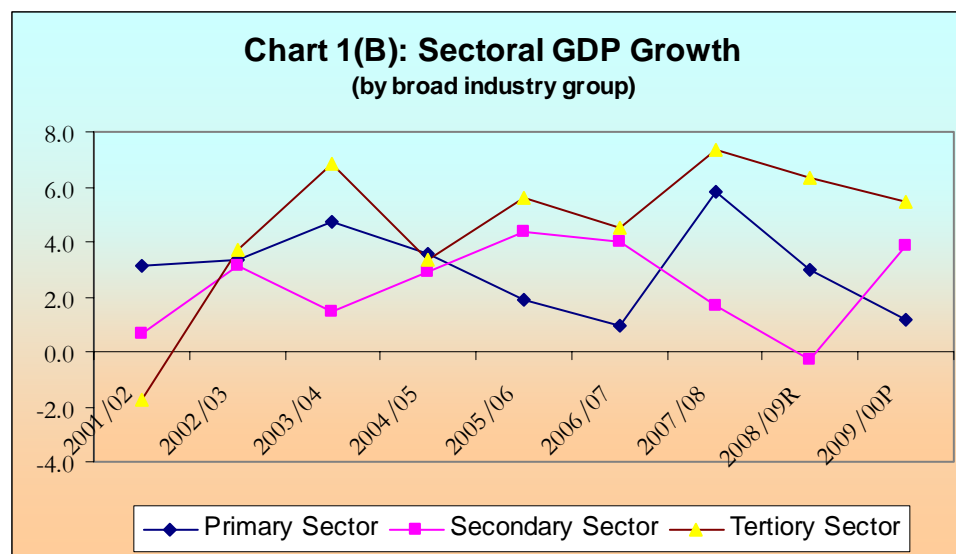
### **Other Community, Social and Personal Services**

- 1.24 This sub-sector is estimated to grow by 6.1 percent in the current fiscal year. This sector had achieved an encouraging growth of 13.0 percent in the previous year. This sub-sector comprises community services, other social and business services provided by the government. This sector has been able to achieve growth rate of 10.2 percent during last five years, which is highest among the sub-sectors.

### **Sector Details**

- 1.25 Based on analysis of the growth trend in recent years, the GDP growth of primary sector is estimated to remain at 1.2 percent in the current fiscal year 2009/10. This sector's growth in the previous year was 3.0 percent. Growth rate of the secondary sector comprising industrial production, electricity, gas and water supply is estimated at 3.9 percent in this period, up from the previous year's negative growth of 0.3 percent. Similarly, the tertiary sector includes various services. Growth rate of this sector in the

current fiscal year is estimated to be 5.5 percent as compared to growth rate of 6.3 percent in the previous year.

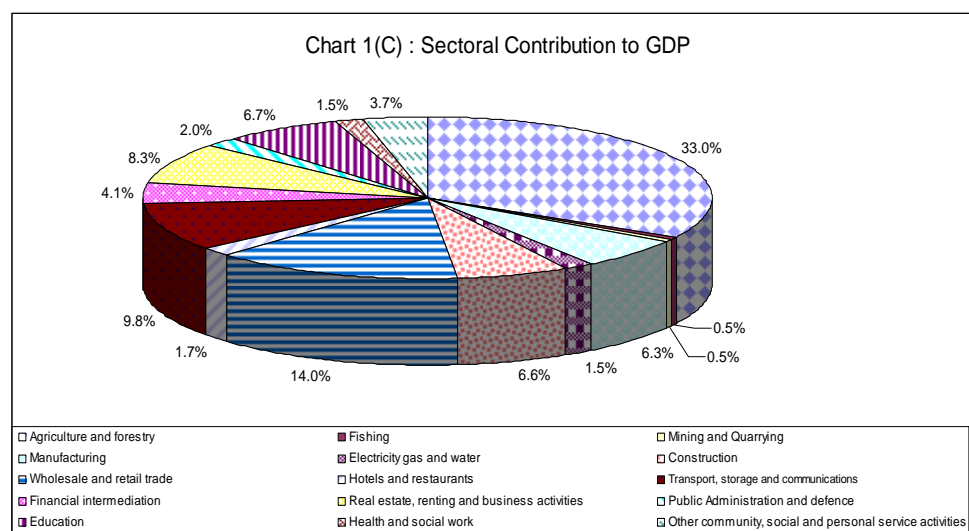


## Structure of Gross Domestic Production

- 1.26 Observation of the economic structure of the Nepalese economy based on the National Accounts Statistics received from the Central Bureau of Statistics (CBS) shows some notable changes in the last 9/10 years since the introduction of new series of GDP estimates in fiscal year 2000/01. Contribution of the primary sector to GDP (agriculture, forestry and fishery), which stood at 37.0 percent in 2000/01 is estimated at 34.1 percent in the fiscal year 2009/10 with a decline of 2.94 percentage points. Contribution of agriculture and forestry sub-sector under the primary sector decreased by 3.1 percentage points to 33.0 percent whereas that of fisheries increased by 0.5 percentage point during this period.
- 1.27 The secondary sector, also known as the industry group, includes mining and quarrying, processing industries, electricity, gas and water supply and construction. This sector's contribution is estimated to be 14.4 percent in fiscal year 2009/10 with a decrease of 2.5 percentage points as compared to the fiscal year 2000/01. The root cause for this is the decline of 2.8 percentage points in the contribution of this sector between these two periods thereby containing the contribution to 6.3 percent.
- 1.28 The tertiary sector also known as the service sector includes nine sub-sectors. These sub-sectors are trade and commerce, hotel industries,

transport, storage and communications, financial intermediation, real estate, public administration and defence, education, health, and other community, social and personal services. Contribution of this sector is estimated to grow by 5.4 percent and reach 51.5 percent in the current fiscal year 2009/10. Out of these sub-sectors, contribution of education has increased by 2.6 percentage points, transport and communication by 2.4 percentage points and the financial intermediations by 1.3 percentage points. However, the contribution of wholesale and retail trades decreased by 2.5 percentage points. It shows that Nepal has encouraged services than manufacturing.

1.29 As per the ISIC classified structure of GDP, agriculture sector occupied 34.1 percent at producer prices, with 65.9 percent occupied by the non-agriculture sector. In aggregate, no notable change is visible in the overall GDP structure during the last two years with 33.2 percent (agriculture) and 66.8 percent (non agriculture) sector in the previous year also. During the current fiscal year, sub-sectors showing the growth trend are agriculture, forestry and fisheries, wholesale and retail trade, hotel and restaurants, as well as public administration and defence. On the contrary, sub-sectors indicating reverse growth trend are manufacturing industries, mining and quarrying, electricity, gas and water, transportation, warehouse and communication, financial intermediation, and real estate, renting and commercial activities. Additionally education, health, social services, and other community, social and personal services have also followed such declining trend. The sectoral contribution of the GDP in the current fiscal year is also presented in the following chart





## Consumption

- 1.30 Income of one group or party means expenditure of another party or group in the economy. While analyzing expenditure based GDP structure, the consumption expenditure has climbed to 90.6 from 88.3 percent within a decade of the fiscal year 2001/01 to 2009/10 showing an increase of 2.3 percentage points. Gross Fixed Capital formation during this period grew to 21.3 percent from 19.2 percent with a growth of 2.1 percentage points. Net export of goods and services as a portion of GDP (balance after deducting imports from exports) during this period shot-up almost by 2.7 folds from the negative 10.7 percent 10 years ago to 28.8 percent.
- 1.31 On the consumption side, share of private sector consumption in GDP decreased by 1.5 percentage points to 77.5 percent during this period whereas the government consumption increased by 3.4 percentage points reaching 11.5 percent. The major reasons for rise in government consumption are the armed conflict, ever extending post-peace accord transition period, and political instability thus created.
- 1.32 Estimates on import and export of goods and services as a portion of GDP during the last ten years show that imports as a percent of GDP has increased by 4.8 percentage points climbing to 38.1 percent, whereas exports has steeply declined by 13.3 percentage points from 22.6 percent to 9.2 percent. In monetary term, import has increased by three folds reaching Rs 450.19 billion in ten years (2000/01 - 2009/10) whereas export is estimated to have grown by 9.6 percent in this period. In the fiscal year 2000/01, export was sufficient to cover 67.9 percent of the import, which is estimated to have decreased to 24.2 percent in the fiscal year 2009/10.
- 1.33 In the fiscal year 2009/10 total consumption is estimated to increase by 8.4 percent at constant prices reaching Rs 566.59 billion. In the previous year, total consumption stood at Rs 522.91 billion. Compared with the GDP, this amount accounts for 91.5 percent of the gross domestic production of the country. In the fiscal year 2008/09, total consumption was 88.3 percent of the GDP. In the fiscal year 2009/10 government is estimated to consume 11.5 percent of GDP, which was 11.0 percent in the previous year. Out of the total consumption of the private sector, looking at the structure of GDP consumed by the private sector in the fiscal year 2009/10, 57.4 percent went to food consumption, 29.9 percent on non-food, and 12.6 percent on services. Similarly, of the total private sector consumption of 59.5 percent of

GDP in the previous year, share of food grains, non-food items and services was 59.5 percent, 28.4 percent and 12.1 percent respectively. It shows that there has been no noticeable change in the consumption structure of the private sector with food items occupying major share in total consumption. Considering the consumption dynamics, total consumption has increased by 8.4 percent in the fiscal year 2009/10 of which the private sector's consumption is estimated to have increased by 7.8 percent and that of the government by 13.1 percent. In the previous fiscal year, respective growth rates of the private and public consumption was 5.7 percent and 9.7 percent respectively. The increased public consumption is due to the excessive growth in recurrent expenditure.

### **Savings**

- 1.34 In the current fiscal year 2009/10, the gross domestic savings in current prices has reached Rs 110.75 billion with a growth of 15.0 percent in comparison to 20.1 percent in the previous year. Despite the increase in both consumption and saving, it is estimated that saving will be limited to 9.4 percent with slight decline from 9.8 percent in the previous year. During the last decade (2000/01 – 2009/10) the domestic saving has declined by 2.30 percentage points from the earlier 11.7 percent of GDP.

### **Capital formation**

- 1.35 Gross capital formation in constant price is estimated at Rs. 228.14 billion in the fiscal year 2009/10, which is 36.9 percent of GDP. Gross capital formation is estimated to grow by 26.0 percent as compared to the previous year. In the previous year gross capital formation stood at 30.6 percent of GDP with a growth of 9.7 percent. In the current fiscal year, the share of fixed assets and change in stock in gross capital formation was 50.5 percent and 49.5 percent respectively. It was 60.5 percent and 39.5 percent respectively in the previous year. Out of the gross fixed capital formation in the fiscal year 2009/10, the estimated share of public sector is 21.8 percent and that of the private sector is 78.2 percent. In the previous year the share of public sector was 20.2 percent while that of the private sector was 79.8 percent. The figure suggests that the share of fixed capital formation in the public sector has increased whereas that of the private sector participation has decreased.

### **Net export of goods and services**

- 1.36 It is estimated that the import of goods and services at constant prices totalled Rs 245.04 billion and exports worth Rs 69.35 billion during the current fiscal year with the trade deficit of 175.69 billion. The trade deficit has increased by 56.9 percent against the increase of 20.0 percent in the previous year. This deficit in the current fiscal year comes out to 28.4 percent of the GDP as compared to 18.9 percent in the previous year. The rapid increase in imports and decrease in exports has resulted in the alarming level of trade deficit. In fiscal year 2009/10, earning from export of goods and services is estimated to cover 30.7 percent of import of goods and services at constant prices. In the previous year, earning of export was sufficient to cover 28.3 percent of imports. It is the positive reflection of 10.9 percent decline in earnings from export of services with likewise decline of 10.7 percent in expenditure in the current fiscal year as compared to 10.3 percent export earnings and 5.9 percent expenditure on imports in the previous fiscal year.

### **Disposable Income**

- 1.37 In Nepal, GDP forms the only basis for National Accounts analysis. Remittance inflow into the Nepalese economy is growing continuously since last decade. As such, disposable income of Nepalese people exceeds GDP. The total of earnings made by Nepalese within the country and net earnings made overseas is defined as disposable income. GDP in the fiscal year 2009/10 is estimated to grow by 19.3 percent and gross disposable income by 18.1 percent as compared to growth of 21.5 percent and 24.5 percent respectively in the previous year. GDP in the fiscal year 2009/10 is estimated to form 80 percent of gross national disposable income.
- 1.38 Based on this calculation, proportion of consumption out of gross national disposable income comes out to 72.5 percent with a gross national saving of 27.5 percent. In the previous year, these proportions stood at 71.5 percent and 28.5 percent respectively. Similarly, the gross domestic savings accounted for 7.7 percent and 7.5 percent of gross national disposable income in fiscal years 2008/09 and 2009/10 respectively. Here it is worth bearing in mind that gross domestic savings as a proportion of GDP in these two years stood at 9.8 percent and 9.4 percent respectively. Observation of the growth trend indicates that gross national disposable income, consumption and savings all have decreased in the fiscal year 2009/10 as compared to its preceding year. In this period, growth rate of gross consumption is higher than the gross disposable income while rate of

savings is lower. This clearly indicates that greater portion of increased marginal income goes for consumption.

- 1.39 National Accounts Statistics also provides insight into the distribution of Income status and dynamism of such distribution with the passage of time. Looking from this perspective, out of the gross disposable national income of Rs. 1,479,101.0 million, labours received Rs. 416,914.0 million in the form of salaries and wages while the business community shared Rs. 657,416.0 million as profit or mixed income. In percentage, labourers share was 28.2 percent and the businessmen's share comes out to be 44.4 percent. In fiscal year 2001/2002 (9 years ago) labourers and businessmen shared 39.1 percent and 42.2 percent of the gross disposable national income respectively. In this way, labourers share has come down by 10.9 percent while that of the business people's has gone up by 2.2 percent.

## 2. Public Finance

### Outline of Government Finance

2.1 The financial transaction statistics of the government of Nepal shows that total expenditure in the fiscal year 2008/09 was Rs. 219.66 billion, of which 58.2 percent was recurrent, 33.3 percent capital, and 8.6 percent repayment of principal. Expenditure trend of the past years shows share of recurrent expenditure in total expenditure is close to 60 to 62 percent between fiscal years 2001/02 and 2005/06. Such ratio has declined in subsequent years as expected. The share of capital expenditure in the total expenditure was about 26 percent between fiscal years 2002/03 and 2005/06 while it showed increasing trend in the subsequent years. Similarly, revenue mobilization covered about 63 to 70 percent of the total expenditure between fiscal years 2001/02 and 2008/09. During this period, total average revenue grew by 17.3 percent, while average growth rate of total expenditure remained at 17.8 percent.

**Table 2 (a): Ratio of Fiscal Heads to Total Government Expenditure**

<i>Descriptions</i>	<i>2001/02</i>	<i>2002/03</i>	<i>2003/04</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>
<i>Expenditure</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Recurrent Expenditure</i>	61.0	62.0	62.1	60.1	60.4	57.7	56.7	58.2
<i>Capital Expenditure</i>	30.9	26.6	25.8	26.7	26.7	29.7	33.2	33.3
<i>Principal Repayment</i>	8.0	11.4	12.1	13.2	12.9	12.6	10.1	8.6
<i>Income</i>	71.4	80.4	82.3	82.4	77.7	77.5	79.3	77.3
<i>Revenue</i>	63.0	66.9	69.7	68.4	65.2	65.7	66.7	65.3
<i>Foreign Grants</i>	8.4	13.5	12.6	14.0	12.5	11.8	12.6	12.0
<i>Saving (+)/Deficit (-)</i>	-28.6	-19.6	-17.7	-17.6	-22.3	-22.5	-20.7	-22.7
<i>Foreign Loan</i>	9.6	5.4	8.5	9.0	7.4	7.5	5.6	4.5

<i>Domestic Borrowings</i>	10.0	10.6	6.3	8.7	10.7	13.4	12.7	8.4
<i>Change in Reserves (-) Surplus</i>	9.0	3.6	2.9	-0.2	4.3	1.6	2.4	9.8

Source: FCGO, and Central Bureau of Statistics

- 2.2 The average fiscal deficit increased by 16 percent from the fiscal year 2002/03 to 2008/09. During the same period, share of fiscal deficit in the total expenditure continued to decline from 28.6 percent in the fiscal year 2001/02 to 17.6 percent in 2004/05. Though, there have been some increases in expenditure after this period, it is still less compared to the base year. Of the resources to finance total fiscal deficit in the fiscal year 2001/02, the share of Domestic Borrowings was 54.0 percent while there have been fluctuations in the share of such borrowing in the subsequent years. The share of Domestic Borrowing stood at 37.0 percent during the fiscal year 2008/09. The Cash balance after repayment of foreign loans is reflected as change in reserve deficit.
- 2.3 The ratio of total expenditure and revenue to GDP has increased in the fiscal year 2008/09 compared to that of 2007/08. The ratio of Government Expenditure increased to 19.8 percent in the fiscal year 2007/08, and 22.2 percent in 2008/09. The revenue ratio in the current fiscal year is 14.5 percent against the 13.2 percent in the previous year. The gap between revenue mobilization and total expenditure has reached 7.7 percent in the fiscal year 2008/09 from 6.6 percent in 2007/08.

**Table 2 (b): Ratio of Government Expenditure and Revenue to GDP**

(GDP at current producer's price)

(Percentage)

<i>Description</i>	<i>Fiscal Years</i>							
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<i>Recurrent Expenditure</i>	10.6	10.6	10.3	10.5	10.2	10.6	11.2	12.9
<i>Capital</i>	5.4	4.5	4.3	4.6	4.5	5.5	6.5	7.4

<i>Expenditure</i>								
<i>Principal repayment Expenditure</i>	1.4	1.9	2.0	2.3	2.2	2.3	2.0	1.9
<i>Net Expenditure</i>	17.4	17.1	16.7	17.4	17.0	18.3	19.7	22.2
<i>Revenue Mobilization</i>	11.0	11.4	11.6	11.9	11.1	12.0	13.2	14.5
<b>Difference between Expenditure and Revenue</b>	6.4	5.6	5.1	5.5	5.9	6.3	6.6	7.7

Source: FCGO, and Central Bureau of Statistics

2.4 The revenue surplus is considered as a sustainable source to finance the capital expenditure and principal repayments. The ratio of revenue surplus to the capital expenditure and principal repayments in the fiscal year 2008/09 was 17.1 percent while this ratio was 23.1 percent in 2007/08. Of the sources to finance capital and principal repayments, the share of foreign grants in the fiscal year 2008/09 has decreased by 0.4 percentage point and remained at 28.7 percent.. Similarly, such ratio of deficit financing in the fiscal year 2008/09 increased by 6.3 percentage point and reached 54.2 percent as compared to the previous fiscal year.

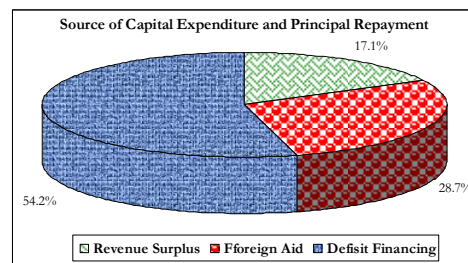
**Table 2 (c) Capital and Principal Repayment and Sources**

<i>Headings</i>	<i>2002/03</i>	<i>2003/04</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>
<i>Capital Expenditure &amp; Principal</i>	31,915.6	33,890.5	40,874.0	43,871.4	56,482.2	69,903.0	91,923.0
<i>a. Capital Expenditure</i>	22,356.1	23,095.6	27,340.7	29,606.6	39,729.9	53,516.1	73,088.9
<i>b. Principal Repayment</i>	955.95	1079.49	1353.33	1426.48	1675.23	1638.69	18,834.1
<i>Sources (percent)</i>							
<i>a. Revenue Surplus</i>	13.0	20.0	20.6	12.0	18.7	23.1	17.1
<i>b. Foreign Grant</i>	35.5	33.3	35.2	31.5	28.0	29.1	28.7

<i>c. Deficit Financing</i>	51.5	46.7	44.2	56.5	53.3	47.8	54.2
<i>c1) Foreign Loan</i>	(14.3)	(22.5)	(22.7)	(18.8)	(17.8)	(12.9)	(10.8)
<i>c2) Domestic Loan</i>	(27.8)	(16.5)	(21.9)	(26.9)	(31.7)	(29.3)	(20.0)
<b>c3) Change in Reserve</b>	(9.3)	(7.7)	(0.4)	(10.8)	(3.8)	(5.6)	(23.3)

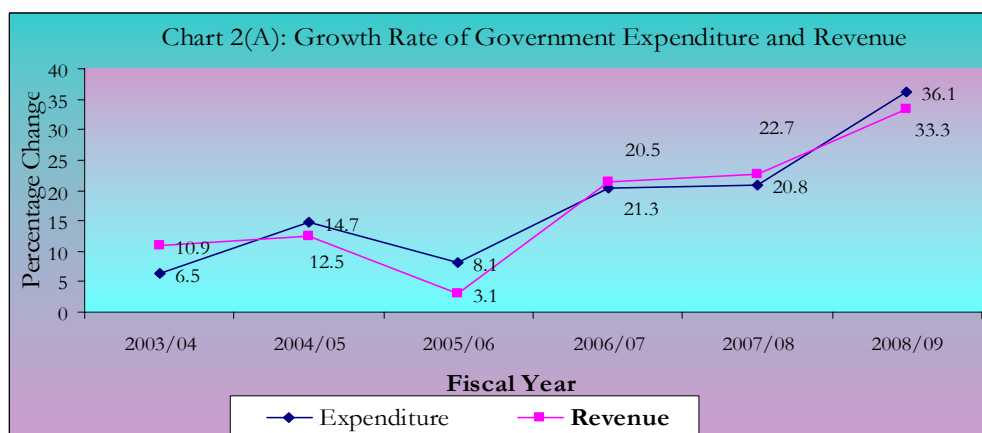
Source: FCGO

- 2.5 Of the sources of deficit financing, the share of foreign loan stood at 10.8 percent, share of domestic borrowings at 20.0 percent and the share of change in reserves 23.3 percent in the fiscal year 2008/9. The share of foreign loan was notable from the fiscal year 2004/05 up to 2006/07. In the fiscal year 2008/09, of the sources to finance capital and principal repayments, the share of revenue surplus stood at 17.1 percent, share of foreign grants 28.7 percent, and the share of deficit financing remained at 54.2 percent. The share of revenue surplus in the fiscal year 2008/09 is higher with 6.0 percentage point than that of previous year while share of foreign grants slightly increased by 0.4 percentage point.



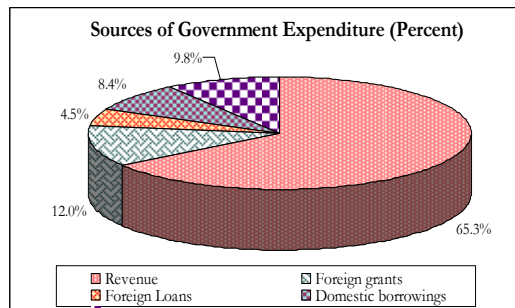
## Government Finance

- 2.6 The total government expenditure in the fiscal year 2006/07 had increased by 20.8 percent compared to the previous fiscal year, while it increased by 36.1 percent in 2007/08. Of this, recurrent expenditure was 18.6 percent while in the fiscal year 2008/09 it increased by 39.7 percent. The capital expenditure in the fiscal year 2007/08 had increased by 34.7 percent while it has increased by 36.6 percent in fiscal year 2008/09. As compared to the decrease of 2.2 percent in the fiscal year 2007/08, there is an increase of 14.9 percent in 2008/09 on repayment of principal.





- 2.7 The Government expenditure in the fiscal year 2008/09 totaled Rs.219, 661.9 million. Out of that total expenditure, revenue mobilization financed 65.3 percent, foreign grants 12.0 percent, foreign loan 4.5 percent, domestic borrowing 8.4 percent while change in reserves shared 9.8 percent. Among the sources of financing the total Government expenditure in the fiscal year 2007/08, revenue mobilization contributed 66.7 percent, foreign grants 12.8 percent, foreign loan 5.6 percent, domestic borrowings 12.6 percent and change in reserves shared 2.4 percent.



## Recurrent Expenditure

- 2.8 The recurrent expenditure in the fiscal year 2008/09 totaled Rs. 127,738.9 million, which is 39.7 percent higher than that of the previous fiscal year, which was Rs. 91,446.9 million for the previous fiscal year. Of the total recurrent expenditure, the share of constitutional bodies was 1.1 percent, general administration 13.2 percent, revenue and fiscal administration 0.9 percent, fiscal administration and planning 0.3 percent, judicial administration 0.6 percent and the share of foreign services was 0.9 percent. Likewise, share towards defense expenditure was 10.8 percent social service 37.1 percent, economic services 9.4 percent, principal interest payments 6.4 percent and share of miscellaneous expenditure was 19.2 percent.
- 2.9 Of the total recurrent expenditure in the fiscal year 2008/09, major portion of such expenditure (Rs. 47,437.9 million) was on education, health, drinking water, local development, and other social services. Similarly, other major recurrent expenditures were on general administration constituting Rs. 16,680.3 million, defense Rs. 13,748.4 million and economic services Rs. 12,052.6 million. In the same fiscal year, expenditure towards interest repayment of principal was Rs. 8,154.2 billion.
- 2.10 Analyses of major recurrent expenditures show that expenditure on social services grew by 35.2 percent in the fiscal year 2008/09 as compared to the previous fiscal year. During the same period, such expenditures on defense rose by 30.1 percent, general administration by 20.9 percent, judiciary administration by 20.5 percent, foreign services by 12.7 percent, economic

services by 31.0 percent, revenue and fiscal administration has declined by 32.2 percent and miscellaneous expenditures by 109.9 percent. Expenses on constitutional bodies, however, declined by 13.7 percent during this period whereas administration and planning expenses have increased by 5.1 percent. Expenditure on interest repayments increased notably by 36.3 percent in the fiscal year 2008/09 as compared to the previous fiscal year.

## **Capital Expenditure**

2.11 Capital expenditure in the fiscal year 2008/09 rose by 36.6 percent compared to the previous fiscal year totaling Rs. 73,089.0 million. Such expenditure in its preceding year was Rs. 53,516.2 million. Among the major components of capital expenditure, economic services expenditure remained at Rs. 31,999.9 million, social services at Rs. 34,056.8 million and defense at Rs.712.5 million. Likewise, capital expenditure on general administration stood at Rs. 1,781.7 million, judicial administration Rs.301.7 million, loan and investment Rs. 934.7 million, constitutional organs Rs. 84.7 million, revenue and fiscal administration Rs.131.8 million, fiscal administration and planning Rs. 41.2 million, foreign services Rs. 35.1 million, and miscellaneous expenditure Rs 3,002.7 million. On the total capital expenditure, economic services shared 43.8 percent, social services 46.6 percent, defense 1.0 percent, general administration 2.4 percent, judicial administration 0.4 percent, loan and investment 1.3 percent, constitutional bodies 0.1 percent, revenue and fiscal administration 0.4 percent, fiscal administration and planning 0.2 percent, foreign services and miscellaneous expenditures 4.1 percent. When compared to the capital expenditure of the fiscal year 2008/09 to that of 2007/08, such expenses on social service rose by 69.9 percent, economic service rose by 44.5 percent, defense rose by 11.9 percent whereas expenses on revenue and economic administration has declined by 31.1 percent. Similarly, expenditure on general administration and Judiciary has increased by 0.5 percent and 8.9 percent, respectively, against the decline of 40.8 percent on the expenses on economic administration and planning.

## **Principal Repayment**

2.12 In the fiscal year 2008/09, interest repayment on principal stood at Rs. 18,834.1 million. Such expenditure was Rs. 16,386.9 million in the previous fiscal year. Of the total principal repayment expenditures, the share of principal repayment against domestic borrowing remained at 46.3 percent and that of foreign loan 53.7 percent in the fiscal year 2008/09. When

compared to the previous fiscal year, principal repayment in the fiscal year 2008/09 against domestic borrowings has increased by 2.3 percent while that of foreign loan has decreased by 34.9 percent.

### **Expenditure Status of the First Eight Months of FY 2009/10**

- 2.13 Based on disbursement and operation of current accounts, total expenditure increased by 27.4 percent totaling Rs.146,240.4 million in the first eight months of the current fiscal year 2009/10 as compared to the same period of the last year. In the same period of the fiscal year 2008/09, such expenditure was Rs. 114,799.1 million. Of the total expenditure in the review period of the current fiscal year 2009/10, recurrent expenditure accounted for Rs. 101,076.2 million, capital expenditure Rs. 34,099.1 million and principal repayment Rs. 110,650.0 million. Recurrent expenditure for the first eight months of the current fiscal year 2009/10 totaled Rs. 77,327.8 million, capital expenditure Rs. 25,912.7 million, and principal repayment Rs.11,558.6 million. When compared to the first eight months of the previous fiscal year, recurrent expenditure has gone up by 30.7 percent and capital expenditure by 31.6 percent while expenditure incurred on principal repayment has decreased by 4.3 percent.

### **Revenue**

- 2.14 Revenue mobilization, foreign grants and loan, domestic borrowings and change in cash reserves are used as fiscal instruments for financing government expenditures. When compared to the fiscal year 2007/08, revenue mobilization in 2008/09 grew by 33.3 percent to Rs. 143,474.5 million. In the fiscal year 2007/08, revenue collection had increased by 22.7 percent as compared to its preceding fiscal year. The Government revenue had financed 66.7 percent of the total government expenditure in the fiscal year 2007/08 while this source contributed to 65.3 percent of the total expenditure in the fiscal year 2008/09.
- 2.15 Of the total revenue, shares of tax revenue and non-tax revenue in the fiscal year 2008/09 stood at 81.6 percent and 18.4 percent respectively. Such shares in the previous year were 79.1 percent and 20.9 percent respectively.
- 2.16 Tax revenue grew by 37.5 percent in the fiscal year 2008/09 compared to that of the previous fiscal year. Such revenue had increased by 19.7 percent in the fiscal year 2007/08 compared to its preceding fiscal year. Of the total tax revenue in the fiscal year 2008/09, the share of customs duty was 22.9 percent while the share of tax on production and consumption of goods and

services was 47.8 percent. Likewise, the share of land revenue and registration was 4.5 percent and that of the total of income, profit, and property tax was 24.8 percent.

- 2.17 Customs revenue grew by 27.2 percent on the tax revenue front in the fiscal year 2008/09 as compared to its preceding fiscal year while tax levied on production and consumption of goods and services rose by 36.4 percent. The total of income, profit, and property taxes increased by 44.4 percent and land revenue and registration fees by 77.6 percent. Of the customs revenue, revenue from imports increased by 28.8 percent while that from exports rose notably by 78.7 percent, and Indian excise refund increased by 7.1 percent in the fiscal year 2008/09. Excise duty levied on the production and consumption of goods and services has grown by 45.0 percent and Value Added Tax (VAT) grew by 33.2 percent.
- 2.18 Non-tax revenue increased by 17.9 percent to Rs. 26,422.6 million in the fiscal year 2008/09 compared to that of the fiscal year 2007/08. Of the total non-tax revenue, the share of fees, fines, forfeitures was 23.4 percent; income from government service and sales of goods 19.9 percent; dividend 27.2 percent; sales of royalty and government's properties 9.6 percent; principal and interest 17.5 percent; and miscellaneous non-tax revenue 2.4 percent. On the non-tax revenue front, the firm registration fees increased by 33.5 percent and the total of administrative fees, penalties, fines and forfeitures by 374.6 percent in the fiscal year 2008/09 as compared to the previous fiscal year. Dividend of service-oriented organizations rose by 128.1 percent and income of other government sectors by 4.5 percent. On non-tax revenue side, principal repayments from companies and enterprises rose by 31.8 percent while payments of interest rose by 43.7 percent in the fiscal year 2008/09 compared to the previous fiscal year.

### **Revenue Status as of Mid-March of FY 2009/010**

- 2.19 A total Revenue of Rs. 105,464.3 million has been collected by mid-March of the fiscal year 2009/10. Total revenue of Rs. 84,203.2 million was collected in the same period of the previous fiscal year. Thus, the rate of revenue growth has been 25.2 percent till mid-March of the fiscal year 2009/10 as compared to the same period of the previous fiscal year. Of the total revenue collection, Rs. 93,080.5 million came from the tax revenue, and Rs.12,383.8 million from non-tax revenues. The tax revenue growth rate registered 36.7 percent till mid-March of the current fiscal year 2009/10 as compared to the same period

of the previous fiscal year, while non-tax revenue grew by 23.2 percent more than in the previous period.

- 2.20 Customs revenue until mid-March of the fiscal year 2009/10 as compared to the same period of the previous year grew by 40.7 percent totaling Rs. 21,680.9 million. During this period, tax collection on production and consumption of goods and services rose by 48.0 percent to Rs. 48,787.4 million as compared to the same period of the previous fiscal year. Likewise, tax collection from imports rose by 48.4 percent in the review period and the share of import revenue on the total customs revenue of this year stood at 87.4 percent whereas this share was 82.9 percent during the same period of the previous fiscal year. Export tax revenue rose by 50.1 percent and the Indian Excise refund fell by 20.8 percent. Likewise, Registration fees increased by 16.8 percent, income tax (public sector ) by 15.5 percent and vehicles tax by 20.0 percent.

### **Foreign Aid**

- 2.21 The foreign aid commitment in the fiscal year 2008/09 registered a dismal growth of 2.5 percent as compared to 32.9 percent in its immediate preceding year. In monetary term, committed foreign aid was limited to Rs. 47,975.3 million in the fiscal year 2008/09 from Rs. 49,186.2 million in FY2007/08. Of the total foreign aid commitment for the fiscal year 2008/09, bilateral assistance constituted Rs. 27,196.5 million, whereas the multilateral assistance totaled to Rs. 20,778.8 million. While classifying the foreign aid into grant and loan components for the year, grants amounted to Rs. 43,095.7 million and loans to Rs. 4,879.5 million. Foreign grants during the fiscal year increased by 4.9 percent and loans decreased by 39.9 percent as compared to the previous year.
- 2.22 The sector-wise classification of foreign aid commitment for fiscal year 2008/09 shows the share of agriculture, irrigation and forestry as 3.6 percent, electricity 7.4 percent, local development 26.1 percent, education 2.7 percent, transport and communication sector 12.5 percent and others 33.9 percent.

### **Grants and Loan**

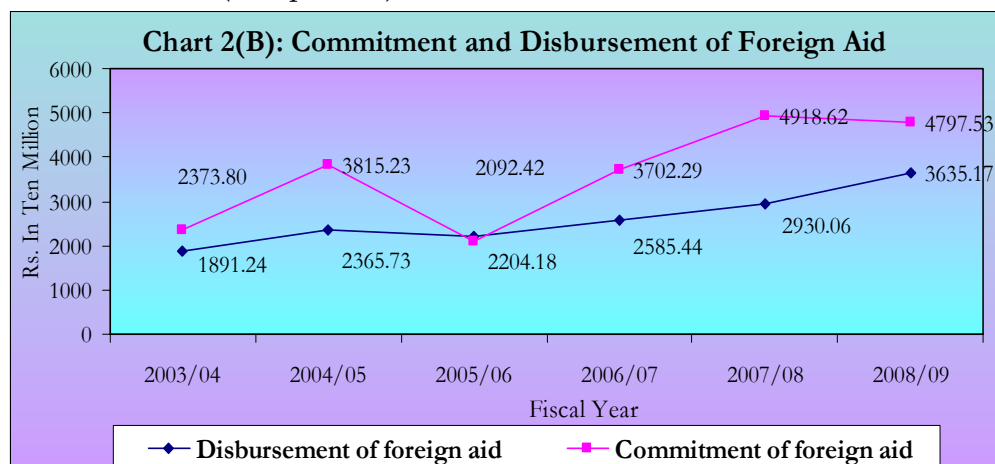
- 2.23 The sector-wise classification of foreign aid commitment for the first eight months of the current fiscal year 2009/10 stood at 76,737.6 million with a growth of 77.9 percent as compared to the previous fiscal year. Out of the total committed foreign aid, foreign grant constituted Rs 58,344.5 million (76.0 percent of the total aid) while foreign loan stood at Rs. 18,388.9 million

(24 percent of the total aid) in the review period. Out of the total foreign aid of Rs. 43,139.5 million committed during the first eight months of the fiscal year 2008/09, loan constituted Rs 4,879.5 million (11.3 percent) and grant Rs. 38,254.8 million (87.7 percent).

## Commitment and Utilization

2.24 In the first eight months of the fiscal year 2009/10, the share of bilateral assistance among the total commitment was 41.0 percent while that of multilateral assistance was 59.0 percent. In the same period of the previous year, shares of bilateral and multilateral assistance were 51.8 percent and 48.2 percent respectively. While analyzing sector-wise foreign aid commitment in the first eight months of the current fiscal year 2009/10, the share of electricity sector was Rs. 11,570.0 million (15.6 percent), education 22,414.6 million (29.2 percent), and rural development Rs. 12,466.8 million (16.2 percent). Similarly, drinking water and sewerage shared Rs. 5,828.1 million (7.6 percent) agriculture, irrigation and forestry Rs 2,953.5 million (3.8 percent), transport and communication Rs. 199.9 million (0.3 percent), health Rs. 292.3 million (0.4 percent) and other sectors Rs. 20,606.2 million (26.9 percent).

2.25 Utilization of foreign aid in the fiscal year 2008/09, as compared to 2007/08 increased by 24.1 percent to Rs. 36,351.7 million. Of the total foreign aid utilized in the fiscal year, Rs. 26,382.8 million (72.6 percent) was grants and Rs. 9,978.9 million (27.4 percent) as loans. In the fiscal year 2007/08, foreign aid utilization totaled Rs. 29,300.6 million, of which Rs. 20,320.7 million (68.4 percent) was received as grant and Rs. 8,979.9 million (30.6 percent) as loan. Of the total foreign aid utilized in the fiscal year 2008/09, Rs. 27,018.6 million (74.3 percent) was through multilateral assistance and Rs. 9,333.1 million (25.7 percent) as bilateral assistance. In the fiscal year 2007/8, multilateral aid utilized amounted to Rs. 19,092.9 million (65.2 percent) and bilateral Rs. 10,207.7 million (34.8 percent).



2.26 Foreign aid disbursement in the fiscal year 2008/09 on sector basis shows that the social sector received Rs. 24,695.7 million (67.9 percent of the total), transport, electricity and communication Rs. 6,297.7 billion (17.3 percent), agriculture, irrigation and forestry Rs. 2,291.2 billion (6.3 billion), industry and commerce Rs. 167.0 million (0.4 percent) and others Rs. 2,906.4 million (8.0 percent). Comparing foreign aid utilization on sector basis between fiscal years 2007/08 and 2008/09 reveals that utilization of aid in the social sector increased by 35.7 percent, transport, electricity and communication sector by 6.1 percent between these two periods. The sector successful in making highest proportion of foreign aid utilization is the industry and commerce with 104.1 percent. Increase in utilization of aid in other sectors put together totaled 531.8 percent, while agriculture is the only sector with a 40.0 percent decrease in aid utilization during the period.

### Net Foreign Loans

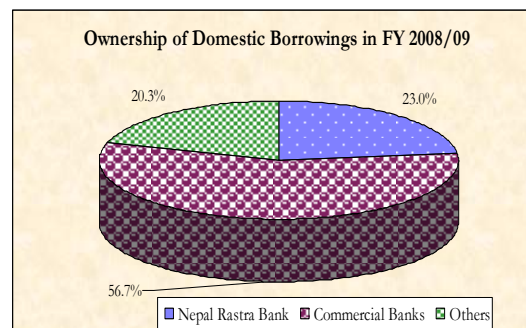
2.27 Foreign loan has been playing vital role in the Nepalese economy. The net outstanding foreign loan totaled Rs. 249,965.4 million in the fiscal year 2007/08, which further increased by 10.8 percent reaching Rs. 277,040.4 million in 2008/09.

2.28 Net outstanding foreign debt by the end of first eight months of the fiscal year 2008/09 (adjusting gross borrowing and principal repayment) totaled Rs. 273,607.3 million, which decreased by 7.5 percent totaling Rs. 253,125.2 million by the same period of 2009/10.

2.29 As per the available data for the first eight months of the current fiscal year, the ratio of net outstanding debt to GDP stood at 23.4 percent. This ratio was 27.9 percent in fiscal years 2008/09.

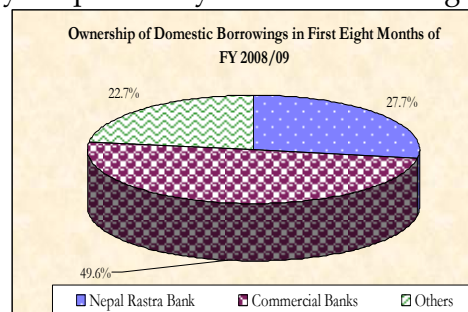
### Net Domestic Borrowings

2.30 Outstanding domestic debt increased by 8.3 percent to Rs. 125,674.1 million in mid-July 2009 from Rs. 116,039.5 million by mid-July of 2008. Of the total outstanding debt by mid-July 2009, the share of Nepal Rastra Bank was Rs. 28,883.3 million (3.0 percent), with Rs. 71,292.0 million (56.7 percent) that of commercial banks and other non-bank institutions, and the private sector shared Rs. 25,498.8 million (20.3 percent). On analyzing domestic borrowing by instruments, 68.8 percent was Treasury Bills, 23.5 percent



Development Bonds, 0.2 percent National Savings Certificate, 3.5 percent Citizens Savings Certificates, and 4.0 percent Special Bonds.

- 2.31 Outstanding domestic debt increased by 3.7 percent by the end of first eight months of the current fiscal year 2009/10 from 119,983.3 million to Rs124,451.2 million as compared to the same period of the previous fiscal year. Of the total outstanding debt at the end of the first eight months of this fiscal year, Nepal Rastra Bank held 27.7 percent; commercial banks held 49.6 percent and other non-bank institutions and private sector held 22.7 percent. Analysis of sources of domestic borrowing by first eight months of the fiscal year 2009/10 shows Rs. 82,373.3 million (66.2 percent) in Treasury Bills; Rs. 30,978.5 million (24.9 percent) in Development Bonds; Rs. 213.3 million (0.2 percent) in National Savings Certificates; Rs. 5,033.6 million (4.0 percent) in Citizen Savings Certificates and Special Bonds Rs. 5,852.5 million (4.7 percent). The outstanding domestic debt in the form of development bond rose by 30.6 percent, while National Savings Certificate fell by 80.9 percent and Treasury Bill by 4.7 percent respectively. The share of National Savings Certificate has remarkably declined owing to the non-issuance of any Certificate after issuance of 5-year maturity Certificates on 28 March 2005 and gradual repayment against Certificates in the past. Comparing the ratio of GDP to domestic borrowing liabilities, it was 14.2 percent in the fiscal year 2007/08, 12.4 percent in 2008/09.



## Fiscal Deficit

- 2.32 The persistence of fiscal deficit is due to less receipt of revenue and foreign grants as compared to the level of expenditure. As such, fiscal deficit increased by 49.1 percent to Rs. 49,804.6 million in the fiscal year 2008/09 from Rs. 33,406.7 million by 2007/08. The fiscal deficit that was in a decreasing trend since the fiscal year 2001/02 started showing increasing trend again from 2004/05. The ratio of fiscal deficit to GDP, which was 4.1 percent in the fiscal year 2007/08 stood at 5.0 percent in 2008/09.

## Sources of Fiscal Deficit Financing

- 2.33 Fiscal deficit, the result of imbalance between expenditure and the revenue is being financed through foreign loan, domestic borrowing and cash reserve.



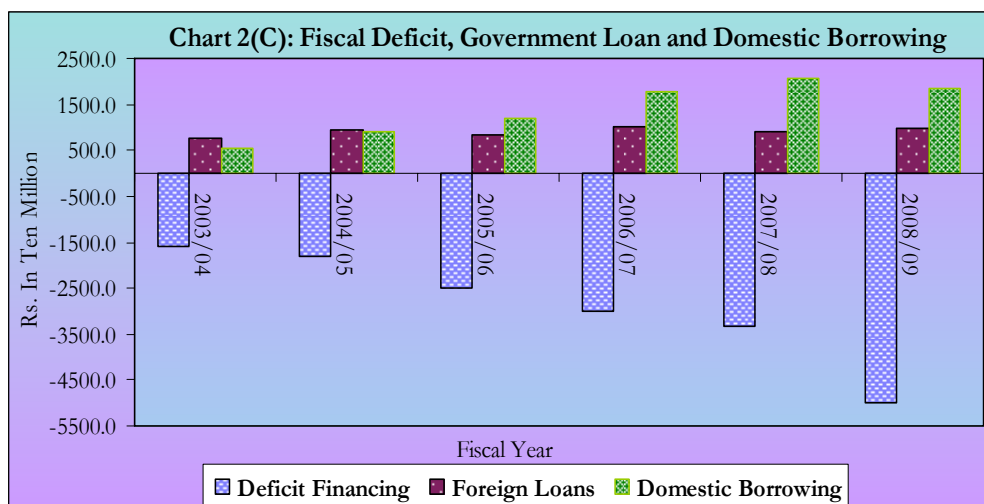
Of the fiscal deficit of Rs. 49,804.6 million in the fiscal year 2008/09, Rs. 9,968.9 billion (20.0 percent) was financed through foreign loan, Rs. 18,417.1 million (37.0 percent) through domestic borrowing and remaining Rs. 21,418.6 million (43.0 percent) through the change in cash reserves. Out of the total deficit finance of Rs. 33,406.7 million in the fiscal year 2007/08, Rs. 8,979.9 million was borne through foreign loan, and Rs. 20,496.8 million through the domestic borrowing, leaving a gap of Rs 3,930.4 million in the change in cash reserve.

**Table 2(d) : Fiscal Deficit**

(Rs. in million)

<i>Fiscal Year</i>	<i>Fiscal Deficits</i>	<i>Fiscal Deficit/GDP Ratio (in Percent)</i>
<i>2000/01</i>	24,188.1	5.5
<i>2001/02</i>	22,940.6	5.0
<i>2002/03</i>	16,437.2	3.3
<i>2003/04</i>	15,828.2	2.9
<i>2004/05</i>	18,046.5	3.1
<i>2005/06</i>	24,779.6	3.8
<i>2006/07</i>	30,091.7	4.1
<i>2007/08</i>	33,406.7	4.1
<i>2008/09</i>	49804.6	5.0

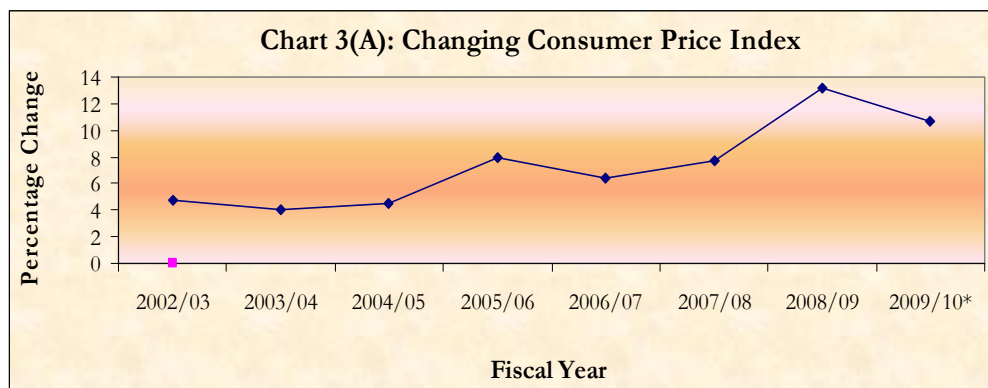
Source: FCGO, and Central Bureau of Statistics



### 3. Price and Supply Situation

#### Structure of Inflation

- 3.1 Price situation in Nepal tends to be affected more by various structural and external factors than due to monetary expansion. Decreasing trend in the agriculture and industrial production, and closures and strikes have negatively affected overall supply system leading to price increase. Price hike of petroleum products in the international market and Indian inflation are the other factors affecting the price. Changes in the monetary aggregates affect aggregate demand, ultimately having impact on the price situation. Nepal faced a double-digit inflation of 13.2 percent in the fiscal year 2008/09 due to excessive price rise of foods and petroleum products. Efforts were made to maintain smooth supply system, contain the money supply at the desired level, and adopt anti-inflationary measures in the context of inflationary situation getting more challenging at the international level. But, these measures had negligible impact. During this period, impact of price situation in India and especially the rising price of food items caused rise in the rate of inflation in Nepal. Strikes and closures have badly affected the internal supply system thereby making inflationary pressure to persist.



#### Overall Consumer Price Situation

- 3.2 In mid-March 2010, CPI-based point-to-point annual inflation rate (base year 1996/97=100) or the overall consumer price index rise in the urban area remained at 11.2 percent. The inflation ratio for the same period of the previous year was 13.1 percent. Average CPI inflation rate in mid March 2010 of the current fiscal year stood at 10.7 percent, which was 13.8 percent in the

same period of the previous fiscal year 2008/09. Though there is a slight decline in the inflation rate in comparison to the previous year, double-digit inflation in the country still persists. As per the Monetary Policy for the fiscal year 2009/10, Nepal Rastra Bank, announced the average CPI-based inflation target rate of 7.0 percent. Time to time adjustments along the price rise in petroleum products could not leave any positive impact on the CPI-based inflation due to rising prices of sugar and related products, pulses and food items, closures and strikes, and persistent load shedding. As such, rate of inflation is estimated to remain double-digit during the current fiscal year.

**Table 3 (a): CPI-based Annual point-to-point Inflation Rate**

<i>Months</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10*</i>
<i>Jul-Aug</i>	7.3	7.3	6.3	13.1	10.4
<i>Aug-Sep</i>	8.2	6.6	7.0	13.5	9.7
<i>Sep-Oct</i>	7.8	7.5	6.3	14.1	9.3
<i>Oct-Nov</i>	8.5	7.1	6.3	14.5	9.9
<i>Nov-Dec</i>	8.8	7.3	5.7	14.1	11.3
<i>Dec-Jan</i>	7.0	7.6	5.8	14.4	11.8
<i>Jan-Feb</i>	5.8	8.0	6.4	13.7	12.0
<i>Feb-Mar</i>	7.7	6.2	7.2	13.1	11.2
<i>Mat-Apr</i>	7.9	5.6	8.9	11.9	
<i>Apr-May</i>	9.1	4.6	9.2	12.9	
<i>May-Jun</i>	9.1	4.5	11.0	12.3	
<i>June-Jul</i>	8.3	5.1	12.1	11.4	
<i>Annual Average</i>	<b>8.0</b>	<b>6.4</b>	<b>7.7</b>	<b>13.2</b>	<b>10.7</b>

\* First eight months average

Source: Nepal Rastra Bank

- 3.3 Analyses of CPI based on geographical regions reveal that these indices rose by 10.2 percent, 12.5 percent and 11.3 percent in mid-March, 2010 in Kathmandu valley, Hills, and Terai respectively in comparison to increases of 13.4 percent, 12.4 percent and 13.4 percent in respective regions in the same period of the previous fiscal year.

**Table 3 (b): Point-to-Point Urban Consumer Price Index**

(Base year 1994/95 = 100)

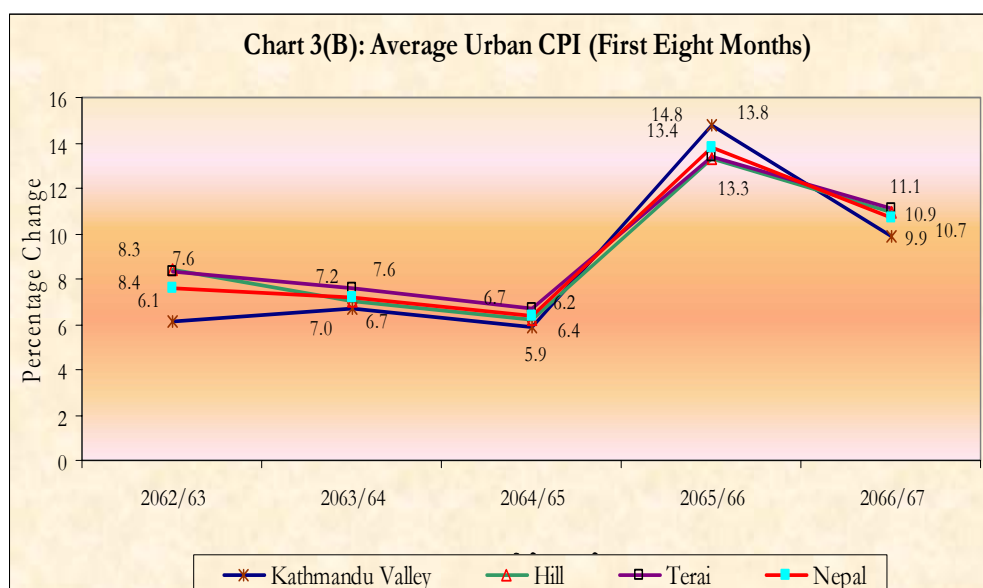
(percentage change)\*

Region	Weightage Percent	Fiscal year				
		2005/06	2006/07	2007/08	2008/09	2009/10**
Kathmandu Valley	30.8	5.5	6.4	7.0	13.4	10.2
Hills	18.8	7.6	5.2	7.5	12.4	12.5
Terai	50.4	9.0	6.5	7.1	13.3	11.3
Nepal	100.0	7.7	6.2	7.2	13.1	11.2

\* Mid-March - mid-March point-to-point change \*\* provisional

Source : Nepal Rastra Bank

- 3.4 By regions, average inflation was 9.9 percent in Kathmandu, 10.9 percent in Hills and 11.1 percent in Terai in the first eight months of current fiscal year, while these figures were 14.8 percent, 13.3 percent and 13.5 percent respectively in the corresponding period of the previous fiscal year. Inflationary pressure was highest in Kathmandu in the previous year, while it has been so in the Hills this year. Regional gap of inflation rate has widened this year in comparison to the previous fiscal year.



**Table 3 (c): Average Urban Consumer Price Index**

(Base year 1994/95 = 100)

Percentage Change\*

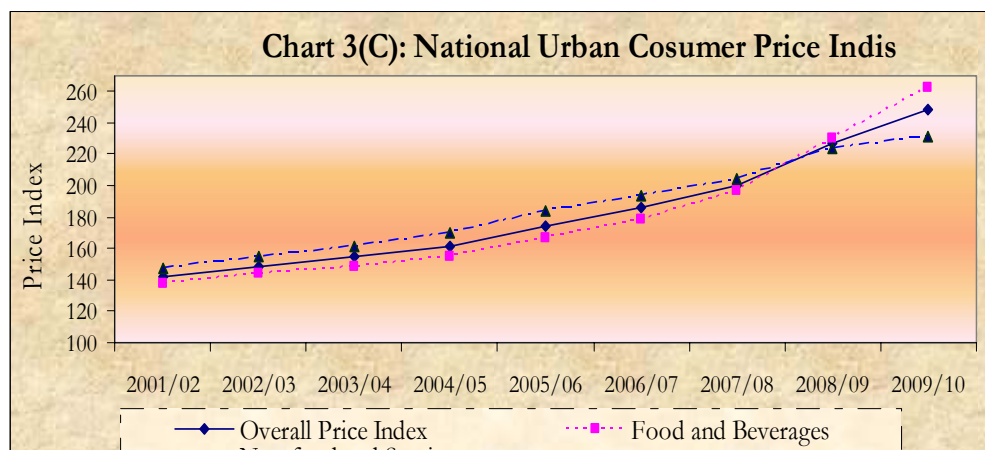
Regions	Weightage percent	Fiscal Year				
		2005/06	2006/07	2007/08	2008/09	2009/10**
Kathmandu Valley	30.8	6.1	6.7	5.9	14.8	9.9
Hills	18.8	8.4	7.0	6.2	13.3	10.9
Terai	50.4	8.3	7.6	6.7	13.4	11.1
Nepal	100.00	7.6	7.2	6.4	13.8	10.7

\*Average price inflation of first eight months; \*\*provisional

Source: Nepal Rastra Bank

## Food and Beverages Group

- 3.5 The price level of food and beverages group carrying 53.2 percent weightage in the overall CPI rose by 15.7 percent in mid-March 2010 compared to 17.1 percent rise in the corresponding period of the previous fiscal year. Such higher increment in the price index of this group was due to the effect of substantial increase in prices of sugar and related products (61.0 percent), spices (33.7 percent), lentils - pulses (29.6 percent), meat, fish and eggs (23.8 percent), and restaurant meal (17.3 percent), and. Prices of all sub-groups under this group has increased except for ghee (clarified butter) and edible oil.



## Non-food and Services Group

- 3.6 Prices of non-food and services group carrying 46.8 percent weightage in the overall CPI increased by 5.9 percent in mid-March 2010 in comparison to the increase of 8.8 percent in the corresponding period of the previous fiscal year. Such increase is attributed to increased prices of tobacco and tobacco products (11.1 percent), and education, reading materials and recreations (11.1). In addition, except for the prices of transportation and communication of this group all the sub-groups under this group have increased.

**Table 3 (d): Point to Point National Urban Consumer Price Index**

Base Year (1994/95=100)

(Percentage Change\*)

Consumer goods	Weight (percent)	Fiscal year				
		2005/06	2006/07	2007/08	2008/09*	2009/10**
<i>Total A + B</i>	100.0	7.7	6.2	7.2	13.1	11.2
<i>A. Food and Beverage</i>	53.2	6.2	9.2	9.4	17.1	15.7
<i>Food grains and cereal</i>	18.0	13.2	7.8	14.9	13.0	12.3
<i>Lentils (Pulses)</i>	2.7	12.4	17.9	13.7	24.6	29.6
<i>Vegetables and Fruits</i>	7.9	1.5	18.4	-1.8	21.9	6.9
<i>Spices</i>	1.9	2.4	26.8	-0.7	10.9	33.7
<i>Meat, Fish and Eggs</i>	5.2	-1.2	12.0	5.3	25.2	23.8
<i>Milk and Milk Products</i>	4.0	5.1	6.9	7.6	17.0	13.0
<i>Oil and Ghee</i>	3.1	-3.0	10.9	27.3	6.5	-3.2
<i>Sugar and related Products</i>	1.2	5.3	-12.2	-8.4	53.0	61.0
<i>Beverages</i>	2.3	10.4	3.1	2.2	14.2	14.4

<i>Restaurant Meal</i>	6.9	3.3	2.9	7.8	19.3	17.3
<i>B. Non-Food and service</i>	46.8	9.1	3.2	4.9	8.8	5.9
<i>Cloth, clothing and sewing service</i>	8.9	2.9	2.4	2.4	8.5	6.3
<i>Footwear</i>	2.2	2.8	6.1	4.6	7.4	6.4
<i>Household goods and service</i>	14.9	14.1	3.1	6.1	8.9	6.6
<i>Transport &amp; Communication</i>	4.0	21.2	0.5	1.1	13.5	-0.9
<i>Medical and personal care</i>	8.0	3.0	2.4	5.8	4.8	2.1
<i>Education, reading materials &amp; recreation</i>	7.1	4.8	6.1	5.5	8.3	11.1
<i>Tobacco &amp; tobacco products</i>	1.7	3.8	6.4	8.3	16.3	11.1

\* Price Index of Mid-March; Mid-March; \*\*provisional

Source: Nepal Rastra Bank



## Region-wise Consumer Price Situation

- 3.7 Analysis of Price index on regional basis shows that price in the Kathmandu Valley, which represents 30.8 percent on Regional weight of CPI, increased by 10.2 percent by mid-March 2010. Price Index had risen by 13.4 in the same period of the previous year. Price index for the food and beverage group rose by 15.2 percent whereas the index for the non-food item and service group increased by 4.8 percent only. Among the food and beverages group, there was a significant increase in the prices of sugar and related products, pulses, meat, fish, egg, spices and restaurant meals. The price of sugar and related products has increased by the highest rate (58.8 percent) in this group. Likewise, among the non-food and services group, that recorded rise in prices during this period are education, reading materials, and recreational items (13.3 percent) tobacco and related products (8.4percent), fuel, electricity and water (6.1 percent).
- 3.8 By region-wise, the price index of the Terai that stands with the highest weighted index (50.4) increased by 11.3 percent in mid-March 2010 as compared to increase of 13.3 percent a year ago. The average price index of this group of commodities increased by 15.6 percent during the period mainly due to higher rate of price increases especially in sugar and related products (63.4 percent), spices (35.9 percent) pulses (26.3 percent) fish, meat and eggs (18.7 percent), beverages (15.6). Likewise, price index of non-food and services group of commodities increased by 5.9 percent due to relatively higher rate of increases in prices of education and reading materials, recreational items (9.9 percent), footwear (8.5 percent) fuel, electricity and water (8.3 percent) cloth, clothing and sewing services (7.8 percent) and household goods (7.1 percent).
- 3.9 Region-wise, the price index of the Hilly Region carrying the lowest weighted index of 18.8 percent increased by 12.5 percent in mid-March 2010. It had increased by 12.4 percent in mid-March 2009. Average prices index of food and beverages group increased by higher proportion (16.6 percent) due mainly to higher rate of price rise in the food and beverages group of commodities specifically sugar and related products (58.6 percent), spices (37.8 percent), pulses (26.1 percent) fish, meat and eggs (23.6 percent), beverages (19.3 percent) and restaurant meal (18.6 percent). Likewise, the average price index of non-food and services group also increased, but at relatively lower rate of 7.5 percent due to price rise of tobacco and related

products (15.9 percent) education, reading materials and recreational items (11.4 percent), footwear (8.1 percent) and cloth, clothing and sewing service (7.5 percent).

### **Core Inflation**

- 3.10 Calculation of core inflation by using exclusion method (excluding rice, fruits and vegetables, fuel, electricity, water and transport from overall CPI ) stood at 12.8 percent in the mid- March 2010 from 12.5 percent in the same period of the previous year. Point to point analysis of price index of food and beverage group shows an increase of 19.0 percent in mid-March 2010 from 17.2 percent in the same period of the previous year 2008/09. Price index of non-food and services group of items, however, increased by 6.5 percent in the mid-March 2010 that had recorded an increase of 8.2 percent in the same period of the previous year.

### **Wholesale price index**

- 3.11 National Wholesale Price Index (1999/2000=100) on year-on-year basis increased by 12.2 percent in mid-March 2010 that had increased by 12.3 percent a year ago. The Index of agricultural products among the National Price Indices rose by 19.2 percent, domestically produced industrial goods by 12.1 percent, and imported goods group by 1.2 percent.
- 3.12 The ratio of price rise in spices, livestock products, and pulse and grain products among the agricultural group was the highest. Among prices of domestically produced industrial goods, food and beverages, tobacco products and construction materials recorded the highest price rise whereas prices of imported goods like medicine and petroleum products and coal have been only comparatively higher.

**Table 3(e): National Wholesale Price Index**

(1999/00 = 100)

Percentage Change

<i>Group</i>	<i>Weight Percent</i>	<i>Fiscal Year</i>				
		2005/06	2006/07	2007/08	2008/09	2009/10*
<i>Total</i>	100.0	6.2	12.2	6.6	12.3	12.2
<i>Agricultural goods</i>	49.6	4.7	19.9	4.9	15.3	19.2

<i>Domestically produced Industrial goods</i>	20.4	3.5	8.7	9.0	8.8	12.1
<b>Imported goods</b>	30.0	10.1	3.7	7.8	10.0	1.2

\* Price Index Oint-to-point price changes: Mid-March; Mid-March;\*\*provisional

Source: Nepal Rastra Bank

## National Salary and Wage Rate Index

3.13 The year-on-year national salary and wage index (2004/05=100) increased by 13.7 percent in mid-March 2010 as compared to the rise of 19.3 percent a year ago. Under the National Salary and Wage Rate Index, the salary index increased by 13.8 percent and the wage rate index increased by 13.6 percent. In the previous year, the index of the former had increased by 16.8 percent while that of the latter by 20.1 percent. The increase in the salary and wage rate index was mainly due to the significant rise in the salary of government officials including army, police, teachers etc. and the government decision of raising the minimum wage rates of labourers working in the industrial sector.

**Table 3(f): National Salary and Wage Rate Index**

(2004/05 = 100)

Percentage Change\*

<i>Group/sub-group</i>	<i>Weight (percent)</i>	<i>Fiscal year</i>			
		2006/07	2007/08	2008/09	2009/10**
<i>Overall Index</i>	100.0	10.1	9.0	19.3	13.7
<i>1. Salary Index</i>	27.0	6.2	10.9	16.8	13.8
<i>1.1 Civil Service</i>	2.8	10.0	23.5	28.1	14.6
<i>1.2 Public Enterprises</i>	1.1	6.7	8.8	21.9	11.1
<i>1.3 Bank and Financial Institutions</i>	0.6	3.0	50.5	18.2	1.3
<i>1.4 Army and Police</i>	4.0	11.4	9.3	30.9	13.0

<i>Force</i>					
<b>1.5 Education</b>	10.6	7.0	14.8	16.1	22.4
<b>1.6 Private Organizations</b>	7.9	1.3	-1.5	2.7	0.0
<b>2. Wage Rate Index</b>	<b>73.0</b>	<b>11.4</b>	<b>8.4</b>	<b>20.1</b>	<b>13.6</b>
<b>2.1. Agriculture Labours</b>	39.5	10.9	6.0	26.9	17.0
<b>2.2 Industrial Labours</b>	25.2	13.3	11.6	10.6	8.8
<b>2.3 Construction Labours</b>	8.3	7.5	10.9	18.1	10.6

\* Mid-March to Mid-March Point-to-Point Change \*\* Provisional

Source: Nepal Rastra Bank

## Supply Situation

3.14 Among the petroleum products, supply of diesel rose by 35.5 percent to 104,489 Kilolitres (KL) and that of diesel by 33.6 percent to 371,435 KL in the first eight months of the fiscal year 2009/10. Supply of these commodities for the same period in the previous year was petrol 77,112 KL and diesel 278,022 KL. Likewise, supply of furnace oil for the first eight months of the current fiscal year 2010 more than doubled (1.18 times) to 1,532 Kilolitre (KL) from 700 (KL) supplied in the corresponding period of the previous year. Supply of LP gas also increased from 73,618 MT in the first eight months of the previous year to 86,403 Metric Ton (MT) in the corresponding period of this fiscal year 2009/10, an increase of 17.4 percent. Supply of aviation fuel also followed that trend with an increase of 13.7 percent from 48,264 KL in the previous year to 54,870 this year. Supply of Kerosene and light diesel oil, however, decreased by 32.5 and 38.5 percent as compared to the previous year totalling 39,101 and 160 Kiloliter KL from the previous year's 57,966 KL and 260 KL respectively.

3.15 The arrangement of fixing wholesale price (including VAT) for Petroleum Products based on Nepal Oil Corporation Depot sites or custom points still exists. Arrangements are made for the wholesale distribution of petroleum products from Biratnagar, Birgunj, Amlekhgunj, Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dhangadi, Dipayal, Mahendranagar, and

Janakpur. Under this system, wholesale and retail prices may differ from place to place. For example, wholesale price of petrol sold through the Birgunj and Biratnagar Depots is Rs. 75,337.65 per KL, while the price per KL in Dipayal and Surkhet is Rs. 76,823.05. Average retail prices of diesel, kerosene, and LP gas in Kathmandu are Rs. 80.00 per litre, Rs. 61.00, Rs. per liter and Rs. 1250 per cylinder respectively. Price for the aviation fuel is Rs 75 per liter.

- 3.16 Transportation of food grains to 30 remote hilly districts is continued in the review period of this fiscal year 2009/10 through Nepal Food Corporation under the policy of providing transport subsidy for ensuring smooth supply of food grains in those districts. During the fiscal year 2008/09, 19,250 MT of food grains were transported against the target of 18,500 MT. Likewise, 12,047 MT of food grains was transported and supplied against the target set for transporting 12,960 MT in the first eight months of the current fiscal year 2009/10. In the first eight months of the previous fiscal year 11,320 MT of food grains was transported and supplied to those districts against the target of 12,950 Metric MT.
- 3.17 During the first eight months of the current fiscal year 2009/10, 25,873 quintals of iodised salt was transported and supplied to 22 remote to remotest districts of the country against the target to supply 35,360 quintals.

### **Retail Prices of Some Major Commodities**

- 3.18 Review of the average retail prices of ten agricultural commodities amongst the daily consumable goods revealed that price of almost every such commodity has increased. Prices of nine commodities out of ten reviewed were found to have increased except one during the first eight months of the current fiscal year 2009/10 in comparison to the prices during the same period of the previous year. Amongst them, the highest price rise of 55.4 percent and 50.5 percent occurred in potato and lentil (pigeon peas). In the same manner, ginger (39.0 percent), black gram - lentil - (33.2 percent), onion (26.0 percent), Ghee (22.5 percent) and mutton (21.1 percent) are other items registering higher price rise. Compared to the commodities mentioned above, prices of coarse rice and wheat flour have recorded a moderate rise. The only commodity that registered a decrease in price in this period is the mustard oil (7.0 percent).
- 3.19 Calculation of average retail prices of commodities between two periods of the first eight months of the current fiscal year and the previous fiscal year,

that registered the highest price rise are pigeon peas (56.8 percent), black gram (53.7 percent), ginger (38.6 percent), mutton (21.2 percent), dried onion (11.3 percent), clarified butter (ghee) (17.7 percent), wheat flour (11.7 percent), and coarse rice (11.1 percent). Two commodities that registered decline in prices are potato (5.5 percent) and mustard oil (0.5 percent).

- 3.20 Region wise comparison of prices during the first eight months of the current fiscal year, show prices of nine commodities in Terai registered increases whereas such commodities numbered eight only. Of the commodities that registered very high rise in prices in Terai in this period are lentils (pigeon peas and black gram), ginger and mutton. Commodities in the Hills that followed the pattern of price rise in Terai are again lentils, ginger and dry onion. During this period, price of potato has declined by 22.7 percent in Terai whereas prices of mustard oil and potato registered declines of 4.4 and 2.2 percent in the Hills.

## 4. Money and Banking

### Monetary Policy

- 4.1 Nepal Rastra Bank has been regularly making public the Annual Monetary Policy since 2002/03 as per the legislative provision of Nepal Rastra Bank Act 2002. Such policy includes subject matters such as credit, foreign exchange, micro-finance, regulation and supervision of financial system. Monetary policies announced so far have given high priority especially to internal stability (price stability and financial sector's stability) and external stability (favourable balance of payments as their main objectives. In addition, Policies and Programs are designed with priority accorded to other objectives as mentioned in Nepal Rastra Bank Act.
- 4.2 While formulating Monetary Policy for the fiscal year 2009/10, consideration was given to the latest monetary and fiscal situation of the fiscal year 2008/09, policy of gradual liberalization of the external sector of the economy as well as global economic events and their possible impact on Nepalese economy.
- 4.3 Despite tight ex-ante stance taken in view of the trend of rising prices at higher rates in 2008/09 while formulating the monetary policy for the current fiscal year 2009/10, the price level this year remained the highest in the past 17 years. Despite steep fall in prices of some internationally traded goods, pressure on the price of food grains persisted. Monetary stance in the fiscal year 2009/10 was felt necessary as supply constraint had exerted pressure on the price level and question was being raised on the effectiveness of monetary policy itself.
- 4.4 A cautious monetary stance than a flexible policy was felt necessary in a situation of adequate liquidity present in the economy due to encouraging inflow of remittance while formulating the Monetary Policy for the fiscal year 2009/10. Hence, no need was felt to change the cautious and tight stance for maintaining price stability.

#### **Box 4(a): Salient features of Monetary policy FY 2009/10**

1. Followings fiscal and monetary targets have been set for the fiscal year 2009/10:
  - Inflation rate projection revised from 7.0 to 10.7 percent upon mid term review of the Monetary Policy.
  - A surplus of Rs. 18 billion in the balance of payments.
  - Manage liquidity to facilitate the target of achieving 5.5 percent growth rate as announced through the budget speech for the fiscal year 2009/10.

- Annual growth rate of broad money supply revised from 17.0 percent to 14.0 percent upon the mid term review of the Monetary Policy.
  - The projected growth rate of commercial banks' credit to the private sector revised from 20.7 percent to 18.2 percent upon mid-term review of the Monetary Policy.
2. As development banks and finance companies have been covered by expanding the scope of counterparties in the process of conducting monetary policy, arrangements have been made to manage the excess liquidity under the Liquidity Monitoring Forecasting and Framework (LMFF) by covering for development banks and finance companies as well.
  3. Broad Monetary Survey based on balance sheets of Nepal Rastra Bank, commercial banks, development banks, and finance companies, will be processed and published within the fiscal year 2009/10,
  4. Bank rate to remain at the same level of 6.5 percent.
  5. The export refinancing facility in local currency is retained at 2.0 percent barring banks and financial institutions from charging more than 5 percent while extending credit by using such facility. Both these rates have been revised to 1.5 percent and 4.0 percent respectively upon mid-term review of the Monetary Policy by reducing 50 base points on the refinancing rate.
  6. Refinancing rate for sick industries maintained at 1.5 percent as before.
  7. The 2.5 percent interest rate applicable to banks and financial institutions on their credit flows to small and cottage industries remains unchanged.
  8. The maturity period of repo and reverse repo auction has been changed to a maximum of 45 days from 28 days upon mid-term review of the Monetary Policy.
  9. Cash Reserve Ratio (CRR) of 5.5 percent on domestic deposit liabilities remains unchanged.
  10. From the fiscal year 2009/10, all banks and financial institutions are required to maintain Statutory Liquidity Ratio (SLR). It is mandatory for all 'A', 'B', and 'C' classes banks and financial institutions to invest 6.0 percent, 2.0 percent, and 1.0 percent of domestic deposit liabilities respectively into the government securities by 14 January 2009, and 8.0 percent, 3.0 percent and 2.0 percent by 16 July 2010. While making such provision for maintaining liquidity ratio made through the mid-term review, the specified bond for maintaining the statutory liquidity ratio or cash balance held with the institution itself, or call deposits held in 'A' class commercial bank by specifying the purpose accordingly are considered eligible instruments for this purpose.
  11. The provision to provide standing liquidity facilities to commercial banks for 5 days and the existing 3.0 percent penal interest rate remains unchanged
  12. Commercial Banks will be allowed to open branches outside of Nepal if they wish to do so.
  13. The provision of limiting the Single obligor limit of up to 25 percent of core capital including the non-fund based limit is continued. Mid-term review of the Monetary



Policy, however, has raised such limit to 30 percent in some specified sectors while giving continuity to the existing arrangement of 50 percent limit set specifically for hydropower, transmission lines and cable car.

14. Foreign Exchange Encashment Receipt (FEER) is not required to avail the exchange facility of up to USD 100 on the bank counter at the International Airport.
15. The present limit of exchange facilities of up to US \$ 4,000 for individuals /organizations/institutions has been raised up to US \$ 6,000.

### **Fiscal and Economic Targets**

- 4.5 The main objective of Monetary Policy for the fiscal year 2009/10 is to maintain price, external sector and financial sector stability towards creating environment for high and sustainable economic growth. To achieve the target, the preliminary average annual inflationary rate was estimated to contain at 7.0 percent in the fiscal year 2009/10. For the fiscal year 2009/10, 17.0 percent Broad Money Supply was projected on assumption of economic growth rate 5.5 percent, annual average inflation rate of 7.0 percent, and the surplus of balance of payment (BOP) Rs18 Billion. The credit growth rate of the private sector was estimated at 20.7 percent. These monetary targets, however, have been revised through the midterm review of the monetary policy.

### **Monetary Instruments Implementation policy**

- 4.6 The earlier policy on operating target of monetary policy, the excess liquidity with commercial banks in addition to the CRR and day-to-day transaction requirements, is given continuity in the fiscal year 2009/10 as well. Open Market Operation is provided continuity as a major instrument of monetary policy as before. According to the needs, continuity is given to the policy of monetary operations of injecting or mopping up liquidity through outright purchase auction, repo auction, outright auction sale and reverse repo auction. Beginning the fiscal year 2009/10, a new system concerned with Statutory Liquidity Ratio (SLR) is adopted for strengthening the financial strength of banks and financial institutions. Under this mandatory provision, commercial banks and financial institutions have to mandatorily invest certain percentage of their total domestic deposit in government securities or other eligible instruments.
- 4.7 In the context extending the Standing Liquidity Facility (SLF) to development banks and finance companies in addition to commercial banks against the collateral of Treasury bill and development bonds issued by the government, the processing and publication of broad money survey will be carried out on the basis of the balance sheets of NRB, commercial banks, development banks and

finance companies by taking into consideration the excess liquidity with development banks and finance companies under the LMFF.

- 4.8 Bank rate, export refinancing rate for on foreign currency, refinancing rate for sick industries, refinancing rate for small and cottage industries, the CRR and the penal interest rate on standing liquidity facility remain unchanged. The mid-term review of the Monetary Policy for the fiscal year 2009/10 has adopted selective credit policy to cope with the credit shortage in the productive sector. Accordingly, provision is made for commercial banks and financial institutions to receive refinancing from NRB at 7.5 percent interest against the collateral of good loan of the same sector by under specified terms and conditions. Provision is also laid out for commercial banks and financial institutions not to charge above 10.5 percent interest to their borrowers against such refinancing facility they avail from NRB.

**Table 4 (a): Bank Rate, Refinancing Rate, and Cash Reserve Ratio**

(Percent)

<i>Instruments</i>	<i>Fiscal Year</i>				
	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Bank Rate</b>	6.25	6.25	6.25	6.5	6.5
<b>Refinancing Rates</b>					
<i>Export (credit local currency)</i>	3.5	3.5	2.5	2.0	1.5
<i>Export Credit (Foreign Currency)</i>	3.25	3.25	3.25	*+0.25	*+0.25
<i>Sick Industry</i>	1.5	1.5	1.5	1.5	1.5
<i>Cottage and Small Industries</i>		3.5	2.5	2.5	2.5
<i>Productive Sector**</i>					7.5
<b>Cash Reserve Ratio</b>	5.00	5.00	5.00	5.5	5.5
<b>Standing Liquidity Facility (Penal rate)</b>	-	1.5	2.0	3.0	3.0

\* LIBOR plus

\*\* Provision made through mid-term review of the Monetary Policy for 2009/10

Source: Nepal Rastra Bank

- 4.9 In order to facilitate the competitive capacity of exports, the export refinance rate in local currency has been reduced from 2.0 percent to 1.5 percent. The earlier provision of Rs 2 billion refinancing facility for the sick industries at 1.5 percent rate has been retained in the fiscal year 2009/10.
- 4.10 The existing 3.0 percent penal interest on standing liquidity facility availed to commercial banks and financial institutions by NRB against the collateral of Treasury bills and development bonds remains unchanged with slight changes in method of calculating its interest. Under the new arrangement, the interest

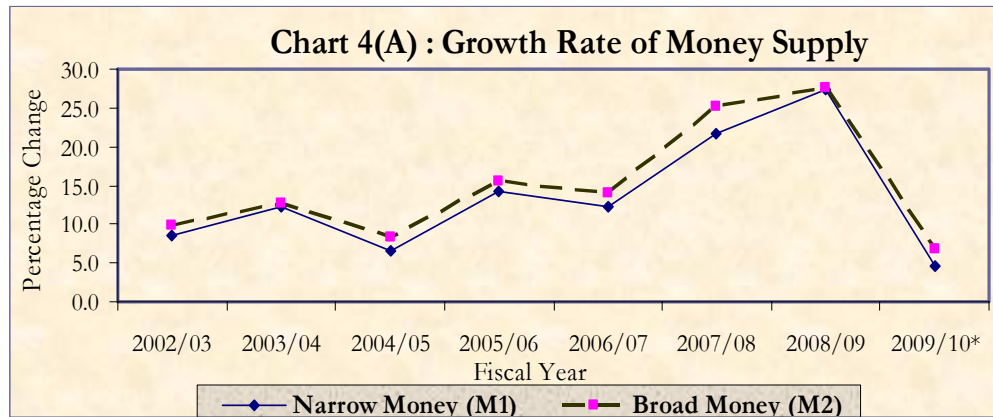
rate will be determined by adding penal rate of 3.0 percentage points to the weighted average interest rates applicable on latest 91-day Treasury bills or on the repo rate in practice in the last one month or on the prevailing bank rate whichever is higher.

**Box 4 (b): Mid-term Review of Monetary Policy for the Fiscal Year 2009/10**

NRB has been conducting mid-term reviews of Monetary Policy on a regular basis. The Bank made present mid-term review report public on 3 April 2010. Monetary stance is given continuity for the remaining period of the fiscal year 2009/10 in consideration with the operation of monetary policy up to its first six months. based on the observation of incidences developing in national and international arena and their possible impact on Nepal's fiscal and monetary sectors. Accordingly, the bank rate, CRR, penal interest rate on SLF remain unchanged while and refinancing rates for exports in the local currency has been maintained at 1.5 percent by reducing such rate by 50 base points. Under the selective credit policy, NRB has emphasized to flow the credit from unproductive to productive sector, promotion of export, import substitution as well as to curb on the shortage of credit in the energy and tourism sectors. For this, NRB has arranged a new policy of providing refinancing facilities at 7.5 percent to the commercial banks and financial institutions exclusively for lending against the collateral of good loan of the related sector only. However, commercial banks and financial institutions, enjoying such facility are not allowed to charge more than 10.5 percent interest rate from the borrowers. While conducting the mid-term review of the Monetary Policy, NRB maintained its alertness on possible decline in export and increasing import due to non-economic reasons that may lead into imbalances in the economy. The Bank is convinced that the continued tight stance of the current Monetary Policy will help to balance the economy, though to some extent.

**Status of Monetary Aggregates**

- 4.11 The broad money supply that expanded at the rate of 13.7 percent during the first eight months of the fiscal year 2008/09 is contained to 6.8 percent during the same period of current fiscal year.
- 4.12 As compared to the review period of the previous fiscal year, narrow money supply (M1) has shrunk from 11.9 percent to 4.6 percent during the review period of the current fiscal year. Despite the higher growth rate of internal asset, net foreign asset has resulted in low growth rate of monetary aggregates.



**Table 4(b): Factors Affecting Money Supply**

(Annual changes, in Million Rs. and percent)

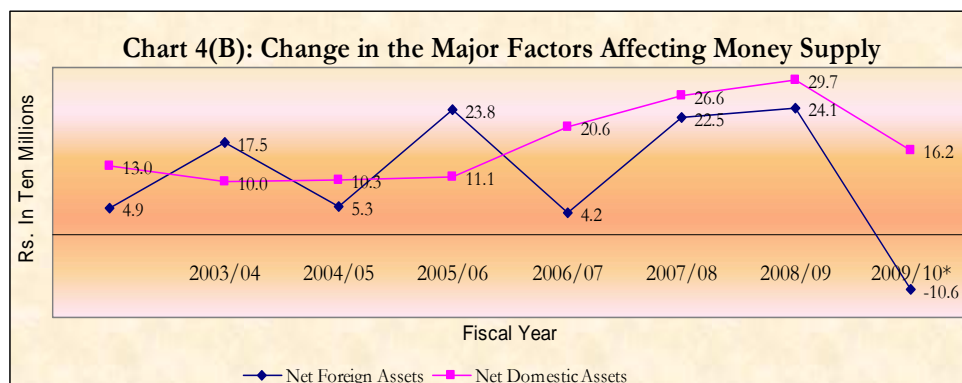
S.N.	Headings	First eight months	
		2008/09	2009/10

<b>1</b>	Net Foreign Assets	34,810.2	20.3	-23,534.7	-10.6
<b>2</b>	Net Domestic Assets	32,833.9	10.1	66,725.9	16.2
<b>3</b>	Net Domestic Credit	32,601.3	7.5	56,569.3	10.2
<b>4</b>	Net Credit to Government	-20,118.7	-23.1	-13,715.2	-13.1
	a) Net Claims on Government	2,456.5	2.7	-12,892.1	-12.3
	b) Government Deposit	22,575.2	572.0	823.1	0.0
<b>5</b>	Claims on Public Enterprises	66.0	5.3	227.0	3.1
	(a) Financial	-231.0	-13.8	67.0	4.9
	(b) Non-Financial	298.0	5.3	160.0	4.9
<b>6</b>	Claims on Non-Government Financial Institutions	2,132.0	70.1	-1,811.0	-29.3
<b>7</b>	Claims on Private Sector	50,522.0	14.9	71,869.0	16.5
<b>8</b>	Net non-Monetary Liabilities	-233.0	-0.2	-10,157.0	-7.2
<b>9</b>	Money Supply M2 (10+11)	67,644.0	13.7	43,191.0	6.8
<b>10</b>	Monety Supply, M1 (a) +(b)	18,307.0	11.9	8,992.0	4.6
	a) Currency	21,907.0	21.9	14,300.0	11.4
	b) Demand Deposits	-3,600	-6.6	-5,309	-7.5
<b>11</b>	Time Deposits+	49,337	14.5	34,200	7.8

\* Provisional

+Including Margin Deposits

- 4.13 During the present review period net foreign assets (adjusting the exchange valuation gain) has decreased by 10.6 percent totalling Rs 23,530 million while it



was Rs 34,810 million with a growth of 20.3 percent during the same period of the previous year. The decline in net foreign asset is due to the high expansion in trade deficit in the review period.

- 4.14 Reserve money has reached Rs 20,134 million in the review period marking a nominal growth of 2.9 percent against the notable growth of 14.5 percent during the same period of the previous year. The reason for such decline in reserve money is due to depletion in NRB's net foreign asset in comparison to the previous year.

**Table 4(c) : Change in Reserve Money**

(Rs. in million)

	Mid-July 2008	Mid-March 2009	Mid-July 2009	Mid-March 2010*	Percentage change in first 8 months	
					2065/66	2066/67*
<b>Reserve Money</b>	144,592	165,544	195,575	201,335	14.5	2.9
<b>Narrow Money Multiplier</b>	1.067	1.043	1.005	1.020	-2.3	1.5

<b>Broad Money Multiplier</b>	3.426	3.401	3.235	3.357	-0.7	3.6
-------------------------------	-------	-------	-------	-------	------	-----

Source: Nepal Rastra Bank

\*Estimate

### Gross Domestic Credit

- 4.15 During the first eight months of the fiscal year 2009/10, total domestic credit grew by 10.2 percent against the 7.5 percent growth in the same period of the previous year. Such expansion of total domestic credit owes to higher growth of credit to the private sector. During the review period, the net claim on the government has reached 13,720 million with a decline of 13.1 percent. Such claim over the government stood at Rs 20,120 million with a decline of 23.1 percent in the same period of the previous year. The reason for this reduction in the claim on government is due to its inability to match expenditure with the speed of resource mobilization. Government of Nepal's current cash Reserve in the NRB is Rs. 823.10 million.
- 4.16 Claims on private sector during this period rose by 16.5 percent totalling Rs. 718.70 million from Rs. 505.20 million in the same period of the previous fiscal year.
- 4.17 Claims of non-governmental financial institutions have decreased by 29.3 percent in the review period owing to the declining trend of commercial banks' investment in financial institutions, pension fund, and insurance companies. Such claims in the previous year had climbed up by 70.1 percent in the corresponding of the previous fiscal year.
- 4.18 Claims on non-financial government enterprises grew by 3.1 percent during the review period in comparison to the previous year's 5.3 percent growth. Such decrease is because National Trading Ltd., Nepal Airlines corporation, Janak Educational Materials Centre Ltd., and Nepal Electricity Authority paid some portion of their debt.

### Status of Monetary Instruments

- 4.19 Net liquidity injection of 691,300 million has occurred by the end of the first eight months of the current fiscal year 2009/10, Of this total, Rs. 8,440 million liquid was absorbed including Rs. 7,440 million from outright sale auction of Treasury bills and Rs. 1,000 million from reverse repo auction while liquidity injection totaled Rs. 77,570 million comprising Rs. 74,190 million from repo auction and Rs. 3,380 million from outright purchase auction under the OMO. In

the same period of the previous fiscal year, Rs. 20,720 million worth liquidity was absorbed including Rs. 7,460 million through and Rs 13,260 million through Reverse Repo action. and liquidity flow in the market totaled Rs. 9,000 million through the repo auction resulting a net liquidity absorption of Rs. 11720 million through OMOS.

**Table 4(d): Open Market Operation**

**Rs. in million**

<i>Description</i>		<i>2008/09</i>		<i>2009/10</i>
		<i>First Eight months</i>	<i>Annual</i>	<i>First eight months</i>
<b>A</b>	<b>Liquidity Absorption</b>	<b>20,720.0</b>	<b>20,720.0</b>	<b>8,440.0</b>
	Sale Auction	7,460.0	7,460.0	7,440.0
	Reverse Repo Auction	13,260.0	13,260.0	1,000.0
<b>B</b>	<b>Liquidity Injection</b>	<b>9,000.0</b>	<b>11,000.0</b>	<b>77,570.0</b>
	Purchase Auction	0	0	3,380.0
	Repo Auction	9,000.0	11,000.0	74,190.0
<b>C</b>	<b>Net Liquid Absorption</b>	<b>11,720.0</b>	<b>9,720.0</b>	<b>-69,130.0</b>

4.20 During the review period, NRB created liquidity of Rs 55,170 million by intervening in foreign exchange market with the purchase of USD 733.2 million from commercial banks. In the previous year NRB made a net purchase of USD 1,266.4 million from the commercial banks and created the liquidity of Rs 97,240.0 million. The purchase of US Dollar got reduced during the review period due to slow growth in the flow of remittances as compared to the previous year.

4.21 During the review period USD1,360.0 million was sold and Indian Currency (IC) Rs 63,620 million was purchased as compared to the sale and purchase of USD1,000.0 million and Indian Rs. 47,770 million respectively in the same period of the previous fiscal year. The increasing trade deficit with India is the reason for increased purchase of Indian Currency.

#### **Standing Liquidity Facility and Inter Bank Transactions**



- 4.22 During the first eight months of 2009/10, interbank transaction of commercial banks totaled Rs 188,540 million. Interbank transaction of commercial banks was Rs 192,990 million in the corresponding period of the previous fiscal year. During the review period, commercial banks have used SLF to the amount of Rs 85,170 million as against Rs 83,230 million in the previous year.

#### Short-Term Interest Rate

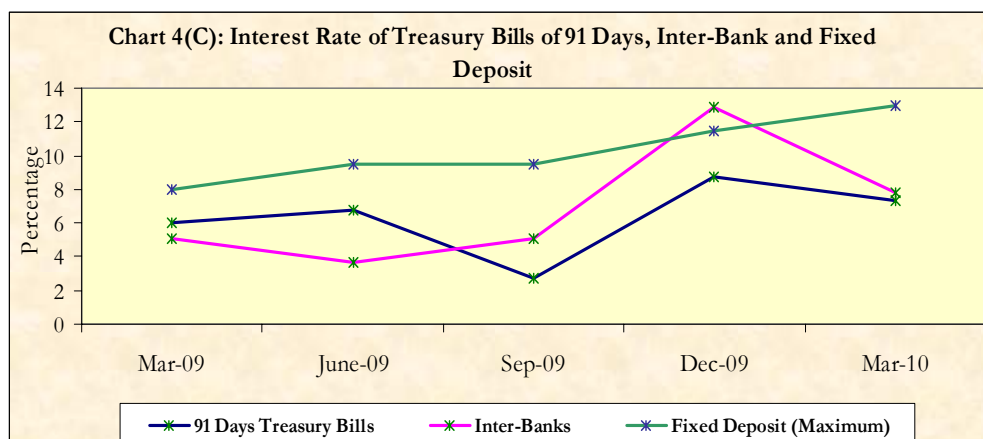
- 4.23 The monthly weighted average interest rate for 91-days Treasury Bills stood at 7.35 percent during the first eight months of the fiscal year 2009/10. Interest rate was 5.98 percent during the same period of the previous year. In the same period of the previous year, inter banking weighted average interest rate was 5.06 percent, which has increased to 7.81 percent by mid March of the current fiscal year. In addition to the short term market interest rate, the interest offered by commercial banks on deposits has also increased. Compared to the interest rate of July 2009, annual interest rate on fixed deposits for 2 years and above is set up to 13.0 percent from 9.5 percent. The reason for such increase is due to fall in liquidity position during the review period.

**Table 4(e): Interest rate in 91-days Treasury Bills, Inter-bank, and Fixed Deposits**

In Percent

<i>Description</i>	<i>Mid-Mar 2009</i>	<i>Mid-Jul 2009</i>	<i>Mid- Oct 2009</i>	<i>Mid-Jan 2010</i>	<i>Mid-Apr 2010</i>
<b>91-days Treasury Bills</b>	5.98	6.80	2.73	8.74	7.35
<b>Inter-bank</b>	5.06	3.66	5.10	12.83	7.81
<b>Fixed Deposit (Maximum)</b>	8.0	9.5	9.5	11.5	13.0

Source: Nepal Rastra Bank



#### **Expansion of Financial Sector and financial inclusiveness.**

- 4.24 The expanding trend of financial sector continued in the current fiscal year as well. Consequently, financial sector is gradually deepening and becoming more intensive. The number of 'A' class commercial banks reached 27, 'B' class developmental banks 78, 'C' class finance companies 79, and 'D' class microfinance institutions (MFIs) 18 by Mid-April 2010. The sanction put on Nepal Industrial Development Corporation (NIDC), licensed from Nepal Rastra Bank to carry out banking functions as a 'B' class bank, from carrying out to do so since February 8, 2004 was lifted on March 25, 2009. Accordingly, it has resumed banking activities since February 8, 2010. Similarly, the number of cooperatives and non-governmental organizations authorized to carry out limited banking activities has reached 16 and 45 respectively. In addition to banks and financial institutions, by mid April 2010 there were 25 insurance companies, the Employees Provident Fund, the Citizens' Investment Trust, and postal savings units, making a total of 291 such banks and financial institutions.

**Table 4(f): Number of Banks and Financial Institutions**

In numbers

<i>Bank and Financial Institutions</i>	<i>Mid-July 2007</i>	<i>Mid-Jul 2009</i>	<i>Mid-Jul 2009</i>	<i>Mid-- Apr 2010</i>
<i>Commercial Banks</i>	20	25	26	27
<i>Development Banks</i>	38	58	63	78
<i>Finance Companies</i>	74	78	77	79
<i>Microfinance Institutions</i>	12	12	15	18
<i>NRB Licensed Cooperatives (limited banking transaction)</i>	17	16	16	16
<i>NRB Lincensed NGOs (Dealing in Microfinance )</i>	47	46	45	45
<i>Insurance Companies</i>	21	25	25	25*
<i>Employees Provident Fund</i>	1	1	1	1
<i>Citizens Investment Trust</i>	1	1	1	1
<i>Postal Saving Banks</i>	1	1	1	1
<i>Branches of Postal Saving Banks</i>	117	117	117	117
<b>Total</b>	<b>232</b>	<b>263</b>	<b>270</b>	<b>291</b>

Life Insurance - 8, Non-life Insurance - 16 and Joint Insurance - 1

Source: Nepal Rastra Bank

- 4.25 For the last few years, there has been notable expansion in the geographical and numerical presence of banks and financial institutions with expanded financial transactions as well. Subsequent expansion in the savings credit transactions and geographical spread of these banks and financial institutions has created the foundation for facilitating financial inclusiveness. Some indicators of financial activities are given in the following Table:

**Table 4(g): Some Indicators of Banks and Financial Institutions**

<i>Description</i>	<i>Mid-Jul 2007</i>	<i>Mid-Jul 2008</i>	<i>Mid-Jul 2009</i>
<i>Total Asset (in billion Rs.)</i>	582.48	706.62	988.89

<i>Description</i>	<i>Mid-Jul 2007</i>	<i>Mid-Jul 2008</i>	<i>Mid-Jul 2009</i>
<b>Total Capital Fund (in billion Rs.)</b>	6.90	25.78	52.68
<b>Total Deposits (in billion Rs.)</b>	391.15	508.91	674.58
<b>Total lending (in billion Rs.)</b>	291.60	391.54	511.75
<b>Savings/GDP ratio (percent)</b>	53.7	62.4	68.0
<b>Loans/GDP ratio (percent)</b>	40.1	48.0	51.6
<b><u>Market share of total deposits (percent)</u></b>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Commercial Banks 'A' Class</b>	86.3	83.7	83.5
<b>Development Banks 'B' Class</b>	3.9	5.1	7.1
<b>Finance Company Banks 'C' Class</b>	8.8	10.3	8.5
<b>Other Institutions</b>	1.0	0.9	0.9
<b><u>Market Share of total lending (percent)</u></b>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>Commercial Banks 'A' Class</b>	79.5	78.3	77.8
<b>Development Banks 'B' Class</b>	5.3	6.0	8.3
<b>Finance Company Banks 'C' Class</b>	12.2	13.2	11.7
<b>Other Institutions</b>	3.0	2.5	2.2

\*\* GDP at producers' Price (at current prices)

Source: Nepal Rastra Bank

The above table shows that deposit and lending of banks and financial institutions have been constantly growing in proportion to GDP. The gradual increase in deposit by 68.0 percent and lending by 51.6 percent by July 2009 shows the deepening of the financial sector. Commercial banks' share has reached to 83.5 percent in deposit while lending has reached 77.8 percent of the total banking activities by July 2009. Similarly, by transactions, finance companies and development banks rank second and third respectively. Besides, shares of transactions of development banks conducting micro finance activities, and governmental and non governmental organizations with limited banking activities are very low.

- 4.26 A fair degree of progress is observed while associating the number of commercial banks and their branches with the total population of the country. The earlier ratio of 42,800 persons per branch by mid April 2009 has come down to 33,400 persons per branch by mid-April 2010. Calculating deposits based on total deposits of commercial banks shows per capita deposit of Rs 18,217 in mid April 2009 increased notably to Rs. 20,293 by mid-April 2010. Similarly, per

capita credit channeled through commercial banks has reached Rs. 18,297 against the previous Rs. 15,197 during the same period.

**Table 4(h): Indicators of Financial Expansion and Deepening**

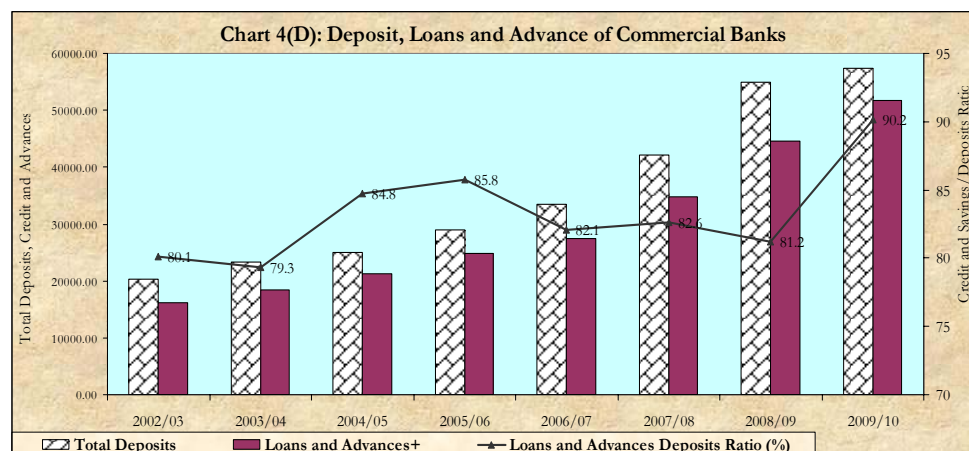
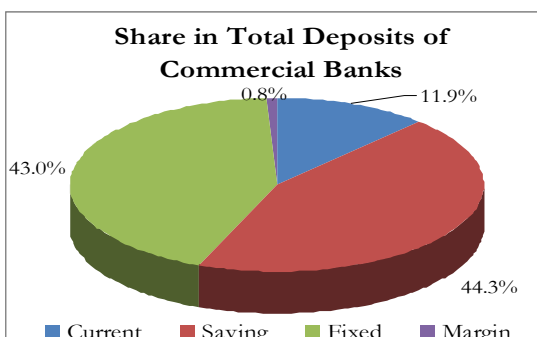
	Mid April 2008	Mid-April 2009	Mi- April 2010*
<b>Commercial Bank Branches</b>	591	617	845
<b>Population per Branch (In thousand)</b>	44.5	42.8	33.4
<b>Commercial Banks Deposit (in billion Rs.)</b>	375.6	481.4	572.7
<b>Per Capita Deposit (Rs.)</b>	14,282	18,217	20,293
<b>Commercial Banks lendings (in billion Rs.)</b>	387.1	401.3	516.4
<b>Per Capita Loan (Rs.)</b>	14,717	15,197	18,297

Source : Nepal Rastra Bank

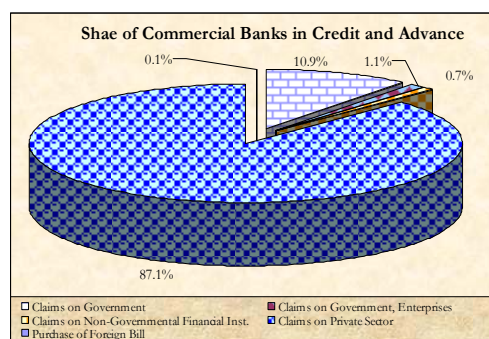
\* Based on mid mid-March data

#### Deposit Mobilization and Credit Disbursement Status of Commercial Banks

4.27 Deposit mobilization of commercial banks that increased by Rs. 60,170 million with 14.3 percent growth in the first eight months of the fiscal year 2008/09 grew only by 4.2 percent, an increase of Rs 22,900 million in the review period of this fiscal year. In contrast, the credit increase of Rs. 53,180 million with 15.3 percent growth rate in the previous year has grown by 15.6 percent or by Rs. 69,770 million in this year. Such imbalance between the credit and deposit growth, the current Credit-deposit (CD) ratio has increased to 90.2 percent by March 2010. Likewise liquidity deposit ratio has decreased from 34.2 percent to 29.3 percent in the same period.



4.28 During the first eight months of the current fiscal year, credit flows from commercial banks to the private sector has gone up to Rs. 66,700 million (16.5 percent growth) from Rs 50,000 million (16.3 percent growth rate) in the same period of the previous year. Out of the credit flow to the private sector, credit for productive sector has grown only by 9.5 percent this year against the 12.0 percent growth in the same period of the previous year. The credit flow to the private sector for wholesale and retail trade; finance, insurance, and fixed assets; and service sector has increased by 23.2, 41.6, and 20.2 percents respectively as compared to 10.1, 23.6, and 11.9 percents in the same period of previous year. Credit flow to real estate from the previous year's increase of Rs 7,710 million expanded by Rs. 14,920 million in the current fiscal year.



4.29 The liquid fund of the commercial banks has decreased by 9.7 percent during the review period owing to the depletion in foreign bank balances of Nepal Rastra Bank and commercial banks. The foreign bank balance of commercial banks has decreased by Rs. 4,250 million and that of NRB by 10,800 million. In the same period, investment in government securities has also decreased by Rs. 8,820 million.

#### Expansion of Commercial Bank Branches

4.30 The number of the commercial banks that stood at 555 by mid July of 2008 reached 752 with the addition of 197 by mid-July 2009, with the number growing to 845 by mid-April 2010. Such an expansion is attributed to the improved peace and security in the nation as well as NRB's additional liberal policy for expansion of commercial banks. By Regions, the number of commercial banks has reached 150 in the Eastern, 426 in the Central, 160 in the Western, 64 in the mid-Western, 45 in the far-Western Region by mid-April 2010.

**Table 4(i): Commercial Bank Branches**

<b>S.No</b>	<b>Commercial Banks</b>	<b>Mid-July 2008</b>	<b>Mid-July 2009</b>	<b>Mid-April 2010</b>
<b>1.</b>	Nepal Bank Ltd.	99	100	105
<b>2.</b>	Rastriya Banijya Bank Ltd.	114	123	123
<b>3.</b>	Agricultural development Bank Ltd.	65	86	97
<b>4.</b>	Nabil Bank Ltd.	26	32	37
<b>5.</b>	Nepal Investment Bank Ltd	19	31	31
<b>6.</b>	Standard Chartered Bank Ltd	13	13	14
<b>7.</b>	Himalayan Bank Ltd	17	23	28
<b>8.</b>	Nepal SBI Bank Ltd.	17	33	34
<b>9.</b>	Nepal Bangladesh Banl :td	17	17	17
<b>10.</b>	Everest Bank Ltd	26	30	35
<b>11.</b>	Bank of Kathmandu Ltd	22	30	31
<b>12.</b>	Nepal Credit & Commerce Bank Ltd	17	17	17
<b>13.</b>	Lumbini Bank Ltd	5	5	5
<b>14.</b>	Nepal Industrial & Commercial Bank Ltd	16	21	25
<b>15.</b>	Machhapuchhre Bank Ltd	18	31	32
<b>16.</b>	Kumari Bank Ltd.	12	15	21
<b>17.</b>	Laxmi Bank Ltd	13	19	21
<b>18.</b>	Siddhartha Bank Ltd.	7	10	18
<b>19.</b>	Global Bank Ltd	7	16	20
<b>20.</b>	Citizens Bank Ltd	9	10	17
<b>21.</b>	Prime Commercial Bank Ltd	1	8	9
<b>22.</b>	Sunrise Bank Ltd.	6	21	26

S.No	Commercial Banks	Mid-July 2008	Mid-July 2009	Mid-April 2010
23.	Bank of Asia Ltd	5	21	22
24.	Development Credit Bank Ltd	3	5	5
25.	NMB Bank Ltd.	1	9	11
26.	Kist Bank Ltd.	-	26	44
<b>Total</b>		<b>555</b>	<b>752</b>	<b>845</b>

Source: Nepal Rastra Bank

### Status of Non-Performing Assets of Commercial Banks

4.31 There have been some improvements on the non-performing loans of commercial banks in recent times due mainly to effective regulations and improved supervision by NRB, strong actions being taken against the wilful defaulters, and commercial banks' own willingness to stand themselves as efficient, capable and competitive entities in the current huge competitive environment. However, expected reforms are yet to be noticed on some government owned commercial banks and a few banks in private sector.

**Table 4 (j): Status of Non-performing Loan of Commercial Banks**

(Rs. in Million)

Commercial Banks	Mid-July 2007		Mid July 2008		Mid January 2009		Mid-Jan 2010	
	Bad Loan	Percentage	Bad Loan	Percentage	Bad Loan	Percentage	Bad Loan	Percentage
<b>Nepal Bank Ltd.</b>	1,856.0	13.5	1,952.0	12.38	1,051.9	4.94	831.2	3.77
<b>Rastriya Banijya Bank</b>	6,877.0	27.6	5,952.0	2,165.0	4,954.4	15.68	4,342.5	12.98
<b>Agricultural Development Bank Ltd.</b>	6,185.0	18.0	4,281.0	11.69	3,427.9	8.96	3,191.8	7.97
<b>Nabil Bank Ltd.</b>	178.0	1.1	161.0	0.74	224.9	0.8	340.1	1
<b>Nepal Investment Bank</b>	422.0	2.4	309.0	1.12	213.9	0.58	196.2	0.47
<b>Standard Chartered Bank</b>	197.0	1.8	128.0	0.92	91.1	0.66	128.6	0.83
<b>Himalayan Bank Ltd</b>	642.0	3.6	477.0	2.36	551.0	2.15	889.7	2.88



<i>Commercial Banks</i>	<i>Mid-July 2007</i>		<i>Mid July 2008</i>		<i>Mid January 2009</i>		<i>Mid-Jan 2010</i>	
	<i>Bad Loan</i>	<i>Percentage</i>	<i>Bad Loan</i>	<i>Percentage</i>	<i>Bad Loan</i>	<i>Percentage</i>	<i>Bad Loan</i>	<i>Percentage</i>
<i>Nepal SBI Bank Ltd.</i>	459.0	4.6	3005	31.73	315.9	2.02	309.2	1.68
<i>Nepal Bangladesh Bank</i>	3646	39.8	488.0	3.83	1762.4	19.3	1630.6	16.17
<i>Everest Bank Ltd</i>	113.0	0.8	127.0	0.68	117.9	0.48	110.8	0.39
<i>Bank of Kathmandu</i>	243.0	2.5	237.0	1.86	190.3	1.27	202.4	1.16
<i>Nepal Credit &amp; Commerce Bank</i>	1,607.0	31.4	86.7	16.42	197.1	2.74	181.8	2.1
<i>Lumbini Bank</i>	1,007.0	20.4	800.0	14.92	514.5	9.06	382.0	6.37
<i>Nepal Industrial &amp; Commercial Bank</i>	101.0	1.1	98.0	0.86	129.2	0.93	164.6	1.12
<i>Machhapuchhre Bank</i>	85.0	1.2	93.0	1.04	357.2	2.75	288.2	1.87
<i>Kumari Bank</i>	66.0	0.7	152.0	1.33	64.3	0.43	70.3	0.44
<i>Laxmi Bank</i>	23.0	0.4	13.0	0.13	6.3	0.05	16.3	0.11
<i>Siddhartha Bank</i>	22.0	0.3	65.0	0.69	51.6	0.38	70.8	0.43
<i>Global Bank</i>			10.0	0.19	8.6	0.09	15.8	0.13
<i>Citizen's Bank</i>					0	0	0.22	0.02
<i>Prime Bank Ltd.</i>					0	0	0	0
<i>Sunrise Bank Ltd.</i>					14.0	0.16	7.8	0.06
<i>Bank of Asia Ltd.</i>					0.4	0.01	3.8	0.04
<i>Development Credit Bank Ltd.</i>					102.3	1.58	96.3	1.34
<i>NMB Bank Ltd.</i>					25.7	0.49	24.3	0.35
<i>Kist Bank Ltd.</i>							28.3	0.24
<b>Total</b>	23729.0	10.30	19215.0	6.30	14373	3.64	13526	2.87

Source: Nepal Rastra Bank

## Sources and Uses of Funds of Financial Institutions

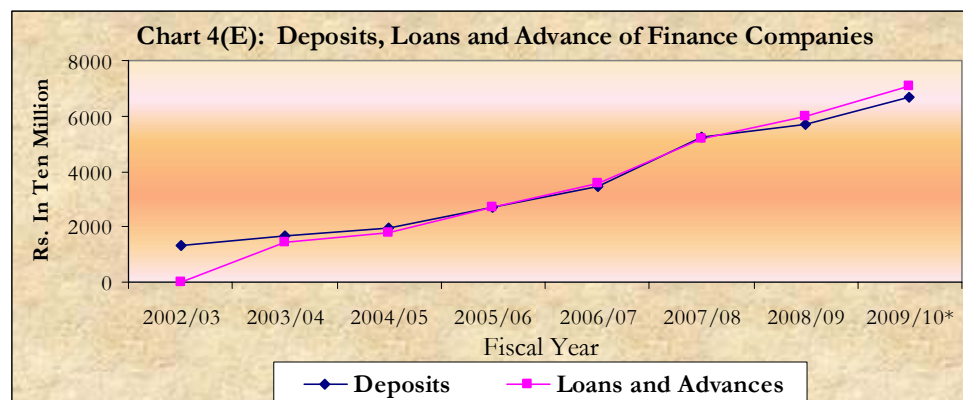
### Development Banks ('B' Class Financial Institutions)

- 4.32 Total sources of funds of development banks reached Rs. 79,700 million by mid-January 2010 with 17.2 percent growth as compared to mid-July 2009. Total deposits of banks, their prime source of funds have increased to Rs. 56,090 million in the review period. The total capital fund of these banks has reached to Rs. 11,880 million with a growth of 27.5 percent during this period. Meanwhile, borrowings increased by 56.9 percent in the second-half of current fiscal year

against Rs 4,110 million of the previous year. Loans and Advances that occupy a major part in uses of funds increased by 24.3 percent to Rs. 52,000 million.

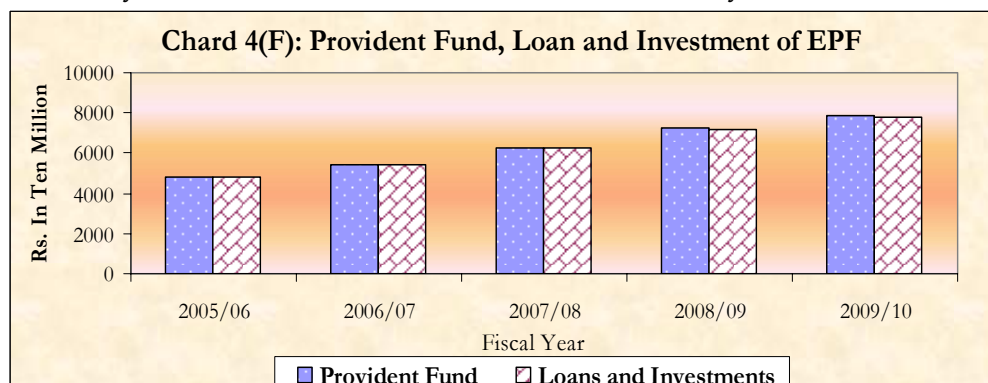
#### Finance Companies ('C' Class Financial Institutions)

- 4.33 The aggregate resources of finance companies have reached Rs. 99,380 million with a growth of 13.7 percent as compared to the Rs 87,430 million by July 2009. Deposit as the major source of such finance companies has reached to Rs 66,990 million marking a growth of 17.4 percent during the review period. Similarly, the capital funds for these companies increased by 44.1 percent arriving at Rs 15,180 million while the credit Rs 5,190 million with one 1.0 percent growth.
- 4.34 On the uses side of the fund, loan and advances of finance companies has increased by 17.9 percent to Rs 70,810 million between mid-July 2009 and mid-January 2010. This sum stood at Rs 60,070 million by mid-July of 2009. There has been a higher growth of 74.6 percent worth Rs 5,700 million in investment in the review period. The liquid asset, however, has declined by 13.5 percent and limited to Rs 14,180 million by mid-January 2010.



#### Employees Provident Fund

- 4.35 The Employees' Provident Fund was established in 1964 under the Employees Provident Fund Act 2019 (1964). The main responsibilities of this Fund is to manage provident Fund collected from civil servants, military and police personnel, teachers, personnel of public enterprises and some other employees in the private sector. The total resources/liabilities of this Fund has reached to Rs 85,220 million by mid-Januray 2010, while such fund stood at Rs. 79,120 million by Mid-July 2009. Similarly, the total fund of depositer has reached Rs. 78,430 million by mid-Jan 2010 from Rs. 72,650 million in mid-July 2009.



### **Citizen's Investment Trust**

- 4.36 Founded on March 18, 1991 under the Citizen Investment Trust Act 1990, the Trust is primarily involved in activities like collection and mobilization of deposits from individual and institutions, and providing credit and loans. Moreover, it acts as the issue manager for facilitating share and bonds on behalf of various organized institutions. The Fund's asset/liability grew phenomenally (28.3 percent) to Rs. 20,130 million between mid-July 2008 and 2009. Such asset/liability, however, grew only marginally between mid-July 2009 and mid-January 2010 and stood at Rs. 20,300 million. Collection of funds, which is a critical factor of its liabilities, totaled Rs. 18,430 million by mid-January 2010 against Rs 16,460 million in mid-July 2009. Likewise, on the asset side, its investment reached Rs 17,830 million by mid-January 2010 from 16,150 million in mid-July 2009.

### **Insurance companies**

- 4.37 By mid-March 2010 altogether there were 25 insurance companies in operation established under the Insurance Act 1992. There are 8 Life Insurance Companies, 16 non Life Insurance Companies and one company dealing with both life and nonlife insurance. From the prospective of ownership, 3 insurance companies are operating with full foreign capital investment while 3 of them are operating as joint capital venture of foreign Insurance companies. Similarly, 18 companies are under private ownership and the government of Nepal owns one Insurance company. Total asset/ liabilities of these insurance companies increased by 17.2 percent to Rs. 37,010 million by mid-July 2009, which has reached Rs. 40,800 million with 10.2 percent increase by mid-January January 2010.

### **Postal Saving Units**

- 4.38 Postal saving units, under the Department of Postal Service of the Government of Nepal, are in operation since 1974. Although 117 Post Offices are authorized to collect deposits, only 62 post offices were carrying out banking services by mid-January 2010. The total deposit of postal saving banks, which was Rs 980.062 million in July 2009, has reached Rs 1035.1 million by January 2010. The total number of such postal saving bank accounts reached 46,469 by mid-March 2010 from 43,059 in mid-July 2009.

### **Deposit and Credit Guarantee Corporation**

- 4.39 Deposit and Credit Guarantee Corporation was established in October 1974 with objective to encourage commercial banks for investing resources in priority

sectors and avail banking services to deprived people at their doorsteps. It has continued guaranteeing loans and credits availed in priority sector including livestock, vegetable crop farming, foreign employment, micro-finance to deprived groups and credit for small and medium industries. Out of the corporation's paid up capital of Rs 100 million, the share of Government of Nepal equity is 45.97 percent, NRB's 47.13 percent, Nepal Bank Ltd 4.60 percent and Rastriya Banijya Bank 2.30 percent. The Corporation, which guaranteed credits worth Rs. 429.0 million by mid-July 2009 stood at Rs. 500 million by mid-January 2010.

#### **Credit Information Center Limited**

- 4.40 This center was established in 1990 on initiation of Nepal Rastra Bank for collecting information about repayment of loans and availing such information to banks and financial institutions while preparing information on blacklisted credit defaulters. The ownership of this center is shared by NRB (10 percent), commercial banks (60 percent), development banks (15 percent) and financial institutions (15 percent). According to the record available from the center, the number of blacklisted defaulters of banks and financial institutions has reached 3,465 by mid-January 2010 from 2,051 in mid-July 2009 while 1,440 defaulters have been delisted from the black list.

#### **Micro-finance and Deprived Sector Credit**

- 4.41 Despite the growing numbers of Banks and financial institutions, most of them are found to be urban centered. It is highly desirable to ensure the access over the financial and other resources for the deprived low income and ultra poor groups of people for their capacity enhancement through inclusiveness, for which the issue of financial inclusiveness needs to be equally addressed. In this context, expansion of micro finance institutions in rural areas is considered a positive step forward.

#### **Micro Finance Institutions ('D' Class)**

- 4.42 Among the micro-finance companies are five rural development banks, eleven rural banking replicators, and two wholesale micro finance institutions. Grameen Bikas Banks are operating in each region with the objective to avail necessary financial resources for engaging rural deprived sector women in income generating activities through group formation. Similarly, 11 Grameen Bank replicators (Nirdhan Utthan Bank Ltd, Chimek Bikash Bank Ltd., Swabalamban Bikash Bank Ltd., DEPROCS Bikash Bank Ltd., NERUDE Bittiya Sanstha Ltd., Naya Nepal Laghu Bitta Bikash Bank Ltd., Mithila Laghu Bitta

Vikash Bank Ltd., Simmit Micro Finance Development Bank Ltd., Swarojgaar Laghu Bitta Vikash Bank Ltd., First Micro Finance Vikash Bank Ltd., and Nagbeli Laghu Vitta Vikash Bank Ltd), are operating in the private sector. Beside 11 micro finance institutions in the private sector and 5 Grameen Vikash Banks, the Rural Micro-finance Development Center (RMDC) established October 30, 1998 and Sana Kishan Vikash Bank Ltd. (Small Farmers Development Bank) established in July 6, 2001 are operating as wholesale micro-finance institutions.

- 4.43 The total assets/liabilities of 'D' class financial institutions carrying out micro-finance services has reached Rs 17,200 million. By mid-January, 2009/10, total deposits and lending of these institutions put together stood at Rs 2,360.0 million and Rs. 10,020 million respectively, while their total investment has reached Rs. 2,770.0 million.
- 4.44 Among the micro finance institutions engaged in wholesale lending, the paid up capital of RMDC as of mid-March 2010 stood at Rs 320 million. By the same date, its investment through micro finance institutions totaled Rs 3,984.8 million, of which Rs 2,308.6 million has been recovered with Rs1,676.2 million still as outstanding. Likewise Small Farmers Development Bank, another institution engaged in wholesale microfinance activities has invested Rs. 1090 million by January 2010.

#### **Rural Self-Reliance Fund**

- 4.45 Rural Self-Reliance Fund, which flows wholesale credit to cooperatives and non governmental organizations for micro financing, has its paid up capital of Rs 490.0 million as of mid-March 2010. The Fund has disbursed Rs 339.1 million by mid-March 2010, of which Rs 175.4 million has been recovered.

**Table 4(k): Transaction Details of Rural Self-Reliance Fund**

<i>Description</i>	<i>Mid-July 2008</i>	<i>Mid-July 2009</i>	<i>Mid-March 2010</i>
<i>Credit Distributed Districts (Nos.)</i>	50	51	55
<i>Credit Recipient Institutions (Nos.)</i>	334	404	477
<i>Beneficiary Households (No.)</i>	14,862	17,990	19,541
<i>Credit Disbursement Amount (in million Rs.)</i>	193.4	269.9	319.0

<i>Amount recovered (in million Rs.)</i>	102.3	141.9	175.4
<i>Outstanding amount (in million Rs.)</i>	91.0	128.0	143.6
<i>Overdue credit as percentage of outstanding credit</i>	9.0	7.48	7.15
<i>Recovery rate</i>	91.0	92.52	92.85

Source: Nepal Rastra Bank

#### **Cooperatives and Non-Governmental Organizations with Limited Banking Activities**

- 4.46 A number of co-operatives, established under the Cooperatives Act, 1991 (Amended 2060) and licensed by NRB, are also carrying out limited financial activities. The number of such co-operatives has reached 16 by April 2009. The total capital fund of these cooperatives is Rs. 476.4 million by mid-July 2009, which was Rs 400.9 million in mid-July 2008. During the review period, the total deposit of these institutions has reached Rs. 3,900.0 million while credit and loans totals Rs. 3,630.0 million. Although there are only 16 NRB licensed cooperatives, the number of saving and credit cooperatives registered under the Cooperatives Act, 1991, has exceeded 6000. These cooperatives have contributed remarkably to increase the membership, savings and credits.

**Table 4(l): A Glimpse of Activities of Saving and Credit Cooperatives**

<i>Description</i>	<i>Mid-July 2008</i>	<i>Mid-July 2009</i>
<i>Cooperatives (No.)</i>	5162	6289
<i>Membership (in 000)</i>	714	870
<i>Savings (in million Rs.)</i>	16240	19790
<i>Credit (in million Rs.)</i>	20120	24520

Source: Department of Cooperatives, Ministry of Agriculture & Cooperative, Government of Nepal

Similarly, 45 non-governmental organizations established under the Institutions Registration Act, 1977, have been operating under the Financial Intermediary Act, 1999 by mid-March 2010. The credit flow of such institutions, which was Rs. 961.2 million by mid-July 2009, grew to Rs 982.5 million by mid-January 2010.

#### **Financial Sector Reform Program**

- 4.47 The Financial Sector Reform Program (FSRP) is considered as an important constituent factor for the wider reform strategy of the financial sector as a whole.

Following the Financial Sector Reform Strategy Paper by the Government of Nepal that introduced on November 22, 2000 through a public announcement, the NRB, with clear-cut guidelines given, is assigned with the responsibility to execute this program.

- 4.48 The main target of this reform program is to help financial sector become healthy, competitive, efficient, and professional thereby enabling to contribute largely to the country's economic growth. The World Bank, Department for International Development (DFID) of UK Government, and loans and grants from Government of Nepal, are assisting the Program. The main activities under the program include (1) re-engineering of NRB, and (2) restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank (RBB) on one hand, and, capacity enhancement of the financial sector as a whole on the other.

**Box 4(c) : Re-engineering of Nepal Rastra Bank**

Continuity is being given to the re-engineering of NRB under the FSRP to make it stand as a sound, competent and efficient central bank while negotiating with the changing economic environment, both at home and abroad. In order to achieve these goals, the NRB is carrying out the programs like- Human Resource Development (HRD) and management; more effective and empowered regulatory and supervisory framework; restructuring the Bank depending on the services; computerization of the Bank; standardization of Bank's audit system; and right-sizing, making banking services more accessible, easier and efficient.

- 4.49 The taskforce formed to implement the reengineering programs of NRB has already submitted its proposals with recommendations and are in the process of implementation.
- 4.50 The contract signed between Information Technology Consultant, appointed for reengineering of NRB's and capacity enhancing of information technology is cancelled with the consent of the World Bank as he was found not to be so responsive and did not provide necessary cooperation. NRB has now decided to make its own long-term plan and implement it for strengthening the Bank's information technology system.
- 4.51 Nepal Rastra Bank, upon expiration of the contract with the consultant working as the Public Relation Officer on April 8, 2009 has been appointing Public Relation Officers from its own sources as per the requirement.

**Box 4(d) : Restructural Reform of Nepal Bank Ltd. and**

**Rastriya Baniija Bank Limited**

1. Nepal Ratra Bank has taken over the control of NBL until mid-March 2011 in accordance with the Section 86 (C) of **NRB Act 2002**. Pertaining to the restructuring of NBL, a consultant was appointed whose term of contract came to an end on 21 July 2007. Currently, the management of NBL is being looked after by NRB personnel. Meanwhile, necessary processes are underway for the appointment of a new Chief Executive Officer of the bank through open competition.
2. The contract between the Management and Group of Management Consultants of RBBL has been extended till mid-July 2010. The management team comprising the Chief Executive as well as Chief Information Officer of the Bank's Management will give continuity to the restructuring activities.
3. There is a program to appoint a Bank Restructuring Advisor for both RBB and NBL in connection with their restructuring.
4. While reviewing the progress made so far by both these banks under restructuring program, they have earned net profit since the fiscal year 2003/04 and gradually reduced the negative capital fund. The management group has prepared and adopted various directives, policies and regulations in order to provide stability to these banks. Several reform arrangements have been made in accordance with some internationally accepted trends and standards. Overall, the progress made so far can be considered as positive.

- 4.52 Both the NBL and RBBL have made some progress since the initiation of their restructuring programs. NBL, which was continuously at loss of billions of rupees since 1999, has been gradually reducing such losses, limiting at Rs. 250 million by the fiscal year 2002/03. By mid-July 2009, NBL has made a net profit of Rs 660 million before tax. Likewise, according to the preliminary draft of Financial Report, the Bank has earned a before tax profit of Rs. 460 million by mid-January 2010.
- 4.53 In contrast to the accumulated net loss of Rs 4,840 million in 2002/03, RBB has earned a net profit worth Rs. 2,090 million by mid-July 2009. As per the provisional financial report, the Bank has registered a profit of Rs. 1,150 million by mid-January 2010.
- 4.54 The negative net worth of both NBL and RBB is gradually improving. After undergoing restructuring program, the negative net worth of NBL Rs 9,800 million in 2004 has decreased to Rs 4,880 million by July 2009. The provisional financial report presents the Bank's estimated negative net worth at Rs 4,860 million by mid-January 2010. Similarly, the negative net worth of RBB, which



totaled Rs. 22,390 million in mid-July 2003, has come down to Rs 13,480 million by mid-July 2010. The Bank's present net worth is estimated at Rs 12,310 million by mid-January 2010, as the draft report mentioned.

**Table 4(m) Negative Net-Worth of NBL & RBB**

Rs. in Billion

<i>Mid-July</i>	<i>Nepal Bank Ltd</i>	<i>Ratriya Banijya Bank</i>
<b>2003</b>	9.80	22.39
<b>2004</b>	8.90	21.00
<b>2005</b>	7.16	20.00
<b>2006</b>	6.30	18.59
<b>2007</b>	6.25	17.21
<b>2008</b>	5.72	15.50
<b>2009</b>	4.88	13.48
<b>Mid-Jan 2010</b>	4.86	12.31

Source: Nepal Rastra Bank

- 4.55 Out of the total credit of NBL, non-performing loan (NPL) by mid July 2003 stood at 60.47 percent, which has been gradually coming down in the subsequent years. The NPL by mid-July of 2004, 2005, 2006, 2007, 2008 and 2009 gradually came down to 53.74 percent, 49.64 percent, 18.18 percent, 13.50 percent 12.38 percent and 5.40 percent respectively. Eventually, it has come down to 3.63 percent by mid-January 2010. Though RBB's NPL, as such has not decreased in quantitative term as expected, its level however, is decreasing. The non-performing loan of RBB by June 2002/03 was 60.15 percent of the total credit which gradually came down to 57.64 percent in 2003/04; 50.70 percent in 2004/05; 37.0 percent in 2005/06; 27.60 percent in 2006/07, 21.65 percent in 2007/08 and 15.67 percent in 2008/09 respectively. The NPL of this bank by mid-January 2010 remained 13.29 percent.

**Table 4(n): NPA out of the total credit**

(Percent)

<i>Mid-July</i>	<i>Nepal Bank Ltd.</i>	<i>Rastriya Banijya Bank</i>
<b>2003</b>	60.47	60.15

<b>2004</b>	53.74	57.64
<b>2005</b>	49.64	50.70
<b>2006</b>	18.18	37.00
<b>2007</b>	13.50	27.60
<b>2008</b>	12.38	21.65
<b>2009</b>	5.40	15.67
<b>Mid-January 2010</b>	3.63	12.98

Source: Nepal Rastra Bank

- 4.56 The statutory auditing of both the banks that was overdue for several years in the past has resumed. The audit report of NBL from fiscal year 1999/2000 to 2008/09 has already been completed while the audit report for the fiscal year 2008/09 has already been submitted to NRB for final approval. In case of RBB, the financial details are regularly being published on a quarterly basis. After the resumption of newly appointed Management, RBB's external auditing up to the fiscal year 2008/09 has been already completed. Likewise, the internal audits also are carried out as scheduled.
- 4.57 Four consecutive voluntary retirement schemes (VRS) have already been executed as an attempt of right-sizing the NBL. Besides, after the implementation of the fourth VRS in June 2009, service tenure has been set at 30 years. The total number of 6,030 staffs in mid-July 2001 came down to 2,442 by mid-July 2009, totaled to 2,454 by mid-Jan 2010. Similarly, RBB has submitted its succession plan to NRB while it has also introduced the performance-based reward system. RBB has also succeeded in reducing the size of its staff gradually. The 5,583 employees in mid-July 2002 were reduced to 2,697 by mid-July 2009, and to 2,705 by mid-January of 2010.
- 4.58 The Management Team of NBL has formulated and adopted various plans, policies and directives for making banking system more robust and competent internally. In the process, it has implemented credit policy and Manual for improving its credit management system. The new Accounting Manual, Internal Audit Manual, and Accounts Classification Manual are prepared and adopted. It has started writing off credits upon preparation and adoption of Credit Write Off by-laws. Similarly, the Management Group of RBB has implemented various

plans, policies, and guidelines to strengthen its banking system. Especially, Anti-money laundering policy, Investment and Treasury Operation Manual, Internal Audit Manual, Trade Finance Manual as well as Credit Policy and Directives are also implemented. In addition, it has implemented the Credit Write-off By-laws.

- 4.59 NBL by preparing IT Plan, has computerized its 66 branches (out of 107 branches) to ensure prompt, efficient and well-managed banking services, to its clients. Similarly, RBB also has computerized 120 branches out of its 124 branches.

**Table 4(o): Status of NBL and RBB**

<i>Description</i>	<i>Mid0July 2003</i>	<i>Mid-July 2009</i>	<i>Mid-January 2010*</i>
<b><i>Nepal Bank Ltd.</i></b>			
<b><i>Net Profit (in million Rs.)</i></b>	(252)	660	460
<b><i>Capital Fund (in million Rs.)/ ( ) negative</i></b>	(9800)	(4880)	(4860)
<b><i>Non-performing loan (percent)</i></b>	60.47	4..40	3.63
<b><i>Staff (No.)</i></b>	5,250	2,442	2,454
<b><i>Rastriya Banijya Bank</i></b>			
<b><i>Net Profit (in million Rs.)</i></b>	(4850)	2090	1152
<b><i>Capital Fund (in million Rs.)/ ( ) negative</i></b>	(22390)	(13,480)	(12,310)
<b><i>Non-performing loan (percent)</i></b>	60.15	15.67	13.29
<b><i>Staff (No.)</i></b>	5402	2697	2705

\* Provisional

- 4.60 Necessary work has been initiated for strengthening Credit Information Center Limited(CICL) and Debt Recovery Tribunal under the program for overall strengthening of the financial sector.

**Box 4 (e) : Capacity Enhancement of Overall Financial Sector**

The third component of Financial Sector Reform Program aims at overall capacity enhancement of the financial sector. Progress so far includes initiation of mechanization in CICL. Meanwhile, the center staffs are imparted with overseas training. Similarly, mechanization in the Debt Recovery Tribunal and necessary training for enhancing their capacity is in the offing.

#### **Establishment of Banks and Financial Institutions**

- 4.61 Concerning applications for opening up of new banks, Janata Bank Nepal Ltd has been granted operating license of class 'A' bank to carry out banking business. Total number of commercial banks after its operation will reach 27. The proposed Civil Bank Ltd is in the process of obtaining letter of intent, while the proposed State Bank of Nepal is undergoing the verification of necessary documents.
- 4.62 The proposed Commerz and Trust Bank Nepal Ltd. have obtained letter of intent from NRB for operating banking business.
- 4.63 The proposed Century Commercial Bank Ltd. and Mega Bank Nepal Ltd. are in the process of registration with the Company Registrar's Office after getting letter of intent for operating license.
- 4.64 The total number of Development Banks has reached 78 at present. In the review period, 2 development banks, namely International Development Bank Ltd. and Tourism Development Bank Ltd. have been approved for conducting financial activities throughout the country. Similarly, 6 development banks are given approval for operating in 3 districts while 10 development banks are approved to launch their actives limiting to a single district. All the development banks permitted for one district/ three districts have already started operating in their approved geographical areas. Additionally, 10 more development banks have already been approved for letter of intent and are awaiting approval for carrying out financial business. During the review period, Sidhartha Developemnt Bank Ltd., which was licensed to confine its banking business in three districts, has been approved for extending its business as a national level development bank. Likewise, Bhrikuti Development Bank got approval to expand its operation in 10 districts from the present three districts.
- 4.65 Currently, the number of finance companies is 79. Of these, 57 companies are working within the valley and 22 are out of the valley. The proposed three more companies are in the process of obtaining operating license.

- 4.66 The number of micro-finance development banks under operation is 18 at present. Besides, during this period the following micro-financing development banks namely have already been licensed, namely - Mithila Laghu Bitta Bikash Bank Ltd. at Dhalkebar, Dhanusha; Summit Micro-Finance Development Bank Ltd. at Anarmani, Jhapa; Sworojagar Laghu Bitta Bikash Bank Ltd. at Banepa; and First Micro-finance Development Bank (National Level) in Kathmandu, Nagbeli Micro-finance Development Bank Ltd. at Anaramni, Jhapa.
- 4.67 The number of cooperatives registered under The Cooperative Act and licensed to carry out banking activities stood at 16 by mid-March 2010, without any increment in their number from the previous year.
- 4.68 The number of non-governmental organizations operating as financial intermediaries remained 45 by mid-March 2010. Earlier, they were barred to expand their outreach; however, recently a new policy has been adopted them and those meeting specified criteria can expand their geographical outreach once in a fiscal year in another one district adjacent to their working area.

#### **Regulatory Arrangements for Banks and Financial Institutions**

- 4.69 The existing mandatory provision for promoters concerned with purchase and sale of their shares has been simplified with the removal of the earlier obligatory pre-approval by NRB. Promoters, who have 2 percent or less shares of the issued capital of banks and financial institutions, need no pre-approval to carry on transactions of their shares remaining within the existing laws and regulations. However, new promoters have to fulfill the designated fit and proper tests for such transactions while the promoters having more than 2 percent of shares are restricted to enjoy such facility by breaking their block shares.
- 4.70 Some of the provisions concerning the establishment of banks and financial institutions have been amended and improvised in the Licensing Policy and Procedures: 2006. In case of investment in banks and financial institutions by Non-Resident Nepali Citizens, they have to present the tax clearance certificate issued by the local tax office, and/or the proof of tax filing, and/or the proof of not exceeding taxable income level before making such investment. Amount meant for such investment should be remitted through the proper channel along with self-declaration document. Meanwhile, the deadline of commitment to submit the prescribed amount of issued capital has been extended from mid-July 2010 to mid-March 2011.

- 4.71 Single obligor Limit (SBL) has been fixed at 25% of the core capital, including fund based or non-fund based facilities, which is in effect since mid-Jan 2010. However, the SBL for export sector, small and medium enterprises pharmaceuticals, agriculture sector, tourism industries, cement industry, iron industry and other productive industries can go up to 30 percent at the maximum. The existing limit of 50 percent for hydropower project, hydropower transmission line and cable car industries remain unchanged.
- 4.72 By mid-July 2010, all banks and financial institutions are required to maintain Statutory Liquidity Ratio (SLR). It is mandatory for all 'A', 'B', and 'C' classes banks and financial institutions to invest 8.0 percent, 3.0 percent and 2.0 percent of their domestic deposits in the government securities. For this provision, designated bonds or call deposits maintained by specifying the purpose in 'A' class Commercial banks are also considered as eligible instruments while maintaining SLR. In addition, the amount maintained as balance in excess of CRR can also be used for proportionate counting under the SLR.
- 4.73 The interest rate chargeable by NRB to banks and financing companies for export refinancing in local currency is set at 1.5 percent with such banks and financial institutions eligible to charge up to 4.0 percent interest to their borrowers such export refinancing facility availed by NRB. Similarly, a new provision of refinancing has been made for 'A', 'B' and 'C' class banks and financial institutions under which they, by complying the specified terms and condition, can avail refinancing facility from the NRB for the purpose extending credit to specified productive sectors.

**Box 4(f): Arrangements for Productive Sector Refinancing Facilities**

- (a) Refinancing up to 80 percent at the maximum can be availed against the collateral of good loans but not exceeding 40 percent of the core capital of concerned bank and financial institution.
- (b) Such facility will be availed at 7.5 percent for 6 months only.
- (c) The concerned institution should maintain its rate of interest not exceeding 3 percentage points to the NRB's interest rate.
- (d) Apart from the required capital adequacy ratio, an additional 0.5 percent capital adequacy should be maintained.
- (e) Banks and financial institutions having above 80 percent of the core capital and domestic deposits while using the refinancing facility, have to maintain the prescribed CD ratio which should not exceed the proportion at the time of borrowing.
- (f) The credit flow to real-estate sector should be within the set limit.
- (g) Such refinancing facilities will be provided against the collateral of good loan of the same sectors and these sectors include: export sector, small and medium industries, pharmaceuticals, agricultural sector, tourism industries, cement industry, iron industry,

other productive industries, hydropower project, hydropower transmission lines and cable car. Refinancing facilities cannot be used for personal loan of undisclosed purpose, purchase of land and house/real-estate/ commercial complex; construction loan, vehicle loan, loan against share and tobacco related industries (cigarette, bidi, Cigar, khainai) and distilleries.

- 4.74 Arrangements is made for 'A' and national level 'B' class banks and financial institutions to operate activities of various derivative instruments such as forward, options, swap and futures within in yardsticks as decided by their respective boards. Banks and financial institutions can also issue new shares within the frame of the existing securities loans. Commercial banks and national-level development banks are also authorized to operate mobile banking by complying the terms and condition set for the same and to conduct branchless banking outside Municipalities in Kathmandu Valley, sub-metropolitan cities. In addition, provision has been made for commercial banks to provide non-fund based technical service in overseas by incorporating such provision in their own memorandums.
- 4.75 The provisions of margin call and renewal on margin lending type loans against the collateral of share have been amended.

**Box 4(g): Amendment on Margin Lending Type Loan**

- While making necessary margin call caused by changes in the share- value in the market, concerned banks, and financial institution should monitor the value and timely inform the creditors; then they have to make the margin call within 21 days of the given margin. However, margin call will not be obligatory if the market value of shares pledged as collateral falls to the extent of 10 percent.
- Creditors enjoying margin type of lending can renew the remaining 75 percent of it if they have returned 25 percent of their credit paid with the accrued interest.

- 4.76 Financial institutions of 'B', 'C', and 'D' class are allowed to carry out inward remittances, companies of B and C class can purchase and sell Indian Currency, whereas B class national level financial institutions can accept foreign currency deposits, buy and sell foreign currency, provide exchange facilities against passports, open foreign currency accounts, and open nostro – accounts. 'B' and 'C' class financial institutions can act as co-agent of licensed commercial banks to issue debit and credit card in Nepalese and Indian currencies while 'B' class financial institutions (other than national level) are allowed to buy foreign currency and sell it to NRB and/or/ to commercial banks. Development banks and financial institutions can operate automated Teller Machine (ATM) under specified directives. Policy decision is made for 'D' Class financial institutions

carrying retail banking transactions, remaining within the given conditions, to mobilize public deposit. Likewise, those national level "C" class finance companies meeting the set criteria can avail safe deposit vault and locker facilities.

- 4.77 Promoters of the concerned banks and financial institutions, directors or their families are restricted from buying the shares reserved for public issue unless the such share remains unsubscribed within the specified period. Share holders in promoters group are restricted to file their candidacy for board directors other than allocated for the promoters group. In case of the renouncement of rights shares, the existing promoters can do so by making necessary arrangements in memorandum and articles of association. Promoters holding one percent or less share of the paid up capital, are free to renounce their rights under the given conditions of banks and financial institutions concerned.
- 4.78 The existing arrangement for standing liquidity facility (SLF) has been revised. While determining the interest rate of this facility, the weighted average interest rate for the latest 91-day treasury bills, or the latest interest on repo auction in the last one month or the prevailing bank rate whichever is higher, is maintained by adding extra 3 percent point as penal rate.
- 4.79 Arrangements for limiting lending and other facilities in the same sector of the economy by banks and financial institutions have undergone some changes. The limit on lending against the collateral of land and housing as well as real estate has been fixed.

**Box 4 (h): Highlights of the Directives on Housing/Real-Estate Lending and Total Lending**

- a. Credit disbursement should not exceed 60 percent of the fair market value of the housing and real estate asset.
- b. Only 25 percent of the total credit can be disbursed to real-estate and about 40 percent of the total credit can be disbursed for real-estate plus residential house loans.
- c. A new limit has been provisioned for both real estate and real-estate plus residential housing loan based on the total credit. Credit on real estate should not exceed 15 percent by mid-July 2011 and it should be brought down to 10 percent limit by mid-July 2012. Likewise, the credit to real-estate and residential housing loan should be brought down to 30 percent and 25 percent by mid-July 2011 and 2012 respectively.
- d. Banks and financial institution failing to bring their exposure within the given limit by mid-July 2011 and 2012, will be considered as in breach of directives. Such credit in excess of the set limit will carry a 150 percent risk for the purpose of calculating risk weighted asset.
- e. Total credit to total resource mobilization (domestic deposit plus core capital) ratio



should not exceed 80 percent. However, institutions, which have already exceeded the 80 percent limit before the enforcement of the directives, need compulsorily to bring down their limit to 95, 85 and 80 percent by mid-July 2010, mid-July 2011 and mid-January 2012 respectively.

- 4.80 Policy arrangements have been made for the expansion of NGOs working territory in the adjacent districts under the Financial Intermediation Act and Regulations. Organizations fulfilling other additional specificities and conditions can however, expand their branches even in other districts other than those where they were registered.
- 4.81 Policy arrangements have been made for A, B, and C class banks and financial institutions willing to operate merchant banking business by establishing a separate subsidiary company. But, it has to be approved by Nepal Securities Board in compliance with the existing policy and other legal arrangements.
- 4.82 Following to the Monetary policy of 2009/10, A, B, and C class institutions can open 'D' class Micro-finance Institution as the subsidiary company and disburse credit to deprived groups. For single, family, firm, company, or organised institution or company of the same group, up to 25 percent of the paid capital can be invested by those institutions as in the earlier arrangement. However, the policy arrangement for subsidiary company allows the promoters to invest 51 percent to 70 percent of the paid up capital at a special request of such banks and financial institutions.
- 4.83 A new version of unified directives-2009 consisting of 20 directives has been issued by incorporating all circulars/directives/guidelines and any amendments/modifications their own by mid-July 2009.
- 4.84 Banks and financial institutions, while calculating the interest amount for their depositors on a weekly, or monthly or quarterly or any other bases as per their policy should consider at least the average balance of that period.
- 4.85 The provision of doing banking activities under consortium financing for the borrowing firm/company only with lead bank or participating bank is equally applicable to loose consortium without forming group under which two or more banks and financial institutions finance a single project on a paripasu basis.
- 4.86 Deprived sector lending requirement of 3 percent of the total credit for commercial banks is unchanged while development banks and finance companies are required to extend at least two and one percent respectively in the fiscal year 2009/10.

- 4.87 Compulsory provision has been made to make payment only through account payee cheques for any kind of transaction above Rs 5 million.
- 4.88 In case of action taken with regard to shares of banks and financial institutions belonging to general public or promoters group, such individual and his undivided family members' share investment will be confiscated, auctioned and utilized for loan recovery.
- 4.89 Banks and financial institutions are barred from buying the cheques from founders/directors/staff and their household members. In cases of buying cheques from other clients, they are bound to collect such cheque or send for collection within three days including the day of purchase.
- 4.90 In case of 'D' class micro-finance development banks having more than 51 percent ownership of promoters group, promoters can sell the remaining shares as general public share through secondary market provided that at least they retain 51 percent.
- 4.91 Promoter's share of the licensed banks and financial institutions, pledged as security for loan cannot be accepted by the concerned banks or financial institutions for loan recovery purpose as it appears in the form of cross holding, which is against the legal provision laid down in Banks and Financial Institution Act, 2063.
- 4.92 Any individual enlisted with NRB for the purpose of professional director and auditor of banks and financial institutions or any partnership firm, company or institutions with his or her direct involvement will be automatically if any sort of case is filed by the competent authority against him/her. Similarly, he/she will be automatically listed after clearance.
- 4.93 Investment made in a newly established company not yet listed with the stock exchange should be listed within 2 years of its operation or from the date of such investment otherwise, the equivalent amount of investment fund should be created.
- 4.94 All the credit documents of banks and financial institutions, promissory note, mortgage deed, hypothecation agreements and trust receipt agreements should compulsorily be prepared in Devnagari script Nepalese language.
- 4.95 Directors, chief executive officers and other staffs of banks and financial institutions failing to respect the directives and penalized in cash, will be enlisted in the black list until such fines are realized. Directors/managing directors are restricted to receive any sort of remuneration, allowances and

other benefits before getting license for carrying out financial activities. Non-executive chairperson and other directors are barred from receiving any kind of fringe benefits except the entitled benefit. The benefits being enjoyed by them cannot be raised until the first annual general meeting with representation of public director.

- 4.96 Publications of Annexes and details concerned with financial details have been revised, processed, and simplified with time. Likewise, arrangements have been made to prepare and implement the code of conducts and to form a corporate governance unit for monitoring governance level on a monthly basis.

#### **Other Activities Related with Banking and Financial Sector**

- 4.97 The policy guidelines and procedures have already been implemented that allows "A" class commercial banks to open branch offices in foreign countries by meeting the designated standard.
- 4.98 Policy Arrangement has been issued under the Section 34 of Banks and Financial Institutions Act, 2003 for foreign banks/financial institutions that allows opening their branches in Nepal for wholesale banking. This arrangement is made in accordance with Nepal's commitment to financial service sector while entering the World Trade Organization (WTO) on 23 April 2004, as its 147th member.
- 4.99 Permission has been granted to foreign banks and financial institutions for opening up representative office in Nepal. In this context, Mashreq Bank, PSC of United Arab Emirates, Dubai has got the license on March 17, 2010.
- 4.100 Study on the postponement of acceptance of applications for setting up new banks and financial institutions since July 30, 2009, meant to review of the existing policy and procedures of licensing, and has reached at its final stage. However, 'D' class micro-finance development banks willing to serve in rural area (except in municipalities and sub municipalities), and those 'B' class development banks, who have already applied for establishment with a proposal of 1 to 3 districts coverage are being considered for licensing purposed. Policies for licensing new banks and financial institutions of other classes will be adopted from the beginning of the next fiscal year, based on the conclusion of the study being made.
- 4.101 Willful defaulters of banks and finance companies have been penalized e.g. impounding of passport following the Government's decision of February 11,

2009. For monitoring the efficiency and taking further actions against them, a high level monitoring committee on action against willful defaulters has been formed under the Chairmanship of Hon. Mr. Hari Rokka, member of Constituent Assembly. As per the decisions of the committee, 32 out of 355 defaulters have been released after the repayments of their respective loans amounting to Rs 461.3 million.

- 4.102 The Grievances Hearing Cell, which was formed for hearing complaints from either side during transactions with banks and financial institutions, has been restructured as per the Cabinet's decision on December 15, 2006. Similarly, the Grievance Hearing Management Committee for the same purpose has also been formed on January 4, 2007. Giving continuity to the Deputy Governor of NRB as coordinator, the Committee has now one representative each from the Ministry of Finance and the Chairperson of Nepal Bankers' Association as member while one representative from the Federation of Nepal Chamber of Commerce and Industry remains as an observer. Out of 415 complaints registered since January 4, 2007, hearing over 371 cases has already been completed by mid-March 2010 and correspondence with concerned financial institutions is ongoing for the remaining 44 cases.
- 4.103 In relation of maintaining a panel of professional experts under section (13) of the Banks and Financial Institutions Act, 2063, additional 12 persons with required qualifications are enlisted, totaling to 89 in the current Fiscal Year.
- 4.104 In order to maintain coordination among the agencies concerned with banks and financial sector more effective and to continue making necessary improvements, NRB has conducted various meetings under the convenorship of Deputy Governor. These meetings have made several timely decisions in relevant matters so far. Apart from the coordinator, Executive Director of NRB, Chairperson of Stock Exchange, Chairperson of Insurance Board, Registrar of the Company Registrar's Office and representative from the Ministry of Finance are the other members engaged in deliberations and decision-making.
- 4.105 The NRB Banking Promotion Committee, which was under NRB initially, is now operational under Nepal Banker's Association.

#### **Inspection and Supervision of Banks and Financial Institutions**

- 4.106 NRB has adopted a policy of scientific inspection and supervision for sustainable growth of economy by developing healthy and competitive banking and financial institutions and increasing public confidences. Such supervisions are based on standards defined by international agencies and universal

principles and practices. In order to minimize the risks emerged with the growing number of banks and finance companies and viewing the limited supervision capacity, risk based supervision, as an instrument to gradually implement in the coming years, is emphasized. Inspection and supervision processes at micro-level have been regularly advanced.

- 4.107 The consolidated supervision of the overall banking and financial sector is continued also in the fiscal year 2009/10. Weaknesses and deficiencies encountered during supervision are addressed on the spot as far as practicable. Regular directions on corrective measures are given on the supervision report, to make the implementation more effective. Based on the reports from site supervision, reforms are being made in organizational structure and restructuring of supervision unit giving high priority to monitoring and implementation of these reforms.

**Box 4 (i) : Progress of Inspection and Supervision up to mid-March 2010**

**Overall On-site Inspections**

The overall site supervision of 21 commercial banks has been completed by the end of mid-March 2010. Similarly, inspections of 32 Development Banks, 35 Finance Companies 5 Micro Finance Development banks, 6 Cooperative with limited banking activities, 1 NGO on micro finance have been supervised on the site.

**Off-Site Supervision**

During the review period, off-site supervision of 24 Commercial Banks have been conducted giving necessary directions and giving clearance to publish their financial reports. Likewise, clearance is given to 52 Development Banks, 47 Finance Companies, and 7 Micro Finance Development Banks for publishing their annual financial details. Besides, 10 Development Banks, 11 Finance Companies, and 1 Micro-Finance Banks were fined for not disbursing the credit in directed proportions. Two finance companies have undergone actions as per Rapid Improvement Action Regulation 2064.

**Special Inspection**

Special supervision has been conducted in 16 commercial banks and 12 development banks, 18 finance companies as per the need felt during the review period. Similarly, 10 more (out of 16) special supervisions are also completed to ensure the adequacy of capital (under BASEL II) and liquidity situation of commercial banks.

**Follow-up and Targeted Supervision**

Follow-up supervision of 7 development banks; targeted supervision of 2 micro finance banks; physical infrastructure supervision of 11 development banks, 2 finance companies and 3 micro finance banks have already been completed, while follow up supervision of

one development bank, and five finance companies have been made during the review period.

- 4.108 The provision for commercial banks to take compulsory clearance of NRB to publish their financial details is given continuity. After making the overall supervision with the analyses of financial position and current issues, Annual Bank Supervision Report 2008 has been published and posted on the NRB's Website.
- 4.109 The draft of risk based supervision guidelines has already been prepared in order to implement risk management guideline (RMG) and risk based supervision to guide commercial banks to carry out their services being more risk-sensitive. Processes are being advanced for the selection of appropriate methods on stress testing, considered as an important tool for risk management.

## 5. Capital Market

### Primary Market

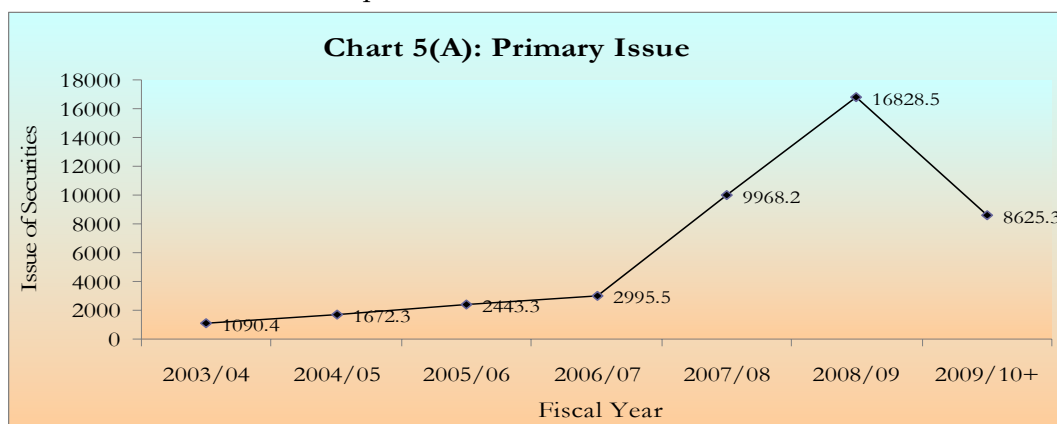
- 5.1 In the first nine months of the fiscal year 2009/10, 39 companies issued securities and mobilized capital equivalent to Rs. 8,625.3 million. Of the 39 companies, 19 companies issued ordinary shares while 20 companies issued rights shares through the primary security market. This amount at the review period is 17.90 percent higher than the amount mobilized through the issuance of securities in the same period of last year. In the first nine months of the fiscal year 2008/09, 30 companies had mobilized Rs. 7,315.5 million by issuing securities. In the review period, capital was mobilized through security instruments like the sale of Citizen Unit Plan equivalent to Rs. 370.8 million. No debenture and preference shares, however, were issued during this period for capital mobilization.

**Table 5 (a): Primary Market Trend**

(Rs. in Million)

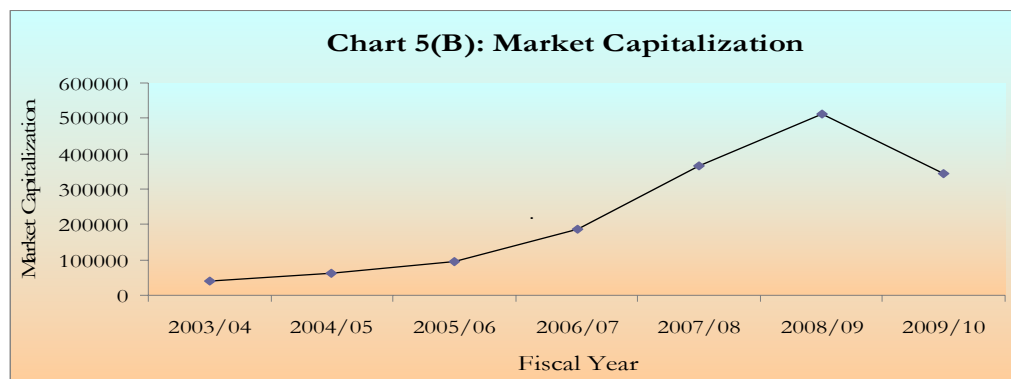
Description		Fiscal Year							
		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	First 9 Months	
								2008/09	2009/10
1.	Capital Mobilization	1,090.4	1,672.3	2,443.3	2,295.5	9,968.2	16,828.5	7,315.5	8,625.3
a.	Ordinary Shares	657.5	377.5	579.8	380.2	924.8	1,815.7	993.0	2,104.9
b.	Rights Shares	70.0	949.3	2,013.5	1,265.3	6,093.4	14,262.8	5,572.5	6,520.4
c.	Prefential Shares	-	-	-	40.0	-			
d.	Debentures	300.0	300.0	850.0	250.0	2,950.0	750.0	750.0	-
e.	Citizen's Unit Plan	1,003.8	1,215.6	1,486.3	1,702.3	980.0	688.9	664.0	378.0
2.	Number of Organized Market Mobilizers	14	14	29	34	64	64	30	39

Source: Securities Board of Nepal



## Secondary Market

- 5.2 Additional 11 companies have been enlisted in Nepal Stock Exchange Limited (NEPSE) and two companies merged in one in the first nine months of fiscal year 2008/09. With this, the total number of companies listed with NEPSE has reached 169. The total number of companies listed with NEPSE in the same period of the previous fiscal year 2008/09 was 157. The total number of listed companies at the end of the fiscal year 2008/09 was 159. Likewise, the total number of listed Development Bonds in the review period has reached 15 with the listing of two new additional Development Bonds. By the end of the first nine months of the fiscal year 2009/10, market capitalization of security decreased by 18.2 percent reaching Rs. 344,450.8 million, as compared to the same period of previous fiscal year 2008/09. The total value of market capitalization by the end of first nine months of the previous fiscal year 2008/09 was Rs. 421,159.1 million. The value of market capitalization, which was Rs. 512,939.0 million in the end of the fiscal year 2008/09 has been continuously decreasing.



- 5.3 Altogether, 20,599,760 units of shares worth Rs. 9,862.1 million were traded in the first nine months of the current fiscal year 2009/10 as compared to 22,106,570 units worth Rs. 16,982.9 million traded in the same period of the previous fiscal year, which is a steep decline of 41.9 percent in the stock trading during this period. Both the transaction value and the amount of the share transactions in the review period has been less as compared to the transactions carried out in the same period of the previous fiscal year.
- 5.4 The paid-up value of listed shares rose by 35.8 percent reaching Rs. 74,266 million in the first nine months of the current fiscal year as compared to Rs. 54,681 million in the corresponding period of the previous fiscal year.



- 5.5 The number of share transactions conducted in the first nine months of the current fiscal year 2009/10 increased from 151,942 to 163,439 shares, which is a growth of 7.6 percent from the same period of the previous fiscal year.

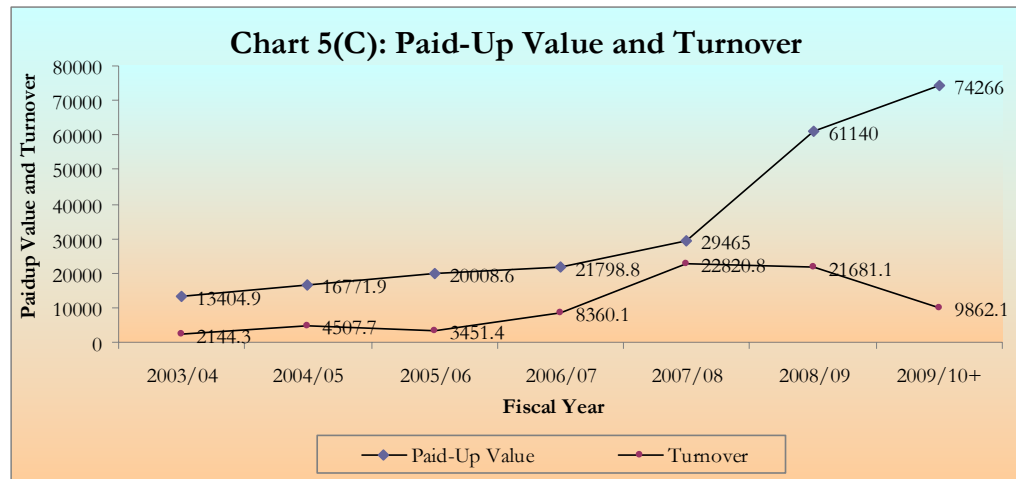
**Table 5(b): Secondary Market Trend**

(Rs. in Million)

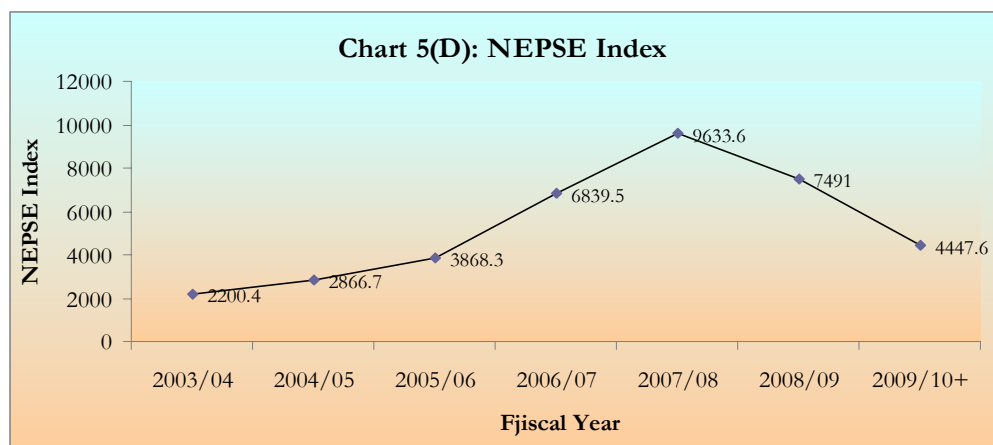
<i>Description</i>	<i>Fiscal Year</i>							
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	First 9 months	
							2008/09	2009/10
<i>Securities Transaction Amount</i>	2,144.30	4507.70	3451.40	8360.10	22,820.80	21,681.10	16,982.90	9,862.10
<i>No. of Securities transactions ('000)</i>	6,468.00	18,434.00	12,222.00	18,147.00	28,599.77	30,547.17	22,106.57	20,599.76
<i>No. of Transactions</i>	85,533.0	106,246	97,374	120,510	150,800	209,091	151,942	163,439
<i>Market Capitalization</i>	41,424.8	61,365.9	96,813.7	186,301.3	366,247.5	512,939.0	421,159.1	344,450.8
<i>Percentage of Market Capitalization transactions</i>	5.18	7.34	3.56	4.48	6.23	4.23	4.03	2.84
<i>Market Capitalization/GDP (percent)</i>	7.72	10.41	14.80	25.60	44.90	51.74	42.48	29.12
<i>Paid up price of listed Securities</i>	13,404.9	16,771.9	20,008.6	21,798.8	29,465.0	61,140.0	54,681.0	74,266.0
<i>Number of Listed Organized Institutions</i>	114	125	135	135	142	159	157	169
<i>Type of Securities Transaction (Script Traded)</i>	92	102	110	116	136	170	164	179
<i>NEPSE Index (Points)</i>	222.04	286.67	386.86	683.95	963.36	749.10	661.27	444.76

Base year 1993, Points 100

Source: Securities Board of Nepal, Nepal Stock Exchange, and CBS.



- 5.6 During the first nine months of the current fiscal year, NEPSE index stood at 444.76 points with a steep fall of 216.5 points from the previous fiscal year. The NEPSE index was 661.3 points at the first nine months of FY 2008/09.



## Securities Board of Nepal (SEBON)

- 5.7 Securities Board of Nepal, during the review period, completed a number of activities under the Establishment of Securities Data Management System Project

with the International Development Association (IDA) grant. The following are the major activities completed: (i) high level training to the Board staff on data management system; (ii) procurement and installation of computer and other information technology related equipment; preparation of various modules on the information flow system, and preparation and set up the data bank. Experimentation and improvisation of developed electronic data flow modules have also been completed under this project. The Board implemented project is awarded with the Certificate of Excellence for making valuable contribution to the country's economic and governance reforms.

- 5.8 SEBON, during the review period, has brought the Procurement Regulation of Securities Board of Nepal, 2009 and SEBON Financial Administration Regulation, 2009 into effect from 17 September 2009. Enforcement of these regulations is expected to improve internal governance and transparency in the Board's operations.

**Box-5 (a): Nepal Securities Data Management System (SDMS)**

The Nepal Securities Data Management System Project, Nepal (SDMSN) executed under the Financial Sector Reform Program of the Government of Nepal with the objective of enhancing monitoring and supervision capacity of the Security Board of Nepal (SEBON) has been completed by the end of review period. The project has

developed two websites i.e., [www.sebon.gov.np](http://www.sebon.gov.np) and [www.sedfar.gov.np](http://www.sedfar.gov.np) on behalf of SEBON, established Security related Central Data Bank by including all the securities market related data, procured information technology related high standard computer and other accessories. Likewise, the project developed various modules with regard to electronic data flows, made necessary arrangements for the power back up, Electronic Attendance System, effective and efficient networking system within SEBON, provided high level training on data management to its entire staff, and currently, the project is carrying out testing of the developed electronic data flow modules. Effective utilization of the SDMS, the share Issuers, listed companies, share traders, and security exchange market will be able to disseminate information related to security acts and rules through electronic system through the effective implementation of Data Management System of Nepal developed by the project. This will also help e-governance of the country by increasing the accessibility of general investors to the share market related data. It will be easier for the Board to have prompt review and analysis of the information and data received and to monitor whether the information and data are disseminated according to the Acts and Rules due to the effective adoption of Nepal Securities Data Management System.

- 5.9 The SEBON, during the review period, has issued capital mobilization permits to 39 companies subsequent to registration of shares worth Rs. 8,625.3 million. The board, during the review period, has registered bonus shares worth Rs. 3,032,847,700 of 23 companies. In addition, the Board has renewed licenses of Nepal Stock Exchange, 23 share brokers and 15 Merchant bankers during the review period.

**Box-5 (b): Central Depository System of Securities**

Central Depository System of Shares is a high-level technology for keeping records of shares, protecting them and returning ownership rights of the shares issued in the share market by taking the ownership from the shareholders. Central Depository System of Security also carries out functions like registering and documenting the rights of shareholders of the concerned companies, limiting the share numbers within the authorized numbers and clearing and settlement of share transactions. The Central Depository System with complete service provision will enhance the level of confidence of investors by keeping records of rights ownership; protecting the ownership right of the shareholders; transferring the ownership rights and making payments; making utilization of the developed share instruments and creating equal competitive environment to increasing number of participants for trading shares.

The Central Depository System will also facilitate in making the capital market more liquid, attracting foreign investors, and complying with the International Standards by creating conducive environment for efficient and risk-free transactions of shares.

Establishment and operation of a Central Depository System has become imperative also from the perspective of the necessity of making effective and efficient arrangement for the current partially mechanized share transactions system into the fully mechanized system so that the secondary market could be opened for foreign institutional investors and NRN as well.

- 5.10 Of the total 169 listed companies, 125 companies have submitted annual financial report to the SEBON during the review period.
- 5.11 The Committee for establishment of the Central Depository System in the Convernorship of the SEBON Chairman has initiated the work towards that direction. In the process, Agreement is signed with the Central Depository System Limited of India to provide technical support for the establishment of such system based on the understanding reached with the Government of India that it will provide financial support of Rs. 147.2 million for this purpose.

**Box-5 (c): Future Programs for Share Market Regulatory Provision and Infrastructure Development**

The SEBON has set the future programs with a view to improve the regulatory provisions and development of infrastructure as well as Improve institutional structure of the board, Make necessary arrangement of required skilled human resource, Develop and implement electronic data flow system in share markets, Formulate and implement Master Plan for Capital Market, Grant authority to open new Stock Exchange to make the share transaction related services investment-friendly throughout the country, Provide group investment scheme operation license through necessary regulatory provisions in order to avail efficient investment services to small and new entrant investors by attracting institutional investors in the share market, Issue Central Depository System Operating Licenses with the arrangement of necessary regulatory provisions on the establishment and operation of Central Depository System to make the processes prompt and efficient for transfer, clearance, and settlements of shares, Establish and operate Investors Security Fund, Make a robust arrangement for review the share market related data and information flow, Make institutional arrangement for share market related trainings; and Conduct study/researches on various topics and subjects with regard to capital markets.

**Nepal Stock Exchange Limited (NEPSE)**

- 5.12 The NEPSE, in the first nine months of the fiscal year 2009/10, deposited revenue of Rs. 227,137,367 collected as capital gains tax from share transactions. The capital gains tax collected in the review period of the fiscal year 2009/10 slumped by 66.5 percent as compared to the same period of previous fiscal year whereby NEPSE had collected capital gains tax of Rs. 678,079,227 through share transactions.
- 5.13 In the review period, NEPSE has provided secondary market transactions facility by enlisting 11 more companies.
- 5.14 In the first nine months of the fiscal year 2009/10, NEPSE made necessary arrangement for conducting share transactions in major cities of Biratnagar, Pokhara and Narayangarh through expansion of the Kathmandu centered brokers' services. Share transactions are more likely to rise with the share trading

facility extended beyond Kathmandu valley as it will facilitate entry of new investors in the share market.

- 5.15 As per the provision of the Security Listing By-Laws 1997, 94 companies among the total number of listed companies are classified as Category 'A' by the first nine months of the current fiscal year 2009/10. As compared to the previous fiscal year, 16 more companies are classified as Category 'A' during the review period of the current fiscal year.

### **The Share Traders**

- 5.16 By the end of first nine months of the current fiscal year 2009/10, the number of share brokers stood at 23, merchant bankers 16 and 7 issue managers for the government treasury bonds. Such numbers were 23 for share brokers, 15 for merchant bankers and 7 for issue managers for the government treasury bonds in the corresponding period of the previous fiscal year. In other words, the later period saw only one more merchant banker.

### **Mutual Fund Plan**

- 5.17 Trading of units is being carried out through NCM Mutual Fund, the only company enlisted in NEPSE for the purpose. Trading of units issued through the. By the end of first nine months of the fiscal year 2009/10, the Net Asset Value of the Fund stood at 377,147,225 with per unit Net Asset Value of Rs. 37.71. Per unit secondary market per unit transaction value during the review period stood at Rs. 28. The total value of the NCM Mutual fund at the end of first nine months of the previous fiscal year was 476.630 million with per unit Net Value of Rs. 48.
- 5.18 By the end of nine months of the current fiscal year, Citizens Unitary Plan equivalent to net worth Rs. 378.0 million is introduced in the market, which is less by 43.1 percent introduced in the market in the corresponding period of the previous fiscal year.

### **Citizens Investment Trust**

- 5.19 The Citizens Investment Trust (CIT), in addition to funds collected through the Citizens Unitary Plan together with other plans including the Employees Saving Increment Approved Retirement Fund, Gratuity Fund Scheme, Investor Accounts Scheme, Insurance Fund Scheme added 4,650.4 million in first nine months of the current fiscal year. By the end of first nine months of the current fiscal year, such funds reached Rs. 18,850.4 million from the corresponding period of the previous

year's Rs. 14,200 million Of the collected amount, 2 percent is in Citizens Unitary Plan, 61.08 percent in Employees Savings Increment Approved Retirement Fund, 16.55 in Gratuity Fund Scheme, 5.09 percent in Investor Accounts Scheme and 14.5 percent in Insurance Fund Scheme. The total fund accumulated through aforementioned schemes was Rs. 14.2 billion in the first nine months of the previous fiscal year.

- 5.20 CIT invested additional Rs. 4,040.2 million in the review period making its total investment portfolio of Rs. 18,051.0 million by first nine months of the current fiscal year.
- 5.21 CIT, in its review period, has issued primary shares worth Rs. 300 million and right shares worth Rs. 512.2 million and provided share registrar service equivalent to Rs. 2.296 billion.
- 5.22 Investment portfolio of CIT in the past was limited to fixed deposits, government shares and housing loans in the previous years. As per the policy to diversify its investment portfolio during the review period has decided to invest Rs. 2.0 billion in Upper Tamakoshi Hydropower Project. The Fund has decided to invest in infrastructure development and long-term profit yielding investments in future.

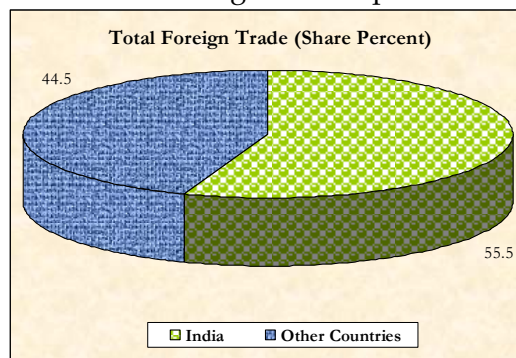
## 6. External Sector

### Structure of the External Sector

- 6.1. Current Account transaction, the very critical component of Balance of Payments that used to remain surplus in the past years, started declining continuously since the beginning of this fiscal year. This trend seems to continue throughout the remaining period of the fiscal year with no sign of improvement in the situation. Even in previous years, trade of goods, services, and other incomes in the external sector used to suffer losses but offset by other elements of the sector like inflow of remittance, pension, and foreign grants turning the current account into notable surplus. It failed to happen during the review period. Similarly, in aggregate the balance of payments used to remain surplus in the past with comfortable foreign exchange reserve, situation has reversed with negative balance of payments and decrease in the level of foreign exchange reserve also.
- 6.2. Current account is convertible though, capital account is not. Nepal has made policy decision on allowing foreigners making portfolio investments, but extensive arrangement for implementation of such policy is yet to be made. Similarly, there is the absence of instrument allowing Nepalese citizens invest overseas.

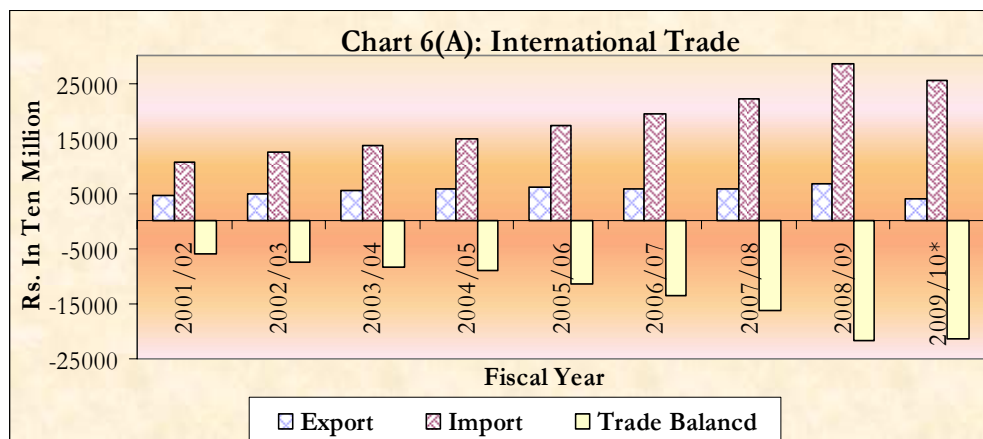
### Foreign Trade

- 6.3. Total export increased by 33.6 percent to Rs 294.15 billion during first eight months of FY2008/09 against 24.2 percent increase during the same period of the previous fiscal year. Total exports during the review period decreased by 8.0 percent while imports rose by 43.9 percent. Shares of imports and exports on aggregate foreign trade during this period remain at 86.3 percent and 13.7 percent respectively. Shares of these components of foreign trade in the corresponding period of the previous year stood at 79.9 percent and 20.1 percent respectively. Trade deficit expanded notably due to decrease in exports and steep rise in imports. Trade deficit during first eight months of FY 2009/10 has increased by 61.5 percent as compared to 30.1 percent during the corresponding period of the



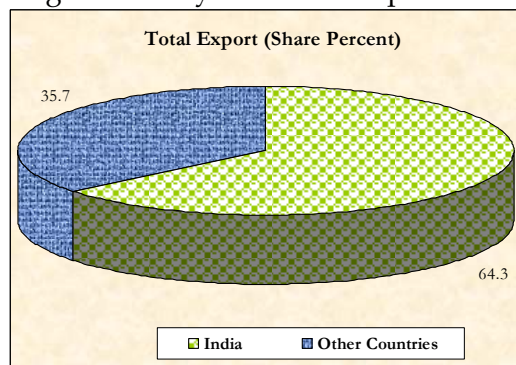


previous fiscal year. The ratio of country-wide foreign trade statistics show India's share increase to 55.5 percent from 54.7 percent in the previous fiscal year while that of other countries decrease from 45.3 percent to 44.5 percent during the period.



## Exports

- 6.4. Total exports that rose by 16.2 percent during the first eight months of FY2008/09 fell by 8 percent totaling Rs. 40.41 billion in the same period of FY2009/10. Overall export (India and other countries) did not grow notably in the review period with just a nominal increase seen in export to India (by 3.4 percent) from 60.9 percent to 64.3 percent. Ratio of export to import that stood at 24.9 percent in the review period of the previous fiscal year decreased to 15.9 percent in the corresponding period of this year due to significant rise in imports and steep fall in exports. In US Dollar terms, total export fell by 7.1 percent as compared to 1.9 percent decrease in the previous year. Such a shrink in export receipts (in terms of US Dollar) is also due to 7.8 percent appreciation of Nepalese currency vis-a-vis US Dollar between mid-July 2009 and mid-March 2010.



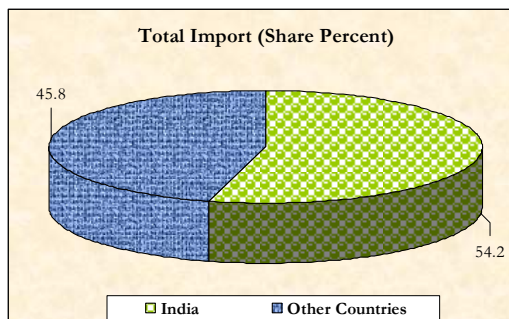
- 6.5. Exports to India, which had grown by 3.7 percent during first eight months of the previous fiscal year shrunk to Rs. 25.96 billion during the same period of this year with a decrease of 2.9 percent. During this period, export of items like Polyester yarn, jute bags, jute cutting, textile, M.S. Pipe, herbs, oil cakes, Chyavanpraas,

Haajmola, Pashmina, and copper wire rods has increased while exports that of vegetable ghee, lentils, yarn, tooth paste, G. I. Pipe, noodles (chow chow) has decreased. Observation of the group-wise structure of commodity exports to India reveals that proportion of primary and manufactured goods in first eight months of the previous fiscal year stood at 30.0 and 70.0 respectively remains at 27.5 percent and 72.5 percent in the corresponding period of this fiscal year.

- 6.6. Export to other countries during the review period of this fiscal year dropped to Rs. 14.44 billion with a decrease of 16 percent, which had expanded by 42.9 percent in the same period of the previous year. Exports especially of cardamom, handmade paper and paper made items, and handicraft goods rose while those of lentils, woollen carpets, herbs, readymade garments, ornaments and Pashmina goods fell during this period. Observation of group-wise structure of commodity exports to other countries reveals proportion of primary and manufactured goods in first eight months of the current fiscal year remains at 25.5 percent and 74.5 percent respectively as compared to 35.1 percent and 64.9 percent respectively in the same period of the previous fiscal year.

## Imports

- 6.7. Total imports in the review period grew by 43.9 percent in the review period touching Rs. 253.74 billion figure as compared to 26.3 percent growth in the corresponding period of the previous fiscal year. Of the total imports, the share of India shrunk slightly from the previous year's 56.3 percent to 54.2 percent while that of other countries grew from 43.7 percent to 45.8 percent during this period. In US Dollar term, growth of imports, which stood at 6.6 percent in the previous fiscal year grew by 45.4 percent this year.



**Table 6(a): Status of Foreign Trade**

(First eight months)

Description	Percentage Change			
	2006/07	2007/08	2008/09	2009/10*
<b>Exports: FOB</b>	-6.6	-2.9	14.2	-8.0
- India	-6.4	-6.9	6.4	-2.9
- Other Countries	-7.0	6.9	28.9	-16.0

Description	Percentage Change			
	2006/07	2007/08	2008/09	2009/10*
<b>Imports: C.I.F.</b>	-1.1	19.2	28.2	<b>43.9</b>
- India#	2.3	24.9	14.1	<b>38.5</b>
- Other Countries	-6.4	10.5	53.4	<b>50.9</b>
<b>Trade Balance</b>	2.0	30.2	33.3	<b>61.2</b>
- India	8.6	45.2	17.0	<b>53.8</b>
- Other Countries	-6.2	11.7	62.0	<b>70.1</b>
<b>Total Trade</b>	-2.6	37.7	25.2	<b>33.6</b>
- India	-0.3	15.0	12.4	<b>29.7</b>
- Other Countries	-6.6	9.8	48.3	<b>38.7</b>
<b>Share in Total Trade</b>				
- India	63.2	64.4	57.2	<b>55.5</b>
- Other Countries	36.8	35.6	42.8	<b>44.5</b>
<b>Share in Total Exports</b>				
- India	71.1	68.2	60.9	<b>64.3</b>
- Other Countries	28.9	31.8	39.1	<b>35.7</b>
<b>Share in Total Imports</b>				
- India	60.5	63.4	56.3	<b>54.2</b>
- Other Countries	39.5	36.6	43.7	<b>45.8</b>
<b>Share in Total Trade Balance</b>				
- India	55.2	61.6	54.7	<b>52.2</b>
- Other Countries	44.8	38.4	45.3	<b>47.8</b>

\* Unprocessed

# Petroleum products included in India from FY1999/2000

Source: Nepal Rastra Bank

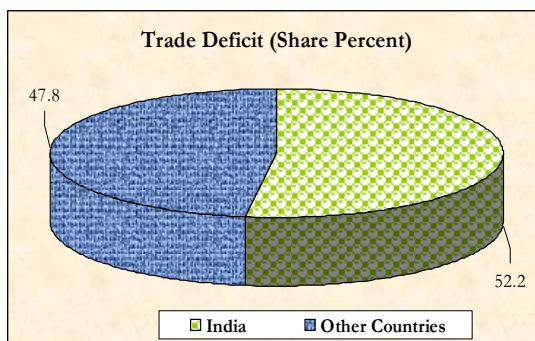
- 6.8. Imports from India recorded an increase of 38.5 percent in first eight months of current fiscal year reaching Rs. 137.41 billion. Imports had recorded a normal growth of 12.1 percent in the same period of the previous year. Imports especially of chemical fertilizers, M.S. wire rods, M.S. billets, means of transportation, aluminum ingots, hot rolled sheets, and agricultural tools and their parts recorded significant rise while imports of petroleum products, electrical goods, yarn, tobacco, medicines, other machines and their spares, and textiles recorded a normal growth during this period. Import of cold rolled sheets in coils, however, appears to be the only item recording a decrease. Total value of goods imported from India through payments of convertible foreign currency during the review period reached Rs. 18.26 billion with a recorded growth of 40.0 percent. Imports during first eight months of the previous year had decreased by 5.4 percent and remaining at worth Rs. 13.05 billion. Number of items allowed for import from India under this provision was 165 at mid-March 2008, which has been raised to 137 in the review period. Analysis of group-wise structure of imports of primary

and manufactured items from India in the first eight months of the previous fiscal year stood at 42.2 percent and 57.8 percent, which remains at 36.9 percent and 63.1 percent respectively in the same period the current fiscal year.

- 6.9. The total import from countries other than India remained at previous year's level of 50.9 percent, reaching Rs. 116.33 billion during the review period. There has been a substantial growth in import of goods like flash lights, chemical fertilizers, steel rods and sheets, storage batteries, gold, office equipments and stationary goods, and synthetic carpets. Similarly, imports of x-ray films, computer and parts, aircraft spare parts, telecommunications equipment, medicine, tools and equipment, powder milk, tallow, bags, raw wool, pipe and pipefitting recorded very high growth. But, imports of cameras, coconut oil, cosmetic goods, M. S. Billets, dry cell batteries, toys, cloths, electrical goods, unprocessed palm oil, and textile dyes has decreased during this period. Analysis of group-wise structure of imports of primary and manufactured items from countries other than India in the first eight months of the previous fiscal year stood at 16.7 percent and 83.3 percent, which remains at 14.8 percent and 85.2 percent respectively in the same period the current fiscal year.

## Trade Balance

- 6.10. Exports during the first eight months of the current fiscal year dropped significantly while imports surged notably. Besides, total trade deficit expanded by almost double to 61.2 percent totalling Rs. 213.33 billion due to broader base of imports. Such deficit had expanded by 30.1 percent totalling 132.35 billion in the previous year. Trade deficit with India in the review period totalled Rs. 111.44 billion with increase of 53.8 percent while such deficit with other countries totalled Rs. 101.89 billion with deficit growth of 70.1 percent. Such deficit with India had increased by 15.6 percent while that with other countries had increased by 53.4 percent in the same period of the previous year.



## Balance of Payments

- 6.11. The Current Accounts and overall Balance of Payments is in deficit as the receipts from private sector remittance and increase in pensions, and the foreign currency

flows from direct investments could not sustain the notable expansion of trade deficit in the first eight months of the current fiscal year.

**Box 6(a): Nepal-India Trade Agreement**

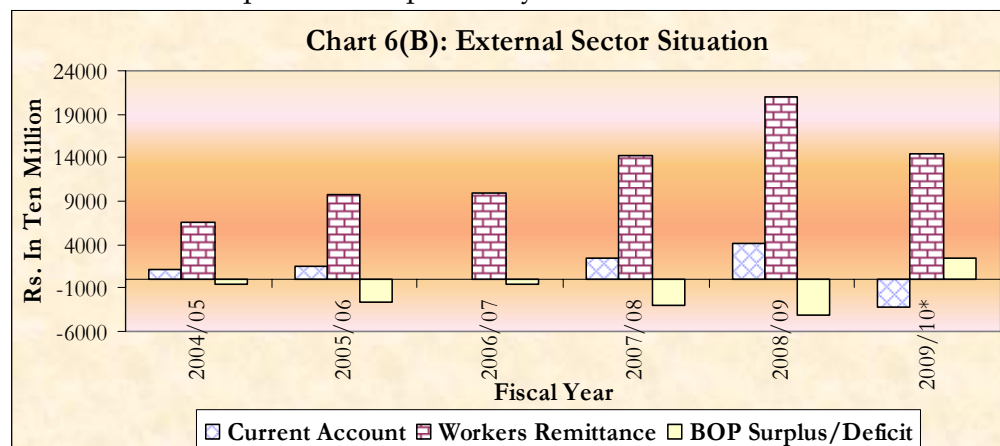
Nepal and India have entered into a new Trade Agreement on 27 October 2009 (10 Kartik 2066) replacing the 1996 Agreement (reviewed in 2002). The Salient Features of this Agreement are as follows:

- This Agreement is for seven years with the provision of automatic renewal for another term thereby ensuring stability to trading provisions.
- The provision of providing US Dollar equivalent facility to bilateral transactions conducted in the Indian currency has freed the (bilateral) trading regime from DRP hassles.
- Tariff free facility is accorded to exports of primary goods, and provision is made for addition of numbers in the list of tariff exempt quantitatively restricted items.
- India has agreed to avail the port at Visakhapattanam for trade facilitation.
- Agreement is reached to open up additional four customs points for trade facilitation making total number of points to 26.
- A new arrangement is made for conducting bilateral trading from cities connected by air services.
- The Government of India has agreed to enhance the trading capacity of Nepal. India will support to upgrade the level of quarantine and examination facilities under such arrangement.
- India will exempt the additional tariff levied on Nepalese products on special request of the Government of Nepal.
- Nepalese products unable to receive favourable status will be accorded the most favourable status, but certificate of origin would be necessary for such products.
- Provision is made to form an Intergovernmental Committee at to resolve trading related issues that may emerge.

- 6.12. Total exports in first eight months of the current fiscal year, with adjustment made for trading bypassing the customs, has totalled Rs. 41.90 billion with a decrease of 9.5 percent. Imports during the same period totalled Rs. 247.98 billion with, a whopping growth of 43.5 percent. As a result, trade deficit this year grew by 62.9 percent reaching Rs. 206.07 billion as compared to 29.5 percent increase in the same period of the previous fiscal year.
- 6.13. During the review period, income from tourism and incomes not included elsewhere has decreased by 0.3 percent and 57.0 percent respectively while income from other services has increased by 25.1 percent. Consequently, gross

income from service sector declined by 11.3 percent and came down to Rs. 30.56 billion. The growing trend of Nepali students going abroad for higher education has resulted in an increase in the expenditure on education by 21.4 percent leading to increase in travel expenses during the review period by 7.3 percent. Despite increased expenditure on payment for other services, gross services payments decreased by 10.4 percent bringing down the level of payments to Rs. 39.24 billion due to notable decrease in travel expenses. Still, net services income remained negative by Rs 8.67 billion during the review period.

- 6.14. Concerning transfers, remittance incomes of the private sector grew by 9.9 percent during the review period totalling Rs. 143.96 billion. Grants decreased by 11.9 percent during this period while pension and other transfers increased by 74.9 percent and 20.7 percent respectively. Despite increase in net transfer income by 11.4 percent totalling Rs. 175.51 billion as compared to the corresponding period of the previous year, the current accounts still remained deficit by Rs. 32.58 billion in the review period of the current fiscal year, which stood at surplus by Rs. 28.94 billion in the same period of the previous year.



- 6.15. During the review period, the Capital Account received capital transfers totalling Rs. 8.96 billion as compared to Rs. 4.63 billion in the corresponding period of the previous year.
- 6.16. In Financial Accounts, other investment assets of Rs. 7.50 billion is added during the first eight months of the current fiscal year compared to Rs. 3.41 billion of the previous fiscal year. Concerning other investments and liabilities, the government floated the debt totalling Rs 4.20 billion, with repayment of the principal amounting to Rs 5.94 billion. The total foreign deposit liability decreased by Rs 3.98 billion during the review period. The Balance of Payments during this period

recorded a deficit of Rs. 23.53 billion which stood at surplus by 34.81 billion in the corresponding period of the previous year.

## Foreign Exchange Reserves

6.17. The total foreign exchange reserves of the banking sector has declined by 15.6 percent between July 2009 and March 2010 and contained to Rs. 236.34 billion against the rise of 27.4 percent in the corresponding period of the previous year. Foreign liabilities during the same period, however, decreased by 7.5 percent totalling Rs. 55.01 billion, against the notable growth of 30.9 percent during the corresponding period of the previous year. In this way, the net foreign assets, which grew by 27.4 percent in the first eight months of the previous fiscal year has decreased by 15.1 percent to Rs. 187.67 billion.

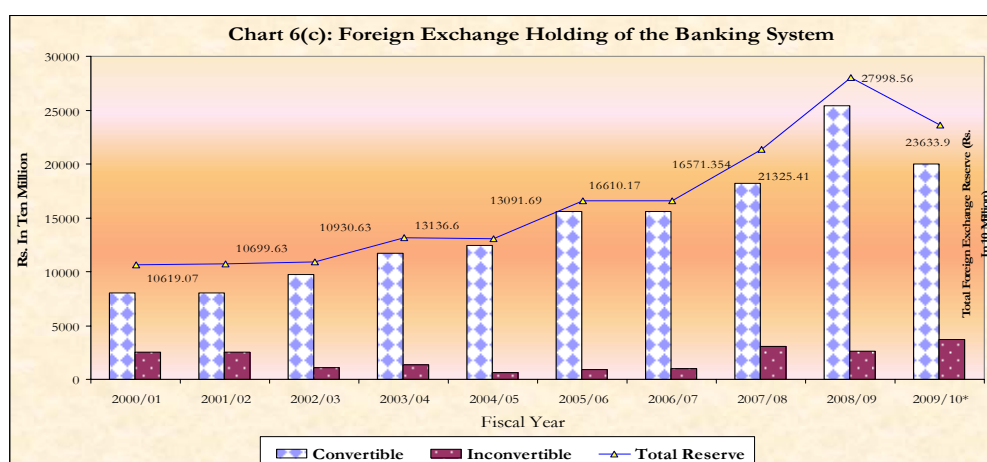
**Table 6(b): Gross Foreign Exchange Reserves**

(Rs. in million)

Description	Mid-July 2007	Mid-March 2008	Mid-July 2008	Mid-March 2009	Mid-July 2009	Mid-Mar 2010	Percentage change (July- March)	
							2009	2010
<b>Nepal Rastra Bank</b>	12962	14429	16968	21846	22419	18591	28.7	-17.1
<b>Commercial Bank</b>	3550	3769	4294	5234	5580	5042	21.9	-9.6
<b>Total Reserves</b>	<b>16512</b>	<b>18198</b>	<b>21262</b>	<b>27080</b>	<b>27999</b>	<b>23633</b>	<b>27.4</b>	<b>-15.6</b>

Source: Nepal Rastra Bank

6.18. Gross foreign exchange reserves declined by 15.6 percent to Rs. 236.33 billion in first eight months of current fiscal year. In the review period reserves at Nepal Rastra Bank, out of the total foreign exchange reserves, with the banking sector decreased by 17.1 percent whereas that of commercial bank by 9.6 percent. Such fall in the foreign exchange reserves is especially due to notable rise in trade deficit.





- 6.19. Nepal Rastra Bank has made special arrangement for curbing the unexpected rise in gold imports during the first eight months of the current fiscal year, which caused the rise in trade deficit (Rs. 37.47 billion) and correspondingly affecting the balance of payments.

**Box 6(b): Special Arrangements made for import of gold and silver**

- Banks can import gold through normal Letter of Credit. For this purpose, banks should compulsorily deposit 40 percent cash margin in the 'gold import earnest money account at banking office of Nepal Rastra Bank.
- Only the banks are eligible to import gold. While importing gold, 10 kilograms of gold can be imported on the recommendation of the Bankers Association.
- Gold importing member banks should sell gold only to the traders recommended by the Gold and Silver Dealers Association and registered in VAT/PAN.
- Silver can be imported only through normal Letter of Credit with a margin of 100 percent cash deposit. Only the members of the Gold and Silver Dealers' Association can, on the Association's recommendation, import up to 100 kilograms of silver each day. The importer can sell more than a kilogram of silver only to VAT/PAN registered businessmen/traders.

- 6.20. Based on the trend of imports for the first eight months of the current fiscal year 2009/10, the present foreign exchange reserve level is sufficient to cover import of goods for the 7.6 months and goods and services for 6.6 months. Based on the trend of imports by mid-March 2008, foreign exchange reserves with the bank in the same period was sufficient to cover the imports of goods for 12.3 months and goods and services for 9.9 months.

**Box 6(c): Procedural Reforms in External Sector**

**External Sector related procedural reforms made by Nepal Rastra Bank in the fiscal year 2009/10 are as follows:**

- The existing level of foreign exchange facility is raised up from US\$ 4,000 to US\$ 6,000 to persons and agencies/organizations for different purposes directly from class 'A' and 'B' banks and financial institutions on producing relevant documents.
- Goods from countries other than India now can be imported on FOB through Draft/TT payments in addition to the existing arrangement of importing through Letter of Credit.



- As transactions of a number of goods and services through electronic medium is getting global recognition with the development and expansion of electronic system, arrangement is made for accepting payments in convertible currencies through the internet by using international debit/credit cards by agreeing conditions as laid out.
- Earlier goods could be imported by using the existing system of Documents Against Payment (D/P) under the Documentary Collections procedure, which has been extended to Documents Against Acceptance by remaining under the procedures and conditions as laid out.
- Nepal Rastra Bank licensed 'A' and 'B' class banks can conduct various derivative tools related transactions operating in the market to manage their convertible foreign currency investments, and also safeguard them against the risk emanating from fluctuations in foreign exchange rates. In the process, banks can make investments as follows remaining within standards and measures as stipulated by their respective boards:
  - a. Can invest on Bonds, Savings Certificates of various types and durations, issued by International Financial Institutions and foreign governments.
  - b. Investments can be made out of income receipts from the convertible currency deposits and foreign exchange with the self.
  - c. Borrowing from any International or foreign bank and financial institution is not allowed for such purpose.
- The limit of making payment in US Dollar through Draft/TT at a time is reduced from USD 50,000 to USD 25,000. Under this system, such payment facility within the limit of USD 25,000 cannot be availed to a single beneficiary within seven working days.
- Arrangement is made for collecting 2 percent customs deposit against L/C, Draft/TT and collection issued for import of raw wool. Similarly, raw wool and other goods should be imported directly from the Tibetan supplier and the payment deposited in his/her account in Tibet for goods imported into Nepal through the Tatopani Customs Point from the Tibetan autonomous region of China for payments made through Draft/TT and credit facility. Arrangement is made for providing foreign exchange facility for goods imported under the existing arrangement. As per such an arrangement, the bank will certify of the exchange facility provided on the back of the customs receipt and retain it, acknowledge and certify the original being retained, and give a copy of it to the concerned importer.
- Foreign exchange facility of US Dollar 2,000 against the passport should not be provided more than two times a year. Amount and the date of such facility availed should be compulsorily mentioned in the related section of the passport. A Nepalese citizen travelling for foreign employment with approval from the concerned entity, however, will be entitled to the exchange facility not exceeding US Dollar 500.

## Exchange Rate

6.21. Mixed trend is seen in the exchange rate of Nepalese currency vis-a-vis major international currencies during the first eight months of current fiscal year. Nepalese Currency has appreciated by 7.8 percent against the US dollar between the period of July 2009 and March 2010 and stood at Rs 72.40. Nepalese currency

had depreciated by 17.02 percent in the corresponding period of the previous fiscal year. Nepalese currency appreciated against Sterling Pound, Euro, and Japanese Yen by 16.32 percent, 9.98 percent, and 5.01 percent respectively. Nepalese currency had depreciated against the Japanese Yen while it had appreciated against the Sterling Pound and Euro in the corresponding period of previous year.

**Table 6(c): Foreign Exchange Trend**

Currency	Buying Rate (Rs.)					Appreciation (+) Depreciation (-)	
						(percentage)	
	Mid-July 2007	Mid-July 2008	Mid-March 2009	Mid-July 2009	Mid-March 2010	Mid-March 2009	Mid-March 2010
1 US Dollar	64.85	68.50	82.55	78.05	72.40	-17.02	7.80
1 Pound Sterling	131.43	135.89	114.17	126.78	108.99	19.02	16.32
1 Euro	89.27	108.72	105.27	109.07	99.17	3.28	9.98
10 Japanese Yen	5.30	6.42	8.57	8.39	7.99	-25.09	5.01

### Crude Oil and Gold Prices

6.22. Price of Petroleum Products (Crude Oil Brent) in the international market has shot up from US\$45.18 per barrel to US\$79.43 between mid-March of 2009 and 2010 with an increase of 75.8 percent.

6.23. Price of gold in the international market between mid-March of 2009 and 2010 has increased by 19.2 percent reaching US\$ 1,106.00 per ounce. Price of gold had declined by 6.7 percent in the corresponding period of the previous year.

**Table 6(d): Prices of Oil and Gold in International Market**

	Mid-July			Mid-March			Percentage Change			
							Mid-July		Mid-March	
	2007	2008	2009	2008	2009	2010	2008	2009	2009	2010
Oil (US\$/Barrel)*	79.73	143.25	61.53	110.75	45.18	79.43	79.7	-57.0	-59.2	75.8
Gold (US\$/Ounce)#	666.0	986.0	938.0	995.0	928.0	1106.25	48.0	-4.9	-6.7	19.2

\* Crude Oil Brent

# Based on London Rate

Source: Nepal Rastra Bank

## 7. Poverty Alleviation and Employment

### Poverty Alleviation

- 7.1 Assuming an average of Rs. 7,696 as the national poverty line according to Nepal Living Standard Survey (NLSS), 2003/04, 30.85 percent of the population is still estimated living below the poverty line. Such percentage was 41.76 percent in 1995/96. Based on the same survey, in terms of Purchasing Power Parity (PPP) calculated on the basis of an income of One US dollar a day, which is the internationally adopted measurement standard of adopted by the World Bank, around 24.1 percent population is still living below the poverty line. The World Bank, in 2005 has redefined US\$1.25 a day as the poverty line. It is evident that Nepal's poverty situation would seem weaker when compared on the basis of this formula. Nepal is still following the earlier parameter.

#### Box 7(a): Measuring Poverty

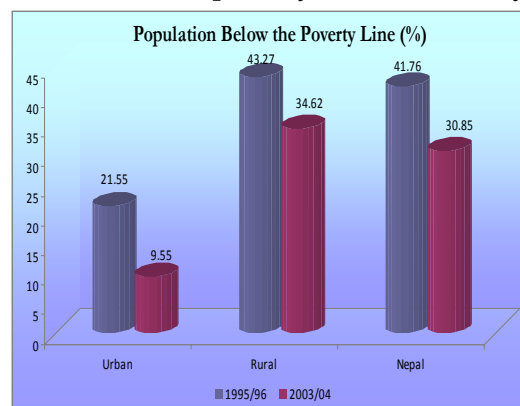
The incidence of poverty indicates the percentage of population living below the poverty line while the poverty gap is the population of the poor measured in terms of gap between the poverty line and the people below it. Besides, Indicator of the Squared Poverty Gap shows the intensity of different levels of poverty amongst the poor.

- 7.2 The gap between urban and rural as well as various geographical regions and groups is still stunningly wide in Nepal. According to the Nepal Living Standard Survey 2003/04, on the whole poverty is reduced by 10.91 percentage points between 1995/96 and 2003/04. Main reasons for its; income from remittance, fast growing urbanization, increases in average wage in the agriculture sector, and growth in the number of economically active population. The increased income gap in this period, however, has widened the gap between the rich and the poor. According to Gini coefficient, the indicator for income inequality, which was 0.34 in 1992/93 reached 0.41 in 2003/04 suggesting that the growth rate of income level of the rich has been higher than that of the poor. It has necessitated to take the poor oriented policy-wide, structural and program-level measures accompanied

by the creation of short as well as long-term income oriented employment opportunities and effective implementation of economic transfer programs.

7.3 According to the Nepal Living Standard Survey (II), poverty is disproportionately distributed at caste/ethnicity, regional and occupational levels. Among those under the poverty line, 67.0 percent are found engaged in agro-based employment and 11 percent as agricultural labourers. This indicates that prime means of employment for 78 percent of the total poor is the agriculture sector. Among the various caste/ethnicity living below the poverty line, the 46 percent are Dalits, 44 percent are hill ethnic groups, 41 percent Muslims, 35 percent Terai ethnic (Tharu) groups and 31 percent other minority groups. Similarly, 14 percent of Newars, 18 percent of Bramin/Chettri and 21 percent of the Middle caste (Yadav) in the Terai population live below the poverty line. Out of the total poor, 29.4 percent of population lives in rural areas of Mid and Eastern hills. The percentage of Rural Poor is 23.6 percent in Western Hills, 23.5 percent in Eastern Tarai, 18.9 percent in Western Tarai, and 4.7 percent live in urban areas. Similarly, it is estimated that out of the total poor, 7.5 percent live in High Mountainous Region, 47.1 percent in the Hills, and 45.4 percent in the Tarai. Urban poverty is estimated to have increased in recent years due mainly to growing population pressure migrating to urban areas seeking amenities and security. According to a recent estimate, poverty between the years 2005 and 2008 has come down to 25.4 percent with a decrease of 6.0 percentage points during this period.

7.4 According to the NLSS conducted in 1995/96 and 2003/04 for measuring the poverty incidence, major reasons for the decline in poverty rate, as already mentioned in the foregoing paragraph, are remittance income, and increase in average wage in the agriculture sector. The estimated urban population living below the poverty line in FY 1995/96 was 21.55 percent, which fell to 9.55 percent by 2003/04. In the same period, the population below poverty line in rural areas decreased to 34.62 percent from 43.27 percent. Besides, poverty gap in Nepal is estimated to be 7.60 percent and squared poverty gap as 2.70 percent.





**Table 7 (a): Poverty Measures (1995/96 - 2003/04)**

(Percentage)

<i>Areas</i>	<i>Population below poverty</i>		<i>Poverty Gap</i>		<i>Squared Poverty Gap</i>	
	1995/96	2003/04	1995/96	2003/04	1995/96	2003/04
<b>Urban</b>	21.55	9.55	6.50	2.20	2.70	0.70
<b>Rural</b>	43.27	34.62	12.10	8.50	4.80	3.10
<b>Nepal</b>	41.76	30.85	11.80	7.60	4.70	2.70

Source: Central Bureau of Statistics

- 7.5 Analysis has shown that men and women above 15 years of age spend 5.7 hours, and 23.2 hours respectively in household or non-economic activities (considered as outside the productive sector as per the System of National Accounts - SNA 1993). This proportion is higher by 9.0 percent than observed in the earlier survey. It shows attitudinal change emerging among male household members. The current rate of migration is 33.0 percent. Out of the total population migrating in their lifetime, 44 percent are women while 21 percent are men. Percentage of households with at least a member visiting foreign country is 29.1, remittance recipient households is 30.0, and the highest remittance (21.3 percent) is received from Qatar. Similarly, per capita remittance is Rs. 4,042; percentage of Households living in their own homes is 89.2 percent; families using fire wood as a major source of fuel is 68.4 percent; families with access to electricity and tap water is 56.0 and 45.0 percent respectively. Also, 78 percent of households own agricultural land; and 63.2 percent are literate. In the meantime, there has been improvement in the child labour situation with decline in the proportion of children (between 5 - 14 years) engaged in economic activities from 40.9 percent in 1998/99 to 33.7 percent in 2008. Another positive indication is the increased engagement of women in the external sector with their improved employment situation in the non-agricultural sector. It has been possible with increase in the proportion of salaried women employees (15+) from 15.1 percent (NLFS 1) to 19.1 percent.
- 7.6 The Three-year Interim Plan aims at making people feel actual change by bringing down the current situation of unemployment, poverty and

inequality, and support for stabilization of sustainable peace in the country. The Tenth plan as well as ongoing Interim Plan has adopted targets set by the 189 nations committed Millennium Development Goals in its respective plans, policies and programs. Updating of the status of progress on SAARC Development goals (SDGs) is ongoing with positive and encouraging preliminary results. This Plan is prepared in a different way by following the maximum public participation procedure and focusing on the main objective of poverty reduction. The Plan has accorded top priorities to reconstruction, rehabilitation, and social re-integration. Major strategies adopted to achieve these objectives will be through emphasis given to relief, reconstruction, and re-integration; achieve employment oriented, poor targeted broader economic growth; promote good governance and bring effectiveness in service delivery; invest more on physical infrastructure; give emphasis to social development; and implementation of inclusive development and targeted programs.

- 7.7 The Interim Plan has given priority to augment the level of investment in infrastructures like electricity development, roads, irrigation, and communications that support reconstruction and rehabilitation, inclusiveness. Similarly, the Plan aims to invest more on health, education, drinking water and sanitation for development of Human Resource. The plan has set a target of reducing the population below poverty line to 24.0 percent from the present level of 31 percent.
- 7.8 Out of the total 408 development projects under implementation in the fiscal year 2009/10 through various Ministries, Secretariats, Departments, Offices and Agencies, 204 are Top Priority (P1) Projects, 170 Second Priority (P2) Projects, and 34 Priority Three (P3) Projects. Number of Projects that emphasize on Relief, Reconstruction, and Reintegration as a Strategic Pillar of the Interim Plan total 18; projects that focus on employment and poverty for broad-based economic growth are 115. Similarly, 89 projects are on good governance and effective service delivery; 129 projects for enhancing investment on physical infrastructure development; and 57 projects are for social development and targeted programs. Efforts are underway for distribution of grants assistance to local bodies based on the Poverty Index and for extensive devolution of authority. Allocation In the process 46.18 percent of capital budget is allocated to projects directly related to poverty alleviation in line with the objective of directing the flow of investment towards poverty reduction in the fiscal year 2009/10.



- 7.9 The concept of gender budget is put into practice subsequent to its internalization. Effort is underway to make the budget 'women oriented' to the extent possible by scrutinizing the budget from gender perspective through the introduction of a separate gender budget code. Such practice has raised gender awareness and sensitivity requiring its extension to estimate sources of public finance, receipts, budgetary allocation, expenditure and its effect, and outcomes. Budgetary allocation to development projects that are assumed to make direct contribution to gender equality total Rs. 49.45 billion (17.3 percent) while 36.43 percent is allocated to projects supposed to make indirect contribution to the cause. In the process, a number of programs targeted at gender equality are ongoing including emphasis on female literacy; priority to scholarship; construction of toilets in schools for girl students; implementation of special program for women empowerment; 25 percent exemption on ownership deed/registration fee. Similarly, 10 percent exemption on income tax on remuneration; priority in micro-finance program; 24 hour service in public hospitals; arrangement for regular health check up and maternity allowance service are some other gender equality targeted programs/activities. Additional programs and activities in this area are establishment of women health volunteer fund; Rs. 3,000 allowance honouring the services of women health volunteers; arrangement of Rs. 500 monthly allowance to widows above 60 years of age; and operation of campaign against sexual and household violence. Besides, some other special programs in this area are providing shelter to victims of violence in camps with the provision of hotline; realization of the necessity for implementing of women development program covering all VDCs of the country; provision of housing facilities for Badis; and programs targeted to conflict victims and single women.
- 7.10 National Volunteer Development Service (NDVS) is implemented in 72 districts with the objective of reducing poverty among the ultra poor and backward class people, and for mobilization of youths. About 1,750 volunteers are made available as facilitators for carrying education, health, infrastructure development, and social mobilization activities among Dalits, poor, indigenous and socially excluded communities. Programs for income generation and poverty reduction are being carried out in participation of local bodies and communities. In addition to Model VDC Program, this service program is conducting activities like group formation, seed capital and savings mobilization, construction of common (Sulav) toilets and water taps, skill oriented training, literacy classes etc. Volunteers to work actively in

remote districts could not be selected for long time. Facilitation of community development in local bodies and implementation of poverty reduction program is expected with the selection of new volunteers in this fiscal year.

- 7.11 The Interim Constitution, 2007 has established the right to food-sovereignty as a fundamental right. The Interim Plan has addressed food security policy, strategy and programme as interrelated issues by accepting food production, availability, access, and stability as dimensions of food-sovereignty. Food and nutrition security in Nepal is clearly evident due to factors like continuous increase in population; nominal rate of agricultural production and productivity; livelihood issues; lack of nutritious food items; natural disasters; climatic adversity; poverty; illiteracy; very weak level of awareness; weaknesses in supplies, and services and support system.
- 7.12 Programs at the local levels are being carried out by Ministries of local development, agriculture, supplies, health, and education, and international and national (I/NGOs), and social organizations to address food security related issues.

### **Inclusive Development and Targeted programs**

- 7.13 Social inclusiveness oriented targeted programs are being carried out with objectives of freeing the people from poverty and backwardness, who are unable to get mainstreamed into the development process due to socio and cultural, geographical, and economic reasons. These programs have encapsulated women, Dalits, ethnic groups, minorities, Madheshi, people with different physical capacities and backward class, together with the rural people living in remote areas of the country, small farmers, and ultra poor.

### **Poverty Monitoring**

- 7.14 The earlier practice of monitoring and evaluation, limited to financial and physical progress monitoring arrangement was reformed during the Tenth Plan. In this context, establishment of a separate Poverty Monitoring Analysis System (PMAS) at the central level and its institutionalized is complete. Against the previous practice of publishing only the mid-term progress reports, a practice has been initiated right from the beginning of the Tenth Plan of preparing reports based on definite PMAS Indicators and publishing it annually.
- 7.15 The Policy and Outcome Table is incorporated in the refined form as a built-in content of the Plan right from the preparation process of Three-year

Interim Plan. Accordingly, continuity is provided to the publication of PMAS by improvising it.

- 7.16 The Draft District Poverty Monitoring and Analysis System - DPMAS was prepared and institutionalization process was initiated during the Tenth Plan period. Commitment was made for institutionalization of the system with support for capacity building from the centre during the Three-year Interim Plan period. Accordingly, it has been updated in this fiscal year with improvisation and incorporation of additional indicators. Internalization process is underway with installation of software and training on a pilot basis in 15 districts.
- 7.17 Result-based Framework and Guidelines are prepared at the central level for National Planning Commission; and Ministries of Physical Planning and Works, Local Development, and Education under the Asian Development Bank (ADB) assisted Managing for Development Results (MfDR) Project. Similarly, four districts namely Jumla, Dang, Dhanusha and Jhapa were selected, necessary DPMAS software developed, and training was imparted for using the software in the process of institutionalization of DPMAS at the district level in the previous year. In the process, implementation and strengthening of MfDR approaches in 7 agencies is ongoing under the MfDR Project in implementation from this fiscal year. Out of 7 agencies planned for MfDR, necessary preparations are underway for adoption of Result Based Budget in the Transport Management Department and Metropolitan Traffic Police Division.
- 7.18 Manuals are being prepared with preparations underway by updating of PPIS for its re-implementation in the spirit of commitments made through the ongoing Interim Plan to institutionalize the Participatory Monitoring Mechanism as a medium for service recipients' participation in monitoring and analysis, and putting across their perceptions. The National Committee on Resolving Development Issues and Ministry level such Committees have been rejuvenated and meetings conducted. Beginning the coming fiscal year, Result Based Monitoring and Evaluation Manual will be adopted and enforced to ensure effectiveness in Monitoring and Evaluations carried out by various agencies and levels.
- 7.19 Two consecutive surveys, namely Nepal Living Standard Survey - NLSS and Nepal Demographic and Health Survey - NDHS, have been completed. Results of these surveys have shown some improvement on both economic

and human poverty situation in Nepal. Some results of NDMS conducted in 2001 and 2006 are given below:

**Table 7(b): Comparative Indicators of Nepal Demographic  
Survey 2001 and 2003**

S.N.	Demographic Indicators	2001	2006
1.	Gross Birth Rate	4.1	3.1
2.	Crude Birth Rate (per thousand)	33.5	28.4
3.	Contraceptive Prevalence Rate (all types, percent)	39.3	48.0
4.	Contraceptive Prevalence Rate (modern means, percent)	35.4	44.2
5.	Infant Mortality Rate (per thousand)	64.0	51.0
6.	Child Mortality Rate (per thousand)	29.0	15.0
7.	Children under 5 Mortality Rate (per thousand)	91.0	65.0

Source: National Planning Commission, CBS.

### **Poverty Alleviation Fund**

- 7.20 Poverty Alleviation Fund established under the Poverty Alleviation Fund Act, 2063 is operational as an autonomous organization. The Fund's objective is extend direct support to inclusive development and targeted programs as stipulated in PRSP and Three-Year Interim Plan of the Government of Nepal. In addition, the Fund provides support to programs targeted to the people below the poverty line. The Fund has been able to support the demand-based community-level beneficiary-participated poverty reduction activities.
- 7.21 The Fund, guided by five Principles; Poor targetated program (Antodaya), Social inclusiveness, Transparency, Demand-driven Program, and Direct fund flow to the community, is carrying out the poverty-focused program in active participation of the ultra poor and backward class of the people. The program helps formation and institutionalization of Community Organizations (COs) involving the targeted poor communities for preparation of their programs and implementation in their full participation.
- 7.22 The Fund is engaged in poverty reduction efforts through implementation of various projects/activities like social mobilization; income-generating program; community infrastructure development program; capacity development program; and innovative, creative, and community concept micro projects. Even during the conflict period, the Fund continued its positive effort on serving the people with the objective of transforming the

vicious circle of poverty into the virtuous circle of poverty. The Fund has a number of show case like examples supporting those who have led local efforts and those engaged in mainstreaming the remote areas.

- 7.23 The Fund has been working jointly with local entities, NGOs, COs, and Private Organizations as its Partner Organization (PO) to facilitate and support communities towards achieving its objective (of poverty reduction). Programs under the The Poverty Alleviation Fund II are being carried out with grants of USD 100 million from the International Development Association -IDA (World Bank), 5 million from the International Fund for Agricultural Development (IFAD), and matching fund from the Government of Nepal.
- 7.24 Facilitation works are ongoing for implementation of social mobilization, institutional development of communities, preparation of community projects subsequent to signing of agreements with 392 POs. Programs including social mobilization are initiated after selection of POs, participating VDC and communities in 15 additional districts selected for program extension. These POs, in addition to social mobilization, capacity development and skill development training, institutional development community organizations, availing technical support and facilitation in preparation and implementation of community projects, also assist for maintaining contact and communication between Communities and the Fund.
- 7.25 During the fiscal year 2008/09, the Fund channelled Rs. 1 billion, 260 million 896 thousand for income generation and community infrastructure projects upon signing agreements with Community Organizations for implementation of 3,322 projects against the target of channelling Rs. 1 billion, 977 million 490 thousand to 4,048 community-based projects. Likewise, POs have been provided with Rs 268 million 367 thousand for project operations. As per the result obtained from the base line and effectiveness survey on the Fund's program conducted by Tribhuvan University has showed per capita increase of 23 percent in household consumption and put together income and consumption of those communities has increased by 19.0 percent within a period of two years.
- 7.26 Of the target of providing Rs. 1 billion 861 million 46 thousand grants to, 3,923 community projects in the current fiscal year 2009/10, Agreements have been signed for implementation of 2,515 income generation and

community infrastructure development projects during the first eight months of the current fiscal year.

7.27 Between the period from beginning of the project to mid-March 2010, programs are being carried out by 12,613 COs in 830 VDCs of 49 districts, and already benefiting 484,213 targeted households. Among the beneficiaries, 28.1 percent are Dalits, and 27.0 percent ethnic groups. Similarly, a greater percentage of woman (72.7 percent) among the CO members proves the Fund's commitment towards the excluded segment of the population. In addition, it is making a meaningful effort to reach directly to the poor and backward communities as targeted by the Three-year Interim Plan. Detail of the disbursement of Fund grants to communities from the beginning of the Fund program by the first eight months of the current fiscal year is given in the following Table:

**Table 7(c): Grants Disbursements of Poverty Alleviation Fund**

S. N.	Fiscal Year	Disbursed Amount (Rs. '000)					
		Income Generation Program	Small Infrastructure Program	Innovative Program	Total		
					Total	IDA Grant	GoN Grant
1.	2004/05	132,612	64,110	3,395	200,117	183,638	16,479
2.	2005/06	155,084	90,730	138,070	383,883	317,597	66,286
3.	2006/07	404,331	76,445	499,114	979,889	979,889	0
4.	2007/08	1,274,572	230,651	46,452	1,551,674	1,551,674	0
5.	2008/09	971,458	261,799	27,639	1,260,896	1,260,896	0
Total		2,938,057	723,734	714,669	4,376,460	4,293,695	82,765
6.	2009/10*	657,737	201,423	11,779	870,938	870,938	0
<b>Grand Total</b>		<b>3,595,794</b>	<b>925,156</b>	<b>726,448</b>	<b>5,247,398</b>	<b>5,164,633</b>	<b>82,765</b>

\* First Eight Month

Source: Poverty Alleviation Fund

## Employment

- 7.28 The Foreign Employment Act, 2064 (2008) is enacted and enforced for promoting the business of foreign employment while safeguarding the rights and interests of workers and foreign employment entrepreneurs by making it a safe, well managed, and dignified profession. As per the provision of the Act, a separate Foreign Employment Department is established on 31 December 2008 under the Ministry of Labour and Transport Management to look after foreign employment related activities. After its establishment, the Department has adopted a number of policies like rigorously curbing foreign employment related frauds in collaboration with the private sector; ensure that conditions of contracts are enforced through effective monitoring in coordination with diplomatic missions abroad and see whether employees get the job and wages as stipulated in the contract. In addition, it is also responsible to make the employment agencies pay compensation to the persons made to return being stranded in foreign countries; strictly enforce the system of imparting orientation training before leaving for foreign employment; and arranging necessary facilitation to the outgoing and returning workers at the International Airport. A separate Employment Permit System (EPS), Korea Section is established in the Department and work is being carried out accordingly to send Nepalese workers to Korea under such (EPS) system. Beginning the fiscal year 2009/10, a separate Japan International Trading Corporation Organization (JITCO) unit is formed for sending industrial trainees and Interns to Japan.
- 7.29 As per the details available from the Foreign Employment Department, 1,227,166 people had gone to different countries for foreign employment by the end of fiscal year 2007/08. By the first eight months of fiscal year 2009/10 such number reached 1,620,370 with addition of 219,965 and 173,239 in FY 2008/09 and 2009/10 respectively. Although statistics on the number of people visiting abroad through unauthorized means taking undue advantage of open border with India is unavailable, such number is assumed to be significant. It is however, estimated that the number of overseas employment seekers travelling without labour authorization is estimated to be equal to those authorized.
- 7.30 Findings of Nepal Labour Force Survey 2008 (NLFS) conducted to study employment and poverty alleviation is out. The survey was conducted by picking 16,000 household samples country wide with a person working at least an hour a week assumed as employed, and 15 years and above as a labour force. According to the Survey findings, labour force participation rate is 83.0 percent; rate of employment is 97.9 percent or 83 percent economically



active with 17 percent remaining inactive; 2.1 percent unemployed, and annual employment growth rate is 2.45 percent. As compared to the NLFS I (1999/2000) decline in labour participation ratio is observed meaning the dependent population is in rise with obligations and liabilities of economically active population is increasing. Likewise, out of the employed total, 16.9 percent are engaged in formal salaried/wage earning activities, while the remaining 83.1 percent are dependent on self-employment. Of the total employed in the age category of 15 years of age and above, 73.9 percent are employed in the agriculture sector, with the remaining 26.1 percent in the non-agriculture sector. The number of full-employment is 66.8 percent. Under-used employment rate is 30.0 percent, and wage discrepancy between male and female workers persists. The Survey findings are given in the following Table:

**Table 7(d): Findings of Nepal Labour Force Survey, 2008**

S.N.	Description	Percent
1.	Labour force participation rate	83.4
2.	Economically Active Population Rate	83.0
3.	Inactive Population Rate	17.0
4.	Employment Rate	97.9
5.	Unemployment Rate	2.1
6.	Employment Growth Rate	2.45
7.	Population Employed in the formal sector	16.9
8.	Self Employed Population	83.1
9.	Population Engaged in Agriculture Sector	73.9
10.	Population Engaged in non-Agriculture Sector	26.1
11.	Fully Employed Population	66.8
12.	Under-used Labour Rate	30.0

Source: Nepal Labour Force Survey, 2008; CBS

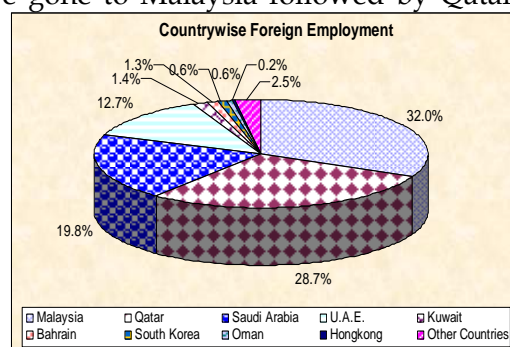
7.31 A total of 173,239 workers have gone for foreign employment during the first eight months of the current fiscal year against the target 254,100 set for FY2009/10. Total number and country-wise description of workers gone abroad for employment is given in the following Table:

**Table 7 (e): Country-wise employment situation**

S.N.	Country/Area	Total Number by FY 2007/08	Total Number in FY2008/09	The number by first eight months	Total
1	Malaysia	429,240	35,070	44,835	519,145
2	Qatar	351,536	76,175	37,578	465,289
3	Saudi Arabia	232,863	48,749	39,451	321,063
4	U. A. E.	151,283	31,688	22,566	205,537
5	Kuwait	13,906	2,291	6,179	22,376
6	Bahrain	11,682	6,360	2,892	20,934
7	South Korea	6,587	2,888	986	10,461
8	Oman	3,970	4,247	2,239	10,456
9	Hong Kong	3,903	65	82	4,050
10	Other countries	22,196	12,432	6,431	41,059
	<b>Total</b>	<b>1,227,166</b>	<b>219,965</b>	<b>173,239</b>	<b>1,620,370</b>

Source: Foreign Employment Department

7.32 Observations of the trend of Nepalese seeking jobs abroad, the majority of them, i.e. 519,145 (32.04 percent) have gone to Malaysia followed by Qatar with 465,289 (28.71 percent). The third destination is Saudi Arabia with 321,063 (19.81 percent). Similarly, 205,537 (12.68 percent) to U.A.E., 22,376 (1.38 percent) to Kuwait, 20,934 (1.29 percent) to Bahrain, 10,461 (0.65 percent) including EPS to South Korea, 10,456 (0.65) to Oman, 4,450 (0.25 percent) to Hong Kong, and 41,059 (2.53 percent) Nepalese have gone to other countries for employment.



## Real Wage Rate Index

7.33 Consumer inflation being lower than the wage rate index, real wages remained positive than inflation rate. Consumer inflation rate in fiscal years

2008/09 and in the first eight months of the current fiscal year rose by 13.1 percent and 11.2 percent respectively while wage rate index rose by 20.1 percent and 13.6 percent during the same period. Despite the fact that real wage tends to shrink with rising inflation, positive real wages has raised the workers' income level thereby helping reduce their poverty. Besides, the wage rate index with 73.0 percent share in the overall national salary and wages index, and agricultural labours occupying 40 percent share with higher real wage rate, especially the income level of agricultural labours has increased helping reduce their poverty.

### **Employment Information**

7.34 By mid-March of the current fiscal year 2009/10, ten labour offices and fourteen employment information centres have collected descriptions of more than 18,000 unemployed people.

## 8. Agriculture, Industry and Tourism

### Agriculture

- 8.1 Nepal is predominantly an agricultural country and hence, the importance of this sector's development can hardly be exaggerated, especially in coping with globally increasing problem of food crisis. In the light of the major role played by agriculture in the country's economy; the employment opportunity provided by this sector at the village level; the potential overall food security of the country and the gradual commercialization of agriculture at present, the development of agricultural sector is the undeniable need of today. Since agricultural development is the very foundation for the sustainable economic development and the major source of income and employment for the majority of Nepalese, agriculture sector received top priority since the early periodic plans and policies of the nation. The preliminary contribution of agriculture and forest sector is estimated to be 33.0 percent in the GDP during FY 2009/10. Special attention is paid to the formulation and implementation of appropriate policies for the development of this sector.

#### **Box 8 (a): Major Activities in Agriculture Sector**

- 1) One Village, One Product Program: One Village, One Product Program, based on the concept of Public-Private Partnership, has made remarkable achievement within three years of its execution. Under this program, Ramechhap, Sindhuli, Nuwakot, and Rasuwa were selected for the production of sweet orange, rainbow trout fish, bel, and lapsi, respectively whereas Agro-Tourism program is in operation in Lekhnath Municipality of Kaski district. Similarly, Simbidian Orchid farming program is initiated in Lalitpur district. Along with coffee in Sangya and Lokta (Nepali Paper) in Dolkha District.
- 2) Bird-flu and other Veterinary disease Control Program: Influenza Control Program is in operation to prevent and control Bird-flu and other transboundry veterinary diseases, Under this program, surveillance of rural chickens, and commercial chickens were carried out 2,657 times, 4,671 times respectively, and 2,167,850 doses of PPR Vaccines have been actualized.
- 3) Cooperatives in Rural Urban Areas, One Household One Employment:

Cooperative farming has been initiated in 38 districts and livestock program in 14 districts based on the Standard Operating Procedures(SOP) prepared on the foundation of the spirit of the **Cooperative Farming Program Manual, 2065 (2008)** with **"Rural Urban Cooperatives for Grain Silo in Every Household"**. Out of 51 small irrigation schemes selected for execution, work is underway in 25 schemes, with 2 schemes completed so far. Likewise, 26 cooperative farming schemes are selected and started in ten districts. Piggery and poultry farming programs are being implemented under this program in Bhojpur, Kathmandu, Kaski, Dang, Bardiya, Kailali, Banke and Saptari, Jhapa, Morang, Udayapur Sarlahi, Dolkha Sangja and Rasuwa Ramechap and Sindhupalchok districts.

4. **Fair Price Cooperative Store:** Cooperative Stores Operation Rules, 2065 (2008) is in implementation. A total number of 3,263 cooperative fair price shops were provided with Rs 100,000 per shop as a grant in the previous fiscal year out of which 2,400 shops are operating at present.

Source: Ministry of Agriculture and Cooperatives

## Production Status

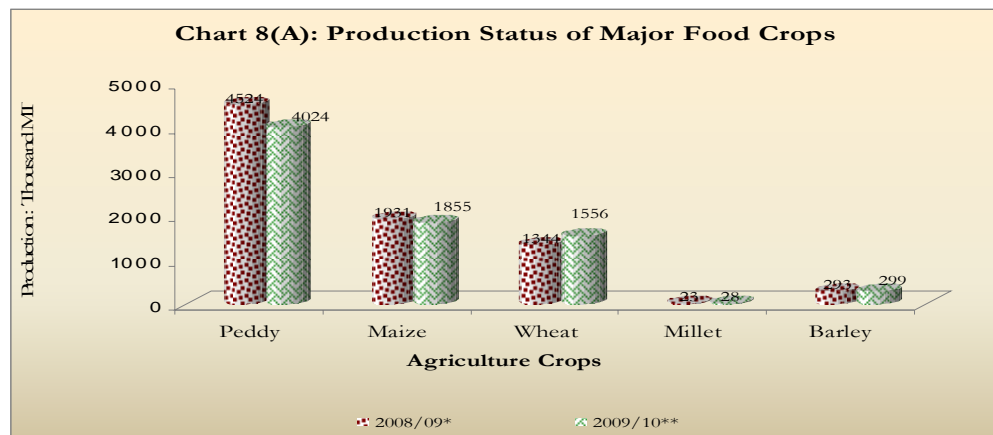
- 8.2 Production of major food crops (Rice, Wheat, Maize, Millet, and Barley) which had increased by (0.6 percent) in the fiscal year 2008/09 and reached 8,115,000 MT, is preliminary estimated to come down to 7,762,000 MT in 2009/10 with a decline 4.35 percent. During FY 2009/10, the area under such crops is estimated at 3,383,000 hectares against 3,418,000 hectares with a decline of 1.02 percent over the previous fiscal year. Though there has been some increase in production of wheat and barley, the prominent decrease in the production of rice and maize has resulted in the overall decrease of food production.
- 8.3 Regarding cash crops, production of sugarcane, oilseeds, potatoes, and jute is expected to increase in FY 2009/10. Hence, production of cash crops is expected to rise by 13.2 percent over the previous year and reach 5,224,000 Mt from the previous year's yield of 4,590,000 MT. Likewise, the cultivated total area under the cash crops is expected to increase by 11.36 percent and total to 457,000 hectare (11.36 percent) in the review period.
- 8.4 Despite some decrease in the Production of lentils (pulses) in FY 2008/09, the total production of pulses (lentil, black gram, pigeon peas, soybean, grams etc.) is expected to increase by 2.74 percent with the total yield of

262,000 MT against 255,000 MT in the previous year. Likewise, production of fruits also is expected to rise by 2.76 percent and yield 750,000 MT against 686,000 MT in the previous year. Besides, the production of green vegetables is expected to rise by 10.21 percent to 3,001,000 MT from 2,730,000 MT in the previous year. The constant and steady growth of green vegetable has continued over the years.

- 8.5 As a share of the output of the major agro-products in FY 2008/09, food crops comprised 49.6 percent; a cash crop 28.1 percent; and 22.3 percent is shared by rest of the crops. It is expected that, of the total crops, food crops' share will be 45.8 percent while the share of cash crop will be 30.8 percent, and the share of the rest will remain at 23.4 percent in the current fiscal year. On the whole, the area covered by cash crops and others has increased than in the previous year but the area covered by food crops has declined.
- 8.6 As per preliminary estimates, GDP in the agriculture and forestry sector in the current fiscal year will grow by 1.05 percent as compared to the previous year. Based on Agro-production Index, the current fiscal year is expected to witness a decline in food crops by 5.88 percent, whereas green vegetables will rise by 7.2 percent, fruits by 22.00 percent, meat by 2.66 percent and milk by 4.05 percent as against those of the previous fiscal year.

### Production Status of Major Food Crops

- 8.7 **Paddy:** The preliminary estimates show the decline in paddy production by 11 percent with a total yield of 4,024,000 MT in the current fiscal year against the previous year's 4,524,000 MT. The area under paddy cultivation is estimated to have come down to 1,481,000 hectares from the previous year's 1,556,000 hectares in the same period. Accordingly, productivity of paddy is feared to decrease by 6.56 percent to be 2,716 KG per hectare. The decline of paddy crop is due to late arrival of monsoon rains and insufficient rainfall. Paddy crop is also negatively affected by flood, landslide, sparse rain etc.



- 8.8 **Maize:** Maize is the second largest food staple of Nepal. Following the trend of paddy production, the preliminary estimate shows a possible decline of 4.0 percent in maize production in the current fiscal year. The previous year's 1,931,000 MT production of this crop is feared to be limited to 1,855,000 MT without any change in the area under its cultivation. The reasons for this decline are the delayed monsoon and diseases affecting the crop. However, there has been a slight increase in the cultivated area for the off-season and spring maize compensating the seasonal maize crop.
- 8.9 Unlike paddy and maize, wheat production is expected to increase by 16 percent to be 1,556,000 MT in the current fiscal year against 1,344,000 MT of previous fiscal year. Area under wheat cultivation has also increased by 3.5 percent totaling 731,000 hectares against the previous year's 706,000 hectares. Productivity of wheat is estimated to have increased by 10 percent with credit to timely winter rains and snowfall as well. Because of the increased wheat cultivated area as well as its productivity there is an overall increase in wheat production.
- 8.10 **Barley:** Production of barley is expected to grow by 19.0 percent and area under its cultivation by 3.0 percent in the fiscal year 2008/09. The total area and the production of barley are estimated at 26,600 HA and 27,587 MT respectively in the review year. The reason behind the increase in its production could be mainly due to winter rain and timely snowfall.
- 8.11 **Millet:** Millet is estimated to register a marginal increase of 2.4 percent to 300,000 MT this fiscal year against the previous year's 293,000 MT. Despite some increase in the area under millet cultivation, its productivity has remained low due to the absence of the use of improved seeds, fertilizers and technology in this crop.

### **Production Status of Cash Crops**

- 8.12 **Sugarcane:** Area under sugarcane cultivation has increased by 5.0 percent to 61,000 hectare in the current fiscal year as compared to the previous year.

Its production is also expected to grow by 10 percent yielding 2,592,000 MT. Farmers, who were quitting sugarcane cultivation due to various problems with its sale, are now getting reasonable price; and so, they are re-attracted to sugarcane farming. This has made a positive impact in increasing cultivated area, production and productivity of sugarcane as a whole.

- 8.13 **Oilseeds:** Production of oilseeds (mustards, sunflower etc) is expected to rise by 10.0 percent the current fiscal year than the previous year reaching to the quantity 150,000 MT. The cultivation area is also expected to rise by 10.0 percent to 199,500 ha. The aggregate production of oilseed is expected to increase with the rising trend in cultivation and production of sunflower in recent years.
- 8.14 **Potato:** Potato production in the current fiscal year is expected to rise by 1.4 percent totaling 2,469,000 MT and with its cultivation area expected to rise by 0.3 percent to be 142,000 hectares with the total productivity of 13,472 Kg per ha. Though there has been reduction in the production of this crop due to the infection of blast disease in pocket areas, some growth in its total production is expected due to the satisfactory harvest of winter-season potato crop.
- 8.15 **Tobacco:** This crop is expected to fall by 0.24 percent in the current fiscal year yielding just 2,491 MT. Cultivation area for this crop has been on the continuous decline for the past few years. This year, the cultivation area of the crop is estimated at 2,534 ha. The reason behind its low production is mainly due to the declining interest of farmers in its production.
- 8.16 **Jute:** In the current fiscal year, cultivation area, production, and productivity of this crop farmed in six eastern districts: Jhapa, Morang, Sunsari, Saptari, Siraha and Udayapur, is expected to grow by 12.0 percent, (13,103 ha.) 19.0 percent (20,965 MT) and 6.0 percent (1,600 per hectare) respectively.
- 8.17 **Pulses:** The total production of pulses (lentils, pigeon pea, black gram, soybean etc.) in this year is expected to increase by 3.0 percent, totaling 262,000 MT. The cultivated land area is also estimated to marginally increase totaling 319,000 ha. Lentil production has increased this year even in unirrigated area with the winter drizzle whereas production of cereals like peas, grams and pigeon peas has decreased. However, pulses production has increased marginally. This year production of black gram,



soybean, and other monsoon legume crops like beans, peas, pigeon peas etc. have slightly increased.

**Table 8 (a): Productivity of Agricultural Crops**

(Kg/Ha.)

Crops	Fiscal years	
	2008/09	2009/10
Food crops	2374	2295
Paddy	2907	2716
Maize	2205	2119
Wheat	1934	2129
Millet	1101	1116
Barley	900	1037
Lentil Crop	815	821
Horticultural Crops		
Potatoes	13203	13472
Vegetables	12300	12902
Fruits	10227	9978

\* Estimate

Source: Ministry of Agriculture and cooperatives, Agriculture Business Promotion and Statistics Division

- 8.18 **Fruits:** Fruit production is estimated to rise by 3.0 percent in the current fiscal year 2009/10 thereby reaching 705,000 MT as against the previous year's 686,000 MT. The area of cultivation under fruits too is expected to increase by 3.0 percent from 68,785 ha to 70,653 ha. Although there is no increase in the production of apples and oranges, commercial banana farming is increasing. Therefore, the overall fruit production is expected to increase.

- 8.19 **Vegetables:** Vegetable production is expected to rise by 9.0 percent reaching 3,000,000 MT from the previous fiscal year's 2,754,000 MT. Area under vegetable cultivation is estimated to be 2,320,000 ha. Vegetable farming is widely accepted by farmers as major cash crop as well as the growing trend of farming off –season vegetables, thereby resulting in the constant rise in area coverage and production for the past few years.
- 8.20 **Spices:** In the fiscal year 2009/10, among the spices, production of ginger is expected to rise by 6.5 percent, garlic by 16.0 percent, turmeric by 13.0 percent, cardamom by 1.0 percent and chilly by 7.0 percent. Accordingly, the area coverage of these crops has also been increasing. Despite the increase in the spices cultivated area and its production as well, cardamom has faced spotty disease, the overall production of spices has increased at the minimum level.
- 8.21 **Tea, Coffee and Cotton:** Of the industrial crops, production of coffee, tea, and cotton have increased by 40.0 percent, 2.0 percent and 86.0 percent respectively reaching to 110 MT in the fiscal year 2008/09.
- 8.22 **Honey:** The number of beehives is expected to remain almost the same as that of last year, i.e. 125,000 in number. Total honey production, however, is estimated to rise by 2.0 percent to 865 MT this year. Despite increase of modern bee species such as Apis Cerana and Apis Mellifera, the decline in the beehives of wild bees like Mudhe and Khopre has been observed.
- 8.23 **Floriculture:** Out of about 600 nurseries in the country and show rooms of flowers in Katmandu valley, floriculture had a transaction of Rs 260 million in FY 2008/9 which has reached nearly Rs 560 million in the current FY.
- 8.24 **Mushroom Farming:** Mushroom farming is being popular especially in the urban areas resulting in its increased production. A wide variety of mushrooms produced in the previous FY reached to 450 MT, which is expected to reach 500 MT during FY 2009/10, with a growth of 11 percent.

## **Production Status of Animal Products**

- 8.25 **Number of Animals/Birds:** The number of cattle heads is estimated to have increased by 0.34 percent in the current fiscal year, reaching 7,199,000 in total. However, the number of milch cows is only 954,000, or 13.25 percent of the total number of cattle. Similarly, the number of buffaloes (male and female) increased by 3.25 percent totaling to 4,832,000. The number of the mulch buffaloes is 1,251,000, or 25.89 percent of the total. The number of

sheep slightly declined by 0.62 percent to 797,000; whereas the number of goats increased by 3.4 percent to 8,762,000. The number of pigs reached 1,062,000 during the same period showing an increase of 1.72 percent. Similarly, the number of fowls declined by 1.0 percent to 24,200,000 as against last year's total of 24,400,000. In the previous fiscal year, poultry farming could not achieve the targeted growth in the production of fowls as the import of breeding hens from India was banned (due to bird flu pandemic in Bangladesh and the Indian States of West Bengal and Bihar). The number of ducks is expected to fall by 2 percent, totaling 380,000.

- 8.26 **Milk:** According to estimates, in the current fiscal year, total milk production from cows and buffaloes is estimated to record a rise of 3.5 percent (excluding Nak), totaling 1,496,000 MT. Of the total figure, 430,000 MT of milk is expected from cows, while 1,066,000 MT is from the buffaloes.
- 8.27 **Meat:** Total meat production during the current fiscal year is expected to grow by 3.0 percent to 248,573 MT. Of the total production, buffaloes' share would be 162,213MT, that of sheep 2,691 MT and that of goats 49,851 MT. Similarly, pig's share would amount to 17,066 MT, chicken's share 16,527 MT and duck contributing 225 MT. Finding the cases of bird flu in Pokhara and Nawalparasi, spread of these diseases in neighboring counties Bangladesh and West Bengal of India, import ban on breeding hens from India, has resulted in decline of fowl meat. However, the overall meat production recorded a nominal increase due to increase in the production of buffalo meat, and mutton.
- 8.28 **Eggs:** The number eggs production is expected to grow by 2.1percent, marking 643.2 million from last year's 629.9 million, of which the hen eggs would make 629.7million while that of ducks would comprise 13.4 million.
- 8.29 **Fish:** Current fiscal year is expected register a rise in fish production by 3.0 percent to 49,730 MT. Out of the total production, 50 percent is estimated to be produced from fish ponds while the rest to be collected from other natural sources.
- 8.30 **Wool:** Sheep-wool production is estimated to decline from 584 MT last year to 580 MT this year.

### **Impact of weather**

- 8.31 During FY2009/10 the delayed monsoon and insufficient rainfall in many parts causing drought resulted in delayed plantation of rice helping decrease the area under paddy cultivation and productivity thereby decreasing overall paddy production. Reports from the Department of Hydrology and Meteorology states that months ending in mid-June received 53.0 percent, mid-July 84 percent, mid-August 113 percent and mid September 54 percent . The rainfall in Mid-October this year and the resultant flood and landslide have made additional negative impact districts like Banke, Bardiya, Kailali and Kanchanpur.
- 8.32 Climate in the current fiscal year appeared favorable for winter crops like wheat, barley, pulses, cereals, and fruits. Rainfall reports of different places state that January, February and March received less than an average rainfall. However, moderate rain in November and the wet soil in winter as well as winter rain in January the production of winter crops is expected to increase.

### **Impact of Natural Disaster**

- 8.33 Problems caused by landslides, floods, submerge are the most general and common features for summer crops in Nepal; but these problems appeared during and after the untimely rain in mid-September last year which has caused negative impact in districts like Banke, Bardiya, Kailali and Kanchanpur. Similarly, about 19,000 hectare of land were destroyed by inundation, erosion of river bank, and sand. Likewise, paddy could not be planted in about 75,000 hector due to under and over rainfall than normal.

### **Chemical Fertilizers and Improved Seeds:**

- 8.34 **Chemical Fertilizers:** Agriculture Inputs Company Ltd (AIC), since its establishment, has been selling and distributing chemical fertilizers to farmers as per their demand on fair price. Besides fertilizers, the company is also conducting studies on procuring other types of chemical fertilizers, micronutrient fertilizers, and organic compost. In the fiscal year 2008/09, AIC supplied 3,158 Nutrients MT nutrient equivalents (NMT) of chemical fertilizers. In the first eight months of FY 2009/10, the company distributed about 24,259 NMT of chemical fertilizer owing to the subsidy provided on chemical fertilizers.
- 8.35 **Improved Seeds:** As per the policy of involving private sector in transactions of improved seeds, the National Seeds Company Limited has been distributing quality seeds through dealers in order to avail the seeds

at the farmers' doorsteps. To meet its goal of selling and distributing seeds, the Company has started collecting quality seeds from its own farms and from farmers under the Seed Promotion Program and selling them at the local market after proper treatment against insects and pests. In FY 2008/09, the company had distributed seeds in quantities of 931 MT of paddy and 3,000 MT of wheat. During the first eight months of FY2009/10, wheat seeds equal to 3,516 MT have been distributed against the distribution of 111 MT paddy seeds and 10,727 MT of wheat seeds during the same period of previous year.

- 8.36 **Irrigation:** As in the past years, development projects related to irrigation have been executed at the government level, and by the Agricultural Development Bank Ltd. (ADBL). In FY 2008/09, irrigation facility managed by the government reached 25,549 hectare of area under irrigation extended through the ADBL reached 301 hector. In the first eight months of FY 2009/10, additional 3,092 ha of land have been brought under irrigation from the government implemented projects while 27 ha of land have been brought under irrigation through ADBL projects, with total land brought under irrigation by 13,119 hectares.
- 8.37 **Agricultural Credit:** Flow of agricultural credit, the factor playing an important role in agro-production, has received continuity. ADBL extended a credit of Rs. 19,260.0 million in FY 2008/09. The Bank recovered Rs. 20,260.0 million while its arrears in the same fiscal year stood at Rs. 25,120.0 million. During the first eight months of FY 2009/10, credit amounted to Rs13,680 million was extended, while during the same period in FY 2008/09 the credit amount was Rs. 11,840 million. This shows 15.5 percent increase in the credit flow. Of the total loan disbursed, the highest disbursement is on agro-industry, marketing and warehouse construction comprising almost 52 percent, housing and land development 20 percent and on agro-trade 17 percent, on food and cash crops 8 percent and 3 percent for others.
- 8.38 **Small Farmers Development Bank (SFDB):** The SFDB is involved in uplifting the economic and social status of small farmers and deprived people in the rural parts of the country. It is involved in empowering small farmers and the ultra poor through implementation of microfinance program and promotion of co-operatives in villages for the institutional development of stakeholders. Social mobilization, livestock insurance program, small farmers' institutional development program and micro-

finance program are the major activities of the SFDB. The number of institutions affiliated with the SFDB was 220 Small Farmers' Cooperative Institutions constituted in 39 districts by the first eight months of FY2008/09. While additional one district and 12 Cooperatives is added totaling to 232 Small Farmers' Cooperative Institutions constituted in 40 districts. It has facilitated so far 810,846 population group with direct involvement of 155,932 small farmers' households. The SFDB floated a credit amount of Rs. 681.6 million in the first eight months of FY2009/10 and collected principal amount of Rs. 337.9 million while interest collection during the same period stood at Rs. 55.5 million. During the same period of current fiscal year. The SFDB has a target to avail livestock insurance program in all the 40 districts through the 183 cooperatives under ADBL. During the first eight months of the fiscal year 2009/10, a total of additional 1,480 livestock were insured for Rs. 25.8million as compared to 5,202 livestock insured for Rs. 82.9 million in the same period of previous year on the initiation of local institutions. The SFDB had conducted. Small Farmers' Institutional Adoption Program operational in 12 VDCs has been given continuity adding 12 more VDCs. Besides, the Bank's policy is to continue expanding micro-financing to small farmers and deprived class through capable micro-finance institutions. Under the Special Investment Promotion Program the Bank has completed the contract work with ADB and has prepared a 3 year commercial plan especially in the potential Hill Regions. The Plan 2010-13 is gradually being implemented in the Hills. SFDB; has published the following details concerned with its credit flow, repayment and investment.

**Table 8(b): Description of credit flow, recovery and outstanding loan**

(Rs. in million)

S.N.	Description	Fiscal Year			First eight months	
		2006/07	2007/08	2008/09	2008/09	2009/10*
1.	Approved Credit	704.2	1,013.8	1,076.0	604.4	642.0
2.	Investment	1,077.0	912.3	634.9	353.3	686.6

3.	Recovery	657.3	846.4	1,327.6	205.9	337.9
4.	Loan outstanding	1,379.5	1,445.4	752.7	1,593.0	1,096.4

\*Estimate

Source: Small Farmers' development Bank

- 8.39 Nepal Agriculture Research Council (NARC): In consideration with food security and food sovereignty, the target of the Three Year Interim Plan and long-term agriculture plan, programs like developing crops, horticulture, industrial and exportable crops, livestock and research, seed production and genetic source conservation have been given continuity. NARC has continued programs like market management and researches for increasing the production and productivity and processing technique for food, lentils and oil seeds. Likewise, biotechnique and environment friendly technique have been implemented for the prevention of crops diseases and pests, and control of rats and weeds. Genetic research programs are given continuity on Micro- elements and Soil Fertility management, source conservation technology, socio-economic and market management. Likewise, a number of researches are being made concerned with finding and identifying appropriate species of seasonal and off-season vegetable and fruits while studies are carried out for developing organic farming, biocontrol of pest and diseases, drying after-harvest and develop technology for storage. NARC is making researches on exportable and medicinal crops like sugar cane, tea, coffee, cardamom, jute, cotton, ginger, turmeric, mushroom and medicinal herbs based on Participatory Variety Selection for not only production but also for their disease-free organic farming, eco-friendly management of pests and diseases, quality processing, and market management. Continuity is given to the research programs like high breed animal husbandry with their food and grazelands, grass crops and animal health. Programs like Elite herd maintenance are under operation for identification, conservation and utilization of the inherent genetic qualities of various local animals and birds. Continuity is given to the research concerned with the expansion of commercial farming of rainbow trout fish, genetic variety identification of local species of fishes, paddy field fish farming and cage fish ponds along with their conservation and



development. Under the genetic source conservation, more than 10500 species of plants (Fauna) found in Nepal are preserved. The proposed gene Bank building is expected to complete by the end of the current FY. Of the target to produce 683 MT of source seeds, 781 MT was produced in the previous year marking a growth of 14.35 percent. During the first eight months of current FY only 308 MT source seeds have been produced, lagging behind the target of 710 MT.

### **Status of Imports and Export of Agro-Products:**

- 8.40 According to SITC group classification, the first eight months of FY 2008/09 witnessed export of food stuffs, live animals, tobacco and other beverages worth Rs. 12,395 billion. In the first eight months of the current fiscal year, value of exported goods is estimated at Rs. 9.1290 billion with a fall of 26.3 percent. Likewise, in the first eight months of the last fiscal year, above-mentioned category of goods worth Rs. 11.4369 billion was imported. According to estimates, goods worth Rs. 15.3933 billion have been imported in the first eight months of the current fiscal year, with a growth of 34.6 percent.

### **Cooperative Institutions:**

- 8.41 Cooperative system has a great potentiality to provide impetus to economic and social development efforts, by bringing changes in the living standard of general people and thereby bringing sustainable changes. Through cooperatives, people can achieve self-dependency by utilizing their limited sources, resources and skills. Besides individuals and groups involved in cooperatives can contribute largely in poverty alleviation being engaged in employment generation activities. Various directives and standards for the registration and continuation of cooperative institutions have been issued from the cooperative Department through which a number of activities are being carried out for the quality growth and efficiency. Audio-visual programs for awareness raising on cooperatives have been produced and disseminated. In addition to cooperative brochures, documentaries, jingles, FM Radio Programs, Pamphlets, bulletins etc have been produced and broadcast. The database concerned with the number, nature and transaction details of nationwide cooperative institutions has been prepared and published. Likewise, the construction of cooperative software has been completed. Continuity is given to supervision and monitoring of district cooperatives by the joint effort of NRB and Cooperative

Department. The following table presents the details of nation wide cooperative institutions' number, capital, savings, investments and repayments. :

**Table 8(c): Description of Cooperatives Operating throughout Nepal**

(in '000 Rs.)

Function	No. of Institutions	Males (No.)	Females (No.)	Capital	Savings	Investment	Recovery
<b>Savings &amp; Investment</b>	5,162	401,719	312,797	2,191,126	16,247,310	20,124,886	6,490,313
<b>Multipurpose</b>	2,978	447,626	157,935	1,252,501	12,072,296	8,200,704	2,453,057
<b>Milk</b>	1,603	68,560	26,738	50,395	59,111	49,913	32,677
<b>Agriculture</b>	1,736	230,129	91,369	185,747	725,933	1,453,635	552,489
<b>Electricity</b>	257	13,415	2,458	6,531	4,133	6,214	4,484
<b>Others</b>	273	24,832	30,854	5,070,980	73,646	42,982	27,656
<b>Vegetables &amp; Fruits</b>	123	4,582	3,353	2,713	12,832	16,521	11,023
<b>Consumers</b>	201	7,002	2,087	15,892	9,388	16,988	2,433
<b>Science &amp; Tech (Transport, Communication)</b>	83	6,304	1,171	59,656	64,882	55,036	21,948
<b>Coffee</b>	73	1,288	775	896	6,6002	5,811	
<b>Health</b>	41	3,696	482	113,841	23,943	44,748	663
<b>Tea</b>	48	1,219	699	5,826	7,865	6,384	5,525
<b>Herbs</b>	38	1,276	381	2,645	741	197	22
<b>Beekeeping</b>	30	657	355	423	353	604	0
<b>Total</b>	<b>12,646</b>	<b>1,212,305</b>	<b>631,454</b>	<b>8,959,172</b>	<b>29,308,434</b>	<b>30,024,635</b>	<b>9,602,415</b>

Source: Cooperatives Department (based on data as of mid-April 2009)

- 8.42 By mid April 2009, a total number of primary cooperatives have stood at 12,646 with their total share investment of Rs. 8,959.172 million involving total membership of 1,843,769 of which 1,212,305 are males and 631,454 females. Total savings collected from these primary cooperatives has reached Rs 29,308.434 million and the total net investment is 30,024.625 million. Leaving the primary cooperatives, the cooperative movement form the district to centre incorporates one National Cooperative Association; one National Cooperative Bank; eight Central Issue wise cooperative Associations; 54 District Cooperatives; and 107 Issue-wise District Cooperatives are under operation.
- 8.43 Land Reform: By the fiscal year 2009/10, land registration certificates are being issued through computerized system from 22 Land Revenue Offices including 5 in Kathmandu valley and each one in Kaski, Kailali, Tikapur, Biratnagar, Belbari and Makwanpur districts, Sayanga, Kawasoti, Parasi, Dhading, Nuwakot, Gorkha, Tanahu, Baglung, Banke, Bardiya, Surkhet. Meanwhile, additional 30 Land Revenue Offices have reached the final stage to issue computerized land ownership certificates. Similarly 68 Land Revenue Offices will provide computerized land ownership certificates by the end of the current fiscal year. Mapping of District Level land-use has already been prepared for 50 Districts. A High Level Commission for Scientific Land Reform as well as a Committee for Landless Peasants is formed that is working to study their problems and suggest practical suggestions and recommendations. During the first eight months of 2009/10, 1,276 households of freed landless peasants (Mukta Kamaiya ) have received land out of the supposedly 7,168 to be rehabilitated.

## **Industry**

- 8.44 Industry is undeniably the foundation of sustainable economic development and self-dependent economy. Realizing this fact, the new revised Industrial Policy 2010 has been already formulated and implemented. Aiming at creating industry-friendly and conducive investment environment for native and foreigners; raising industrial production and productivity; creating more employment opportunity; and, facilitating import replacement and export promotion etc. Nepal Business Forum is at the final phase of formation for preparing Foreign Investment and Technology Transfer Policy 2010 and creating investment- friendly atmosphere for public- private investment. For the revival of Labor intensive carpet industry which stands as a cultural identity of the

Nepalese, Carpet Industry Revival Recommendation Committee has been formed to recommend practical measures. Decision has been made to form industrial force in order to ensure security of industrial estates, industrialists, and business persons as well as to strengthen, secure and maintain a dependent industrial environment. It emphasizes in investment friendly labor policy. Besides, under the Industrial Infrastructure Developmental Program, necessary road construction and electricity transmission lines are being expanded in Udaipur, Makwanpur, Dhading, Lalitpur, Dang, Rolpa etc with the consideration of the upcoming cement industry in the immediate future. According to preliminary CBS estimates, there has been a growth in biscuits, iron rods, light beverage and noodles in the current FY. So, GDP will grow by 2.65 percent compared to the previous FY, as the preliminary estimate shows.

### **Special Economic Zone (SEZ):**

- 8.45 With a view to reducing the cost of exportable goods in international market and enhancing their competitive capacity, the concept of Export Processing Zone (EPZ) has been developed to encourage production practices based on labor value competition and enhancing additional employment opportunities and importing latest technology. SEZ has reached its final phase for the construction of necessary physical infrastructure in Bhairahava. Likewise land acquisition, compound construction and construction of access road are underway in Simara while feasibility studies are being conducted in four sites- Dhangadi, Panchkhal, Jhapa and Nuwakot.
- 8.46 The current Three Year Interim Plan aims at attracting native and foreign investment by establishing SEZ in potential places for exportable industries. This program is meant for relating to export processing zone, special commercial zone, tourism/entertainment sector, banking sector. The established industries that enjoy the complete service facility are needed to produce goods of international standard of which at least 70 percent has to be exported.
- 8.47 Micro-Enterprise Development Program: Micro-Enterprise Development Program with the assistance of UNDP is under implementation- aiming at reducing rural poverty, developing poorest of the poor class, region and ethnicity as micro-entrepreneurs and thereby improving their economic status. This program is expanded and implemented in 33 districts so far, developing 31 thousand individuals as the micr-entrepreneures. During the

fist eight months of 2009/10, 6,014 individual's micro-entrepreneurs are prepared. This program is running projects targeting specially women, indigenous groups, ethnic groups, Dalits, Madheshis and backward classes and regions.

- 8.48 In consideration with the effectiveness of Micro-Enterprise Development Program and its sustainable development as well as its continuation. This program has been internalized in the Government's program since FY2009/010. Accordingly, a budget worth Rs 50 million has been allotted and the services are being channelized through Cottage and Small Industry Department/Cottage and Small Industry Development Committee.
- 8.49 Activities are underway since last fiscal year aiming at achieving MDGs, poverty reduction and conflict Mitigation and resolution. To this effect, 31 offices are transformed and services are being provided to micro-entrepreneurs of this centre through Business Development Service Provider organizations.

### **World Trade Organization (WTO)**

- 8.50 Nepal has completed its 7th year as a WTO member. As per the commitment to WTO, some new Acts and Regulations have been formulated and brought into implementation. Some Acts and Regulations have been amended and some are along the process of revision and refinement in order to make them WTO-friendly. Among the major Acts and Regulations already implemented so far are Banking and Financial Institution Act 2063, Company Act 2063, Insolvency Act 2063, Customs Act 2064, Competition Promotion and Market Regulation Action 2063, Electronic Transaction Act 2063, Plant Conservation Act 2064, Commercial Policy 2065 and Industrial policy 2067 etc. Likewise, Import Export and Intellectual Property Acts are amended while Anti Dumping and Countervailing Act, Foreign Investment and Technology Transfer Act and Industrial Trade Act are in the process of formulation. National Capacity Enhancement Program has been implemented in the context of enhancing competency with the change of time to raise Nepal's identity in world trade sector. Likewise, a High Level Steering Committee has already been formed for the optimal utilization of national and international resources and enhancing effectiveness of available technical assistance through better coordination mechanism. In this context, Enhanced Integrated Framework (EIF) Steering Committee led by the Chief Secretary of the Government is formed in order to enhance Nepal's trade efficiency through coordination

and mobilization of support to be received under Enhanced Integrated Framework (EIF). On instruction of the Committee, initial homework for collection of proposals has begun in the process of availing assistance.

**Box 8 (b): Major Activities of Industry and Commerce Sector**

1. The EIF Board has approved Nepal's Tier 1 Proposal and accordingly, Nepal Enhanced Capacities for Trade and Development (NECTRADE) Project is implemented. To implement this, the National Implementation Unit has been set up in the Ministry of Commerce and Supply to work through. Nepal has been selected as a member in the Executive Board of WTO's Enhanced Integrated Framework from the Least Developed Countries. This has provided Nepal opportunity to and design appropriate policies and programs in the WTO actively in order to enhance the competitive capacity of LDC's.
2. **Nepal Trade Integration Strategy (NTIS) 2010** has prepared a research proposal with financial and technical assistance of UNDP, DFID, ITC Government of Finland, and IFC. The study presents the different dimensions of Nepalese trade sectors including identification of highly potential tradable goods, problems related to market access of these goods and challenges, institutional structure needed for trade promotion, non-custom obstacles in Nepalese trade, capacity enhancement trade sector as well as issues of poverty alleviation.
3. The Seventh Ministerial Level Meetings of WTO is completed in Geneva, Switzerland since November 30- December 2, 2009 in which Nepal has raised the issues and challenges in relation to trade faced by LCD's .
4. In order to implement effectively The Commerce Policy 2008, Implementation Action Plan has already been prepared and is in the process of implementation.
5. **EC/Nepal, WTO**, Technical Assistance program is under implementation assisted by EU and UNESCAP jointly. Programs like **WTO Reference Center Strengthening** as well as preparing Curricula on **WTO** and **International Trade** which will be introduced in the Universities.
6. Aiming at developing Trade in Service and benefited by it, **UNCTAD** assisted research has been completed and the final report is handed over. Meanwhile the major recommendations pointed in the report are in the

phase of implementations.

7. **UNDP** assisted **Enhancing Nepal's Trade-related Capacity (ENTReC)** Program is under operation. This project has been assisting the Government to implement the action plans of Nepal Trade and Competitiveness Study 2003/04 by GoN and update the research studies.
8. Nepal has been a member of **AITIC**. After this membership probabilities of availing technical and other assistance to develop human resources of commercial sector have grown.
9. People's awareness programs are given continuity for maintaining coordination with private sector with a view to create awareness about the opportunity and challenges that Nepal possesses after **WTO** membership. Trade related awareness and capacity enhancement programs are being implemented.
10. A High Level Steering Committee has been formed to recommend Immediate, Mid Term as well as Long Term Strategies for export promotion.

### **Status of Industrial Production by Groups and Industrial Indices**

- 8.51 The situation of major industrial products is improving in FY 2009/10 as compared to the previous year. Products like noodles, biscuits, beverage (cold drinks) tea, sugar, vegetable oil etc will increase. During the current FY production of noodles has increased by 1,531 MT beverage by 1,900,000 Litres where sugar by 10,000 MT and tea by 494 MT. However, production of hides, wood and wood products, paper and paper materials chemical goods, non-metal mineral are likely to decrease.
- 8.52 As per the preliminary estimate of FY 2008/09 the Indices of Industrial Production by Groups had slightly increased from 106.42 percent (2007/08) to 106.55 percent. Though production of vegetable ghee, clothes and garments, woolen carpets, jute cement are likely to decrease, the Indices show some increase in the overall industrial production owing to the probable increase in feed, wood and wooden materials, food and beverage.

### **Foreign investment in Industries**

- 8.53 Foreign Investment and Technology Transfer is essential to make the economy strong and consolidated, dynamic and competitive, oriented to self-dependency with maximum utilization of natural and human

resources. Realizing this fact, Foreign Investment and Technology Transfer Policy is waiting for the final approval. The proposed policy has emphasized flow of foreign investment by bringing procedural simplification in technology transfer in order to be competitive in World Market for utilising the comparative advantage of the private sector. Accordingly, a Bilateral Investment Promotion and Protection Agreement is signed with India to promote Indian Investment in Nepal, while preparation is being made to continue such agreements with other countries as well.

- 8.54 Altogether 230 industries with foreign and joint investment were approved for established in 2008/9 with estimated investment of Rs. 6.25 billion were estimated to be invested in these industries. During FY 2008/09, altogether 230 industries having the total fixed capital worth Rs 7.52 billion, project cost worth Rs 9.41 billion and foreign investment worth Rs 6.24 billion were approved. Out of them 48 are related with manufacturing industry, 78 service industry, 69 tourism industry, one construction, and nine energy eight agro-based and 17 mining based industries.

**Table 8(d): Industries Permitted for Foreign Investment**

**(FY 2008/09)**

(Rs. in million)

Industry Type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment Creation (No.)
<b>Industrial Production</b>	48	1,464.0	895.0	1,178.0	2,396
<b>Service Industry</b>	78	2,274.0	1646.0	1,236.0	2,587
<b>Tourism Industry</b>	69	933.0	886.0	753.0	1,760
<b>Construction</b>	1	88.0	32.0	57.0	8
<b>Energy</b>	9	3,520.0	3,441.0	2,245.0	1,011



<b>Agro-based</b>	8	618.0	205.0	302.0	671
<b>Mining</b>	17	479.0	417.0	474.0	2,635
<b>Total</b>	<b>230</b>	<b>9,408.0</b>	<b>7,522.0</b>	<b>6,245.0</b>	<b>11,068</b>

- 8.55 While analyzing countrywide investment among the 230 industries approved in FY 2008/09, China shares 70 percent, India 34 percent, South Korea and UK 11 percent each, USA 18 percent, Germany 7 percent, Japan 10 percent, Netherlands and France 5 percent each and 59 industries have investment from other countries.

**Table 8(e): Foreign Investment by countries**

S.N.	Countries	Fiscal Year 2008/09	First 8 Months	
1.	India	34	27	18
2.	China	70	46	37
3.	Japan	10	5	1
4.	USA	18	7	2
5.	UK	11	9	4
6.	South Korea	11	4	9
7.	Germany	7	2	1
8.	The Netherlands	5	2	3
9.	Canada	2	1	2
10.	France	5	4	2
11.	Russia	2	1	1
12.	Switzerland	3	2	-
13.	Australia	3	1	3
14.	Singapore	5	4	1
15.	Others	44	24	10
<b>Total</b>		<b>230</b>	<b>136</b>	<b>94</b>

- 8.56 During the first eight months of FY 2009/10, 94 industries have been approved to be set up with Foreign and joint investments provided that they have fixed capital of Rs 9.12 billion, project cost Rs 9.00 billion, and Foreign Investment 3.45 billion. Among the approved 94 industries in 2009/10, 19 industries are related with manufacturing and 30 service.

Similarly, 29 are related with tourism 1 construction, 3 energy, and 3 minerals.

**Table 8(f): Industries Permitted for foreign investment in FY 2009/10**

Industry type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment creation target
Industrial Production	19	137.8	116.6	29.9	819
Service Industry	39	46.9	36.2	42.2	1821
Tourism Industry	29	89.8	81.1	60.6	984
Construction	1	2.0	1.6	2.0	36
Energy	3	616.1	609.0	232.7	265
Agro-based	-	-	-	-	-
Mining	3	8.0	7.2	7.4	443
<b>Total</b>	<b>94</b>	<b>900.6</b>	<b>851.7</b>	<b>374.8</b>	<b>4368</b>

\* First eight months

Source: Department of Industries

- 8.57 To attract foreign investment through adoption of relevant, practical, and liberal policy, a total of 1,820 industries were granted permission until the first eight months of FY 2009/10. Fixed capital of those industries stands at Rs. 113.0 billion with their total project cost of Rs. 136 billion. A total of Rs. 53.0 billion as foreign investment in these industries has been recorded. Once in operation, these industries are expected to generate employment for 140,953 Nepalese citizens.

**Table 8(g): Industries Permitted for foreign investment by**

### Mid-March 2010

Industry type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment creation target
Industrial Production	655	4596.9	3296.5	1715.3	73922
Service Industry	528	2442.5	2003.7	1157.0	27156
Tourism Industry	492	1906.2	1792.7	709.4	22699
Construction	41	345.5	256.3	261.3	2926
Energy	39	3684.1	3496.8	1087.2	7142
Agro-based	35	119.1	69.4	51.6	2091
Mining	30	502.9	410.5	281.7	5057
Total	1820	13597.2	11325.9	5263.5	140993

### Capacity Utilization of Some Industries

8.58 Analyses of some selected industries in terms of their capacity utilization, sugar, matchstick and jute industries shows decline in their production in FY 2008/09 as compared to 2007/08. Meanwhile, there is an increase in the production capacity of shoes, cigarette, beer and cement. Out of the total production capacity, cigarette and beer industry have utilized their capacity by 91.0 and 78.0 percent respectively whereas sugar and cement industries have utilized 31.0 and 45.0 percent respectively.

### Status of Industrial Estates

8.59 Industrial estates were established with objectives to support industrial development through provision of physical infrastructures and other services essential for the establishment, operations and promotion of the Industries. At present, there are 11 industrial estates including Balaju, Hetauda, Patan, Nepaljung, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Dhankuta and Gajendra Narayan Singh Industrial District. Among the 432 industries established in industrial estates till mid March of

FY 2009/10, 59 are closed, and 61 still under construction. Among industrial estates under the Industrial Estates Management Limited, it has fixed capital investment of Rs. 204.2 million while the investment from the private sector stands at Rs. 17.3396 billion. Of the total 5680 Ropani of land occupied by industrial estates, 5005 Ropani of land is in fully developed, of which 3754 Ropani is leased to various industries. Industries in the industrial estates have employed a total of 11,365 people. Industrial estates providing higher number of employment are Balaju, Hetauda, Butwal, Pokhara and Patan respectively.

### **Sick Industries**

- 8.60 Considering the situation of industrial sickness in view of the unfavorable environment during the period of conflict and political uncertainty, GoN has been implementing policy and programs since the fiscal year 2001/02 to mitigate the adverse situation of the ailing industries. Continuity is provided to refinancing facilities up to Rs. 2.0 billion to sick industries as provisioned by the Monetary Policy. In first eight months of this fiscal year, Rs. 5.7 million has been refinanced. Such refinancing stood at 7 million in the previous fiscal year.

### **Nepal Industrial Development Corporation (NIDC)**

- 8.61 NIDC was established with the objective of promoting national economy through mediation and provision of quality and reliable banking and financial services in the industry, commerce and service businesses. With the annulment of the NIDC Act, 2016 BS under which it had been operating Previously, the institution now works as a “B” category development bank as provisioned under the Banks and Financial Institutions Act, 2063 BS. NIDC in fact, has made no investment work from 2003/04 to January 2009; however, it has been collecting the principal and interests of the previously invested sum. NIDC had collected a total of Rs. 138.6 million (principal Rs. 689 million and interest Rs. 697million) in FY2008/09. The corporation has collected a total of Rs. 343.5million including the collection of principal of Rs. 247.3 million, interest of Rs. 91.5 million and other income of Rs. 4.7 million from its investment in the first eight months of current fiscal year 2009/10.

### **Cottage and Small-scale Industries**

- 8.62 The number of cottage and small-scale industries registered in FY2007/08 was 9394 with capital investment worth Rs 8.23 billion, while this figure rose to 17722 worth Rs 15.32 billion in the fiscal year 2008/09. Among the registered 5,535 cottage and small-scale industries, fixed capital investment is expected to stand at Rs. 5.07 billion in the current fiscal year

### **Industrial Enterprise Development Academy**

- 8.63 The Academy has been conducting several programs for industrial and economic development contributing to the growth of entrepreneurship, techniques, resource, modern technology, quality management skills and Technical human resource. Accordingly, it is conducting activities like creating new business ventures, business management, trainings, counseling, and research works in industry. In first eight months of the current fiscal year, the Academy has trained in small business venture creation, 57, trainers' training, 65, industrial counseling 28, and in income-generation for single women 21 persons.

### **Mines and Geology**

- 8.64 A physical map of hilly region of the country covering around 109,000 square Km area in the scale of 1: 50,000 and 1: 63,360, is being prepared and would soon be published to facilitate geological survey, geo-engineering and geo-environmental studies, operation of National Seismic Center, and carry out smooth and planned operation of mineral exploration and mining development. Agreements are concluded with private-sector investors for establishing limestone-based cement industries in Baitadi, Udayapur, Dhankuta, Salyan and Arghakhanchi districts. In addition, a similar agreement is reached with individual investors for operating an iron-ore based industry in Ramechhap district. Meanwhile, Natural gas deposit of 310 million cubic meters is discovered over 26-square km area of the Kathmandu valley. Proposals are invited from private investors for the promotion of industries based on natural gas deposit of Kathmandu valley, copper, and silica sand of Makwanpur Medium-grade coal has been located in Dang, Salyan, Rolpa and Palpa districts Private entrepreneurs have received licence to explore coal in these districts and work has already been started. Besides, process for inviting proposals from investors for the promotion of gold reserve based industry in Rolpa and Gandhari (Dang) limestone reserve is underway. Those mines are processing 50000 of coals annually. The Department Mines and Geology has issued so far 80

certificate for mining exploration for various minerals where as 294 prospective licenses have been issued.

- 8.65 The Environmental Geology and Engineering maps of Kathmandu Valley, Pokhara, Butwal and Bhairawa Region have been published after completion. Likewise, Mapping has been completed in regions like Dharan, Lumbini and Hetunda. In order to conduct earthquake-related studies in the Himalayan region, seismic networks are established across the country so as to continuously monitor and record for collecting data on the basis of which Micro Seismic Epicenter Map and Epicenter Map of Nepal have been published.

## **Tourism**

- 8.66 While analyzing the number of tourists visiting Nepal, their growth trend and length of stay, the number of tourists had decreased by 5 percent to 500,277 during the calendar year 2008 from 527,705. The number of tourists in the calendar year 2009 totaled 509,752 marking a growth of 1.9 percent. The average length of tourist stay, which was 11.8 days in calendar year 2008, has come down to 11.6 days in the calendar year 2009.
- 8.67 Most of the tourists arriving to Nepal are found to be pursuing recreation, trekking and mountaineering. Of the tourists visiting Nepal in calendar year 2009, 34.0 percent visited for recreation, 20.9 percent for Trekking/Mountaineering, 10.4 percent for pilgrimage 4.7 percent for trade, 7.6 percent for formal visit, 1.4 percent for meeting/seminar and 0.4 rafting 15.6 percent for other purposes and 5.0 percent for undefined purposes. Review of the data for the same period of last fiscal year shows that the 29.6 percent visited for the purpose of recreation, 21.0 percent for trekking/mountaineering, 4.6 percent for trade, 9.0 percent for pilgrimage 8.6 percent for formal visit, 1.4 percent for meeting/ seminar, and 19.9 percent visited for other purposes. Review of objectives of tourist, shows their number increased marginally for trade, normally for pilgrimage and notably for entertainment where as their number has slightly decreased for the purpose of trekking and others.

### **Box 8 (c) : Major Activities in the Tourism Sector**

**Nepal Tourism Year 2011:** The upcoming Nepal Tourism Year 2011 celebrations have already started with a Slogan of "**Together for Tourism**". Likewise, commitment from various political parties has been achieved not to call on any sort of strikes and closures throughout 2011 that may negate the Campaign.

Similarly, nation wide publicity has been widened by means of rallies and fairs in Region, District and Village level as well as in the International arena.

**Second International Airport and Airport Upgrading:** In relation to the construction of the Second International Airport at Dumberbaba Nijgad of Bara District, an agreement has been signed between the **Land Mark World Wide (LMW)**, a Korean Company and the **Ministry for Tourism and Civil Aviation**. In order to conduct an extensive feasibility study, the LMW has already started its operation. In order to advance this eagerly, a central level Second

International Project Coordination Committee as well as Negotiation committee at the local level has been formed. Meanwhile, the upgrading and capacity enhancements of other airports are underway which are regionally important and bring home greater number of tourists.

**Formation of Committee:** Seven committees have been formed altogether for Tourism promotion. They include Birat, Sahalesh, Bideha/Mithila, Simroun, Lumbini, and Chisapani Region tourism Promotion Committees as well as Karnali Region Tourism Promotion Development Committee and they are advancing the campaign.

**Formation of the Council and Coordination Committee:** National Tourism Council has been formed with objectives of providing policy guidelines, assigning the progress of plans and development and for removing possible obstacles concerned with tourism sector. Similarly, National Tourism Development Coordination Committee has also been formed to maintain coordination and harmony among the various sectors and the Council in the Centre.

**New Tourism Master Plan:** With objectives to effectively and systematically operate activities for tourism Core Group has been formed with the representation of experts from tourism sectors, INGO and private sector. Likewise, Advisory Committee has been formed to provide necessary advices and recommendations and they have already started working.

**Leave Tourism Program:** Leave Tourism Program has been launched as model for internal tourism promotion. A committee was formed coordinated by Ministry of Tourism and Civil Aviation with the representatives from Cabinet and Office of the Prime Minister, Minister of Finance, Home, Public Administration and Local Development. These people have completed the site observation tour of places with historical, religious, cultural and touristic importance in Western Development Region, Eastern and Central- Region in two phases. Documentation of the visit has been completed along with the

participant's observation which will be broadcast time and again from NTV. A three-member team of NTV has prepared all these things.

**Home stay and Art Village Program;** The pre-studies/ data collection and mapping of the sites to implement Home stay Program has already been completed and published. Likewise, the selection of the districts to be studied as an ethnic art village has also been made.

**The Bi-lateral Air service Agreement signed between Government of Nepal and Government of India ;** As per arrangements made by the Agreement the earlier 6000 seats per week has been expanded to one way 30,000 seats per week linking New Delhi, Mumbai, Chennai, Calcutta, Hyderabad and Bangalore

Metropolitans. With the spirit of the SAARC Charter, Nepal has received the facility to operate Air services with unlimited seats to 21

points (Ahmadabad, Amritsar, Aurangabad, Bhubaneswar, Kalikot, Cochin, Gaya, Goa, Guwahati, Jayapur, Khajrao, Lucknow, Patna, Portblaire, Tiruwananthapuram, Tiruchilapalli, banaras Bishhakapatna and at Nepal's request three more points Bagdogra, Deharadun and Gorakhpur.) And also facility to operate any of the destination of SAARC Region from these points with unlimited seat by the designated airlines. Nepal which has been operating the air services currently to 7 points of India, now can expand to 27 points.

**Master Plan of Mountaineering Training Academy Development Committee's;** Government of Nepal has approved Master Plan of Mountaineering Training Academy Development Committee's with the objectives of producing standard human resources through providing training and education to capable human resources of the Mountaineering Tourism sector.

**Table 8 (j) Targets and Achievements of the Ministry of Tourism and Civil Aviation**

S.N.	Description	Status as of mid-Jan 2009	Target for mid-Jan 2010	Progress as of mid-Jan 2010
1.	Tourists Arrival in ('000)	500277	650000	509752
2.	Tourist Stay (days)	11.78	13	11.6
3.	Earning from Visitors (Millions Rs.)	1865.30*	4145.96	2796.00**
4.	Income per Visitors (Rs.)	37285.34	63784	54850.20



5.	Per Day Spending by Tourists (Rs.)	3165.14	4906.44	2835.59
6.	Average Exchange Rate/USD	65.02		76.88
7.	Tourist Spending per Day (USD)	48.68	63.00	36.88
8.	Foreign Exchange Earning (Million USD)	286.88	532.35	215.29
9.	GDP (Billion Rs.)	99131.60		118268.00
10.	Contribution to GDP (Percent)	2.0	3.0	2.1
11.	Direct Employment ('000)	88	100	90
12.	Regular International flight arrivals to Nepal (No.)	20	25	22

\* Fiscal Year 2007/08

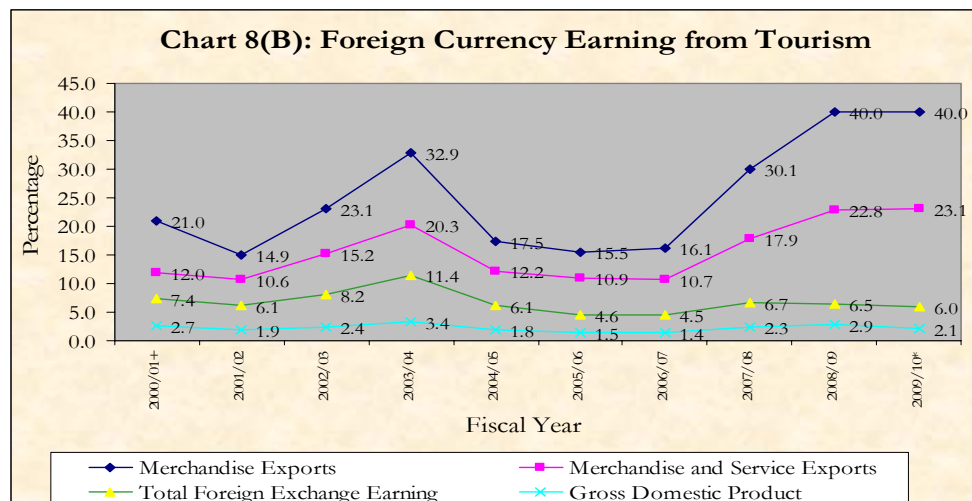
\*\* Fiscal Year 2008/09

Source: Ministry of Tourism and Civil Aviation, Central Bureau of Statistics and Nepal

Rastra Bank

- 8.68 Of the total tourists' arrival during the calendar year 2008, 8.0 percent were from North America, 1.3 percent from Central and South America, 27.7 percent from Western Europe, 2.5, percent from Eastern Europe, 0.2 percent from Africa and 18.4 percent from India, 3.5percent from Australia and Pacific Region, and 37.6 percent from other countries. Total visitors, from Asian continent alone are estimated to be 56.0 percent. The number of tourists visiting from Central and South America, Eastern Europe and Africa has decreased while their number has increased from other parts of the world
- 8.69 Data as to the number of hotels and hotel beds in 2008 shows that the number of star hotels reached to 97 ( with one new star hotel added ) while the number of non-star hotels reached 647 with the addition of 74 hotels. During this year, the number of hotel beds in hotels other than star hotels increased by 2381 beds reaching to 19124 while beds in the star hotel has reached 9369 with additional 49 beds than in the previous year.

- 8.70 While analyzing the number and status of mountaineering team's mountaineers, the number of mountaineering teams has increased by 73 and reached 235 by mid March 2009. The number of mountaineers has reached to 1519 with increased 510 climbers. The GoN collected a royalty of Rs. 252.5 million (from 35.426 million in the previous fiscal year,) showing an encouraging growth.
- 8.71 Nepal Tourism and Hotel Management Academy (NATHAM) is involved in contributing to rural poverty alleviation through tourism diversification and means of self employment. With the objective of developing tourism in rural areas, people in rural areas have been encouraged to invest in tourism business and provided with necessary trainings for operating such businesses. To generate skilled manpower for developing both small and large tourism business in urban areas, a Three-Year Bachelor in Travel and Tourism Management course has been started since FY 2003/04. Similarly, for developing skilled human resource for tourism development, Bachelor in Hotel Management course is offered along with various hotel management trainings, trekking and tour guide, tour travel agency and ticketing, cook, leader, water-rafting guide, hospitality course, home stay management, agro-tourism and mobile trainings at various tourist spots etc. with priority. In FY 2008/09, the Academy had trained 1,575 students in various subjects. Within first eight months of FY 2009/10, these numbers have already reached to 1,523. The number of students trained by the Academy has exceeded 27,000 so far.
- 8.72 Foreign exchange earnings in FY 2008/09 had increased by 49.9 percent totaling Rs. 27.96 billion as compared to previous year. However, the foreign exchange earning has decreased by 0.34 percent to Rs 16.76 billion during the first eight months of FY 2009/10. As compared to the preceding year, foreign exchange earned in the first eight months of FY 2009/010 was equivalent to 40.0 percent of total foreign exchange earned from the exports of goods, 23.1 percent of total foreign exchange earned from total exports of goods and services, and 6.0 percent of the total foreign exchange earnings during the period.
- 8.73 Nepal participated in ITB-20010 held in Berlin, Germany, which is the



world's largest tourism fair. Likewise, Nepal participated in World Mart organized in UK, CITM (China International Travel Market) 2009 in China. Apart from the participation in Madrid Fair in Spain, various fairs and celebrations were organized through Nepal Tourism Board in China UK, Germany, India( Bangalore, Pune, Ahamadabad, Patna, Lukhnow, Baranasi) and Italy by branding “Naturally Nepal: Once is Not Enough” for promoting tourism in Nepal.

## 9. Public Enterprises and Privatization

### Overall Review

- 9.1 Public Enterprises (PE) are established with objectives of delivering goods and services to the public at reasonable prices by making the public services more efficient. The objectives of the public enterprises are to enhance national economy, mobilize public savings, create employment opportunities, help control private sector's monopoly, eliminate the discriminatory practice in the society, utilize, and safeguard national resources and heritages. Overall, public enterprises are established to assist in achieving economic, social and political objectives of the country. Private enterprises need to be competitive and run professionally in order to achieve these objectives. Performance review of 36 fully government owned enterprises, 39 partially owned enterprises is done on the basis of their physical and financial progresses in the fiscal year 2008/09.
- 9.2 The net fixed assets of 36 enterprises was Rs. 124,890 million in the fiscal year 2007/08, which reached to Rs. 133,740 million by end of the fiscal year 2008/09 with increase of Rs. 8,850 million in such assets. During this period, fixed assets of Nepal Drugs Ltd. and Nepal Orind Magnesite, Herb Production and Processing Center Ltd., Hetauda Cement Industry Ltd. and Udayapur Cement Industry Ltd. have decreased whereas Nepal Electricity Authority and Nepal Telecom have increased their assets by Rs. 6,940 million and Rs 1,860 million respectively causing the overall growth in the assets of public enterprises.
- 9.3 The shareholders' Fund of 36 public enterprises with full and majority share holding of the Government at the end of the fiscal year 2007/08 was close to Rs. 48,110 million which grew to Rs. 61,100 million by the end of the fiscal year 2008/09. These enterprises saw the sign of improvement due to the overall growth in their reserve funds through this growth. Based on the information from the Financial Comptroller General's Office (FCGO), the value of the Government's share investment that was Rs. 81,920 million in 36 PEs in FY 2007/08 has depleted by 30 percent by the end of FY2008/09 with its share value of Rs. 86.13 billion which seems to be in progressive trend. Likewise, the Government's loan investment on PEs, which stood at Rs. 83.52 billion in FY2006/07, fell to Rs. 79.04 billion at the end of FY2008/09. This loan amount includes Nepal Government's loan, borrowings from

international donor communities, short-term and long-term loans received from bank and financial institutions.

- 9.4 A glance to the overall financial situation of 36 PEs reveals that 17 PEs have earned net profit, whereas 19 PEs were at loss in the fiscal year 2007/08. These numbers were 18 for both the profit and loss-making PEs in the fiscal year 2008/09. Similarly, analysing the entire profit and loss, these 36 PEs earned net profit of Rs. 4,940 million in the fiscal year 2007/08, which grew to Rs. 10,550 million in the fiscal year 2008/09. Among the PEs registering notable profit, Nepal Telecom Ltd. made a net profit of Rs. 10,180 million, Rastriya Banijya Bank Rs. 2,060 billion, Nepal Oil Corporation Rs. 3,310 million and Agricultural Development Bank Rs. 1,050 million. In overall, fiscal year 2008/09 saw significant level of improvement due to the growth in PE's net profit as compared to the previous fiscal year.
- 9.5 Nepal Government received dividend worth Rs. 3,470 million which was 4.03 percent of the net share investment from 4 PEs including Industry sector Management Ltd., Nepal Telecom. Ltd, Nepal Stock Exchange Ltd. and Rastriya Bima Sansthan in the fiscal yer 2008/09 while the dividend collected from four PEs by the Government of Nepal in preceding fiscal year 2007/08 was Rs. 1,510 million.

## **Sector-wise Analysis**

### **Industry sector**

- 9.6 In the fiscal year 2008/09, seven PEs in the industry sector made production and sales transactions worth Rs. 4,980 million which is 3.34 percent more than that of preceding fiscal year. Mainly, the Dairy Development Corporation, Hetaunda Cement Industry Ltd, Janakpur Cigarette Factory Ltd and Udayapur Cement Industry Ltd have made sales transactions worth Rs. 2,190 million, Rs. 77.070 million, Rs. 89,340 million and Rs. 55,280 million respectively providing major contribution to the sales in this sector. In comparison to the previous fiscal year, total sales of Hetaunda Cement Industry Ltd, decreased by 22.13 percent while Udayapur Cemet Industry Ltd registered a moderate growth in their total sales during the same period. There was encouraging growth of 21.80 percent in the sales of Dairy Development Corporation during this period. The sales transaction of Nepal Orind and Magnesite was nil during this period.

## **Profit and Loss situation**

- 9.7 During the fiscal year 2007/08, the total net loss of 7 PEs under the industry sector was Rs. 435.9 million, which grew to Rs. 701.1 million in 2008/09. Among the industries making marginal recovery from losses are Udayapur Cement Industry Ltd (from Rs. 266.0 million to 234.5 million); Janakpur Cigarette Factory (from Rs. 154.5 to 150.4 million) Nepal Orind Magnesite Private Ltd. (from Rs. 86.1 million to 85.2 million) in the fiscal year 2008/09 as compared to the previous year. The Dairy Development Corporation, which had loss of Rs. 89.8 million in the fiscal year 2007/08, has now reduced to Rs. 8.6million in the fiscal year 2008/09. Nepal Drugs Ltd. is the only company making a net loss of 162.1 million in the fiscal year 2008/09, which had recorded a profit of Rs. 66.1 million in 2007/08. All the 7 PEs under industry sector are in loss.

## **Debt, Assets and Share Holders' Fund**

- 9.8 There seem to have no notable change occurred in the fiscal year 2008/09 in the total outstanding debt of Rs. 3,628.3 million in debt of the entire industry sector in the fiscal year 2007/08. The total outstanding debt of the entire industry sector was Rs. 3,689.4 million by the end of the fiscal year 2008/09. Similarly, the net fixed assets of Rs. 4670.1 million reached to Rs. 4,656.7 billion with the decrease of Rs. 13.4 million during this period. By the end of fiscal year 2007/08, the shareholders' fund of all 7 PEs had shown negative (-Rs. 1,077.3 million) balance saw negative (-Rs. 1,417.8 million) balance at the end of the fiscal year 2008/09 as well. Though the shareholder's fund of Dairy Development Corporation had increased by Rs. 11.07 million as compared to the previous fiscal year, the net shareholders' fund of the industry sector was negative in this fiscal year as well. Overall, progress report of the Industry sector for the fiscal year 2008/09 was not satisfactory.

## **Business Sector**

- 9.9 In the fiscal year 2008/09, total sales transactions of all 6 PEs under the business sector category has reached Rs. 50,652.9 million from Rs. 41,066.4 million in the previous year registering an increase of 23.34 percent over the period. Among all enterprises under the business sector, Nepal Oil Corporation is the highest contributor with 96.05 percent of total sales value. Review of the fiscal years 2007/08 and 2008/09 shows increase of Rs. 9,820.2 million in Nepal Oil Corporation's sales transaction. However, there has been a heavy decline on the sales of Agriculture Inputs Company limiting to Rs.

132.1million in the fiscal year 2008/09 against its sale of Rs. 161.5 million in the previous year. The question of sustainability of the Corporation remains the same as that of last year.

### **Profit and Loss Situation**

9.10 All PEs under the business sector incurred a net loss of Rs. 5,691.3 million in the fiscal year 2007/08 while 2008/09 witnessed a net profit of Rs. 3,225.6 million. Similarly, Nepal Oil Corporation incurred a net loss of Rs. 5,574.5 billion in the fiscal year 2007/08, but the Corporation was successful in making a profit of Rs. 3,314.1 million in the fiscal year 2008/09. The growth in the net profit of Nepal Oil Corporation has led to the growth in the net profit of entire business sector. Among the Corporations of this sector, National Seeds Company Ltd., the Timber Corporation of Nepal Ltd. and Nepal Food Corporation have registered net profit of Rs. 0.8 million, Rs. 53.1 million and Rs. 5.1 million respectively in the fiscal year 2008/09 whereas, Agriculture Inputs Ltd. incurred the net loss of Rs. 113.0 million during the same period.

### **Debt, Assets and Shareholders' Fund**

9.11 By mid-July 2009, the total debt of PEs of business sector reached Rs. 12,272.7 million as against their debt of Rs. 14,130.3 million in the fiscal year 2007/08. Though the total outstanding debt of Nepal Oil Corporation was on increasing trend in fiscal year 2007/08, this amount had decreased by 1,913.3 million; the overall debt of the business sector was decreasing. Besides, the debt amount of National Trading Ltd. in the fiscal year came down to Rs. 416.4 million with a decrease of Rs. 355.6 million by the end of the fiscal year 2008/09. The net worth of fixed assets of the business sector stood at Rs. 1,837.4 million in the fiscal year 2008/09 from the previous year's Rs. 1,828.2 million with the addition of Rs. 9.2 million in one year period. Thus the fiscal year 2008/09 did not see significant growth in the fixed assets of business sector's enterprises. Likewise, though the overall shareholders' fund was negative, such funds of Agriculture Inputs Company Ltd., National Seed Company Ltd., and the Timber Corporation of Nepal Ltd remained positive. Overall, the shareholders' fund of business sector's enterprises remained negative with Rs. 7,148.7 million at the end of the fiscal year 2008/09.

### **Service Sector**

9.12 The total operating income of 7 PE's under the service sector decreased by 13.38 percent to Rs. 4,761.2 million in the fiscal year 2008/09 in comparison to previous year's income. As compared to 2007/08, Civil Aviation Authority and Industrial Estates Management Company have expanded their transactions. However, Nepal Airlines Corporation's total income fell to Rs. 2,271.9 million from income of Rs. 3,312.8 million. Likewise, the income of Nepal Engineering Consultancy Services Centre Ltd., has decreased whereas Nepal Transit and Warehousing Management Company's transaction has increased.

### **Profit and Loss Situation**

9.13 Public Enterprises in the service sector successful in earning the net profit of Rs. 215.3 million in the fiscal year 2007/08 incurred a net loss of Rs. 593.4 million in the fiscal year 2008/09 with the steep fall of 375.1 percent in their profits. Though Civil Aviation Authority, Industrial Estate Management Company, and Nepal Transit and Warehousing Management Ltd were able to earn net profit of Rs. 412.7 million, Rs. 19.5 million and 8.9 million respectively during the fiscal year 2007/08, the Civil Aviation Authority incurred the net loss of Rs. 599.0 million in this fiscal year. The net loss of the Nepal Airlines Corporation in the fiscal year 2007/08 was Rs. 197.1 million, while it has been able to make profit of Rs. 300 million in this fiscal year. National Construction Company Nepal Ltd, Nepal Engineering Consultancy Services Centre and National Productivity and Economic Development Centre have been operating at losses in fiscal year 2008/09.

### **Debt, Assets and Shareholders' Fund**

9.14 Among PEs in the service sector, only Nepal Airlines Corporation and Civil Aviation Authority are using loans. The service sector owed Rs. 3,093.6 million in total including debts of Rs. 1,640.0 million of Nepal Airlines Corporation and Rs. 2,087.2 million of Civil Aviation Authority by the end of FY 2008/09. The net worth of fixed assets of service sector's enterprises has been Rs. 1,287.0 million which is quite close to that of the previous year. Among seven PEs in the service sector, the stakeholders' fund of Nepal Airlines Corporation remained negative with Rs. 1,287.0 million while this fund of the rest 6 enterprises remained positive. Overall, the shareholders' fund of service sector's enterprises has remained positive by Rs. 8,017.9 billion.

### **Social Sector**



- 9.15 The total operating income of 5 PEs in the social sector totalled Rs. 1,491.2 million in the fiscal year 2008/09, which is more by Rs. 373.1 million than that of its preceding year. During the period, Janak Education Materials Centre made the most sales transactions worth Rs. 864.5 million, Nepal Television worth Rs. 199.4 million, and Gorkhapatra Corporation worth Rs. 361.2 million. Social sector PEs recorded growth in their overall transactions by 33.37 percent in the fiscal year 2008/09 as compared to the previous year.

### **Profit and Loss Situation**

- 9.16 The net loss of PEs in social sector was Rs. 124.9 million in the fiscal year 2007/08, which grew by Rs. 158.3 million within a year totalling Rs. 283.2 million. Though Gorkhapatra Corporation and Rural Housing Company Ltd. earned profit in the fiscal year 2007/08, the remaining three companies remained in loss. During the review period, Nepal Television, Janak Educational Materials Centre Ltd. and Sanskritik Sansthan incurred losses of Rs. 80.3 million, Rs. 214.8 million, and Rs. 5.4 million, respectively. Rural Housing Company Ltd, was in loss during the fiscal year 2007/08. However, the company was able to make profit of Rs. 5.3 million in the fiscal year 2008/09. In considerations with the progress made during fiscal year 2008/09, the net loss of the sector in the current fiscal year 2009/10 is estimated at Rs. 23.6million.

### **Debt, Assets and Shareholders' Fund**

- 9.17 Among the PEs in the social Sector, only two enterprises, i.e. the Sanskritik Sansthan and Gorkhapatra Sansthan have debt obligations worth Rs. 206.7 million and 20.7 million respectively. The long-term debt obligation of Sanskritik Sansthan was Rs. 102 million in the fiscal year 2004/05, which increased to Rs. 127.3 million in 2005/06; Rs. 162.3 million in 2006/07, 184.3 million in 2007/08 and Rs. 206.7 million in 2008/09. The Gorkhapatra Sansthan, which had a debt obligation of Rs. 24.6 million in the fiscal year 2007/08 while its debt obligation for 2008/09 was Rs. 20.7 million. The net fixed asset of the social sector Corporations, which amounted to Rs. 1,044.5 million in the fiscal year 2007/08 stood at Rs. 1,066.5 million by the end of 2008/09. The fixed asset of Sanskritik Sansthan did not increase significantly in FY 2008/09. The Shareholders' fund of this sector amounted to Rs. 1,492.1 million by the end of the fiscal year 2007/08, which came down to Rs. 1,181.2 million in 2008/09. Though none of the PEs in this sector had negative Shareholders' fund in FY 2007/08, it turned out so in case of Sanskritik

Sansthan in 2008/09. To sum up, despite satisfactory sales situation of PEs in this sector, there has been no improvement in their loss-making positions.

### **Public Utility Sector**

9.18 The total operating income of three PEs under the Public Utility Sector that stood at Rs. 32,210.0 million in FY2007/08 increased by 9.65 percent totalling Rs. 35,316.0 million in 2008/09. Because a separate Kathmandu Valley Drinking Water Management Board has been formed for managing water supply in Kathmandu Valley, the scope of Nepal Water Supply Corporation has shrunk to the areas outside the Valley resulting in the decline of total operating income worth Rs. 241.7 million in FY2007/08 while this amount had increased by little reaching Rs. 247.9 million. To the contrary, the operating income of the Nepal Electricity Authority was Rs. 15,180.0 million in the previous fiscal year, but this amount decreased by 4.98 percent to Rs. 14,421.5 million in this year. Similarly, the operating net income of Nepal Telecom Company Ltd grew to Rs. 20,646.6 million in the fiscal year 2008/09 from the previous year's Rs. 16,788.4 with a growth of 22.98 percent of the period.

### **Profit and Loss Situation**

9.19 In the fiscal year 2007/08, profit of PEs in this sector was Rs. 7,016.9 million, which decreased by 34.82 percent to Rs. 4,573.7 million in 2008/09. Nepal Telecom Ltd. is the only company registering net profit of Rs. 10,178.0 million, largely contributing to the profit in the entire utility sector. Under this sector, Nepal Electricity Authority and Nepal Water Supply Corporation registered losses of Rs. 5,537.7 million and Rs. 66.7 million respectively. The net profit of Nepal Telecom Company is expected to reach Rs. 12,028.6 million by the end of the current fiscal year.

### **Debt, Assets and Shareholders' Fund**

9.20 By the end of the FY2008/09, the long-term debt liabilities of Nepal Water Supply Corporation, and Nepal Electricity Authority reached Rs. 659.5 million and Rs. 54951.7 million respectively. The major investment of this sector is on fixed assets. Net fixed assets of these PEs including the assets under construction increased to Rs. 114406.5 million in fiscal year 2008/09 from worth Rs. 105557.1 million in 2007/08.

### **Financial Sector**

9.21 The total operating income of 8 PEs in the financial sector has increased by 5.95 percent to Rs. 11578.1 million in the fiscal year 2008/09 as compared to the income of 2007/08. During the fiscal year 2007/08, Nepal Industrial Development Corporation substantially increased its income by selling Nepal Arab Bank's 265,570 units of shares it owned raising its operating income while the its income declined by Rs. 975.5 million to Rs. 149.5 million in FY 2008/09. Similarly, Rastriya Banijya Bank has increased its operating income to Rs. 4,243.7 million in FY 2008/09 from Rs. 3,296.5 million in 2007/08. Likewise, there has been growth of Rs. 312.5 million and Rs. 97.4 million in the total operating incomes of Agriculture Development Bank and Credit and Investment Guarantee Corporation Ltd. with their growth percentages of 7.08 and 122.67 respectively. The remaining PEs have slightly increased their operating incomes in this period. With the growth of Rs. 650.5 million in operating income of PEs reaching Rs. 11578.1 million in FY 2008/09, there has been an overall increase in the total operating income during this period with positive contribution to the financial situation of the PEs of this sector. The Agriculture Development Bank has been permitted to operate its services as of Category A (ka) bank from Nepal Rastra Bank since FY 2005/06, it has expanded its various banking activities accordingly.

### **Profit and Loss Situation**

9.22 The net profit of the financial sector that was Rs. 3,963.1 million in the fiscal year 2007/08 increased by 9.11percent to Rs. 4,328.7 million in 2008/09. Net profits of Rastriya Banijya Bank, Nepal Industrial Development Corporation, Agricultural Development Bank, Nepal Stock Exchange Ltd. and Ratriya Beema Sansthan were Rs. 2,061.1 million, Rs. 158.9 million, Rs. 84.8 million, Rs. 1,057.6 million and Rs. 808.5 million respectively. Likewise, Credit and Investment Guarantee Corporation Ltd that had incurred loss worth Rs. 28.50 million in FY 2007/08 earned a profit of Rs. 88.7 million in 2008/09. Citizens Investment Trust with the profit of Rs. 26.6 million in FY 2007/08 raised its profit level by 78.20 percent to Rs. 47.4 million.

### **Debt, Deposit Investment and Share Holders' Fund**

9.23 The long-term debt of PEs in this sector amounted to Rs. 3,955.4 million by the end of FY 2008/09, of which the outstanding debt of Nepal Industrial Development Corporation is Rs. 77.30 million, and Rs. 3,873.6 million that of Rastriya Banijya Bank and Rs. 257.4 million of Agriculture Development Bank. Among the 3 PEs under the financial sector, Agricultural Development

Bank, Rastriya Banijya Bank and Nepal Housing Development and Finance Company are conducting their business by accepting deposits from the general public. Similarly, Nepal Industrial Development Corporation also has received approval to operate general banking services. The accumulated deposits of such PEs in the fiscal year 2008/09 totalled Rs. 104,794.1 million, which is much higher than that of previous fiscal year's Rs 93,943.1 million registering an increase of 11.55 percent. Likewise, on credit expansion, the net credit flow and income of these PEs is Rs. 97,4744 million by the end of FY 2008/09 which is higher by 211.0 percent than that of previous fiscal year's Rs. 31,339.4 million. Overall financial institutions' aggregate Shareholder' fund, which remained negative by Rs. 7,956.9 million in FY 2007/08 still remained negative by Rs. 804.6 million in 2008/09. It is due to that fact that although, Shareholders' Fund of PEs has been positive, Rastriya Banijya Bank's Rs. 13,471.7 million fund has affected the whole PEs' Shareholders' fund negative in aggregate. There has been gradual improvement in the net asset of Rastriya Banijya Bank after the Bank was brought in operation on the Management Contract under the Banking Sector Reform Program with the World Bank Assistance in 2003.

## Status of Auditing

9.24 Despite the legal provision to conduct annual audit of PEs, however, in practice some PEs still ignore their responsibility of getting their accounts audited within the stipulated time-frame. To state more precisely, among the 36 PEs, 14 PEs have completed audit of accounts of FY2008/09, whereas 15 PEs have made it up to 2007/08 , 2 PEs have completed their audit only up to 2006/07 and 2 others have carried out their audits up to 2005/06. The following table presents the poor performances of some of the PEs failing towards fulfilling their legal responsibilities for annual auditing:

**Table 9(a): PEs failed to complete annual auditing**

<i>S.N.</i>	<i>Name of the Puvlic Enterprie</i>	<i>The last year audit conducted</i>
<b>1.</b>	Nepal Orind & Magnesite	2000/01
<b>2.</b>	Rastriya Beema Sanstthan	2002/03
<b>3.</b>	Udayapur Cement Factory	2005/06

Source: Ministry of Finance, Corporation Coordination Division

Despite the existing legal provision to conduct annual audit within the stipulated time, failure of some PEs to comply with such provision can be construed as their management inefficiency, lack of accountability and carelessness.

## **Reform in Corporations' Board of Directors**

9.25 The Government has endorsed a policy of appointing competent, enterprising and professional individuals to represent the Board of the PEs limiting their size to 5 members. So far, such policy provision is enforced in almost all PEs. However, the number of Board of Directors of some PEs as specified in the policy could not be actualized as Acts and Regulations of some PEs have specific provision on the number of Board members. Names of such PEs are given below:

**Table 9 (b): Number of Board Directors in some Public Enterprises**

<i>S.N.</i>	<i>Name of the Public Enterprise</i>	<i>No. of Directors</i>
1.	Nepal Oil Corporation Ltd.	8
2.	Civil Aviation Authority	8
3.	Nepal Housing Development Finance Company Ltd.	8
4.	Nepal Electricity Authority	8
5.	Nepal Food Corporation	8
6.	Nepal Airlines Corporatopm	7
7.	Rastirya Beema Sansthan	7
8.	Grameen Aawas Co, Ltd.	7
9	Nepal Water Supply Corporation	7
10.	Nepal Stock Exchange Ltd.	6

11.	Udayapur Cement Industry Ltd.	6
-----	-------------------------------	---

## The Government of Nepal's Share and Loan Investments

9.26 According to the FCGO, the Government's share investment in 36 PEs totals Rs. 86,134.8 million, from which the Government has earned a net dividend of Rs. 3,471.7 million by the end of FY2008/09. The percentage of dividend against the share investment ratio is only 4.03 percent. Likewise, the loan investments owed to the Government amounts to Rs. 74,602.6 million by the end of FY2008/09. Of this, domestic and external loans comprise of Rs. 12,293.5 million and Rs. 62,309.1 million respectively. Despite discrepancies in accounts as submitted by the concerned PEs and that prepared by the FCGO in the progress report of FY2007/08, no progress was made towards addressing the issue even in 2008/09. The progress reports and details about the share and investment of a number of PEs are yet to be tallied and get audited accordingly. The differences in details noticed on Government's loan investment are presented below:

**Table 9(c): Discrepancies in Government Accounting for Share**

### Investments in Public Enterprises

(Rs. in million)

<i>S.N.</i>	<i>Name of the Public Enterprise</i>	<i>As shown by the PE</i>	<i>As shown by FCGO</i>	<i>Difference</i>
1.	Nepal Herbs Production and Processing Co. Ltd.	27.5	39.7	-12.2
2.	Agricultural Inputs Co. Ltd.	426.3	413.6	12.7
3.	National Seeds Co. Ltd.	118.5	110.1	8.4
4.	Nepal Food Corporation	990.5	999.3	-8.8
5.	Nepal Oil Corporation Ltd.	96.7	290.8	-194.1
6.	Civil Aviation Authority of Nepal	9,918.6	15,205.0	-5,286.4
7.	Grameen Aawas Co. Ltd.	23.3	2.7	-20.6
8.	Nepal Water Supply Corporation	347.6	1,407.7	-1,060.1
9.	Nepal Electricity Authority	33,121.1	32,649.2	471.9
10	Nepal Telecom Ltd..	15,000.0	14,995.0	5.0

11.	Agricultural Development Bank Ltd.	10,777.5	10,362.8	414.7
12.	Nepal Industrial Development Corporation Ltd.	415.8	349.2	66.6
13.	Citizens Investment Trust	80.0	4.0	76.0

Source: Ministry of Finance, Corporation Coordination Division

**Table 9 (d): Discrepancies in Accounting of Government  
Lending to Public Enterprises**

(In Rs. '000,000)

S.N.	Name of the Public Enterprise	As shown by the PE	As shown by FCGO	Difference
1.	Nepal Drugs Ltd.	126.4	108.5	17.9
2.	Udayapur Cement Industry Ltd.	1,740.0	2,225.0	-485.0
3.	Nepal Orind Magnesite Pvt. Ltd.	1,326.4	357.0	969.4
4.	Nepal Food Corporation	334.6	4.2	330.4
5.	The Timber Corporation of Nepal	54.8	57.8	-3.0
6.	National Construction Co. Nepal Ltd.	-	1.0	-1.0
7.	Civil Aviation Authority	2,242.9	1,859.3	383.6
8.	Nepal Water Supply Corporation	659.6	3,958.5	-3,298.9
9.	Nepal Electricity Authority	55,201.7	56,894.2	-1,692.5
10.	Nepal Telecom Ltd.	-	104.3	-104.3
11.	Agricultural Development Bank Ltd.	-	397.7	-397.7
12.	Nepal Industrial Development Corporation Ltd.	-	6.5	-6.5

Source: Ministry of Finance, Corporation Coordination Division

Failing to do this for a long period will certainly have a negative impact, not only the auditing will become more and more complex, but also the real picture of the financial conditions of the PEs can not be known. Therefore, an initiation to finalize auditing is unavoidably essential.

### **Status of Employees/ Workers**

9.27 The number of employees in 36 PEs with Government's full/ majority ownership was 36,524 by the end of FY2008/09, which reached 37,572 in 2009/10. It is estimated that this number will fall to 34,768 in upcoming fiscal

year 2010/11. Corporations have a common pressure of over-staffing, but the production and delivery of goods and services of these Corporations have not improved in comparison to growth in the number of staff, workers, and productivity of their counterparts with similar nature in the private sector. With this situation, the overhead cost and financial burden has continued to increase whereas productivity of workers has decreased - ultimately leading to the decreased productivity of the entire sector. Enjoying the privilege of Government protection, most employees/workers lack motivation to become competitive, instead, they are getting more and more facility seekers. These PEs are undergoing the problem of decision-making in absence of any improvement on professional autonomy. Despite these shortcomings, some PEs are effectively carrying out their duties of production and delivery of goods and services.

### Unfunded Liabilities

9.28 Most PEs have not covered various payment liabilities such as gratuity, payments against accrued leave, etc. in their fund which gets more burdensome for unanticipated potential obligations. The unfunded liabilities of PEs and existing potential liabilities by the end of the fiscal year 2008/09, are as follows:

**Table 9(e): Unfunded Potential Liabilities of Public Enterprises**

(Rs. In million)

S.N.	Name of the Public Enterprise	Unfunded	Potential Liability	Total
1.	Dairy development Corporation	298.2	85.7	383.9
2.	Herbal Production and Processing Center Ltd.	155.3	1.5	156.8
3.	Hetauda Cement Industry Ltd.	132.1	0	132.1
4.	Janakpur Cigarette Factory Ltd.	761.9	0	761.9
5.	Nepal Drugs Ltd.	124.9	0	124.9
6.	Udaypur Cement Industry Ltd.	80.0	0	80.0
7.	Nepal Orind Magnesite Pvt. ltd.	0	184.0	184.0
8.	Agricultural Inputs Co. Ltd.	201.0	1.5	202.5



<i>S.N.</i>	<i>Name of the Public Enterprise</i>	<i>Unfunded</i>	<i>Potential Liability</i>	<i>Total</i>
9.	National Seeds Company Ltd.	5.7	0	5.7
10.	National Trading Ltd.	103.9	0	103.9
11.	Nepal Food Corporation	580.0	0	580.0
12.	Nepal Oil Corporation Ltd.	0	27.0	27.0
13.	The Timber Corporation of Nepal Ltd.	73.4	0	73.4
14.	Industrial Estates Management Ltd.	15.2		15.2
15.	National Construction Company Nepal Ltd.	23.2		23.2
16.	Nepal Transit & Warehousing Co. Ltd.	19.3		19.3
17.	Nepal Engineering Consultancy Services P. Ltd.	0	0	0
18.	Nepal Airlines Corporation	546.3	0	546.3
19.	National Productivity and Economic Development Centre Ltd.	0	0	0
20	Civil Aviation Authority	0	0	0
21	Sanskritik Sansthan	9.4	0	9.4
22	Gorakhpatra Sansthan	0	0	0
23	Jankak Educational Material Center. Ltd	125.0	20.0	145.0
24	Nepal Television	76.8	0	76.8
25	Grameen Aawas Co. Ltd.	28.0	0	28.0
26	Nepal Drinking Water Supply Corporation	294.7	0	294.7
27	Nepal Electricity Authority	2,896.6	10,524.6	13,421.2
28	Nepal Telecom. Ltd	2,449.3	0.2	2,449.5
29	Agricultural Development Bank Ltd	0	2,544.4	2,544.4
30	National Insurance Company Ltd	0	0	0
31	Nepal Industrial Development	0	0	0

S.N.	Name of the Public Enterprise	Unfunded	Potential Liability	Total
	Corporation			
32	Rastriya Banijay Bank Ltd.	544.1	3,630.9	4,175.0

Source: Ministry of Finance, Corporation Coordination Division

## Privatization, Liquidation and Termination of PEs

9.29 The Government initiated the process of privatization, liquidation and termination of PEs in 1993 with the objectives of raising the private sector's productivity through their skills enhancement, ease the Government's financial and administrative burden, increase the private sector participation, and ensure effective and efficient delivery of goods and services. Since then and between the fiscal year 2009/10, the Government has divested 30 PEs through adoption of various modalities including the sale of businesses assets, partial disinvestment of shares, sale of current assets, leasing of buildings and land, management contract, liquidation, and termination, etc. The details of such disinvestments are presented below:

**Table 9(f): Disinvested and Liquidated Public Enterprises**

S.No	Name of Enterprise	Year of disinvestment or liquidation (A.D.)	Privatization Process	Shares Disposed (Percent)	Amount received through Disinvestment (in million Rs.)
1.	Bhrikuti Paper Factory	1992	Business and Assets \sale	-	229.800
2.	Harisiddhi Brick & Tile Factory	1992	Business and Assets \sale	-	214.830
3.	Bansbari Leather Shoes Factory	1992	Business and Assets \sale (except Land)	-	29.854
4.	Motion Picture Development Company	1993	Shares Disinvestment	51.0	64.662
5.	Balaju Textile Industry	1993	Shares Disinvestment	70.0	17.716

S.No	Name of Enterprise	Year of disinvestment or liquation (A.D.)	Privatization Process	Shares Disposed (Percent)	Amount received through Disinvestment (in million Rs.)
6.	Raw Hide Collection and Sales Center	1993	Shares Disinvestment	100.0	3.990
7.	Nepal Bitumument & Barrle Industry	1994	Shares Disinvestment	65.0	13.127
8.	Nepal Lube Oil	1994	Shares Disinvestment	40.0	31.057
9.	Nepal Jute Development and Trading Co.	1993	Liquidation	-	-
11.	Tobacco Development Co.	1994	Liquidation	-	-
12.	Nepal Metal Co.	1996	Shares Disinvestment	51.0	14.473
13.	Raghupati Jute Mills	1996	Shares Disinvestment	65.0	82.204
14.	Nepal Bank Ltd.	1997	Shares Disinvestment	10.0	125.140
15.	Agriculture Project Services Center	2001	Liquidation	-	-
15.	Nepal Tea Development Corporation	2000	Shares Disinvestment	65.0	267.105
16.	Biratnagar Jute Mills	2002	Management Contract	-	-
17.	Himal Cement Industry Ltd.	2002	Liquidation	-	-
18	Cottage Handicraft Sales Emporium	2002	Liquidation	-	-
19.	Nepal Coal Ltd.	2002	Liquidation	-	-
20.	Hetauda Textile Industry	2002	Liquidation	-	-

S.No	Name of Enterprise	Year of disinvestment or liquidation (A.D.)	Privatization Process	Shares Disposed (Percent)	Amount received through Disinvestment (in million Rs.)
21.	Nepal Transport Corporation	2002	Dissolve	-	-
22.	Butwal Power Company	2003	Shares Disinvestment	75.0	874.200 and USD 1.0 million
23.	Birganj Sugar Factory Ltd.	2003	Liquidation	-	-
24.	Agricultural Tools Factory Ltd.	2003	Liquidation	-	-
25	Bhaktapur Brick Factory Ltd.	2004	Assets sale and renting out	-	14.500 Asset Sales 31,900 (Rent for 10 yrs.)
26	Lumbini Sugar Mill	2006	Assets sale and renting out		78.600 Asset Sale 31.900 (Annual Rent)
27	Nepal Rosin and Terpentine Ltd	2006	Assets sale and renting out	-	110.100 (Asset Sale)  3.012 (Annual Rent)
28	Agriculture Lime Industry Ltd.*	2006	Liquidated		
29	Nepal Drilling Company	2006	Liquidated		
30	Nepal Tele-communication Company Ltd.	2008	Shares sale	8.53	4,264.139

*\*No longer registered with the Company Registrar's Office*

9.30 Monitoring of privatized PEs could not be carried out. Some PEs are closed after privatization, and employment opportunities have been curtailed due to failure on enhancing investments, production, and productivity of even those in operation. The Task Force, which was formed under the coordination of Prof. Dr. Sri Ram Poudel to explore the exact situation of government owned and privatized PEs has already submitted its report with

its findings and recommendations. No process for privatization has moved ahead in FY2009/10. Among the privatized PEs, the liquidation process of Agriculture Lime Industry Ltd. is completed and removed from the record of the Company Registrar's Office.

- 9.31 Experiences gained through privatization initiated 15 years ago have revealed a number of challenges in the implementation of privatization process.

#### **Box 9 (a): Challenges on Implementation of Privatization**

##### **Adjustment of Accounts**

The process has faced obstacles on arriving at the conclusion of privatization resulting from disputes between the Government and the buyers due to difference in valuations carried out separately by the Government appointed evaluators and that appointed by the potential buyer. One of the main reasons behind this is the difference of opinion during the physical verification upon conclusion of agreement on the amount, quality and the condition of assets as mentioned in the Information Memorandum prepared during the process of privatization. Such problems appeared in the privatization processes of Balaju Textiles, Raghupati Jute Mill, Bhaktapur Brick Factory and Nepal Rosin and Turpentine etc. with the dispute not resolved yet.

##### **Land Encroachment:**

Likewise, in some cases, privatization could not be concluded due to failure of the buyer to make use of the leased land because of encroachment. Raghupati Jute Mill and Nepal Tea Development Corporation are the examples of such issues.

##### **Cases in litigation**

Even some buyers have preferred to go on litigation showing disagreement on the amount to be paid to the Government. This has created a problem in realising the Government dues and, also in closing the privatization process of such PEs for once and all. Examples of such problems are Harishiddhi Brick and Tile Factory, Bhrikuti Paper Industry, Agricultural Tools Factory and Bhaktapur Brick Factory.

##### **Difficulties in Management of Assets:**

Assets of liquidated and terminated PEs could not be disposed off. The assets of Hetauda Textile Industry could not be sold even after its liquidation six years ago

with its machines being very old and obsolete. Similar situation exist in cases of Nepal Drilling Company,

Birganj Sugar Factory and Agricultural Tools Factory. Decision has been made on the liquidation of Hetauda Textile Industry and works are underway subsequent to the selection of liquidator.

**Monitoring and Evaluation:**

Situation is such whereby actual status of (privatized) PEs cannot be referred or mentioned due to failure in monitoring whether the objectives of privatization have been achieved. It has necessitated developing mechanism for carrying out regular monitoring and evaluation of the privatized PEs.

The Government has to bear huge financial liability in the process of privatizing the PEs. There is situation whereby the Government would have to bear further financial burden for the PEs with liquidation, termination or disinvestment process still incomplete.

**Table 9(g): Government Investment for Payment of Liabilities  
of Public Enterprises**

(Rs. In million)

<i>S.N.</i>	<i>Name of the Public Enterprise</i>	<i>Up to FY 2008/09</i>	<i>In 2009/10</i>	<i>Total</i>
1	Himal Cement Company	430.20	0	430.20
2	Bhaktapur Brick Factory	206.23	-	206.23
3	Birganj Sugar Factory	709.44	3.03	712.47
4	Agricultural Tools Factory	54.47	1.64	56.12
5	Nepal Rosin & Turpentine Ltd.	180.81	-	180.81
6	Lumbini Sugar Factory	508.96	-	508.97
7	Agricultural Lime Industry	82.58	0	82.59

	Ltd.			
8	Nepal Coal Ltd.	8.39	-	8.39
9	Nepal Transport Corporation	497.75	0	49,7.75
10	Hetauda Textile Industry	536.04	-	536.04
11	Cottage Handicraft Sales Emporium	81.03	-	81.03
12	Nepal Tea Development Corporation Ltd.	119.00	0.14	119.14
13	Butwal Thread Factory Ltd	0	47,2.25	47,2.25
14	Biratnagar Jute Mill	45,1.41	587.22	1038.63
	<b>Total</b>	<b>3,866.34</b>	<b>1064.27</b>	<b>4930.61</b>

9.32 The Government has to make huge investment continuously whether it is a minority shareholding companies like the Biratnagar Jute Mills, or a public entity or a limited company. The investment of Rs. 472.2 million and Rs. 587.2 million that were made for the staffs' pay off of Butwal Spinning Mills and Biratnagar Jute Mills respectively has been its latest example.

## **10. Energy and Forestry**

### **Energy**

- 10.1. Energy consumption in fiscal year 2008/09 increased by 3.12 percent as compared to fiscal year 2007/08 totaling 9,396 Tons of Oil Equivalent (TOE). Consumption during first eight months of the current fiscal year has reached 7,953 TOE.
- 10.2. Consumption ratio of traditional, commercial, and renewable sources of energy in the fiscal year 2008/09 that stood at 87.1 percent, 12.2 percent, and 0.7 percent respectively, changed nominally to 87.3 percent, and 12.0 percent with no change in the share of renewable energy during first eight months of the current fiscal year 2009/10. It proves the persistent high dependency of Nepalese economy on conventional energy sources.
- 10.3. Of the total conventional energy consumption in fiscal year 2008/09, share of fuel wood, agricultural residues and livestock residues that stood at 89.2 percent, 4.2 percent, and 6.6 percent respectively with no change in consumption ratio of these sources during first eight months of fiscal year 2009/10. Of the total commercial energy source consumed in fiscal year 2008/09, Petroleum products (POL), coal, and electricity had respective shares of 67.5 percent, 15.9 percent, and 16.6 percent. Minor change, has however, is observed in the consumption of these commercial energy sources during first eight months of the current fiscal year 2009/10, with shares of 65.8 percent for POL, 16.3.percent for coal, and 18.0 percent for electricity consumption.

### **Coal**

- 10.4. Consumption of coal in fiscal year 2008/09, as compared to the previous fiscal year, totaled 181 TOE came down by 6.3. Similarly consumption came down 17.0 percent to 155 TOE during first eight months of the current fiscal year 2009/10 as compared to the corresponding period of fiscal year 2008/09.



## Electricity

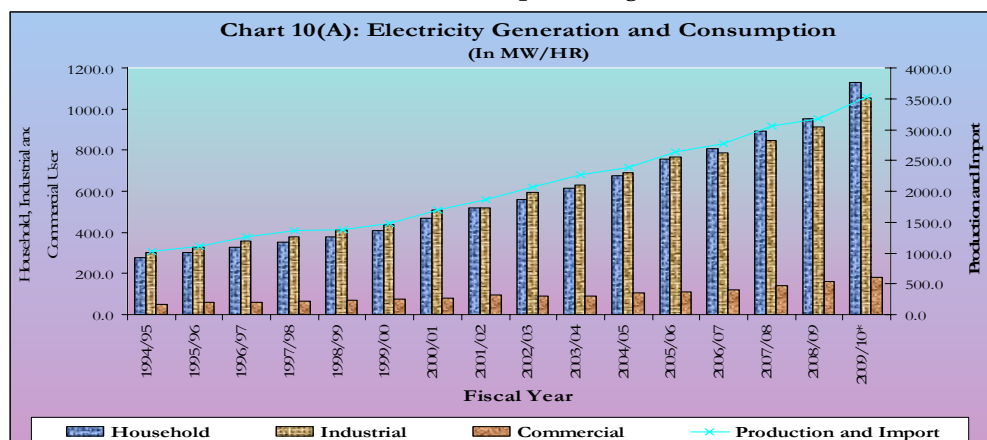
- 10.5. Capacity to generate electricity from various projects has reached 661 Megawatts (MW) by the end of fiscal year 2008/09. Of the total hydropower so generated, 655 MW is connected to the national grid, while rest of the energy generated from small hydropower stations and not connected to the national grid have been providing electricity services at local levels. The total electricity generated has reached 714 MW including 53.41 MW from thermal power stations and 100 KW from solar plants.
- 10.6. By first eight months period of fiscal year 2009/10, Middle Marsyangdi Hydropower Project (79 MW) built under the German Government assistance has been commissioned, started commercial production, and connected to national grid. Similarly, construction of several other projects, i.e., Chameliya Hydropower Project (30 MW) in Darchula of Far-West Region, and Kulekhani III (14 MW) in Makwanpur, and Upper Trishuli 'A' (60 MW) in Rasuwa/Nuwakot district are underway. Domestic investment has been garnered to build Upper Tamakoshi Hydropower Project, the project is transformed into a company, and construction of access road and other works is started.
- 10.7. The growing trend of private sector enthusiasm in electricity generation has been satisfactory in fiscal year 2009/10 like in previous years. Hydropower Projects under construction in the private sector are being completed and brought into operation in series. In the process, construction of two projects namely Pati Khola (0.996 MW), and Seti II (0.979 MW) have started generating electricity after completion. Hydropower projects expected to be completed by the end of this fiscal year and start generating electricity are Ridi Khola (2.4 MW); Upper Handi Khola (0.991 MW); Lower Piluwa Khola (0.99 MW); and Mai Khola (2.4 MW). Likewise, Power Purchase Agreements (PPAs) have been concluded by the end of previous fiscal year for purchase of 121 MW from 21 projects.
- 10.8. In the process of extension of power grid, 2044.66 Km circuits Km. of 132 kV high voltage transmission lines, 357.96 circuits Km. of 66 kV lines, 9.7 Km. +circuits Km. of 66 kV underground lines, and 2550.5 Km. of 33 kV lines are already in operation by the end of fiscal year 2008/09. In the process of construction of 132 kV 'Ringmen' transmission line for capacity enhancement in Kathmandu valley to cope with ever-growing urbanization, construction of 132 kV Thankot-Chapagaun-Bhaktapur transmission line under the ADB assistance is in the final stage of

completion. Construction of a (75 Km) 220 kV transmission line is ongoing with the World Bank (IDA) assistance for transmission of electrical energy from the existing Khimti hydropower station and future projects in the periphery. Construction of two 220 kV transmission lines carrying high importance, namely Hetauda - Bharatpur and Bharatpur - Bardaghat are underway. Similarly, construction of 33 kV transmission lines are ongoing including Ilam-Phidim-Taplejung (90 km), Sitalpati-Musikot (50 km), Buipa-Okhaldhunga (33 km), Chhinchu-Rakam-Jajarkot (70 km), Ghorahi-Holeri (45 Km), Udipur-Besisahar-Manang (90 Km), Dipayal-Sanfebagar - Manma-Jumla (155 Km), and Dhankuta-Hile-Leguwa-Bhojpur (40 Km). Studies and preparatory works are underway for construction of 400 kV transmission lines at three different points between Duhabi-Jogbani, Butwal-Sunauli, and Dhalkebar-Bhittamod under the understanding reached between Nepal and India for enhancing the power exchange capacity of these countries. Out of the planned three transmission lines, works are underway for construction of Dhalkebar - Bhittamod transmission line with the target to complete it by FY2012/13.

- 10.9. Government of Nepal and Nepal Electricity Authority (NEA) are carrying out extension of electricity distribution in all electricity accessible districts from their own financial resources. Besides, electrification is complete in additional locations of 27 districts under the assistance of Asian Development Bank (ADB). Electrification started in additional locations of Bhaktapur, Lalitpur, Nuwakot, Dhading, and Kavrepalanchok districts through the World Bank assistance is continued with the target of completion by fiscal year 2010/11.
- 10.10. In the process of extension of electricity facility, electrification in 106,000 households has been completed in participation of 107 Community-based Organizations (CBOs) under the Participatory Community Rural Electrification Program. Work is underway with the target of connecting additional 50,000 households with such facility.
- 10.11. Various activities on hydropower development related feasibility studies and preparation of detailed study reports are underway. Studies for identification of other feasible projects towards meeting the energy demand are also continued. Efforts are underway for garnering resources for detailed study of storage type 128 MW Upper Seti Hydropower Project seen attractive from the perspective of coping with present imbalance of demand and supply in the national electricity system caused by seasonal

variations. Feasibility study of Upper Trishuli (B) hydropower project is ongoing. Prequalification for construction of Rahughat Hydropower Project through Indian assistance is in final stage. Detailed studies are initiated on some other attractive projects like Aandhikhola, upper Arun, Tamor and storage type projects.

- 10.12. Out of the 3,130.77 Gega Watt Hours (GWH) of electricity supplied in fiscal year 2008/09, 1,798.61 GWH came from hydro-electricity generation, 9.06 GWH from thermal, 925.74 GWH purchased from the private sector, and 356.45 GWH was imported from India. Of the total electricity thus supplied in the same year, domestic consumption totaled 2290.21 GWH, while 61.5 GWH was exported to India. According to estimates for fiscal year 2009/10, availability of electricity will total 3,537.434 GWH comprising 2,828.934 GWH from hydropower plants, 14.5 GWH from thermal plants, and 684.0 GWH import from India. Of the total availability, 2,666.6988 GWH will be consumed domestically and 54.0 GWH export to India.
- 10.13. Calculation of sector wise energy consumption in fiscal year 2008/09 shows, industries consumed 37.37 percent, household 42.52 percent, commerce 6.6 percent, non-commerce 4.6 percent and others 9.2 percent. In this fiscal year, consumption by sector is estimated at industry 38.1 percent, household 41.70 percent, commerce 6.70 percent, and the remaining 13.44 by other sectors.
- 10.14. The numbers of electricity consumers are growing annually. By the end of fiscal year 2008/09, the number of customers grew by 10.0 percent totaling 1,677,000. In fiscal year 2009/10 total number of electricity customers is estimated to reach to 1,879,000 with 12 percent growth.



## **Petroleum Products (POL)**

- 10.15. Consumption of Petroleum Products (POL) in fiscal year 2008/09 stood at 729,621 Kilolitres (KL) recording a growth of 16.2 percent. Consumption of LP gas also rose by 19.6 percent reaching 115,813 Metric Tons (MT) during this period. Consumption of these two products in first eight months of fiscal year 2008/09 had totaled 431,745 KL, and 73,618 MT respectively. Consumption of POL products during the same period of the current fiscal year 2009/10 recorded a surge of 29.3 percent totaling 558,114 KL, and that of LP gas also rose notably by 17.4 percent totaling 86,403 MT.
- 10.16. Diesel, kerosene, petrol, and aviation fuel occupy major shares in consumption of POL products. As such, diesel, kerosene, petrol, and aviation fuel consumed in fiscal year 2008/09, except LP gas, shared 63.9 percent, 9.6 percent, 17.1 percent, and 9.4 percent respectively. Observation of consumption of these items during first eight months of the current fiscal year 2009/10 reveals that the proportion of diesel, petrol, kerosene, and aviation fuel consumed stood at 59.8 percent, 17.6 percent, 11.5 percent, and 11.1 percent respectively.
- 10.17. Nepal Oil Corporation (NOC) is engaged in sale/distribution of POL products in required quantities throughout the country by importing and storing as necessary. Homework is underway for the supply of POL products by laying pipeline between Raxaul depot of Indian Oil Corporation in India, and Amlekhganj depot of NOC in Nepal for facilitating distribution of petroleum products. In addition to capacity enhancement of existing depots and construction of new depots, initiation is made for implementation of recommendations of various Commissions /Committees for structural reforms.

## **Alternative Energy**

- 10.18. The Government of Nepal has established Alternative Energy Promotion Center (AEPC) with multiple objectives. These objectives include energy supply in rural areas through sustainable development of alternative/renewable energy technology; improving socio-economic condition of rural people through operation of cottage industries and micro-enterprises by using energy technology; maintaining regional balance; and reducing the environmental impact observed in rural areas due to destruction of forests. In order to meet these objectives, the Center has been carrying out a number of activities including necessary help and

advisory services to the government in developing policy on alternative energy technology; preparing short and long-term plans; implementing programs by maintaining coordination with energy related organizations/institutions; and maintain quality control, monitoring and evaluation etc.

- 10.19. Rural Energy Fund is established and is in operation under the AEPC for mobilization of financial resources in a well-managed, simplified, and efficient manner, and for maintaining coordination with banks for arranging loans. Establishment of the Fund has enhanced access of people to new and sustainable energy systems in rural areas not connected by the national transmission grid thereby improving their living condition through improvement in their health and education and direct support to income generation and employment. Likewise, the center with the help of KfW of Germany, has established a credit unit and arranging credit flows. The Government has been providing subsidy, and customs duties and VAT exemption on imports of renewable energy related equipment.

**Table 10(a) : Status of Alternative Energy in Nepal**

<i>S.N.</i>	<i>Activities</i>	<i>Progress in first 8 months of FY 2009/10</i>
1.	Solar Dryer/Cooker distribution (Nos.)	300
2.	Gobar Gas Plants Installed (Nos.)	27000
3.	Improved (iron) Cooking Stoves Installed	8000
4.	Improved (clay) Cooking Stoves Installed	60000
5.	Home Solar Energy System Installed (Nos.)	50000
6.	Improved Water Mills Installed (Nos.)	1400
7.	Micro Hydro Electricity Production (Kilowatt)	300

Source: Alternative Energy Promotion Center

## **Forestry**

- 10.20. Objectives of the forestry policy of the Government of Nepal are to ensure regular availability of timber, wood, fodder, and other forest products through

development and implementation of sustainable forestry development program in people's active participation; contribute to agricultural production through effective coordination between forestry and agricultural system; and protect the country's land area from soil erosion, flood and landslides, desertification, and other environmental imbalances.

10.21. Forest areas are managed and operated with the following objectives: (i) Maintain ecological balance through scientific management of forests, plants, watersheds, conservation of biodiversity, and protected areas; and at the same empower ultra poor and voiceless communities socio-economically by ensuring their access and rights to forestry products through sustainable enhancement of forest resources; (ii) Promote domestic and export markets by creating employment opportunities through the promotion of forestry products based industries and businesses; and (iii) support in poverty reduction and creation of equitable society through judicious distribution of forestry products by raising level of income of men and women belonging to ultra poor Dalits, Adivasis (Ethnic tribes), Janajatis (indigenous people), Madhesis, depressed, physically challenged, and the people of other backward communities.

10.22. Strategies adopted in the management of forests are:

- Conservation of biodiversity and genetic resources including forests, plants, insects, wildlife;
- enhance people's participation with special emphasis on soil and water resource conservation in the Siwalik area, and scientifically manage the government managed forests;
- conduct test on scientific management of partnership forestry through selection of appropriate area of the national forest and formation of group of local people;
- make timber and wood (raw materials) available to timber-based industries;
- make necessary arrangement that agencies, organizations or entrepreneurs, who will be handed over leasehold forestry ensure appropriate management of forest, wildlife and plants with special emphasis for expansion of eco-tourism;
- strengthen plant research, monitoring and evaluation, and information and data flow system;
- enhance livelihood opportunities for ultra poor (below the poverty line) through expansion of leasehold forestry;

- expand community, leasehold, and partnership forestry; and
- enhance participation and access especially of ultra poor, women and *Dalits*, to such forests, sustainable manage Non-Timber Forestry Products (NTFP), make proper utilization, promote the private sector investment, and promote export (of forestry and NTFP) products.

**Box 10 (a): Policy and working policy adopted in the Management of the Forestry Sector**

- Effectively manage already formed and community forests to be formed in future by strengthening capacities of forest user groups.
- Enhance participation of women, *Dalits*, and marginal groups.
- Develop and expand forestry technology through establishment of forestry management demonstration plots in public participation.
- Develop, manage, and make proper utilization of private trees, plants, and forests.
- Provide the marginal groups opportunity for managing community forests.
- Encourage private sector participation for keeping high value wildlife and birds through appropriate legislative arrangement.
- Manage the supply timber and woods to the people.
- Increase the number of community forest user groups of the people below the poverty line and make them effective.
- Make the process of handing over leasehold forestry for eco-tourism transparent and simple.
- Prepare inventory of herbs and non-timber forest products available in all types of forests and integrate them into Action Plans
- Form partnership forests in the periphery of the government managed forest, and also manage such (partnership) forest on pilot basis.
- Raise public awareness, and conduct study and research on forest, plants, bio-diversity, soil conservation and watershed management for development and expansion of forest related technologies.
- Prepare and adopt Monitoring & Evaluation Manual.
- Develop and adopt information and data flow system.
- Implement participatory, integrated Monitoring and Evaluation process.
- Adopt bottom up planning process.
- Conduct effectiveness evaluation of the forestry sector program through independent agencies.

**Box 10 (b): Forest Resource Data**

Forest Area	4.27 Million Ha. (29 percent)
Bush and Shrubs	1.56 Million Ha. (10.5 percent)
Total Stem Volume	388.0 million Cubic Meter
Shorea Rubusta (Sal) in Total Volume	28 percent

Total Biomass	429 Million Ton
Average Stem Volume	178 Cubic Meter per Ha.
Average Number of Trees	408 per Ha.

Source: Nepal Forest Resource Report, 1999; Forestry Research and Survey Department.

- 10.23. Ministry of Forests and its related departments have continued to carry out various projects and programs every fiscal year through domestic resource and foreign aid 6 primary and 6 support programs as set by the Forestry Development Master Plan for long-term development of the forestry sector. Altogether, 32 programs and projects are ongoing in various districts including National and Leasehold Forestry, Community and Private Forestry, Ecological system and Genetic Resources Conservation, Soil Conservation and Watershed Management, Herbs and Aromatic Plants, and other forestry products related programs.

Box 10(c): Forestry at a Glance	
<b>Community forestry</b>	
Number of Community Forest User Groups	14,686
Area of Handed Over Community Forests	1,233,012 Ha.
Number of Beneficiary Household	1,661,482
Number of Women managed Community Forests	795
<b>Leasehold Forestry</b>	
Number of Leasehold Forests User Groups	4,523
Area of Handed Over Leasehold Forests	19,938 Ha.
Beneficiary Households of Leasehold Forests	37,703
<b>Partnership Forestry</b>	
Demonstration Program Operating Districts	Bara, Parsa, Rautahat, Mahottari
No. of Partnership Forests	4
Areas of Partnership Forests (Ha)	8,675 Ha.

Source: Ministry of Forests and Soil Conservation

- 10.24. So far, 14,686 Forest User Groups (FUGs) covering 1,233,012 hectare forest area has been formed by mid-March 2010 under the Community Forestry Program including 489 FUGs formed in fiscal year 2008/09. The program has benefited 1,661,482 households.



- 10.25. So far 19,978 hectare forest has been handed over to 4,523 FUGs formed under the Leasehold Forestry and Livestock Development Program by Mid-March of 2010 including 724 FUGs formed in fiscal year 2009.08.09. The program has benefited 37,703 households.
- 10.26. The forest development guidelines, 2065 (2008) is amended with the provision of scientific management of forests through saplings production, and woods collection to maximize benefits to the people being ignored by the forestry sector. Such a provision also forms the part of forest management work plan.

Annual Progress Status for the Fiscal Year 2008/09	
<b>Community forests</b> (Community Forestry Program, Livelihood and Forestry Program, Dolakha Ramechhap Community Community Forestry Program)	
Community Forest Users' Group (Nos.)	750
Work Plans Prepared (Nos.)	683
Handed Over Forests (Nos.)	219
Forest Work Plan Reviewed (Nos.)	1911
Leasehold Forests formed withing Community Forests	70
<b>Leasehold forestry</b>	
Leasehold Forest Users' Groups (No.)	724
Work Plans Prepared (No.)	724
Work Plan Preparation Workshop/Seminars (No.)	3943
Identified Clusters (No.)	83
<b>Partnership Forestry</b>	
Pilot Project District	Mahottari
Partnership Forest Groups (No.)	1
Partnership Forest Area (Ha.)	2006
<b>Soil and Water Conservation Program</b>	
Community Resource Management Plan Implemented (No.)	198
Natural Disaster Mitigation - gorge/ landslide (No.)	231

Water Source Conservation (No.)	181
---------------------------------	-----

Income Security Program for Ultra Poor (Households)	250
---	-----

- 10.27. Policy is adopted for establishment and expansion of protected areas as necessary for conservation of biodiversity by ensuring representation of the ecological systems emerging in the nation.
- 10.28. The following activities are carried out for biodiversity conservation through effective people's participation:
- prepare and implement management plans for sustainable conservation of biodiversity in protected areas (including buffer zones);
  - protect, nurture, and improve habitats of rare species of wildlife for their protection;
  - identify wildlife corridors and connectivity, protect, and manage them; and
  - Manage ecological processes in their natural way by conducting studies and research while encouraging sustainable utilization of natural resources with effective people's participation.
- 10.29. Nepal is effectively implementing International Treaties/ Conventions on biodiversity and environmental protection such as CBD, CITES, Ramsar as a Party to such Treaties/Conventions.
- 10.30. The policy to permit NGOs and individuals is being periodically updated whereby allowing them keep wildlife and conduct research for enhancing their income generation opportunities while protecting, nurturing and utilizing them properly in a sustainable manner.

**Table 10(b): National Parks at a Glance**

<i>S.N.</i>	<i>National Parks</i>	<i>Declared Year</i>	<i>Area (Sq. Km)</i>
1	Chitwan National Park	1973	932
2	Langtang National Park	1976	1,710
3	Sagarmatha National Park	1976	1,148

4	Rara National Park	1976	106
5	She-Foksundo National Park	1984	3,555
6	Khaptad National Park	1984	225
7	Bardiya National Park	1988	968
8	Makalu Barun National Park	1991	1,500
9	Shivapur National Park	2002	144
<b>Total</b>			10,288

**Table 10 (c): Wildlife Reserves at a Glance**

<i>Reserves</i>	<i>Declared Year</i>	<i>Area (Sq. Km)</i>
<i>Shuklaphanta Wildlife Reserve</i>	1976	305
<i>Koshi Tappu Wildlife Reserve</i>	1976	175
<i>Parsa Wildlife Reserve</i>	1984	499
<i>Dhorpatan Game Reserve</i>	1987	1,325
<b>Total</b>		2,304

**Table 10 (d): Conservation Areas at a Glance**

<i>Conservation Area</i>	<i>Declared Year</i>	<i>Area (Sq. Lm)</i>
<i>Annapurna Conservation Area</i>	1992	7,629
<i>Kanchanjangha Conservation Area</i>	1997	2,035
<i>Manaslu Conservation Area</i>	1998	1,663

<b>Total</b>		11,327
--------------	--	--------

**Table 10(e): Buffer Zones at a Glance**

<i>Buffer Zone</i>	<i>Declared Year</i>	<i>Area (Sq. Km)</i>
<i>Chitwan National Park</i>	1996	750
<i>Bardiya National Park</i>	1996	328
<i>Langtang National Park</i>	1998	420
<i>She-Foksundo National Park</i>	1998	1,349
<i>Makalu-Varun National Park</i>	1999	830
<i>Sagarmatha National Park</i>	2002	275
<i>Shuklaphanta Wildlife Reserve</i>	2004	243.5
<i>Koshi Tappu Wildlife Reserve</i>	2004	173
<i>Parsa Wildlife Reserve</i>	2005	298.17
<i>Rara National Park</i>	2006	198
<i>Khaptad National Park</i>	2006	216
<b>Total</b>		5,079.67

Source: Ministry of Forests & Soil Conservation

# 11. Transport and Communication

## Road Transport

- 11.1 Construction of roads continued in fiscal year 2009/10, with the target of linking four district head quarters (Solukhumbu, Manang, Mugu and Bajura) to the road network. Construction of road continued to add to the 19,758 Km existing road length at the end of fiscal year 2008/09 comprising 6,094 Km black topped; 4,772 Km graveled; and 8,89 Km earthen (fair weather). During the first eight months of 2009/10, 210 Km of road has been upgraded to black top level, 60 km to graveled, and 110 Km is newly constructed with the road length extended to a total of 20,138 Km.

**Table 11 (a): Road Networks in Nepal**

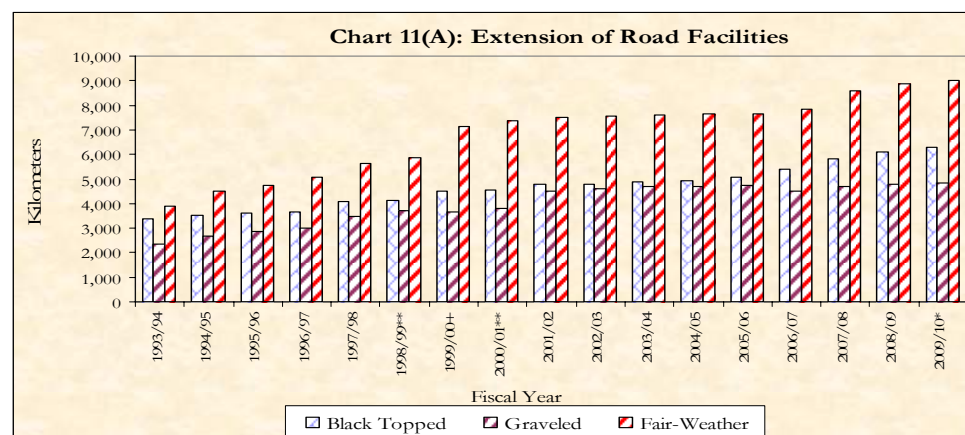
(In Km)

S.N	Types	Fiscal Year			
		2008/09	2009/10*	Until FY 2009/10**	
				Total	Share/Percent
1.	Black Topped	6094	210	6304	31.3
2.	Graveled	4772	60	4832	24.0
3.	Fair-weather	8892	110	9002	44.7
<b>Total</b>		19,758	380	20,138	100.00

\* Extended road length up to mid-March of FY 2008/09, \*\* Total by mid-March 2008

Note: Only the roads constructed by Department of Roads are included

Source: Department of Roads, Kathmandu



## Transport Vehicles

- 11.2 The number of vehicles (registered) across the country between fiscal years 1989/90 and 2008/09 stood at 805,614. This number, during first eight months of FY2009/10, increased by 117,981 (15%) reaching the total to 923,595. With this, by mid-March of FY2009/10, the average ratio of vehicles per Kilometer of road across the country is estimated to reach 45 from the previous year's 40.

**Table 11(b): Number of Vehicles**

<i>Type of Vehicle</i>	<i>Fiscal Year</i>		<i>Total**</i>	<i>Growth percent First (8 months)</i>
	FY 1990/91 - FY 2008/09	FY 2009/10*		
<i>Bus</i>	19685	3000	22685	15.2
<i>Minibus</i>	7497	797	8294	10.6
<i>Car/Jeep Van</i>	100123	7308	107431	7.3
<i>Tractor</i>	44767	6558	51325	14.6
<i>Motorcycle</i>	573020	99084	672104	17.3
<i>Tempo (3 Wheeler)</i>	7373	5	7378	0.06
<i>Microbus</i>	2,063	49	2112	2.4
<i>Truck/Dozer/Crane</i>	40437	359	40796	0.9
<i>Pick Up</i>	4706	107	4813	2.3
<i>Others</i>	5943	714	6657	12.0

<b>Total</b>	805614	117981	923595	14.6
--------------	--------	--------	--------	------

*\*Added Till mid-March of FY 2009/10*

*\*\* Total since FY 1989/90 through mid-March 2009/10*

*Source: Department of Transport Management, Tinkune, Kathmandu.*

## **Policy and Institutional Progress**

- 11.3 On the entire transport management part, processes are initiated for the improvement of working modality and the existing resources of Transport Management Offices (TMOs) and policies have been adopted to make the pollution testing process more scientific and systematic.
- 11.4 The process is initiated towards modernizing the transport management work through various measures including, regular departmental monitoring of TMOs, and making the record keeping system more scientific and systematic. Likewise, processes are underway to make transportation management work time-relevant, scientific, and modern.
- 11.5 Appropriate arrangements are being made for the repair and maintenance of roads on regular basis in pursuance of the National Transportation Policy and Periodic plans. Road Board is active in maintaining and repairing roads by mobilizing such fund, minimizing the road maintenance cost, and making the repair and maintenance works transparent and effective.
- 11.6 The Road Board Nepal, established under the Road Board Act, 2058 (2002) is carrying out regular, periodic, and emergency maintenance works through the utilization of the amount collected as fuel tax, vehicle registration fee and tolls from road users and deposited in the Road Board Fund.
- 11.7 An Executive Committee with the representation of Road Users from various fields has been formed in the spirit of Public-Private Partnership as perceived in the Road Board Act, 2002. The Secretariat (of the Board) is actively engaged in the implementation of the Act, Regulations, and Executive Committee decisions. Priority based programs are being implemented through the road concerned agencies after securing approval from the Executive Committee.
- 11.8 The Department of Roads and local bodies (DDCs and Municipalities) receive necessary fund from the Road Board Fund for repair and

maintenance of Strategic Roads Network and Local Roads Network respectively. Arrangements have been made for DDCs and Municipalities to contribute 20 percent and 30 percent respectively as matching funds for maintenance of roads in their respective jurisdiction. The entire amount required by the Department of Roads for regular and one-time maintenance of Strategic Roads Network is being ensured. Concerning repair and maintenance of local road network, funds are availed based on the length, type of the road surface, and vehicles density.

- 11.9 A process is initiated for providing conditional grant to the local bodies for repair and maintenance of local roads network based on the Principle of Devolution (of authority). Likewise, the allocated budget is disbursed directly to these entities.

**Table 11 (c): Activities Under the Transportation Sector**

<i>S.N</i>	<i>Major works completed</i>	<i>Until FY 2008/09</i>	<i>Achievements in First Eight Months</i>
<b>1</b>	Driving Training Centers (No.)	1089	<b>133</b>
	Numbers Registered	-	31
	Numbers Renewed	-	5
	Number of Vehicles Registered	805614	117981
<b>2</b>	<b>Driving License (No.)</b>		
	Numbers of new licenses Issued	1294602	144341
	Numbers Renewed	-	6888
	Duplicate copies issued/ Vehicle category added		25722
	Conversion into Nepali registration numbers / Zone changed	-	2060

*Source: Department of Transport Management*

## **Air Service**



- 11.10 The Civil Aviation Authority of Nepal (CAAN), established with the objective of developing and expansion of Civil Aviation within and outside Nepal, and making air flights, air communication, air navigation and air transportation services safe, regular, standard, and effectively, has been undertaking safety and regular activities related to civil aviation together with other development and improvement works at airports as per the agreed Standard and Recommendation Practices (SARPS) of ICAO.
- 11.11 There are altogether 54 airports in the country including, 1 international airport, 5 regional hub airports (Nepalgunj, Biratnagar, Bhairahawa, Pokhara and Dhangadi), 43 other domestic airports with 5 airports that are under construction (Kalikot, Kamal Bazar, Masinechaur, Shitleshola and Simichaur). Of these, air services are operated at 34 airports.
- 11.12 The construction works under Corporate Social Responsibility (CSR) of CAAN, such construction of roads, sewerage management and drinking water facilities are being carried out as in the last fiscal year in the TIA vicinity (Gothataar, Koteshwor, Sinamangal etc.)
- 11.13 Overlay works of about 50 percent for TIA's runway, taxiway have been completed, while expansion of stopover facility for international flights has been fully completed. Similarly, as per the TIA's Master Plan, distribution of compensation is started for acquisition of homes, sheds and land in Koteshwor and Sinamangal areas for the development, extension and security.
- 11.14 Due attention is being paid towards making service provision at the airport more effective and efficient. Moreover, efforts are made for bringing extensive improvement in services for passenger arriving at or departing from TIA in terms of sanitation, terminal management, trolleys and taxi services. The bids evaluation process is underway for introducing Common User Terminal Equipment (CUTE) system at the TIA, as is compulsory in international practice providing single software facility to airlines for passengers check-in and in e-ticketing in an integrated way. For the organized aircraft parking to accommodate increasing international flights at the airport, the international apron has been reevaluated, and works are being carried out for adding one more wide-body parking space to the current two, and making the total number of BAYs eight from the current seven. Arrangements of Executive Lounge and Restaurant have been made with a view to provide services of executive standard to tourists, travelers and service seekers. Likewise, 110 new trolleys are acquisitioned for

travelers' comfort, while the administration is processing for the procuring other 250 trolleys.

- 11.15 Since operations of types of aircrafts and air services are on the rise, upgrading the quality and extension of services of internal airports is continued to make air service safer, regular and more reliable.

<b>Airports with Infrastructure Development Programs</b>	
<b>Airports</b>	<b>Works Completed</b>
Gautam Buddha Airport (Bhairahawa)	Overlay work has been accomplished at Gautam Buddha Airport where runway, taxiway and apron were in dilapidated condition. This was done in order to expand the airport as regional international airport and run the airport in a regular and safer way. Similarly, the program is set for the acquisition of 138 Bighas (approx. 87 Ha.) of land in FY 2009/10.
Pokhara Airport	Task of improving the runway, taxiway and apron of Pokhara airport has been accomplished
Chandragadhi Airport (Jhapa)	Task for improving runway, taxi way and apron has been accomplished at the Chandragadhi Airport, with sewerage construction work underway.
Dhangadhi Airport (Kailali)	Since Far Western Region lack Concrete runway airport facility and Dhangadhi being important hub in terms of maintaining regional balance, upgrading and extension works including construction of 1800 meter runway, taxiway and blacktopping of Apron have been completed so as to run the airport throughout the year.
Surkhet Airport	In the process of upgrading Surkhet Airport at the headquarter of Mid-Western Development Region, blacktopping on 1040x30 meter runway, construction of parking apron where 5 airplanes of DHC-6 or others of same size can be parked and construction of rigid parking apron have been completed.
Janakpur Airport	The runway of Janakpur Airport has been

<b>Airports with Infrastructure Development Programs</b>	
<b>Airports</b>	<b>Works Completed</b>
	extended to 1200 meter through the extension of additional 300 meter. Likewise, upgrading its runway, taxiway and apron has also been completed.
Simikot, (Humla) Airport	Distribution of compensation against land acquisition ( 29 Ropanis) required for the extension of Humla Airport is almost completed while blacktopping works on runway, taxiway and apron are underway.

<b>Airports under construction at Remote Areas</b>	
<b>Airport</b>	<b>Works Completed</b>
Mugu (Rara) Airport	Extension and improvement works on runway and improvement and partial construction of Apron are underway.
Kalikot Airport	Users' Committee is giving continuity to Earthen works in this year as well for the construction of Airport at Kotwada of Kalikot
Kangeldanda Airport	Majority of runway construction works at Kangeldanda is over. Airport services are continued though other infrastructures are yet to be completed.
Kamalbazar Airport	Construction work on Kamal Bazar Airport is over while the test flights are yet to be done.
ThamKharka Airport	Runway construction works have completed. Air services have started though other infrastructures yet to be completed.
Masinechaur (Dolpa) Airport	Construction works are underway after having agreement with local users' committee.
Dolpa (Jufal) Airport	Construction works are underway after having agreement with local users' committee.
Manamaya Rai Khanidanda	Test flight was conducted on 2064/11/16 while

Airport	the runway construction works are almost finished.
---------	--

- 11.16 Of the Airline Operation Certificates (AOC) issued for the operation of air services, such AOC of only 25 companies are valid. In this fiscal year, four airline companies including Paranova Nepal Pvt. Ltd, Mountain Helicopters Pvt. Ltd., Muktinath Airlines Pvt. Ltd/ Annapurna Paragliding Pvt. Ltd. have been issued AOC. Among 4 airlines, Paranova Nepal Pvt. Ltd and Annapurna Paragliding Pvt. Ltd. are related to recreation and adventure (Aviation sports). In this way, the numbers of Aviation sports-related airlines and the remarkable extension in the service have given expected service to the tourists, resulting in significant contribution to the tourism industry.
- 11.17 Of the Airline Operation Certificates (AOC) issued so far to 54 companies for the operation of air services, only 25 companies have valid certificates. Of the 25 such valid companies, 10 such companies have Fixed Wing aircrafts, 7 Helicopters and 8 for recreational and adventurous sports. Air services are being provided by 21 such valid airlines companies while the rest four companies are in position to carry out its operation soon.
- 11.18 Viewing the flight schedule and the progress report provided by License Department, 5 domestic and international airline companies have extended their air services from the beginning of the current fiscal year. Among these 5 airline companies, China Eastern Airlines has extended its air services between Kungming-Kathmandu-Kungming, TUI (ARKE FLY) between Amsterdam-Kathmandu-Amsterdam, United Airways between Dhaka-Kathmandu-Dhaka and Fly Dubai Airlines between Dubai-Kathmandu-Dubai. Flight schedules of Kingfisher Airlines have been approved for it to carry out its regular air services between Delhi-Kathmandu-Delhi and Mumbai-Kathmandu-Mumbai.
- 11.19 Nepal has signed Bilateral Air Service Agreements (ASA) with 35 countries. Those countries are India, Sri Lanka, South Korea, Bhutan, Japan, Myanmar, Bangladesh, Brunei, China, Malaysia, Singapore, Thailand, Maldives, Philippines, Oman, Egypt, Saudi Arabia, Jordan, Qatar, Bahrain, Pakistan, Kuwait, United Arab Emirates, Israel, Austria, France, Luxemburg, Russian Federation, Germany, Italy, Netherlands, UK, United States of America, and Croatia.

- 11.20 As per the policy of promoting air route in the leadership of ICAO for making the maximum use of Nepal's Trans Himalayan air space, and East-West International flights, necessary coordination effort with ICAO and other concerned countries is underway for setting up Trans-Himalayan Route and East-West (Kunming-Kathmandu-Delhi) Himalayan route with maximum coverage of Nepal's air space on long-distance international flights. Letter of Agreement (LOA) has been signed in September 2009 on Air Routes between China and India and ATS Coordination Procedures. The Air Route between Nepal and India (Kathmandu-Mahendranagar-Delhi) has been established and brought in operation since signing the agreement with India on November 19, 2009.
- 11.21 Necessary works, including Instrument Flight Procedures and Revision of Air Space, are underway for overall improvement on domestic air routes and air space of different airports. Likewise, the Aeronautical Chart of Nepal has been digitized and the database of the whole procedure, route, approach, and departure chart has been prepared. Necessary steps are underway taken for the publication of new Aeronautical Chart.
- 11.22 In the course of improving Nepal's air space, the preparation of new edition of AIP Nepal is going on together with reforms on different routes and working procedures. Likewise, the work on time relevant amendment of Air Traffic Control Manual is also underway. Infrastructural works are being carried out at Biratnagar and Chadragadhi Airports for the implementation of GPS Approach and Departure with the aim of implementing GPS-based navigation system. ICAO Audit Team has completed auditing works on Flying Operations, Air Navigation Services and Aerodrome Operation including ICAO Universal Safety Oversight Audit Program (USOAP) on 5 - 15 May 2009.
- 11.23 In the context of implementing provisions on ICAO listed SARPs by contracting states, Civil Aviation requirements and guidelines have been prepared and implemented on the basis of ICAO Annexes by the Authority.
- 11.24 Necessary auditing of Air Traffic Safety was initiated in 2003 and completed in December 2007 under the ICAO Universal Aviation Security Audit Program (USAP) as per the decision to fully execute all the criteria of Annex-17, the collection of air security measures propounded by ICAO, in all ICAO-member countries as a strategy to adopt to thwart changing features of threat against air transport security. In the process, Nepal's

ICAO Aviation Security Audit has been completed in 2006. Implementation of the Corrective Action Plan is going on subsequent to preparation, submission, and receipt of the Report based on the Follow-Up-Audit by ICAO.

- 11.25 Separate Standard Operating Procedures (SOP) have been prepared, approved and implemented for Airport Safety Program, Quality Control Program for National Aviation Safety, National Aviation Security Training and aviation safety related matters as per the commitment made on Corrective Action Plan (CAP).
- 11.26 Security committees, established at all airports of Nepal in pursuance to the Aviation Security Arrangement Regulations 1991, remain active for the execution of policy decisions made by Civil Aviation Security Committee and National Civil Aviation Security Committee towards Air Traffic Safety related activities at airports and central level coordination required for effective implementation those decisions.
- 11.27 As domestic airports have air links with international airports, the security measures taken at domestic airport will have direct impact on the safety of international airports. Therefore, ICAO has recommended to fully executing all the criteria of Annex-17 at domestic airport as well. Hence, security arrangements need to be improved as in order to comply with the ICAO's recommendation and in this process, X-Ray machine has been installed at Pokhara Airport while processes are underway to install such machines at other airports as well.
- 11.28 It is a great challenge to keep flight safety at its highest level due to Nepal's geographical features and difficulties to set up the necessary communication and navigation equipment.
- 11.29 Safety culture is fully emphasized with every operator/maintenance organization made aware to mandatorily adopt Safety Management System as guided by ICAO. The existing NCAR, FOR have been revised and issued in January 2009 which are now brought into effect for the implementation of the Standard and Recommended Practices of ICAO. Likewise, Personnel Licensing Requirements (PLR) and Dangerous Goods Handling Requirements (DGHR), 2009 have been prepared and implemented. For upgrading Nepal Civil Aviation to international standard and bring uniformity, NCAR parts 145, 147, and 66 have been prepared in line with ESA parts 145, 147, and 66 which are now in the process of implementation.

## Information and Communication

- 11.30 A district level mechanism in each district and central level mechanism at the center have been established under the chairmanship of the Information and Communications Minister so as to deliver services through district level agencies under the jurisdiction of the Ministry of Information and Communications. Government of Nepal has approved guidelines necessary for the operation of these mechanisms and implemented accordingly.
- 11.31 Of the provision made to issue licenses for the operation of Direct to Home (DTH) service, 6 licenses have been issued so far. Likewise, there has been provisions for foreign transmission companies to secure license mandatorily to transmit their programs by down-linking them within Nepal's territory and persons or companies those are willing to distribute pay channel signal are also required to obtain license from the concerned authority.

## Postal Service

- 11.32 Postal service has been the oldest and mostly used service by the public that has extended its institutional networks up to the remotest villages of Nepal. Besides delivery of letters and parcels, various other services like the publication of postage stamps, conducting Postal Saving Bank, Money Order Services, E-DV Form service, Express Mail Service and e-post service are rendered through the Department of Postal Services and the offices under it.

**Table 11(d): Geographical Distribution of Postal Services**

<i>Postal Service</i>	<i>Mountain</i>	<i>Hill</i>	<i>Tarai</i>	<i>Total</i>
<i>Regional Postal Directorate</i>				5
<i>District Postal Office</i>				70
<i>Ilaka Postal Office</i>	170	372	300	842
<i>Additional Post Offices</i>	492	1,541	1041	3,074
<i>Grand Total</i>				3,991

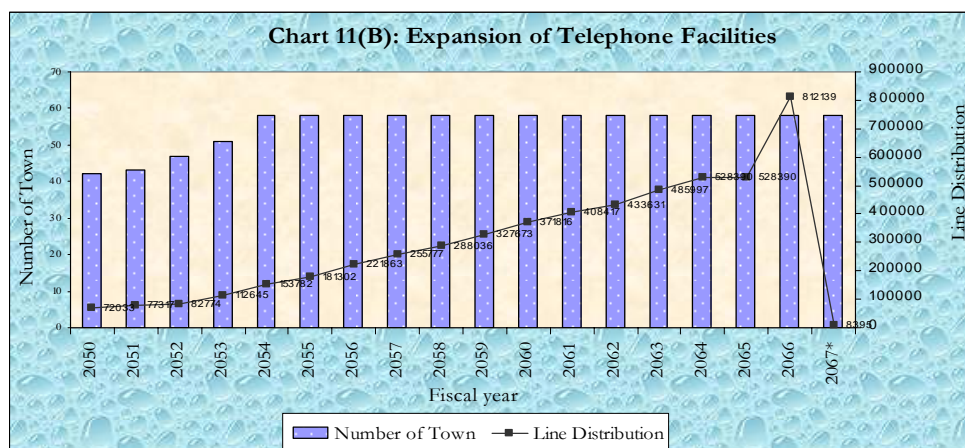
Source: Department of Postal Services

- 11.33 Four Postal Directorates under the Department of Postal Services, and Kathmandu General Post Office, have also been providing services that of

District Post Offices. Central Money Order Office, Central Postage-Stamp Store, Postal Training Center, and Philatelic Bureau of Kathmandu are the agencies of this Department. Aside from these postal services, the Department, in the current fiscal year 2009/10, has established 108 multipurpose Tele-centers at postal offices including 58 District Postal Offices and Area Postal Offices. Of the total 117 Postal Offices that were issued licenses to run Postal Saving Bank, 62 such postal offices are providing postal saving bank services.

## Telecommunication Services

11.34 There have been both quantitative and qualitative improvements in telecommunication services since last few years. The number of telecommunication service providers and service users has been rising. Likewise, newer and modern telecommunication facilities are being provided. Among the total 3915 VDCs in Nepal, 3624 VDCs have access to telephone service while this service is yet to be provided to the rest 291 VDCs. During the first 8 months of the current fiscal year, 1,308,552 telephones lines of various technologies have been distributed and the total number of telephone subscribers reached 7,617,769 by mid-March, 2009 with telephone density of 27.70 percent.



**Table 11(e): Description of telecommunication services  
users/ service providers by mid March 2010**



<i>Type of Service</i>	<i>Customers (No.)</i>	<i>Service Type</i>	<i>Customers (No.)</i>
<b>PSTN</b>	5,71,446	CDMA Fixed Phone	2,44,542
<b>GSM Prepaid</b>	57,65,662	VSAT Phone	4,546
<b>GSM Postpaid</b>	1,26,204	GMPCS	1,742
<b>CDMA Prepaid Mobile</b>	5,89,026	Limited Mobility	2,82,664
<b>CDMA Postpaid Mobile</b>	31,238	Other Technologies (3G Mobile)	699
<b>Total:</b>			<b>76,17,769</b>

<b>Customer by Type of Services</b>	
<b>Service Type</b>	<b>Customer (No.)</b>
Internet Subscribers	72,420
ADSL	31,047
GPRS	5,66,852
CDMA Sky DATA	85,118
Internet Users	37,77,185

<b>Licensed Service Providers (No.)</b>	
<b>Service Type</b>	<b>Service Provider (No.)</b>
Basic Telephone	3
GSM Mobile	2
Network Service Provider	8
VSAT Service User	111
Internet Service Provider (with email)	40
GMPCS	3

<b>Licensed Service Providers (No.)</b>	
<b>Service Type</b>	<b>Service Provider (No.)</b>
Rural Telecom	2
Limited Mobility	41
Intenational Trunk Telephone	2
Rural VSAT Service User	8
Rural Internet Service Provider	4
<b>Total</b>	<b>224</b>

<b>Telephone lines distributed by mid-March 2010</b>	
<b>Service Provider</b>	<b>Telephone liens distributed (No.)</b>
Nepal Telecom	49,90,190
Spice Nepal Pvt. Ltd.	22,70,328
United Telecom Limited	3,50,963
STM Telecom Sanchar Pvt. Ltd.	4,505
Others	1783
<b>Total</b>	<b>76,17,769</b>

11.35 The total number of telephone service users provided by the authorized telephone service providers using various technologies such as dialup,

wireless modem, optical fiber Ethernet, cable modem, cable, ADSL, GPRS and CDMA reached 755,437 by the mid March, 2009.

<b>Data Service Users by mid-March 2010</b>	
<b>Service Provider</b>	<b>Number of Data Users</b>
Nepal Telecom	1,95,239
Spice Nepal Pvt. Ltd.	4,72,375
United Telecom Limited	24,823
Internet Service Providers	63,000
<b>Total</b>	<b>7,55,437</b>

## Information Dissemination

- 11.36 Department of Information, Gorakhapatra Corporation, Rastriya Samachar Samiti, and Press Council, agencies under the Ministry of Information and Communications, have been disseminating information through print media. Gorkhapatra Corporation has been publishing news and articles in 28 different national languages.

<b>Description of Print Media</b>	
<b>Type</b>	<b>Number</b>
Daily	426
Biweekly	19
Weekly	2133
Fortnightly	399
Monthly	1678
bi-monthly	313

Description of Print Media	
Type	Number
Quartly	499
Four Monthly	28
Half Yearly	70
Yearly	83
Total	5648

Number of Newspapers/Magazines by Language			
Nepali	3916	Bhojpuri	5
English	420	Urdu	3
Nepali/English	950	Tibetan	1
Newari	30	Tharu	8
Sanskrit	2	Limbu	2
Hindi	19	Doteli	2
Maithali	17	Tamang	4
Rai	1	Others	271
Total			5648

- 11.37 Interest subsidy on bank loans is being provided to various news media on procurement of their necessary machinery/equipment for the development of communications. Siimilarly, journalists are awarded on 6 disciplines including Gopal Das Journalism Award to motivate senior journalists significantly contributing to journalism.
- 11.38 Studio Acoustic equipment has been installed for broadcasting audio news from Rastriya Samachar Samiti (RSS). In the process of extending its

services, RSS has started photo service with the arrangement of voice clip to provide support to the FM service recipients in.

### **Television Service**

- 11.39 There are altogether 32 television channels issued with transmission license for operating services TV broadcast services including 2 Government-owned and 30 private sector-owned. However, only 11 television channels are in operation. Nepal Television has been extending its transmission signals domestically and internationally through the satellite medium. The transmission of NTV covers about 50 percent of the total land area of Nepal with 71.5 percent of people while NTV-2 covers 40 percent of the total population of the country with the total 27 percent of country's land area.
- 11.40 Nepal Television has extended its transmission signals to Palpa and Terathum and national transmission channel has been improved at Chamere Telecasting Center. Terrestrial transmission of NTV-2 is improved at Fulchoki and Daunne Telecasting Centers. NTV-2 has extended its telecast period to 18 hours daily since 17 September, 2009. Programs on 6 different national languages are being televised through Nepal Televisions' national transmission.

### **Radio Broadcasting Service**

- 11.41 There are 368 licensed Frequency Modulation (FM) stations excluding government owned Radio Nepal, of which 225 such stations are now in operation. The government owned Radio Nepal has been broadcasting through Short Wave, Medium Wave and FM. Radio Nepal's coverage of MW broadcast is 85 percent, FM 40 percent and 100 percent that of SW. Process is underway to establish relay centers in Gulmi, Gorkha Darchula and Bajhang for the expansion of MW and FM transmissions. Radio Nepal broadcasts news in various national languages and other programs under the inclusiveness program.

### **Cable Television Telecasting Service**

- 11.42 By the end of first eight months of the current fiscal year, the number of licensed Cable Television Operators has reached 615 with the addition of 21 such operators.

### **Printing Service**

- 11.43 The Department of Printing has initiated its tender process for the procurement of press machine to enable it to function on security press concept with the realization that it is necessary to deliver professional printing services by developing press as an autonomous and competent body. Department of Printing carries out printing tasks like Nepali Citizenship Certificates, Visa Stickers, Economic Surveys, Budget Speeches, Question Papers, Reports of Constitutional Bodies, and Foreign Employment Permit Stickers and so on.

### **Motion Pictures**

- 11.44 Motion Picture Development Board is active for the development, expansion, and promotion of motion pictures within and outside Nepal to preserve Nepalese Arts and Cultures. During this period, the Government has made 4th amendment to Motion Picture Development Rules 2057 (2000), while a Committee is formed in coordination of Board Chairman so as to Draft the Act on Motion Picture Development Board. During this period, 68 licenses have been issued to produce various kinds of movies, 18 for advertisement movies, 41 for the production of foreign movies.

## 12. Social Services

### Education

#### Community Schools

- 12.1 In the context of handing over school management communities in pursuance to the policy to operate primary education services through the communities, a total of 9,810 schools, comprising 6,644 primary level, 2,136 lower secondary level and 1,030 secondary level, have been handed over to the communities by mid March of the current fiscal year 2009/10. In the fiscal year 2008/09, a total of 2,017 schools of various levels were handed over to the community while a total of 1,203 schools including 894 primary level, 209 lower secondary level and 100 secondary level have been transferred to the community by mid March of FY 2009/10. Relatively, a significant improvement is noticed in the rate of taking over the responsibility of community schools' management in all 75 districts due to restoration of peace and enhanced capacity of the communities. There has also been significant improvement in the quality of education in those community- managed schools due to the direct involvement of the stakeholders making the programs more transparent and effective and schools being managed by the people elected from among the parents. Thus, progresses made as against the target set in various fiscal years of community managed schools are as follows:

**Table 12(a): Schools Transferred to Communities**

<i>SN</i>	<i>Fiscal Year</i>	<i>Target</i>	<i>Progress</i>
1	2002/03	100	93
2	2003/04	1000	907
3	2004/05	1500	1092
4	2005/06	1600	241
5	2006/07	2000	949
6	2007/08	2500	3308

7	2008/09	2500	2017
8	2009/10*	4000	1203
<b>Total</b>		<b>15200</b>	<b>9810</b>

*\* First eight months of FY2009/10*

*Source: Ministry of Education*



## Child Development Program

12.2 Community and school-based preliminary child development program especially for the children from very backward communities is being conducted as per the primary objective of Education for All (EFA) Program for ensuring the child development and extension. The target set in the Tenth Plan was to establish 13,000 child development centers and of this target, 4000 such Centers were envisaged to establish by the Interim Plan for children from backward, and in danger of extinction communities. Likewise, Child development centers are being operated in districts with a view to provide access to the backward, marginalized, Muslims, Dalits, Tharu, Madhesis and in danger of extinction ethnic groups. A total of 24,773 Child development centers have already been established by the FY2008/09 while the target was set aside to establish 2000 such centers in the current fiscal year 2009/10. However, the classes are expected to run from mid April 2010. Progress details on schools established for child development and community based child development centers are as follows:

**Table 12(b): Progress of Community Based Child Development Centres**

<i>SN</i>	<i>Fiscal year</i>	<i>Target</i>	<i>Progress</i>
1	2004/05	-	7023
2	2005/06	6000	6000
3	2006/07	3500	3500
4	2007/08	3500	3500
5	2008/09	4750	4750
<b>Total</b>		<b>17750</b>	<b>24773</b>
6	2009/10*	2000	Class commences from Mid-May, 2010

\* First eight months of FY2009/10

Source: Ministry of Education

## Scholarship Program

- 12.3 Of the primary level girl students, 50 percent (7,61,638 girl students) of them who are underprivileged and financially weak were provided scholarship in FY2008/09. The program to provide scholarship through EFA program to all 823,764 Dalit students from primary to secondary levels was completed. Likewise, 60,000 secondary level students were granted scholarship through Secondary Education Support Program (SESP) under the Secondary School Scholarship. Stipends were provided to primary, lower secondary and secondary level students belonging to marginalized communities like Chepang, Raute, Mushar, Dom, Dushad and Badi, through SESP. One hundred percent progress was achieved on the program set to distribute Himalayan (Himali) Boarding Scholarships to 337 students. Four hundred secondary level students received feeder scholarship as per the set target.
- 12.4 Scholarships at the rate of Rs 400 per year are set to provide to 1,213,868 girl students which is 50 percent of the total girl students from Dalit, Janajati, marginalized and backward communities admitted at basic education level by mid-March of FY2009/10. Likewise, 1,015,509 Dalit students have benefited from the Dalit scholarship program set to grant scholarship worth Rs. 400 per annum to Dalit students from grade 1 to 8. Similarly, a total of 85,927 targeted primary level students of grade 1-5 including 22 from Janajati and marginalized groups, bonded laborers and Haliya Charuwa communities have received scholarships of Rs. 42,281,000. The program to distribute scholarships from Rs. 500 to Rs 13,000 to basic level disabled students considering their degree of disability has benefited 39,848 such students. 6 schools for blind, 7 for deaf and 350 resource classes for inclusive education are being conducted targeting such students while 62 assessment centers are in operation to provide services to such schools and students. An additional 10 resource classes for inclusive education shall remain in operation from mid April of the fiscal year 2009/10. Likewise, grant release has been issued to distribute free textbooks to all basic education level students (5.6 million) thereby providing free education to students from grade 1 to 8. Grant has been provided to the schools to operate schools on the basis of per student cost with a view to provide completely free education to all basic education level students.
- 12.5 Similarly, Boarding Schools are being operated in Mustang, Humla and Jumla districts to provide and ensure easy access to basic education to the

underprivileged students of mountain (Himali) regions and programs are set to establish such schools in 7 more districts including Taplejung, Sankhuwasabha, Solukhumbu, Rasuwa, Gorkha, Jumla and Darchula this year. Funds required providing Himali Boarding Scholarship to 337 students and Feeder Boarding Scholarship to 400 students have already been managed. Likewise, funds have been managed to provide scholarships to the girl students from grade 1 to grade 12 schools of all districts of Karnali Zone with Rs. 1000 per year to primary level students and Rs. 15,000 per year to the student of grades 6-10.

- 12.6 Districts are provided budget to award scholarships to 40,000 secondary level girl students Rs. 1700 per year and Rs. 500 per year to 55,650 Dalit students under Dalit scholarship program. Likewise, arrangements have been made to provide secondary education scholarships at the same rate to 14,080 extremely marginalized and in danger of extinction students. Similarly, selections of girl students are being carried out to provide scholarships with Rs. 5,000 annually to 1,800 higher secondary and certificate level girl students and 1400 master level girl students with Rs. 10,000 per year through girl student Education Fund.

### **Educational Human Resource Development Center**

- 12.7 There were policy arrangements such as providing training to teachers and employees engaged in teaching service by Educational Human Resource Development Center, enhancing capacities of human resource under Ministry of Education in the FY 2008/09. During the same fiscal year, of the target to provide 13,641 such teachers and employees 2.5 month long training in the first and third phases and 4,500 such trainees on distance education system based training of 5 months duration in the second phase, 10,354 and 4,367 trainees received such trainings respectively. Of the target to provide one month and 1.5 month long training to 4000 teachers of each lower secondary and secondary school level teachers in the first and third phase, 2,633 and 3,648 such teachers received trainings respectively. Likewise, of the target set to provide distance education system based 5 month long training to 3,000 lower secondary and secondary level teachers, 2,260 teachers had received such training. Similarly, with the target to provide management training to 1,225 lower secondary and secondary level school headmasters and a thirty day long in-service management training to 40 Gazatted Class III, 1,044 and 38 trainees received such training respectively. Likewise, of the target to provide a month-long training to 80 Technical Assistants, 70 trainees received such training.

During this period, seminar for 15 Gazatted Class I Officers and service entry training for 28 Gadgeted Class II Officers were completed. There were 53 open schools in operation in 44 districts in the previous fiscal year while 31 more such schools shall come in operation from mid April of the current FY 2009/10.

- 12.8 A newly designed training for Teachers Professional Development (TPD) is brought in implementation since the FY 2009/10. Similarly, a ten-day long leadership capacity development training for headmasters has been designed and implemented. Training under Backlog Clearance campaign has been provided to 8,413 primary, lower secondary and secondary level teachers in the first trimester of the current fiscal year. With a view to conduct teachers professional development and leadership development for headmaster's trainings, 143 resource persons and school inspectors and 7,000 Roaster Trainers were provided Training of Trainers (ToT). Leadership development trainings for private school headmasters under public-private partnership program have been initiated. Similarly, teachers engaged in monastery Madarsha, Gurukul schools are being provided teachers module training as well.

### **Curriculum Development Center**

- 12.9 The center, besides imparting education to children in their mother language has adopted three-language policy; provide the status equivalent to the regular formal education to traditional Gurukul, Madarasa, and Monastery system of traditional education; and create the system of foundation for quality education. Besides, the Centre has adopted the policy with emphasis on development, improvisation, and execution of curricula, educational and reference materials. Accordingly, develop a system for regulating the curricula and textbooks based on gender, caste, and region; the concerned local provincial entity to develop curricula appropriate for their respective regions based on the national curricula framework; and enhance participation of the private sector in development and distribution of textbooks and text materials based on multiple textbooks concept. Besides, adopt community centered education policy to enhance access of all mother languages to education; and allow the school management committee to ensure the learning of children of local mother tongue in consultation with the local entity
- 12.10 In the fiscal year 2008/09, curriculum of primary education (grades 4-5) was given final shape. Likewise, primary education curriculum developed

and textbooks of grades 1-4 were translated into English. Similarly, Teachers' Guidebooks on six subjects for class 4 were developed, 2 childrens' knowledge books developed and published and primary education curriculum (grades 4-5) for remote districts were printed and distributed. Likewise, guidebooks on all subjects of grade 3 were printed and distributed and 9 reference materials on 3 mother tongues have been developed and published. In the process of publishing primary curriculum for Gurukul, Madarsha and Gumba (Monastery) trainings, textbooks for 1-5 classes of Gumba and class 1 of Gurkul have been prepared. Five sets of curricula of classes 9 and 10 and textbooks of class 10 have been updated and disseminated. By mid-February of the fiscal year 2009/10, reference materials on three mother tongue (Urdu, Bantawa and Sherpa) and CRC of textbooks of class 1 in Tamang and Sambota scripts are being prepared. A report on through study on the use of curriculum and textbooks in 42 institutional schools has been prepared and disseminated. Works on 6 compulsory subjects have been accomplished as per the revised curriculum of classes 9 and 10. Likewise, 14 optional subjects were detailed, CRC prepared by giving final shape to textbooks of class 5 and made these available to Janak Educational Material Centre and private sector after their publications. Similarly, teachers' guidebooks on 8 subjects of class 5 were given final shape and completed CRC preparation.

### **Martyr's Memorial Academy, Nepal**

- 12.11 Permission was granted to Martyr Memorial Academy, Nepal in the fiscal year 2008/09 for running boarding schools in all five development regions for proper management of education of children of Martyrs who lost their lives during the armed conflict in the country. Likewise, construction of physical infrastructures is underway so as to run Martyr's Memorial Schools in all five development regions from the mid-February of FY 2009/10. The details of the students studying at Martyr's Memorial Boarding Schools in all five districts are as follows:

**Table 12 (c): Description of Martyrs Memorial Boarding**

#### **School's Students**

<i>S.No.</i>	<i>School Name/Address</i>	<i>Boys</i>	<i>Girls</i>	<i>Total</i>
1	Shree Sahid Smriti School, Hansposa,	59	42	101

	Sunsari			
2	Shree Sahid Smriti School, Jiri, Dolkha	63	24	87
3	Shree Sahid Smriti School, Pokhara, Kaski	71	69	140
4	Shree Sahid Smriti School, Dudhrash, Dang	99	49	148
5	Shree Sahid Smriti School, Dipayal, Doti	95	45	140
	<b>Total</b>	387	229	616

Source: Ministry of Education

## Food Programme for Education

12.12 Food programme education under the support of United Nations World Food Program is in operation since August 1967. As per the agreement reached between Nepal Government and World Food Program in 26th September, 2007, Day-Meal Program is being conducted for the year 2008-2010 in 10 districts including Darchula, Baitadi, Dadeldhura, Bajhang, Bajura, Accham, Doti, Dailekh, Salyan and Rukum. Likewise, Girl Students Motivation Program is being conducted in 5 districts of Tarai (Dhanusha, Mahottari, Sarlahi, Rautahat and Parsa) and in above mentioned 10 districts. Similarly, VDC prioritized Maternal and Child Health Care Program in Darchula, Baitadi, Dadeldhura, Bhajhang, Bajura, Accham, Doti and Salyan is also being carried out. Day-meals (Nutritious Food) were distributed to 1,650,000 child students through Food Programme for Education that was included in a three year interim plan to provide children with access to education to those who are deprived of school education. Day-Meal program that was conducted for primary level students in 21 districts in the fiscal year 2008/09 has been extended to 35 districts this year. This program has brought positive impact on the children's health, girl students' enrollments and declination in school dropouts. The targets and progresses of the Food Programme for Education in FY 2008/09 and 2009/10 are as follows:

**Table 12(d): Food for Education Programme**

S.No.	Program	FY2008/09		FY2009/10*	
		Target	Progress	Target	Progress
1	Day Meal Program	1,70,000	1,02,902	1,82,000	1,54,359
2	Per girl 2 lt. of oil distribution under the Girl Students Motivation Program	50,000	29,829	58,700	54,077
3	Nutri-mix distribution under the Maternal and child health care program	31,000	23,370	31,000	18,522

Note: numbers mentioned in target and progress indicate persons

\*until mid-February of FY 2009/10

Source: Ministry of Education

### **Council for Technical Education and Vocational Training (CTEVT)**

12.13 The Council for Technical Education and Vocational Training (CTEVT) established in the Center to work in line with decentralization principle, the institution has initiated a process for establishment of regional office and revision of by-laws in the changed context. In this fiscal year, the CTEVT has demanded applications from 6 districts with a view to provide free education and residential education to bonded laborers as per their age and willingness through the education department. For this, the concerned districts are advised to submit applications to provide necessary direction and skill enhancement training. Likewise, with a view to enhance skill and efficiency of the girls of Tarai and Madesh, the selection process for providing ANM or its equivalent education with scholarship to interested girls from underprivileged and Muslim families of Bara, Parsa, Rautahat, Sarlahi, Mahottari, Dhanusha, Siraha and Saptari districts who have passed is underway. Of the target set to provide skill enhancement training to 15,000 people to generate employment at central level by the Council, agreement has been reached with the training providing institutions to provide training to 10,840 trainees while agreement between the training providing institution and the project is in progress to provide training to additional 3,940 trainees. Likewise, of the target to provide vocational training to 10,730 trainees at community level, agreement has been made to provide such training to 1,220 trainees while agreement is yet to be made to provide training to 2,300 trainees. The process to provide skill test certificates to foreign employment seekers mandatorily is in progress. Similarly, the Council is making its effort to establish polytechnic universities to provide higher education to technical manpower generated through CTEVT affiliated institutions. The targets and achievements of trainings conducted by CTEVT in the fiscal years 2008/09 and 2009/10 are as follows:

**Table 12(e): Trainings Conducted by Councils**

<i>Program</i>	<i>FY 2008/09</i>		<i>FY 2009/10</i>	
	<i>Target</i>	<i>Progress</i>	<i>Target</i>	<i>Progress*</i>



<i>Program</i>	<i>FY 2008/09</i>		<i>FY 2009/10</i>	
	<i>Target</i>	<i>Progress</i>	<i>Target</i>	<i>Progress*</i>
<i>a. Conduct regular training</i>				
<i>Technical S.L.C level-</i>	8000	7402	8000	1976
<i>Certificate level-</i>				4067
<i>b. Conduct short term training (person per week)</i>	8000	9154	8000	908
<i>c. Skill Verification</i>	1500	12294 persons	1800 persons	12764 persons
<i>d. Conduct Annex program at schools</i>	30 number	-	30 number	30 number
<i>e. Scholarship:</i>				
<i>Technical S.L.C level-</i>	675	75	675	150
<i>Certificate level-</i>	150	150	225	225
<i>f. Skill Training for employment (Demand Based Training for Foreign Employment)</i>	15000	9814	21000	1500

*\*Until first 8 months*

*Source: Ministry of Education*

## **Non-formal Education Center**

12.14 The primary objective of non-formal education program is to make all the citizens of the country literate by providing them quality and employment oriented education ranging from literacy to higher level education as per the strategy to expand access to qualitative, and creating employment opportunities. Formulation and Implementation of 16 different non-formal education policies have been completed targeting children, youths and

adults as per the decision of Nepal government in order to move ahead with short and long term goals to meet their demands. On this basis, the literacy campaign program is being carried out throughout the country since the FY 2008/09 with the commitment to eliminate illiteracy within two years. In order to make this program successful, various plans and programs have been formulated and implemented on the basis of Community Study Center Operation and Management Guidelines, 2005, Non-formal Education Program Implementation Guidelines, 2007, National Literacy Campaign Program Implementation Guidelines, 2008.

- 12.15 Of the target set to make 2,611,980 people illiterate through 89,300 literacy classes as per the National Literacy Campaign FY 2008/09, a total of 1,368,278 people including 312,605 males and 1,033,884 females were made literate. Likewise, literacy curriculum of three months period together with new guidebook and a book for beginners' (goreto) book have been prepared and distributed to various districts. Similarly, Literacy Campaign Program Implementation Guidelines 2008 has been in implementation after having endorsed from Council of Ministers. Of the target set to provide literacy to 29,200 people through 1460 classes in 58 districts, 27,740 participants in the said districts have acquired education. Likewise, 100 percent target was met through the income-generating program to make 11,340 women participants from 1,260 groups and 129 women motivators of all 75 districts literate. A program to conduct 120 classes for Integrated Reproductive Health Program on non-formal education in 6 districts was completed. Of the Education for All Program to provide alternative school education to 5300 children through the 265 classes, the targeted numbers of classes were conducted wherein 5035 children participated. Likewise, of the women literacy education program to literate 40,000 illiterate women and 40,000 newly literate women for which 2,000 classes were conducted. Altogether, 38,143 and 39,051 women participated in those two programs. In both the programs, 4,000 women worked as assistants as well. Of the skill-oriented program set for 5,000 newly literate women of all 75 districts, 4995 such women participated in 555 groups in the said program. Likewise, of the target to operate 806 community study centre, all the targeted number of centers were established for which 806 volunteer women teachers were appointed and management, monitoring and evaluation of these centers have been carried out. Similarly, 185 district trainers have been prepared for 4 subjectwise sectors with the preparation of decentralized education and action oriented plan, and 195 trainees

provided management training. Programs were conducted in 260 VDCs of 13 districts for school dropout children and 241 such children have been brought back to the school through the completion of said program in 231 VDCs of those districts. Likewise, of the target set to establish 22 schools to provide lower secondary school level open learning education under secondary education support program, such schools were established in 9 districts.

- 12.16 Works are being carried out until mid February of the fiscal year 2009/10, for the development of curricula in 3 more dialects including Newari, Limbu, and Magar. Since mid February 2009, 43059 classes have been run throughout the country under basic literacy program targeting 15/16 year non-literate youth groups with the slogan 'lets be literate and enhance our capacity'. Until the end of previous fiscal year, a total of 1,210,590, adults have benefited such literacy classes. A total of 5400 literacy classes have been conducted targeting Dalit, Janajati, Maoists' camp, prisoners and industrial laborers. And to make this literacy program successful, national seminar with media persons, orientation conferences with the participation of VDC secretaries and NGO representatives were also held.
- 12.17 In order to provide continuity to adult education program for those already completed their basic literacy classes, 60,000 adults have availed of such opportunity attending 3,000 classes that were conducted under a three-month literacy education program in previous fiscal year. Likewise, of the program that conducted 3,000 classes targeting those women groups of over 15 years of age who have completed second basic literacy classes, 60,000 such women participated in the program. With an aim of reducing poverty by involving underprivileged women in income generating activities by enabling them to run local level businesses, 2,550 income generating groups have been formed and 22,950 women have attended training. There has been a program to attract such women groups to engage them in microfinance program by providing Rs. 10,000 as seed money to each such group. Likewise, towards the non-formal adult and open schools, 674 centers, 731 primary level non-formal adult schools, 37 schools with classes from 6 to 8 are in operation for the extension of primary education. Similarly, preparations to establish 758 adult schools to run classes from 1 to 8 from the mid February 2010 are underway. During the current fiscal year, additional 725 more community study centers have been established while the number of such centers was 809 in the previous fiscal year.

**Box 12 (a): Literacy Status in Nepal**

Average literacy percentage of Nepal is 63.2 as per the data prepared by Ministry of Education on the basis of Nepal Work force Survey 2008. Literacy Situations by development regions are as follows:

Development Regions	5 years and above			6 years and above			15 years and above		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Eastern	75.7	54.7	64.5	76.7	55.1	65.2	71.3	45.2	57.2
Central	72.7	49.8	60.8	73.8	50.2	61.5	70.5	41.8	55.1
Western	76.5	57.5	66.1	77	57.5	66.3	70.4	48.1	57.5
Mid-Western	74.5	52.9	62.9	75.5	52.8	63.3	68.1	39	52
Far-Western	76.1	51.8	62.7	77.4	52.2	63.4	72.5	40.4	54.1
Total	74.7	53.1	63.2	75.6	53.3	63.7	70.7	43.3	55.6

Source: Ministry of Education

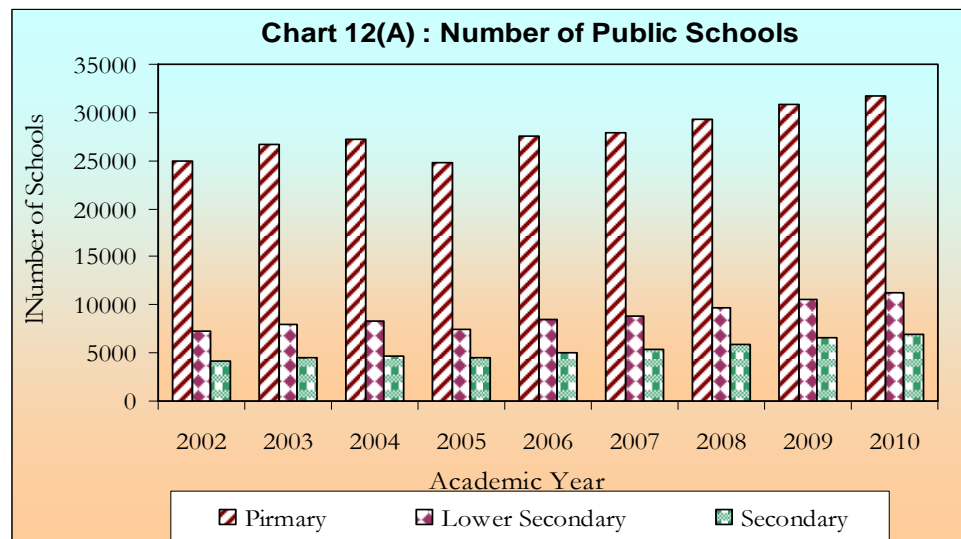
**School, Student and Teacher Ratio Table**

12.18 During the academic year 2009, a total of 4,900,663 students at primary level, 1,604,422 at lower secondary level and 790,348 at secondary level are admitted in 31,655 primary schools, 11,341 lower secondary schools and 6,928 secondary schools under the Ministry of Education. As per the data for academic year 2009, the school, student and teacher ratio at primary, lower secondary and secondary level government and private schools are as follows:

**Table 12(f): School, Student and Teacher Ratio**

<i>Ratio (in number)</i>	<i>Primary</i>	<i>Lower- Secondary</i>	<i>Secondary</i>
<i>Student/School</i>	154.6	141.5	114.1
<i>Teacher/School</i>	4.9	3.5	4.2
<i>Student/Teacher</i>	31.9	39.9	27.9
<b>Student/Trained Teacher</b>	43.3	69.7	34.1

Source: Ministry of Education



12.19 Community schools and government schools receiving grants from the government of Nepal are grouped under the community schools, while institutional schools are operated as Trusts or as per the Company Act. According to the estimated data for Academic Year 2009, the teacher/student ratio in government, private and community run schools in all 5 Development regions are as follows:

**Table 12(g): Teacher-Student Ratio in Academic Year 2009/10**

Region	Student/Teacher Ratio ( in Number )					
	Private and Government			Community		
	Primary	Lower-Secondary	Secondary	Primary	Lower-Secondary	Secondary
<i>Nepal</i>	31.9	39.9	27.2	41.7	53.0	33.5
<i>Eastern</i>	34.9	47.6	34.3	40.4	53.1	36.1
<i>Mountain</i>	30.6	38.3	25.6	34.6	41.1	24.6
<i>Hill</i>	28.6	46.3	38.7	34.3	50.1	35.1
<i>Terai</i>	41.4	50.7	33.3	48.1	59.3	40.1
<i>Central</i>	32.7	32.6	20.9	43.7	51.1	31.0
<i>Mountain</i>	22.7	42.7	27.4	27.9	42.4	24.4
<i>Hill</i>	22.7	42.7	27.4	27.9	42.4	24.4
<i>Terai</i>	56.4	58.4	38.0	60.1	61.7	36.0
<i>Valley</i>	19.1	18.6	13.1	20.1	31.9	21.6
<i>Western</i>	24.6	36.8	25.0	32.7	47.4	29.1
<i>Mountain</i>	4.7	7.7	5.6	5.2	7.5	5.6
<i>Hill</i>	20.8	34.4	24.0	26.8	44.0	27.4
<i>Terai</i>	35.7	44.7	28.6	54.3	62.3	36.7
<i>Mid-Western</i>	39.6	54.7	41.1	49.9	66.0	44.4
<i>Mountain</i>	35.2	35.9	33.6	40.1	38.3	26.4
<i>Hill</i>	43.3	57.9	47.5	51.1	63.6	43.4
<i>Terai</i>	36.3	56.8	37.2	53.0	84.1	55.6
<i>Far-Western</i>	31.7	44.2	35.0	47.6	53.8	33.4
<i>Mountain</i>	32.9	34.8	26.4	42.1	41.1	27.0

<i>Region</i>	<i>Student/Teacher Ratio ( in Number )</i>					
	<i>Private and Government</i>			<i>Community</i>		
	<i>Primary</i>	<i>Lower-Secondary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Lower-Secondary</i>	<i>Secondary</i>
<i>Hill</i>	30.6	31.7	23.5	42.0	42.1	22.4
<i>Terai</i>	32.1	65.9	54.8	61.0	76.1	52.8

Source: Ministry of Education

## Region-wise Details of Schools

12.20 Regional distribution of schools on the government, community and Private ownership by academic year 2009 is, 6,622 Primary, 2,196 Lower Secondary, and Secondary 1,294 in the Eastern Region; 9,333 primary, 3,802, lower secondary, and secondary 2,546 in the central region; and 7,275 primary, 2,488 lower secondary, and 1,592 secondary in the Western region. Likewise, there are 4,912 primary, 1,556 lower secondary, and 814 secondary in the mid-Western region; and 3,513 primary, 1,299 secondary, and 682 secondary in the Far- Western region. region-wise details of schools are as follows:

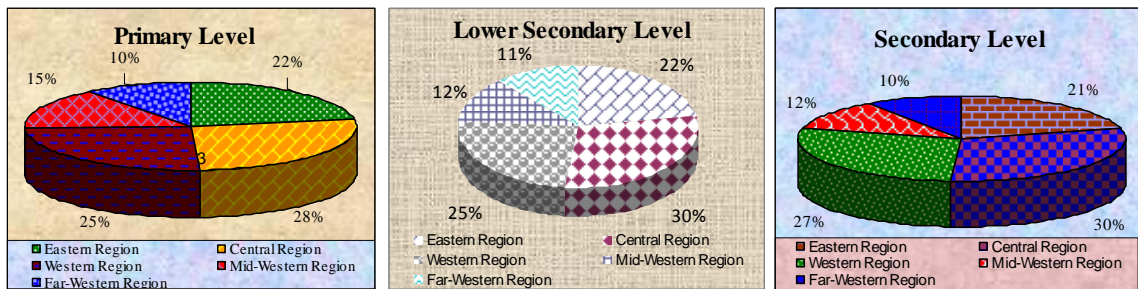
**Table 12(h): Schools by Development Regions**

<i>Region</i>	<i>Primary</i>	<i>Lower Secondary</i>	<i>Secondary</i>	<i>Total</i>
<i>Eastern</i>	6622	2196	1294	10112
<i>Central</i>	9333	3802	2546	15681
<i>Western</i>	7275	2488	1592	11355
<i>Mid-Western</i>	4912	1556	814	7282
<i>Far Western</i>	3513	1299	682	5494
<i>Total</i>	<b>31655</b>	<b>11341</b>	<b>6928</b>	<b>49924</b>

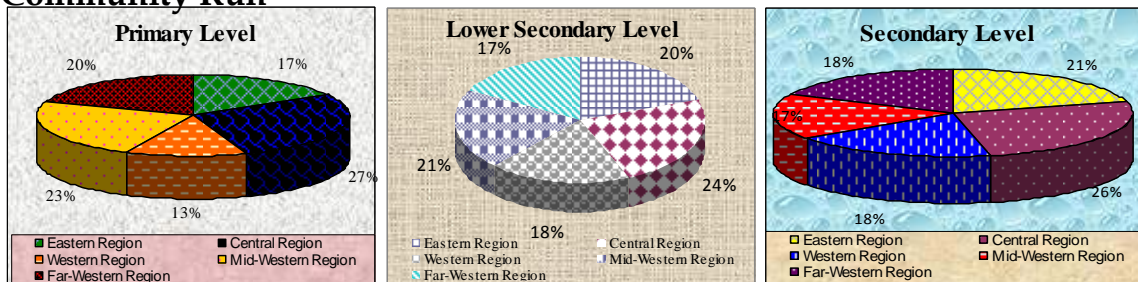
12.21 In the Academic Year 2008/09, a total of 7,295,433 students are studying at different levels of school education comprising 4,900,663 Primary Level, 1,604,422 Lower Secondary Level, and 790,348 at Secondary Level.

**Chart 12(b): Region-wise details of Schools (Government/Community/Private)**

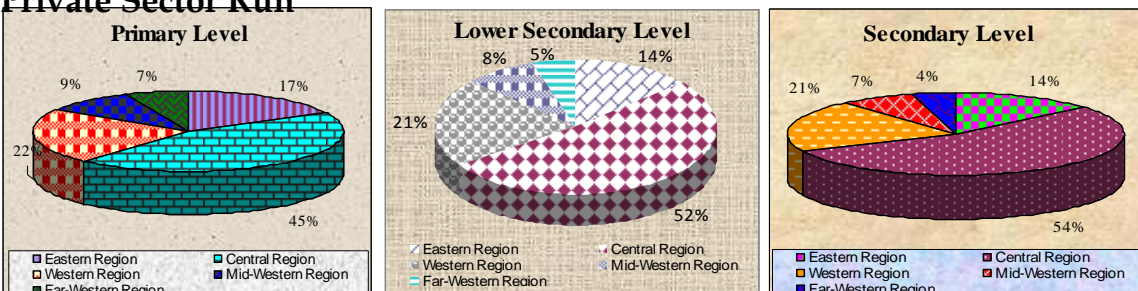
### Government Run:



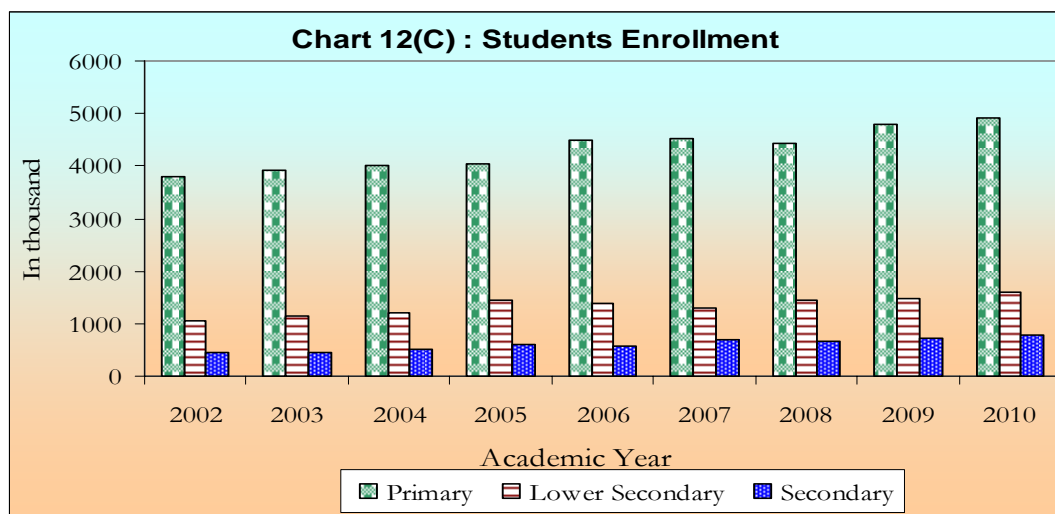
### Community Run



### Private Sector Run







Box 12(b): Student Appeared and Passed in SLC Examination							
Year	Attendance	Regular			Exempted		
		Boys	Girls	Total	Boys	Girls	Total
2007/08	Attended	184182	158450	342632	18883	27006	45860
	Passed out	132662	101940	234602	9302	12585	21887
	Percentage	72.03	64.34	68.47	49.26	46.60	47.69
2008/09	Attended	219543	193049	412593	18951	25176	44127

Source: Ministry of Education

## Higher Secondary Education Board

12.22 Higher Secondary Education Board has twin objectives, i.e., to prepare middle-level human resource needed for national development in various fields, and produce quality students for higher education. By the academic year 2009/10, the number of Higher Secondary Schools (HSS) affiliated to

the Council stood at 2,512. These Higher Secondary Schools being run by communities, private sector, as Ten plus two, and as campuses stood at 1,771, 446, 160, and 135 respectively. In the same academic year, students taking regular examinations of class 11 stood at 171,187 including 92,848 boys and 81,339 girls while a total of 144,739 students including 76,862 boys and 67,877 girls took such examination through institutional HSS. A total number of students appearing in class 12 examinations in the same period stood at 138,848 including 62,284 boys and 72,564 girls at community run higher secondary school while 64,816 boys and 48,889 girls totaling 113,705 students have been studying as regular student at institutional HSS. The total number regular students studying in community and institutional schools at class 12 are 252,553.

- 12.23 The Higher Secondary Education Board (HSEB) with its central office located at Sano Thimi, Bhaktapur has been conducting programs through 8 district offices including Biratnagar, Janakpur, Hetauda, Kathmandu, Pokhara, Butwal, Nepalgunj and Dhangadhi acknowledging the increasing density of schools and students. Among the Board's major programs, computer programming and networking have been done. Likewise, trainings and workshops on preparation and revision of questions and checking of answer sheets have been concluded. Similarly, workshops/seminar on conducting exams, construction of question bank, providing scholarships to the talented, poor, underprivileged, Dalits students of remote areas have been accomplished. Providing salary grants to additional teachers of community higher secondary schools having women headmasters and 50 percent or more women teachers has also been completed. Likewise, establishment of Teachers' Welfare Fund, textbook selection and writing works, integrated teaching skill training for teachers, Special Education Support Program to provide blind, deaf and low hearing capacity with access to higher secondary level education have been accomplished. Similarly, various programs are conducted to ensure access of poor, ultra poor, backward Madhesi students to education studying at community higher secondary level schools.

## Number of Affiliated Schools

- 12.24 The number of affiliated community, private, 10+2 schools, and campuses with their regional distribution is given in the following table.

**Table 12 (i): Details of the affiliated HS Schools by Development Regions**

<i>Development Region</i>	<i>Community</i>	<i>Private</i>	<i>10+2</i>	<i>Campus</i>	<i>Total</i>
<i>Eastern</i>	350	69	31	23	473
<i>Mountain</i>	44	1	-	3	48
<i>Hill</i>	150	7	3	4	164
<i>Terai</i>	156	61	28	16	261
<i>Central</i>	522	224	106	65	917
<i>Mountain</i>	4	-	-	-	4
<i>Hill (out of Valley)</i>	249	23	1	8	281
<i>Hill (Valley)</i>	88	160	79	39	366
<i>Terai</i>	181	41	26	18	266
<i>Western</i>	455	104	12	33	604
<i>Mountain</i>	4	-	-	-	4
<i>Hills</i>	345	58	7	22	432
<i>Terai</i>	106	46	5	11	168
<i>Mid-Western</i>	219	28	5	6	258
<i>Mountain</i>	26	-	-	-	26
<i>Hills</i>	102	-	-	2	104
<i>Terai</i>	91	28	5	4	128
<i>Far-Western</i>	225	21	6	8	260
<i>Mountain</i>	20	-	-	-	20
<i>Hills</i>	129	3	1	4	137
<i>Terai</i>	76	18	5	4	103

<i>Development Region</i>	<i>Community</i>	<i>Private</i>	<i>10+2</i>	<i>Campus</i>	<i>Total</i>
<b>Total</b>	<b>1771</b>	<b>446</b>	<b>160</b>	<b>135</b>	<b>2512</b>

Source: Ministry of Education

### Status of Students in Higher Secondary Schools

12.25 The number of students attended and passed the examination of class 11 and 12 under higher secondary level schools from the academic year 1998 to 2009 is as follows:

**Table 12(j): Number of Students Appeared and Passed in Annual Examinations**

<i>Year</i>	<i>Class 11</i>						<i>Class 12</i>					
	<i>Attended</i>			<i>Passed out</i>			<i>Attended</i>			<i>Passed out</i>		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>1999/00</b>	17,975	10,958	28,933	6,600	3,713	10,313	1,861	6,120	15,981	3,926	2,309	6,235
<b>2000/01</b>	30,344	19,607	49,951	9,119	5,363	14,482	14,803	8,560	23,363	5,304	3,042	8,346
<b>2001/02</b>	26,401	17,989	44,390	9,383	5,583	14,966	24,420	16,872	41,292	7,730	4,520	12,250
<b>2002/03</b>	38,341	27,463	65,804	14,317	9,323	23,640	21,526	15,573	37,099	7,488	4,470	11,958
<b>2003/04</b>	37,077	24,378	61,455	15,984	9,910	25,894	32,915	24,698	57,613	13,434	9,212	22,646
<b>2004/05</b>	86,351	69,976	156,327	40,842	30,502	71,344	57,082	43,858	100,940	30,893	22,170	53,063
<b>2005/06</b>	62,052	48,359	110,411	30,171	20,711	50,882	49,377	40,543	89,920	28,472	21,526	49,998
<b>2006/07</b>	79,809	66,978	146,787	35,011	27,261	62,272	55,448	45,312	100,760	31,457	24,630	56,087
<b>2007/08</b>	106,157	99,043	205,200	46,903	37,228	84,131	70,644	62,296	132,940	36,946	30,383	67,329
<b>2008/09</b>	132,158	122,613	254,771	57,240	44,793	102,033	94,812	92,005	186,817	47,803	39,405	87,208

Source: Ministry of Education/ Higher Secondary Education Council.

### Universities

12.26 Five universities namely, Tribhuvan University, Kathmandu University, Purbanchal University, Nepal Sanskrit University, and Pokhara University, by the end of fiscal year 2008/09, have been providing higher education opportunities. Though the Lumbini University has received approval for its

operation, it is still in its preliminary stage. Likewise, BP Koirala Institute of Health Sciences and National Academy for Medical Sciences have also been providing education as in the form of high level education institutions as Universities. Similarly, regional balance shall be maintained through university established at regional level and the campuses that are run within the concerned development regions shall remain under the Universities established within the same regions. For this, the bill regarding Mid-Western University, Far Western University, Agriculture, Forestry and Animal Science University has already been submitted to the legislative parliament. Likewise, proposal seeking approval from the Nepal Government for the establishment of Birgunj University, Purbanchal Polytechnique University and Rajashree Janak University has also been submitted to the Council of Ministers. Activities of various universities that are established with the sole objective of producing higher level human resource to be able to compete internationally and to meet the national demand are given in the following paragraphs. Activities of various universities that are established with the sole objective of producing higher level human resource to be able to compete internationally and to meet the national demand are given in the following paragraphs:

- 12.27 Number of campuses and students studying in different campuses of different universities between in fiscal year 2007/08 to 2008/09 is given below:

**Table 12 (k): Campuses and Students under Various Universities**

<i>University</i>	<i>Campuses</i>		<i>Students' Details</i>					
	Constituent	Affiliated	FY 2007/08			FY2008/09		
			Constituent	Affiliated	Total	Constituent	Affiliated	Total
<b><i>TU</i></b>	60	616	171592	119241	290833	172375	89446*	261821
<b><i>Kathmandu University</i></b>	6	14	3330	4266	7596	3624	5113	8737
<b><i>Purbanchal University</i></b>	3	84	641	14237	14878	647	14894	15541
<b><i>Nepal Sanskrit University</i></b>	12	18	2081	567	2648	5103	333	5436
<b><i>Pokhara University</i></b>	4	46	463	4897	5360	788	12383	13171

<i>Lumbini Boudha University</i>	-	-	-	-	-	-	-	-
<b>Total</b>	85	778	178107	143208	321315	182537	32723	304706

Note: Though Lumbini Boudha University is granted approval for operation, it is yet to run educational programs

Source: University Grants Commission

## **Tribhuvan University**

12.28 Tribhuvan University (TU), since its establishment, has been playing important role in the production and development of quality education. This University is bearing more than 95 percent load of higher education. It is the oldest and largest University of the country. By the end of the fiscal year 2008/09, academic programs are being conducted through 5 academic institutions, 4 faculties, 4 research centers, 60 constituent campuses, 38 central departments, and 616 affiliated campuses in the private sector. In addition to educational activities, the University is operating the TU Teaching Hospital; B. P. Koirala Institute for Ophthalmic Studies; Ayurved Teaching Hospital; TU Health Centre at the University premise; Veterinary Teaching Hospital at Rampur, Chitwan; Center for Energy Studies; Centre for Disaster Studies; Pollution Studies Centre; Central Soil Laboratory; Engineering Consultancy Services; V-SAT at pulchowk, Lalitpur; Wildlife Museum Hetauda, Natural History Museum Kathmandu, Central Department of Geology on Science and Technology; Central Department of Hydrology and Meteorology; Central Department of Microbiology; with the expansion of various services and programs. Various academic programs being conducted under the University are given in the following Table:

**Table 12 (I): Details of Major Academic Programs**

<i>Indicator of Study/ Research/ Exploration Programs</i>	<i>Fiscal Year</i>		
	<i>2063/64</i>	<i>2064/65</i>	<i>2065/66</i>
<i>A. Colleges</i>			
<i>1. TU Constituent Campuses</i>	60	60	60

<i>Indicator of Study/ Research/ Exploration Programs</i>	<i>Fiscal Year</i>		
	<i>2063/64</i>	<i>2064/65</i>	<i>2065/66</i>
<i>2. Number of Campus/College established in the Private Sector and granted permission to run under temporary affiliation</i>	420	561	616
<i>Increase in percent (%)*</i>	(71) +20.7%	(141) +33.6%	(55) +9.8%
<i>B. Attending Students Number</i>	2,72,746	2,90,833	3,21,645
<i>1. Number of students studying in constituent campuses of TU</i>	1,67,114	1,71,592	1,72,594
<i>Increase in percent (%)</i>	+9.46%	+2.07%	+1.0%
<i>(a) Total number of campuses</i>	480	621	676
<i>Increase in percent</i> <i>(Constituent and private sector campuses)</i>	17.6%	29.4%	8.85%
<i>2. Number of students studying in private sector campuses/colleges (estimated)</i>	*1,05,632	*1,19,241	*1,49,051
<i>Increase in percent (%)</i>	+15.3%	+12.9%	+25.0%
<i>3. Based on constituent and private sector campuses of TU</i>			
<i>Structure of Student in %</i>			
<i>(a) Students studying in constituent campuses</i>	61.3%	59%	54%
<i>(b) Students studying in private sector campuses</i>	<u>38.7%</u>	<u>41%</u>	<u>46%</u>
<i>Total:</i>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<i>C. Student Teacher Ratio</i>	1:27.3	1:21.6	1:21:7
<i>D. Teacher &amp; Staff</i>			
<i>(i) Teaching- No. of Teacher</i>	6,160	7,950	7,950
<i>(ii) Administration, Technical and Utility Service</i>			

<i>Indicator of Study/ Research/ Exploration Programs</i>	<i>Fiscal Year</i>		
	<i>2063/64</i>	<i>2064/65</i>	<i>2065/66</i>
<i>(a) Administrative Staff</i>	2,241	2,241	2,241
<i>(b) Technical Staff</i>	1,914	1,920	1,920
<i>(c) Utility and Service Staff</i>	2,797	2,912	2,962
<i>Total number of staffs</i>	6,952	7,073	7,122
<b>E. Medical Treatment Service</b>	4,59,830	Service being provided	5,17,668

\*Estimated

Source: Tribhuvan University

12.29 As the status stands on admission and campuses, five institutes, namely Engineering, Agriculture and Animal Sciences, Medicine, Forestry, and Science and Technology; 4 Faculties are offering Law, Management, Education, Humanity and Social Science courses at certificate, bachelor, masters, M. Phil and Ph. D levels. TU has 13 sister campuses in Eastern region, 28 campuses in Central region, 11 campuses in Western region, 5 campuses in Mid-Western and 3 in Far-Western region. In FY 2008/09, there were 172,594 students studying in the constituent campuses of the TU under technical and nontechnical categories whereas there were 149,051 students in the TU affiliated campuses. Among these campuses under TU, students studying technical courses total 25,878 comprising 9,375 students at the certificate level, 14,046 at the bachelor level, 2,325 at the Post graduate level and 132 at the Ph. D level. In general courses, the number of pursuing general courses of studies totals to 146,716 comprising 4,816 at other levels, 39,018 at the Certificate level, 75,485 at the Bachelor level, 26,821 at the Post graduate level, 503 at the M. Phil, and 73 students at the Ph. D level.



**Table 12 (m): Institutions/Faculties under the TU**

<i>S.N</i>	<i>Faculty</i>	<i>Other levels</i>	<i>Proficiency certificate</i>	<i>Bachelor</i>	<i>Master</i>	<i>M.Phil</i>	<i>PHD</i>
<b>1</b>	<b>Engineering</b>	×	✓	✓	✓	×	✓
2	Agricultural and Animal Science	×	×	✓	✓	×	✓
3	Medical Science	×	✓	✓	✓	×	×
4	Forestry	×	✓	✓	✓	×	✓
5	Science and Technology	×	✓	✓	✓	×	✓
6	Law	×	×	✓	✓	×	✓
7	Management	×	✓	✓	✓	✓	✓
8	Education	×	✓	✓	✓	✓	✓
9	Humanities	✓	✓	✓	✓	✓	✓

Source: Tribhuvan University

- 12.30 Concerning curriculum development and curricula resource materials, the curricula of various subjects in different institutes, and faculties under TU are being revised. Since, the TU central library has been one of the largest and organized libraries in Nepal, it has been providing valuable services to the Nepali scholars for teaching, learning and collecting materials for research and exploration required for national researches.
- 12.31 Under the TU's program to provide free scholarships to a certain number of students, studying in all the constituent campuses, fees and charges such as, monthly tuition fee, examination fee and transcript charges have been made free since last few years. A number of physically disabled (deaf, blind and mentally retarded) students studying at constituent campuses have

been receiving this free scholarship on the basis of the certified documents they submitted.

### **General Human Resource Production**

12.32 Among the four Non-technical faculties of TU, a total of 51,072 human resources at different levels including 313 from Law faculty, 15,429 from Management faculty, 16,594 from Education faculty, 18,736 from Humanity and Social Science faculty were produced in academic year 2008/09. The Table below shows the details:

**12 (n): Non-technical Human Resource Production by TU**

<i>Faculty and Program</i>	<i>Fiscal Year</i>						
	<i>2002/03</i>	<i>2003/04</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>
<b>1. Law Faculty</b>							
<i>(a) Certificate</i>	28	15	33	21	12	0	25
<i>(b) Bachelor</i>	734	469	692	342	199	329	255
<i>(c) Master</i>	33	16	75	25	32	41	32
<i>(d) PhD</i>	1	0	1	0	0	2	1
<b>Total</b>	<b>796</b>	<b>500</b>	<b>801</b>	<b>388</b>	<b>243</b>	<b>372</b>	<b>313</b>
<b>2. Management Faculty</b>							
<i>(a) Certificate</i>	8,435	7,043	12,095	7,010	6,152	3415	3739
<i>(b) Bachelor</i>	3,996	3,877	8,549	5,954	6799	6187	9326
<i>(c) Master</i>	950	653	1,856	989	1636	1110	2360
<i>(d) PhD</i>	4	3	6	3	5	4	4
<b>Total</b>	<b>13,385</b>	<b>11,576</b>	<b>22,506</b>	<b>13,956</b>	<b>14,592</b>	<b>10,716</b>	<b>15,429</b>
<b>3. Education Faculty</b>							
<i>(a) Certificate</i>	1,559	1,783	3,525	3,227	3,651	3155	3249
<i>(b) Bachelor</i>	3,195	3,632	5,841	3,912	4,453	5455	12193
<i>(c) Master</i>	233	224	633	43	21	422	1151
<i>(d) PhD</i>	-		1	0	2	4	1
<b>Total</b>	<b>4,987</b>	<b>5,639</b>	<b>10,000</b>	<b>7,182</b>	<b>8,127</b>	<b>9036</b>	<b>16594</b>
<b>4. Humanities Faculty</b>							

<i>Faculty and Program</i>	<i>Fiscal Year</i>						
	<i>2002/03</i>	<i>2003/04</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>
<i>(a) Certificate</i>	8,424	7,876	16,005	10,296	9,542	5,919	6,239
<i>(b) Bachelor</i>	3,689	3,425	7,666	7,666	5,483	5,891	7,160
<i>(c) Master</i>	1,385	1,243	3,385	3,385	2,261	1,909	3,620
<i>(d) PhD</i>	13	20	26	24	27	37	22
<i>Others</i>	-	32	471	1,837	1,761	N/ A	1,695
<b>Total</b>	<b>13,511</b>	<b>12,596</b>	<b>27,553</b>	<b>19,479</b>	<b>17,313</b>	<b>13,756</b>	<b>18,736</b>

Source: Tribhuvan University

### **Production of Technical Manpower Details**

12.33 A total of 7,697 human resource was produced from 5 Technical Institutes under TU in the academic year of 2008/09, among which, 1,769 were from the Engineering Institutes, 202 from Institute of Agriculture and Animal Science, 985 from Medical Science Institute, 216 from Institute of Forestry and 4525 from the Institute of Science and Technology. The details are as follows:

**Table 12 (o): Technical Manpower Production by TU**

[illegible]

<i>Faculty and Program</i>	<i>Fiscal Year</i>						
	2002	2003	2004	2005	2006	2007	2008
	/03	/04	/05	/06	/07	/08	/09
<i>(a) Certificate</i>	66	-	72	81	81	74	147
<i>(b) Bachelor</i>	-	-	57	83	57	59	59
<i>(c) Master</i>	-	14	-	-	23	12	10
<b>Total</b>	<b>66</b>	<b>14</b>	<b>129</b>	<b>164</b>	<b>161</b>	<b>145</b>	<b>216</b>
<i>5.Institute of Science and Technology</i>							
<i>(a) Certificate</i>	2249	1946	4402	1355	2086	1759	1971
<i>(b) Bachelor</i>	1175	961	2071	1297	1396	1305	1971
<i>(c) Master</i>	303	407	854	350	436	377	581
<i>(d) PhD</i>	3	5	8	2	6	6	2
<b>Total</b>	<b>3730</b>	<b>3319</b>	<b>7335</b>	<b>3012</b>	<b>3924</b>	<b>3447</b>	<b>4525</b>
<b>Gross Total</b>	<b>5423</b>	<b>5089</b>	<b>9250</b>	<b>5550</b>	<b>6589</b>	<b>12100</b>	<b>7697</b>

Source: Tribhuvan University

### Registration Details for M.Phil/Ph. D

- 12.34 As per the registration book maintained at the Tribhuvan University for the academic year 2008/09, the current students' numbers have been 503 and 205 at M.Phil and PhD levels respectively. Detail is mentioned in the Table below:

**Table 12 (p): M. Phil & Ph. D. Registration under TU**

S. N.	Institute/Faculty	No. of M. Phil Student			Number of PhD student		
		Male	Female	Total	Male	Female	Total
1	Institute of Engineering	-	-	-	14	3	17
2	Institute of Agriculture and Animal Science	-	-	-	2	0	2
3	Institute of Medical Science	-	-	-	-	-	-
4	Institute of Forestry	-	-	-	9	1	10
5	Institute of Science and Technology	-	-	-	78	25	103
	<b>Total of Science and technology</b>	-	-	-	<b>103</b>	<b>29</b>	<b>132</b>
6.	Law Faculty	-	-	-	4	1	5
7.	Management Faculty	148	18	166	12	0	12
8.	Education Faculty	100	18	118	13	1	14
9.	Humanities and Social Science Faculty	189	30	219	36	6	42
<b>Total of General Education</b>		<b>437</b>	<b>66</b>	<b>503</b>	<b>65</b>	<b>8</b>	<b>73</b>
<b>Grand Total</b>		<b>437</b>	<b>66</b>	<b>503</b>	<b>168</b>	<b>37</b>	<b>205</b>

Source: Tribhuwan University

## Medical Services of TU

12.35 The progress and achievement of the medical services from TU Teaching Hospital, B.P. Koirala Lions Ophthalmic Studies Centre and TU Health Centre are presented in the following Table:

**Table 12 (q): Services Aailed by TU Teaching Hospital**

S.N	Service Description	Number of Patients			
		2005/06	2006/07	2007/08	2008/09
A) T.U. Teaching Hospital, Maharajgunj					
1.	(a) Outpatient Department (OPD) service	2,62,099	2,71,011	N/ A	3,10,933
	(b) Emergency Service	39,600	40,000	N/ A	36,992
	(c) Expanded service	44,307	45,000	N/ A	66,246
2.	Number of Indoor Patients				
	a) Admission	17,785	18,000	N/ A	19,329
	b) Discharge	16,671	17,823	N/ A	17,696
3.	Total Death (%)	3.45	3.07	N/ A	2.66
4.	Bed Occupancy (%)	96.96	89.48	N/ A	84.50
5.	Average Days of Bed Occupancy	8.6	7.95	N/ A	9.91
6.	Surgery	8,084	8700	N/ A	8602
(B) B.P Koirala Lions Centre for Ophthalmological Study, Maharajgunj					
1	No. of OPD Patients	66,014	68,266	63,029	74,204
2	No. of Private Clinic patients	5,408	6,155	6519	6853
3	No. of Satellite (Community) Patients	2,808	2,824	2324	2022
4	No. of Screening and Eye Camp Patients	6944	19,168	15,440	10,700
	Total	81,174	16,413	87,292	93,779
Surgery:					



S.N	Service Description	Number of Patients			
		2005/06	2006/07	2007/08	2008/09
1	At Ophthalmological Study Center	1,043	565	1555	1710
2	At TU Teaching Hospital	233	562	1770	1888
	Total	1,276	562	1770	1888
<b>Community Surgery:</b>					
1	At Ophthalmological Study Center	234	764	465	299
	At TU Teaching Hospital	144	106	352	336
	<b>Total</b>	<b>378</b>	<b>870</b>	<b>817</b>	<b>635</b>
<b>C. T U Health Centre, Kirtipur</b>					
1	No. of Check up patients	5,872	6,267	7,422	6,733
2	Minor Operation/Dressing (free)	1,495	1,139	1,541	1,496
3	Medicine distribution (free until stock is exhausted)				
	Total	7,367	7,406	8,963	8,229
4	Total Students who received services from the TU Health Centers	4,34,547	4,59,830	N/A	517,668

Source: Tribhuvan University

## Animal Health Services Development

- 12.36 In addition to regular teaching, research and studies being carried out in the Veterinary Teaching Hospital in Rampur, Chitwan under Institute of Agriculture and Animal Science of TU, the Institute has continued to provide services from general medical treatment to surgical treatment of animals and birds for the development of agriculture sector this fiscal year

as well. The services provided by the Teaching Hospital in various fiscal years are as follows:

**Table 12 (r): Services Aailed by TU Veterinary Medicine Teaching Hospital,  
Rampur**

S. N.	Service Description	Fiscal Year (Number of Patients)				
		2004/05	2005/06	2006/07	2007/08	2008/09
1.	(a) Outpatient Department (OPD) Services	1526	1434	1834	1080	1358
	b) Emergency services	-	-	-	-	-
	Total	1526	1434	1834	1080	1358
2.	Inpatient Services (Admission/Discharge)	-	-	-	-	-
3.	Total Death Rate Percentage	-	-	-	-	-
4.	Bed Occupancy (%)	-	-	-	-	-
5.	Average Days of Bed Occupancy (%)	-	-	-	-	-
6.	Gynaecological Check ups	149	86	121	152	103
7.	Artificial Insemination	-	-	23	-	-
8.	Medicine Cases Check ups	120	100	67	89	160
9.	Surgery	108	50	90	83	91
10.	Animal Dung Test	430	210	325	309	452
11.	Water Test	22	15	9	5	70
12.	Urine Test	-	3	-	-	-

13.	Milk Test	130	229	234	105	124
14.	Testing of Dead Chicken	270	259	230	197	358
15.	Animal Health Camp					
16.	Animal Health/Barrenness	297	350	300	110	125
17.	Sterilization/Vaccination of Dogs	-	132	435	24	-

*Source: Tribhuvan University*

## **Kathmandu University (KU)**

12.37 Kathmandu University (KU), established in 1992 with the commitment to provide quality higher level education, has been carrying out multidimensional educational activities particularly in technical field since last 18 years, the demand of quality work force for the nation. It has produced qualified human resources, especially, in the fields of Medical Science, Engineering, Pharmacy, Environmental Science, Education, Arts, and Management. It has been gradually expanding its field of activities to keep up with native and foreign universities, educational institutes, and organizations. The University has been running educational programs on 80 subjects from various faculties and has produced 8787 high skilled technical human resource including medical doctors, engineers, pharmacists, environmental experts, teachers, and managers within the nation so far. Likewise, 2,951 students have taken their certificate level examinations where 2,556 students were to complete I. Sc and 395 were to complete certificate level of Nursing, General Medicine, Laboratory Technology, Ophthalmic Assistant and Physiotherapy that aimed at generating medium level human resource for health sector.

12.38 The University has started conducting classes in Hydropower Development, B.Sc in Applied Physics, Applied Mathematics and Bachelor in Statistics particularly in Civil Engineering since this year. Likewise, KU High School has started running GCE A-Level Courses as well. Similarly, the University has set the target to run its own undergraduate programs in

Management and Arts and focus on research from this year onwards. A total of 543 staffs have been employed in this University including visiting faculty with 355 teachers and 188 employees. The University has been struggling hard to maintain academic calendar, extend vocational courses, upgrade education quality and raise the teachers' qualification at significant level. In this context, the University is going to implement Voluntary Retirement Scheme (VRS) as it has to revise its educational programs with the inclusion of new provisions in line with changed context.

- 12.39 In the Academic year 2008/09, 3624 students in 6 constituent campuses and 513 students in 14 affiliated campuses of KU with a total of 8,737 students were studying. During the same Academic Year, the University provided scholarship to diligent and economically poor students where 225 from KU and 460 from its affiliated campuses with at total 685 students received scholarship. This is 7.9 percent of its total number of students.
- 12.40 Of the 1150, 125, 20, and 30 students admitted in Science and Technology at undergraduate, graduate, M. Phil and Ph.D programs under KU, 232, 27, 5, and 1 of those students completed the programs respectively. Likewise, of the 1093, 266, 13 students admitted in Management faculty at undergraduate, graduate and M.Phil programs, 204 and 146 students have completed their respective programs. Similarly, of the 92, 131, 130 and 28 students admitted in Education faculty at undergraduate, graduate, M.Phil and Ph.D programs, 9, 25, 12 and 1 students have completed their respective programs. Likewise, in the humanity faculty, of the 669, 55, and 4 students admitted at undergraduate, graduate and Ph.D programs, 84 and 7 students have completed undergraduate and graduate programs respectively. Similarly, of the 4597 and 347 students admitted at undergraduate and graduate programs in health sciences, 642 and 88 have passed their respective programs.

### **Purbanchal University**

- 12.41 Purbanchal University (PU) was established under the legislative provisions of Purbanchal University Act, 1993 for enhancing quality of education, and running higher level teaching institutions with different faculties such as Arts, Science, Law, Management, Education, and Technology etc by developing healthy educational infrastructures. The university has been giving priority to the education oriented towards employment, research, technology and village development health

education related subjects by establishing and developing other campuses under this University. And as a result, the university is gaining attraction due to the technical and vocational education offered by the university and other modern education related subjects to enable the students to compete globally. Thus, the university, within the short span of its establishment, has been providing quality education of international standard by running various time relevant educational programs so as to meet the demand of the country and to produce human resource of high quality. Likewise, the university has maintained academic relation with other universities.

- 12.42 The university has conducted educational programs in more than 62 subjects under the faculties of science and technology, management, education, arts, law and medical science so far and produced 222 master level and 1978 bachelor level technical and professional manpower in the fiscal year 2008/09. A total of 15,541 students are studying in 3 sister and 81 affiliated campuses/colleges of PU including 647 at sister and 14,894 at affiliated campuses. This number is expected to reach 18,000 by the end of the current academic year 2009/10. Following the University's Board /Council decision, process is underway since FY2007/08 to run MBBS classes at Gothgaon, Morang by utilizing a number of buildings constructed there. Arrangements have been made to provide Full Subsidy Tuition Fee and Partial Subsidy Tuition Fee to poor, talented, Dalits, women and marginalized students under the program. The details of enrolled and produced human resource in the different academic years are as follows:

**Table 12 (s): Student Enrollment/Production Status of Purbanchal University**

S · N	Faculty	2004/05		2005/06		2006/07		2007/08		2008/09	
		Enrol	Pass	Enrol	pass	Enrol	pass	Enrol	pass	Enrol	pass
1	Science and Technology	2588	328	3012	500	3958	367	4575	303	4646	476
	Bachelor	2544	328	2875	477	3767	359	4399	254	4618	431
	Master	44	-	137	23	191	8	176	49	18	45

2	Management	1978	198	2412	195	3684	22	4026	341	4078	459
	Bachelor	1710	177	1989	135	2971	-	3264	320	3719	362
	Master	268	21	423	55	713	22	762	21	359	97
3	Education	1218	344	1436	254	2293	36	3013	286	2469	767
	Bachelor	1067	344	1328	242	2092	-	2825	270	3354	687
	Master	151	-	108	12	201	36	188	16	115	80
4	Humanities	720	113	957	162	1319	187	1228	130	719	154
	Bachelor	600	88	708	139	971	147	929	99	583	116
	Master	120	25	249	23	348	40	299	31	136	38
5	Law	200	2	282	29	399	-	377	35	343	57
	Bachelor	128	-	178	18	237	-	252	21	219	40
	Master	72	2	104	11	162	-	125	14	124	17
6	Medical	-	71	656	136	1158	134	1659	157	2286	342
	Bachelor	-	71	656	136	1158	134	1657	157	2286	342
	Master	-	-	-	-	-	-	-	-	-	-
<b>Bachelor Total</b>			6,049	1,008	7,734	1,147	11,196	640	13,328	14,779	19,78
<b>Master Total</b>			655	48	1,021	124	1,615	106	1550	762	277
<b>Grand Total</b>			6,704	1,056	8,755	1,271	12,811	746	14,878	15,541	2,255

Source: Purbanchal University

## Nepal Sanskrit University

12.43 Nepal Sanskrit University was established in 2043 (1987) under the statutory provisions of Nepal Sanskrit University Act, 1987, as the 2nd university of the nation with the goal of modernizing Sanskrit language and education as well as to preserve the essence, norms and values of Sanskrit language. The Head Office of this university is located at Beljhundi

of Dang district in the Mid-western Development Region of Nepal. There are 18 constituent and 12 affiliated campuses under this University through which Uttarmadhyama, Sanskrit Madhyama, Science, Ayurveda, Education, Ph. D programs are being run and various training programs concerning rituals (Karmakanda), yog, Sanskrit language and researches are being conducted as well. The target set for the fiscal year 2008/09 to admit 4,201 students in above mentioned educational programs, 5,446 students were admitted in the said programs. In the academic year 2008, 219 in Uttarmadhyama, 91 in Shastri, 56 in Acharya with a total of 366 students passed the levels. Likewise, 127 students passed Ayurveda Uttarmadhyama, 19 passed Yoga while 326 passed Sanskrit Language Training programs. The University has carried out educational programs such as Pracharya conference, workshops and research technology seminar, improvisation of compulsory and Optional English curriculum.

- 12.44 Concerning the scholarship program of the University, there are programs to grant scholarships to a total of 1,370 students from Uttarmadhyama, Shastri, and Acharya levels including 475 girl students, 270 Dalits and Janajatis and 625 other students as per their levels. In addition to this, the University has been providing food and lodging to 111 students in Tindhara Sanskrit hostel while 54 students of Yajnyabalka Laxminarayan Vidhyapeeth have been provided the same through the Nepal Guthi Sansthan (The Trust Corporation). Likewise, continuity has been given to the facility provided to Dalits, women, disabled and people injured in people's movement.
- 12.45 During the fiscal year 2008/09, teaching buildings, hostels, teachers' quarters of the campuses and Bidhyapith under this university were constructed and the old infrastructures were maintained and renovated. Likewise, some of the infrastructure improvement works such as wall construction, shop shutters, guesthouse, botanical garden, gravel roads were completed while some of these works remained to be completed. Similarly, until the mid February of the current fiscal year 2009/10, teaching and training seminar, workshop, writing and publication of teaching materials are being carried out as per the set programs. Likewise, educational program was implemented with the subsequent development of curriculum on English subject and account seminar and examination workshop so as to upgrade examinations were conducted during the same period. The total enrolment details of students studying at different levels



in various campuses/Vidyapiths under the University during the fiscal year 2008/09 are as follows:

**Table 12 (t): Student Enrollment in Nepal Sanskrit University (FY 2008/09)**

<i>S. N.</i>	<i>School Name</i>	<i>Uttar- Madhyama Year II &amp; II</i>	<i>Uttar- Madhyama Science+Ayur veda Years I/ II/III</i>	<i>Shastri Year I/ II / III</i>	<i>hastri Education</i>	<i>Acharya Years I/II/III</i>	<i>Others</i>	<i>Total</i>
1	Balmiki College	601	-	270	-	275	-	1146
2	Janta College	149	113	42	90	-	-	394
3	Pindeshwor College	169	-	71	-	21	-	261
4	University College	-	-	-	-	72	-	72
5	Bindubasini Sanskrit College	66	-	48	-	-	-	114
6	B.P Sanskrit College	65	-	-	-	-	-	65
7	Bhanu Sanskrit College	15	-	-	-	-	-	15
8	YBLNS College	104	-	50	-	-	-	154
9	Ruru Sanskrit College	106	-	44	-	-	-	150
10	Sharda College	44	-	21	131	-	-	196
11	Hajarijank Sanskrit	131	-	34	-	-	-	165

S. N.	School Name	Uttar-Madhyama Year II & II	Uttar-Madhyama Science+Ayurveda Years I/II/III	Shastri Year I/II/III	Shastri Education	Acharya Years I/II/III	Others	Total
	College							
12	Harihar Sanskrit College	17	-	-	-	-	-	17
13	Mahesh Sanskrit Gurukulam College	27	-	15	-	5	-	47
14	Radha Damodar Sanskrit College	40	-	-	-	-	-	40
15	Kalika Sanskrit College	34	-	-	-	-	-	34
16	Sanskrit College, Dharan	4	-	-	-	-	-	4
17	Saraswati Sanskrit College, Manigram	23	-	-	-	-	-	23
18	One year education Program (Ranipokhari Kathmandu)	-	-	-	171	-	-	171
<b>One-Year Affiliated Education Program</b>								
1	Lumbini Brihaspati	-	-	-	-	-	-	

S. N.	School Name	Uttar-Madhyama Year II & II	Uttar-Madhyama Science+Ayurveda Years I/II/III	Shastri Year I/II/III	Shastri Education	Acharya Years I/II/III	Others	Total
	College							
2	Active Academy College Kathmandu	-	-	-	-	-	-	
3	Panchthar Campus	-	-	-	44	-	-	44
4	Banepa Campus	-	-	-	38	-	-	38
5	Kapilvastu Campus	-	22	-	70	-	-	92
6	Multiple college Attaria	-	-	-	-	-	-	-
<b>Affiliated Ayurveda College (BAMS)</b>								
1	Mithila Ayurveda and Research Centre, Janakpur	-	-	38	-	-	-	38
<b>Affiliated Ayurveda Uttarmadhyama</b>								
1	Janak Ayurved College, Janakpur	-	47	-	-	-	-	47
2	Uttar Dhanwattari Ayurveda college, Gaur	-	27	-	-	-	-	27

S. N.	School Name	Uttar-Madhyama Year II & II	Uttar-Madhyama Science+Ayurveda Years I/II/III	Shastri Year I/II/III	Shastri Education	Acharya Years I/II/III	Others	Total
3	Jagdamba Ayurved campus, Gaur	-	9	-	-	-	-	9
4	IHR Development, Jankakpur	-	5	-	-	-	-	5
5	Nikhil Ayurveda College, Pokhara	-	33	-	-	-	-	33
<b>Others</b>								
1	Karmakanda (religious rites) Training	-	-	-	-	-	-	-
2	Yoga Training	-	-	-	-	-	30	30
3	Sanskrit Language Training	-	-	-	-	-	1897	1897
4	Research	-	-	-	-	-	108	108
	<b>Total</b>	<b>1595</b>	<b>256</b>	<b>633</b>	<b>544</b>	<b>373</b>	<b>2035</b>	<b>5436</b>

Source: Nepal Sanskrit University

## Pokhara University

12.46 Pokhara University was established in 1998 under the statutory provisions of Pokhara University Act, 1997 and strives for producing the highly skilled human resource through extension of private sector's participation. Earlier, the university had focused on the expansion of affiliated campuses. As a result, very few programs were conducted in its constituent campuses with most of the activities conducted in affiliated campuses. Now it has adopted a policy of expanding its activities between both the constituent and

affiliated campuses. All of its educational activities are being conducted in its newly constructed Academy Hall at Khudi Dhungepatan of Lekhnath municipality of Pokhara since the academic year 2007/08. Among its educational programs, the university apparently focuses more on the technical programs. At present, the University runs 4 constituent school/campuses and 46 affiliated college/campuses. Of the 23 affiliated campuses, there are 25 colleges in The Central Region; 14 in the Western Region; and 3 Mid-Western Region, and 4 in the Far Western Region. It has been running Bachelor, Master Phil and M. Phil level classes through its 3 faculties, i.e., Science and Technology, Management and Humanities, and Social Sciences.

- 12.47 There were 788 students enrolled in its constituent campuses and 12,383 in its affiliated campuses totaling 13,171 students in the academic year 2009. The total number of University graduates has been 1,042 in the same academic year with 480 from the faculty of science and technology, 532 from Management and 30 from the Humanities and Social Science. There were 38 educational programs conducted by university's constituent and affiliated campuses during this academic year. It also conducted bachelor Level programs in Civil Engineering, Electrical and Electronics Engineering by establishing Engineering College in the same period. Similarly, university has conducted Bachelor in nursing program through its Health Science Institute. The Table below shows the number of students studying in different constituent and affiliated campuses of Pokhara University in the academic year 2009/10.

**Table 12 (u): Student Studying at Pokhara University in Academic Year 2008/09**

<i>Subject</i>	<i>Bachelor</i>		<i>Master</i>		<i>M. Phil</i>		<i>Total</i>	
	Constitu ent	Affiliated	Constitu ent	Affiliated	Consti tuent	Affiliated	Constit uent	Affiliated
<i>Science and Technology</i>	405	4383	-	239	-	-	405	4622
<i>Management</i>	280	6817	69	864	-	-	349	7681
<i>Humanities</i>	-	-	34	36	-	44	34	80
<i>Total</i>	685	11200	103	1139	-	44	788	12383
<b>Grand Net</b>	11885	-	1242	-	44		13171	-

Total								
-------	--	--	--	--	--	--	--	--

Note: Engineering Course is also included in the faculty of Science and Technology

Source: Pokhara University

- 12.48 Arrangements have been made to provide scholarships by constituent colleges/schools and affiliated colleges since FY2006/07 and for this the university has formulated regulations. Currently, constituent colleges of the university extend 5 percent and affiliated colleges 20 percent scholarships of the approved student numbers through set standard-based national competition. Out of the available number of scholarships, 60 percent is open and 40 percent is reserved for making inclusive to groups like Dalits, Janajatis (Ethnics), backward people, Disabled, and Conflict and People's Movement affected people. In all these scholarships, 50 percent is reserved for women. In FY2009/10, 254 students at bachelor level and 18 students at post graduate level have been granted such scholarships. Details of scholarships provided by the university are shown in the following table:

**Table 12 (v): Scholarship Awarded by Pokhara University**

**(Academic Years 2008/09 and 2009/10)**

<i>Program</i>	<i>Bachelor</i>				<i>Master</i>			
	2008/09		2009/10		2008/09		2009/10	
	Constituent	Affiliated	Constituent	Affiliated	Constituent	Affiliated	Constituent	Affiliated
<i>Science &amp; Technology</i>	15	49	46	76	-	10	-	10
<i>Management</i>	12	16	31	101	1	-	6	2
<i>Humanities &amp; Sociology</i>	-	-	-	-	6	-	-	-
<i>Total</i>	27	65	77	177	7	10	6	12
<b>Grand Total</b>	<b>92</b>		<b>254</b>		<b>17</b>		<b>18</b>	

Source: Pokhara University

- 12.49 With the concept of Greater Pokhara, and to contribute in developing it as a centre for higher education, the University's Head Office and schools are concentrated at Lekhnath Municipality. In pursuance of the 3-Year Interim Plan of the Government of Nepal of developing Pokhara as a centre for Educational Tourism as well as a Center for Medical Tourism, the University has formulated its plans as envisaged in the Plan document. Pokhara University has signed an agreement in March 2008 with University Grant Commission for a sub-project under Nepal Government's policy for higher education. The new policy aims at Public-Private Partnership for cost sharing and criteria based grant to universities.
- 12.50 Affiliated campuses are located in Kathmandu valley, Pokhara, Bharatpur, Gaidakot, Butwal, Bhairahawa, Dang, Nepalgunj, Dhangadhi and Mahendranagar. The University has been focusing more on the extension of constituent programs than those of affiliated programs. Likewise, the University has adopted a policy to extend its programs to all five development regions of the country in the days to come. Similarly, the University has set target to establish the faculty of health science in order to run various programs related to health science. In addition to this, the

university has formulated plans and programs so as to run mountain environment and natural resource management campuses, Herbal Research Centre and sports colleges.

### **BP Koirala Institute of Health Science**

- 12.51 The institute that was established in 1999 in Dharan of Sunsari District with the technical and financial assistance of the Government of India stands as higher educational institute on a par with University and produces medical doctors and nurses. At present, the institute has 1,070 students.

### **National Academy of Medical Science (Bir Hospital)**

- 12.52 National Academy of Medical Science was established in 2002 with a view to produce skilled medical doctors and nurses by developing it as a higher educational institute as the University keeping the Bir Hospital at the Center. At present, the Academy has 203 students, 42 teachers and 13 employees.

### **Health Sector**

- 12.53 The interim Constitution, 2007 has made a provision for free-of-cost medical services a fundamental right. It has formed the basis for development and implementation of health policy and programs to make quality health services easily accessible to the people. As such, a number of health programs and projects are in operation under the Ministry of Health and Population with the assistance of international donor agencies like WHO, UNFPA, UNDP, UNICEF, World Bank, DFID, USAID, AusAid, JICA, GTZ, SDC, KfW, the Netherlands, Norway, GAVI, Global Fund etc. Satisfactory achievements are made in the area of child mortality decrease from 43 per thousand live births in 1996 to 14, and maternal mortality of 539 to 281 per 100,000. Similarly, notable achievement is made in controlling HIV/AIDS and Kala ajar (black fever). Following are the ongoing programs/projects under the Ministry.

### **TB Program**

- 12.54 Continuity to given to programs like identification of possible TB patients and their free treatment, treatment through DOTs technology, awareness raising through various means of publicity and information dissemination, and training the health workers.



## **Family Planning, Safer Motherhood, and Female Volunteer Health Workers Program:**

12.55 In the Fiscal Year 2008/09, 555,457 persons were provided with contraceptives while 77,675 persons received permanent sterilization service, making total number of family planning service users 2,219,392 (41.58%) in pursuance to the perspective health plan of bringing the population growth rate to the replacement level, and maternal mortality rate to 134 per 100,000 live births. Similarly, 2,600 persons received orientation on reproductive health. Likewise, towards the safe motherhood program, 679,421 (67.5%) were provided first time pre-natal service, while 379,571 (37.7%) received fourth pre-natal service. In addition, of the 317,985 (31.9%) women who received free delivery services from trained health workers, 173,525 (17.23%) women were provided safe service through health institutes. Similarly, 172,879 (99.6%) received free delivery service together with travel expenses under safe motherhood program. Safe delivery services at home were provided to 144,460 (14.35%) while 376,852 (37.42%) women were provided post-natal services. Similarly, 305 Rickshaws and 2000 stretchers as targeted were procured in order to maximize these services. Likewise, 83,978 women received safe abortion and post-natal services. 50 camps were conducted for screening of women's pro-lapses and placing ring on them. The fund of Rs. 50, 000 was raised to motivate women volunteer health workers in the previous fiscal year while this fund will be increased by 10 percent in the current fiscal year. Likewise, of the target to carry out medical operations of 8,000 prolapsed patients through screening camps in 750 different places including zonal, regional and central hospitals and camps, operations of 2,751 such patients have been carried out so far through 4,301 screening camps.

## **National Public health Laboratory Programme**

12.56 Bacteriology Lab Services in 15 districts/Zonal hospitals, Biochemistry Services in 15 primary health centers, district/ zonal hospitals and Laboratory services in 20 new hospitals/primary health centers were established and extended in FY 2008/09 and 150 midwives/ village health workers were provided laboratory related trainings. Likewise, until mid February of the current FY 2009/10, lab software was developed and operated in all branches of laboratories, one cold room constructed, 85 health institution's lab monitored and evaluated and private medical

centers were also monitored. Similarly, 60 midwives and village health workers were provided laboratory related basic training.

### **Extended Vaccination and National Polio Vaccine Program**

12.57 In FY 2008/09, the Extended Vaccination and Polio Vaccine Program that was implemented with the objective of reducing infant mortality rate, 641,525 (84.9%) children below one year were vaccinated against BCG, 612,823 (81.23%) children with DPT and Hepatitis B (triple dose), and 611,019 (80.9%) children against polio (triple dose) and 568,871 (75.3%) children vaccinated against Measles. Similarly, 357,573 women were vaccinated against Tetanus, and vaccination program against polio was carried out in 24 different districts of the country. Similarly, vaccination program against encephalitis was conducted in seven different districts of the country from which 350,000 children under one year and more than 300,000 pregnant women were made safe against the disease. Likewise, under the nutrition program, School Health and Nutrition Project Pilot were carried out in 2 districts while 733,161 (72.8%) persons were given treatment against anemia, 3,055,000 (95.5%) children under five years of age were provided treatment against worms, 3,432,421 (92.8%) persons were distributed vitamin A capsules. Likewise, the diarrhea and integrated child disease program that has been in operation since FY 1998/99 with the objective of reducing the disease and mortality rate of children below five years of age were conducted in all districts of the country. As per the target set by the child health program in FY 2009/10, 2,500 copies of books on vaccination were printed, 20 cold-chain assistants and employees at sub-center were provided trainings, 149,239 vials BCG, 24,914 vials TT vaccines, 187,668 vials polio OPV, and 894,145 vials JE vaccines were purchased while vaccine management trainings were provided three times and 60 health workers were provided CBIMCI training and IMCI maintenance activities were conducted with the procurement of 15,000 timers.

### **Epidemiology, Eradication of Malaria, Black Fever and Natural Calamity**

#### **Outbreak Management Program**

12.58 Continuity has been given in FY 2009/10 to programs for control of communicable diseases and parasitic epidemics like Malaria and Black fever as well as management of diseases resulting from natural calamities. Besides, surveillance of communicable diseases was carried out, pesticides were sprayed and bed nets distributed for the control of Filarial, Malaria,

and Black fever and necessary arrangements were made for bird-flue control. Likewise, vaccination service was provided to control Rabies and victims of snakebites as required.

### **'Build New Nepal' Program**

- 12.59 Free treatment services with the slogan “Free treatment for all” which were provided initially through health posts and sub-health posts from 15 January, 2008 were also provided through the health institutions with facilities similar to 25 bed district hospitals under 'Build New Nepal' program throughout the country in FY 2007/08 as well. Similarly, free delivery services were also provided through government health institutions. In this program to provide free treatment of heart and kidney to children below 15 years and senior citizens (of the indigenous people in danger of extinction) above 75 years, 10,446,000 patients visiting health posts and sub health posts and about 1,876,000 patients including children, senior citizens (in danger of extinction) received such free treatment services. Likewise, treatment facility against cancer is being made available from Suresh Wagle Memorial Centre the TU Teaching Hospital, and construction of an 'Intensive Care Unit' is underway at RamBrikchhya Yadav Memorial Hospital Intensive Care Unit at the Zonal Hospital Janakpur. "Free treatment for all" programs is being continuing in FY 2009/10 extending primary health services to district level.

### **National Population Program**

- 12.60 In FY 2008/09, workshops on population management were held at local levels in 10 districts together with the orientation program for students on population related consultation services. Likewise, assessment of Youth Information Center has been started in the districts of population management program and survey on youth and adults is going on. Similarly, study on Missing Girls carried out and demographic report published. In the FY 2009/10, programs such as implementation of Population Management Program in 35 more districts, establishment of District Population Information Center, Friend Education program for youths, boys and girls information and consultation program are in operation.

### **National Health Education, Information, and Communication (EIC) Program**

- 12.61 In the Fiscal Year 2009/10, programs such as providing awareness raising and useful messages dissemination to the public through media (TV, Radio,

Press) and Non-Government Organizations on both communicable and non-communicable diseases, causes of communicable diseases, prevention measures, reproductive health and health concerned important matters are given continuity as in the past.

### **Social Security Program**

12.62 Free emergency and in-patient services were provided through all the hospitals up to 25 bed capacities and health centers of the country in FY 2008/09 of which were 830,677 poor and backward people, 24,163 disabled, 113,029 elderly (senior citizens) and 53,939 female health workers received the benefits. Likewise, 10,446,361 service recipients have received free health services from health posts and sub health posts. Similarly, five specialized health camps were conducted and pregnant women were provided 24 hour delivery services (CEOC) in eight districts including Panchthar, Sankhuwasabha, Siraha, Gulmi, Dailekh, Pyuthan, Jumla and Accham. Directives were issued in order to provide free health services to pro-lapse patients and with the same spirit, the government of Nepal had provided transport expenses and other free health services to motivate women to have surgical treatment of pro-lapses. Likewise, 1918 women had surgical treatments with ring-pacery placement. A total of 21 various free health camps including 15 on uterian pro-lapse, four specialized and two others and 17 eye donation camps were conducted. Similarly, a total of 580 children under 15 years and 55 senior citizens above 75 years were provided free open heart surgery treatment. In addition to this, a total of 73,633 senior citizens who were not able to receive free treatment at local levels were provided Rs. 500 to each such citizen from within the district and Rs. 1,000-2,000 to each such person from outside the district.

### **National AIDS and Sexually Transmitted Disease Control Program**

12.63 Various communication media (printing press and electronic media) were used to create awareness against HIV/AIDS and other Sexually Transmitted Diseases (STDs), health workers were imparted trainings on relevant subjects in the fiscal year 2009/10. Similarly, precautionary programs were also given continuity in this fiscal year as in the previous fiscal years so as to prevent children from the transmission of HIV viruses through HIV infected mothers.

### **Ayurvedic Health Service**

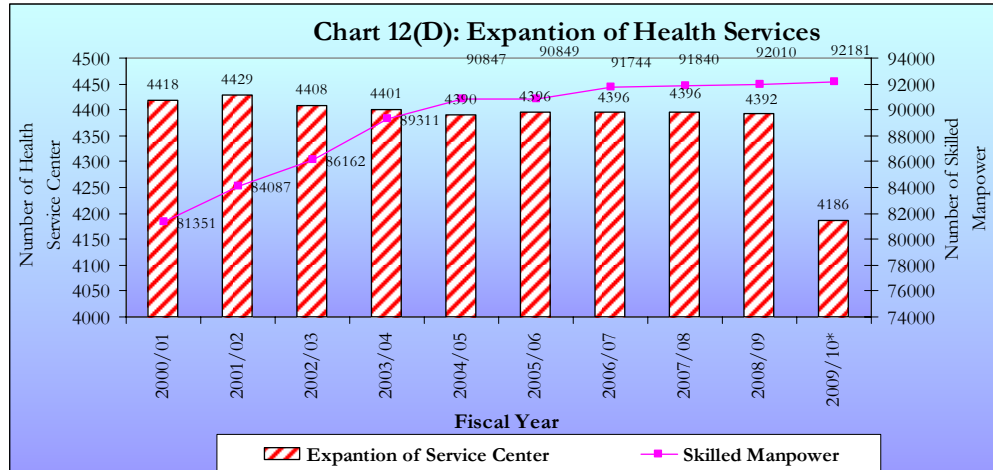
12.64 Programs for consultation and treatment through Ayurvedic, Yunani and Homeopathic methods were also given continuity in FY 2007/08. As before, collection of medicinal herbs by Naradevi Ayurveda Hospital and Singha Durbar Vaidyakhana Hospital continued the work of collecting herbs and manufacturing of varieties of (Kasthadi, Rasadi, and Tailadi) medicines in FY 2007/08 as well. The Department of Ayurveda has been ensuring regular supplies of necessary equipment and medicines for the development of Ayurvedic Institutions. Ayurved Health workers conducted health checkups of 900,217 people including 166,540 children. During the same period, 63 Ayurved Health Centers and medical buildings and compound walls were constructed, repaired and maintained, Ayurved Bhaishajya Sanhita (Codes) prepared, 6 Ayurved health camps conducted, and senior citizens of the entire country were provided free Ayurvedic health services. In the FY 2009/10, district heads of Ayurvedic institutions were provided orientation training on program operation, 35 Kabiraj were provided Panchkarma/ yog related trainings and 400 traditional health workers, Dhami, Jhankri, Lama, Amchi were discussed on Ayurved services. Likewise, free Ayurved camps one in each district were conducted in all districts and model herbarium garden was brought in an operation and specialized camp on pro-lapse as well as Katisnan, Basti and Yoga for controlling anal diseases was conducted once. Similarly, in the current fiscal year, senior citizens were provided free health treatment, promotional Panchakarma /chemical/yog related trainings in 33 districts.

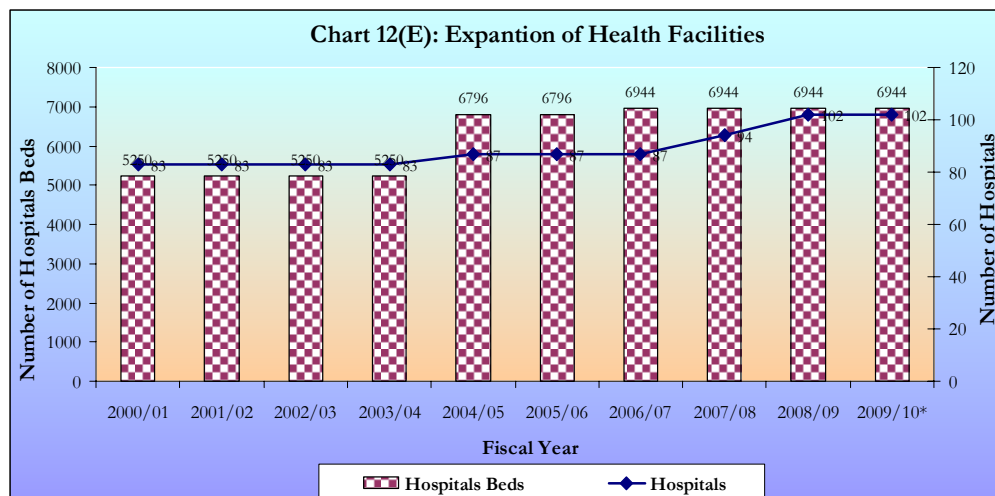
### **Human Resource Development, Studies and Researches**

12.65 During FY 2008/09, 10,995 health workers were imparted with various types of health related trainings. Infrastructure for training on Still Birth Attendance (SBA) in 9 places was developed while site for Comprehensive Abortion Care (CAC) training extended in 2 places. Likewise, research works on 6 projects such as free health services, safe motherhood program, communicable disease, traditional medicines, disease burden and non-communicable disease (NCD) were carried out.

### **Extension of Health Services**

12.66 By the first eight months of the fiscal year 2009/10, health services are availed through 4,186 health institutions comprising 102 hospitals, 1,176 health posts, 291 Ayurved clinics, 2,617 sub-health posts, and 207 health centers and primary health centers. Besides, on health service facilities 6,944 hospital beds facility, and 92,181 human resources is engaged.





## Nepal Medical Council

12.67 Nepal Medical Council formed under Nepal Medical Council Act, 2020 (1964), registers doctors completing medical degree/diploma courses from within and outside Nepal and issues approval for opening and operation of medical/dental colleges based on their levels of services in accordance with prevailing laws of the country. In addition, the Council approves admissions and running of institutions established for providing medical education. The Council also determines minimum qualifications required for studying Degree/Diploma in Medical Science and takes actions against those physicians or Medical/Dental colleges in case they violate the Council's regulations. It checks and discourages illegal operation of medical services. The Council regularly conducts Licensing Examinations, conducts investigations on various complaints and applications related to general medical practices, and issues temporary license to foreign nationals upon examination of their qualification.

### Types and Processes of Registration:

<i>Registration on Probation</i>	<i>Temporary Registration</i>	<i>Permanent Registration</i>	<i>Consultant Registration</i>	<i>Registration of Foreign National</i>
<i>One-year Probation Registration is issued upon passing of Diploma in</i>	Upon completion of Internship (now competition of 9-month of internship) The Council conducts	Permanent license is issued upon receipt of application with recommendation to have served in any hospital or health	Consultant Registration Certificate is issued to those who have gained	Foreign national Doctors, who studied abroad are interviewed (based on their testimonials,

<i>Registration on Probation</i>	<i>Temporary Registration</i>	<i>Permanent Registration</i>	<i>Consultant Registration</i>	<i>Registration of Foreign National</i>
<i>Medical Science (MBBS/CDS). Completion of one-year Internship is necessary within the licensed period.</i>	written examination for Registration, and only those successful in examination are eligible for temporary registration. The license is issued for two years.	institution, which becomes permanent license.	expertise upon acquisition of higher degree in Medical Science.	experience, visa, passport, institution involved etc.) and issued a temporary license. Such license remains valid for a year only.

<i>Number of Doctors Registered with the Council in FY 2009/10</i>				
<i>1,060 persons</i>	827 persons	545 persons	141 persons	411 persons
<i>Total Number Registered till date</i>				
<i>9979 persons</i>	9,610 person (temporary & permanent)	1700 persons	4357 persons	

Licensing Examinations were held twice in the fiscal year 2009/10, first in October 2009 and second in February, 2010. Eligibility Certificates were awarded to 1,136 medical students so far for them to study in foreign countries after examining their qualification.

### **Nepal Medical Council recognized Medical Colleges**

12.68 Medical Colleges recognized by the Nepal Medical Council towards the MBBS Program are: TU Institute of Medicine Maharajgunj; Manipal College of Medical Science, Pokhara; Bharatpur Medical College, Chitwan; Nepal Medical College, Jorpati; Kathmandu Medical College, Sinamangal. Other medical colleges in this category are Nepalgunj Medical College, Nepalgunj; Kathmandu University School of Medical Science, Kavre; National Medical College, Birgunj; Janaki Medical College, Janakpur; Nobel Medical College, Biratnagar; Kist Medical College, Gwarkho; Lumbini



Medical College and Research Center, Palpa, Chitwan Medical College, Chitwan and Patan Academy of Health Sciences, Lalitpur. In addition, Council recognized such colleges towards both MBBS and BDS programs are: BP Koirala Institute of Health Sciences, Dharan and Universal College of Medical Science, Bhairahawa. Likewise, towards the BDS Program: Peoples' Dental College, Nayabazaar; MB Kedia Dental College, Birgunj and Kantipur Dental College, Basundhara are in operation while National Academy of Medical Science, Bir Hospital has been running graduate programs.

### Medical Experts Registered with Nepal Medical Council

12.69 A total of 1634 Medical Expert (Consultants) have been registered with Nepal Medical Council by December 2009 as descriptions given below:

**Table 12 (w): Medical Specialist registered with Nepal Medical Council**

S.No.	Subject	Male	Female	Total
1	General Practice	65	18	83
2	E.N.T	43	10	53
3	Psychiatry	32	4	36
4	Anaesthesiology	73	24	97
5	Radiology and Imaging	73	9	82
6	Paediatrics	117	39	156
7	Nephrology	3	3	6
8	Master in Dental Surgery(MDS)	35	19	54
9	T.B and Respiratory	7	1	8
10	Community Medicine Public Health	24	9	33
11	Pharmacology	9	0	9

12	Obs+Gynae	62	140	202
13	M.S (General Surgery)	189	10	199
14	Orthopaedics	131	1	132
15	Cardiology	60	4	64
16	Ophthalmology	54	35	89
17	Internal Medicine	144	13	157
18	Clinical Pathology	31	27	58
19	Dermatology + Venereology	34	19	53
20	Neurology	11	2	13
21	Gastroenterology	11	1	12
22	Urology	13	0	13
23	Surgical Oncology	14	0	14
24	Forensic Medicine	4	0	4
25	Microbiology	2	2	4
26	Nuclear Medicine	3	0	3
		<b>1244</b>	<b>390</b>	<b>1634</b>

## Local Development

12.70 Ministry of Local Development has been playing key roles and responsibilities in formulating and implementing policies on local development and decentralization; maintaining coordination among the local bodies; formulation of policy and programs on remote areas and rural development; monitoring and evaluation; registration of vital statistics; social security, inclusive development and infrastructure development at local levels. To implement those policies and programs effectively, a number of agencies including 75 District Development Committees; 58 municipalities; 3,915 Village Development Committees; Department of Local infrastructure Development and Agricultural Roads; and various

Commissions, Committees, Academies, projects/ programs are actively engaged in their own working areas.

**Box 12(c): Major Legislative arrangements adopted by the Ministry of Local Development  
in the Current Fiscal Year 2009/10**

- ★ Local Self-Governance Regulation, 1999 (Fourth Amendment) is under implementation;
- ★ Following bills have been endorsed by Council of Ministers and Submitted to the Legislative Parliament;
  - ✧ Bills, 2009 for Waster Management;
  - ✧ Bills, 2009 for the establishment of National *Dalits* Rights Commission
- ★ Bills, 2009 to curb racial discrimination and untouchability practice and to impose penalties and fines against those practices
- ★ Following Guidelines and Working Procedures have been endorsed and implemented:
  - ✧ District Development Committee Grants Operation Procedures, 2009;
  - ✧ Village Development Committee Grants Operation Procedures, 2009;
  - ✧ People's Participation based Development Program Operation Procedure, 2009;
  - ✧ Non-Government Organization's Selection Procedure ,2009;
  - ✧ The Minimum Conditions and Performance Measurements Procedures of Municipalities, 2009;
  - ✧ The Minimum Conditions Procedures of VDCs, 2009;
  - ✧ Evaluation Procedures to ensure the Minimum Conditions and Performance Measurement works of Local Bodies, 2009;
  - ✧ Social Mobilization Procedures/ Manual, 2009;
  - ✧ Additional Grants Operation Manual for DDC, Municipality and VDC, 2009; Operating Guidelines,
  - ✧ Subject-wise conditional grants to be made available to the devolved bodies Guideline, 2009;
  - ✧ Local Bodies Information, Education and Communication Program Operation Manual, 2009;
  - ✧ Environment improvement and Social security and Environmental Protection Program Implementation Grants Operation Procedures, 2009;
  - ✧ Capacity Building Grant Operation Guidelines, 2009 for *Dalits* Upliftment

District Coordination Committee and Ethnic Upliftment District Coordination Committee;

- ✧ Local Bodies Capacity Building Program Manual, 2009;
- ✧ Social Mobilization and Microfinance Manual, 2004( First Amendment, 2009);
- ✧ Support Organization (NGO) selection Procedure, 2006 for Social Mobilization (First Amendment, 2009)
- ✧ Suspension Bridge Sector Program Implementation Guidelines, 2009
- ✧ Rural Transport Infrastructure Sector Program Implementation Guidelines, 2009
- ✧ Agricultural and Local Roads (Local Transport Infrastructure Sector Program) Implementation Guidelines, 2007 (First Amendment 2009)

## **Programs implemented by Ministry of Local Development and its Entities**

### **Infrastructure Development**

#### **Rural Access Improvement and Decentralization Project**

12.71 This World Bank assisted project is under implementation in 30 districts in road sector while suspension bridge project is being implemented in 28 districts with objectives of building all-weather roads at the local level, carry out repair and maintenance of rural roads, build, repair, and maintain community infrastructure and transport service. Construction of 256 Km all-weather road, 17 km seasonal road, and 150 km rural road were repaired and maintained and 34 suspension bridges were built under the project in FY 2008/09. Of the target to complete the construction of 107 km all-weather road in the current fiscal year, construction of 55 km all-weather road, 5 km seasonal road and 9 suspension bridges have been completed so far.

#### **Rural Reconstruction and Rehabilitation Program**

12.72 This ADB, SDC and DFID supported program was launched in FY 2007/08 with the objective of raising rural people's standard of living by developing local infrastructure and enhancing their access to market. In the fiscal year 2008/09, feasibility study, detail survey, design and environmental study were carried out for the construction and upgrading of rural roads in 20 districts. Likewise, construction and improvement of 38 drinking water sub-projects were carried out in 38 districts subsequent to the feasibility study, detail survey and design. Similarly, procurement of consultant's

service and District Implementation Support Team was completed. Of the target to carryout feasibility study and detail engineering survey design of 800 km rural road in the current fiscal year 2009/10, design of 368 km road complete so far. Similarly, of the target set to construct 20 motorable bridges, survey of 13 is complete while survey design of the rest of such bridges is underway. Of the selected drinking water and sanitation sub-projects, 90 of them are complete while 72 suspension bridges of the total 90 targeted such bridges are under construction in sequential order.

### **District Road Support Program**

- 12.73 District Road Support Program, which has been in operation with the support of Nepal and Swiss Governments in 6 districts since 2002, aims mainly at building rural road infrastructures through the construction, repair and maintenance of local infrastructures. In FY 2007/08, construction of 15 Km rural road, regular repair and maintenance of 100 Km, periodic maintenance of 102 Km, reconstruction of 25 Km road have been completed. Social enhancement activities were also done in the program areas during the same fiscal year. Similarly, construction of 9.5 Km new road, regular maintenance of 34 Km, rehabilitation of 4Km, and periodic repair and maintenance of 25 were carried out during the FY 2009/10.

### **Rural Community Infrastructure Development Program**

- 12.74 This program is ongoing in 21 districts with the financial support of World Bank (WB), World Food program (WFP) and Government of Nepal. The main objective of this program is to enhance self-reliant capacity of rural poor by improving the food security situation in the poor families of rural communities. Of the target set for FY 2008/09 to construct 125Km rural roads, 104 Km road is complete so far while 5,610.25 MT of rice has been distributed to the laborers against the target to distribute 6450 MT food during the same fiscal year. Construction works are underway as per the target set to construct 62.5 Km rural road for the current fiscal year 2009/10.

### **Decentralized Rural Infrastructure and Livelihood Support Project**

- 12.75 This project is in operation in 18 districts since FY 2005/06 with the loan assistance of Asian Development Bank (ADB). Objectives of this project are to develop socio-economic infrastructure in the rural sector, expand road transportation network, conduct rural employment activities, and build

local level's institutional capacity. During FY 2008/09, detail survey and design of 160Km road, construction of 112 Km new road and rehabilitation and upgrading of 75 Km road have been carried out while 9 suspension bridges having average length of 8000 meter of each such bridge were built. During the first 8 months of the current fiscal year 2009/10, 38 Km new road construction, rehabilitation of 25 Km roads and construction of 1500 meter suspension bridges have been carried out.

### **Rural Access Program (RAP)-Phase II**

12.76 Following an Agreement between the Government of Nepal and Government of the United Kingdom (UK), current phase of this (RAP) Program is being executed in seven districts of Bhojpur, Sankhuwasabha, Khotang Achham, Doti, Terathum and Dailekh. The program has been executed with the objective of raising living standard of the poor through development of rural roads and infrastructure. The program mainly aims at the construction of rural roads, capacity building of local bodies, and awareness raising activities. Preparatory works of this project was completed in FY 2007/08. Out of the target of opening 365 Km track in the first phase in FY 2008/09, survey design and cost estimation of total 365.5 Km road is completed for 12 roads in 7 districts. Appointment of local NGOs and individual consultants and procurements of goods and equipments have been done in the fiscal year 2008/09. Similarly, track opening work of 65 km road as targeted in the Phase-I has been completed. In the first eight months of the current fiscal year, construction of 57 Km road is complete where vehicles can now ply while 115 Km two wheeler track is opened up.

### **Suspension and Local Level Bridges**

12.77 This program is ongoing in 69 districts (excluding Jhapa, Siraha, Saptari, Sarlahi, Bara, Parsa) with the Non-Project Grant (NPG) assistance of Japan and assistance of the Swiss Government-HELVETAS. This program is being operated with the objective of improving rural access through the construction and extensive repair and maintenance of suspension bridges linking main and local roads. During FY 2008/09, survey design for 11 bridges, metal parts fabrication for 32 bridges, foundation and concreting for 17 bridges, wire stretching and installation of 30 bridges and construction of 30 suspension bridges have completed under the Rural Community Bridge Program where as 167 suspension bridges including

new and carried over from the previous years are under construction. In the current fiscal year 2009/10 survey design for 5 bridges, fabrication of metal parts in 12 bridges, foundation and concreting for 3 bridges and wire stretching and installation of 11 bridges together with construction of 9 bridges those to be completed serially have been completed.

### **Local Transportation Infrastructure Sector Program**

- 12.78 Agricultural and local level Road Project renamed as Local Transportation Infrastructure Sector Program in FY 2009/10, is ongoing with objectives of constructing roads at local levels for linking rural roads to major road heads to facilitate enhance economic activities of the private sector with major production pockets linked to the market in the spirit of Agriculture Perspective Plan. Other objectives of the Local Development and Construction Program are construction, repair, and maintenance of rural roads, and mule tracks. Survey of 422 Km road, construction of 1331 Km new road, 1274 Km regular repair and maintenance, 80 Km horse trail, 864 Km gravel road , 27 Km black topping, and 428 causeways and culverts were completed in the fiscal year 2008/09, under Agricultural and Local Level Road Project. Infrastructural road construction and maintenance works are continued in the current fiscal year 2009/10.

### **Rural Drinking Water and Sanitation Project**

- 12.79 This project is ongoing under the full support of Government of Nepal in all 75 districts of the country with the objectives to provide sustainable, reliable, and sufficient drinking water to the entire population and sanitation facilities to 40 percent of the population. Gravity-flow drinking water, tube well installations, rainwater harvesting, toilets construction, and additional environmental awareness raising activities are being carried out under this project. In FY 2008/09, Information Management System Software and Systems Procedures were prepared under this project. Likewise, 150 Drinking Water Schemes including new and carried over projects from the previous years have been completed from which 40,000 people received benefits. While in the current fiscal year, 150 such drinking water schemes are being implemented as per the target.

### **Rural Water Resource Management Project**

- 12.80 This project is in operation in 9 districts of Mid-Western and Far Western Regions since 2006/07 under the grant assistance of the Government of

Finland. Its activities include preparation of Water Resource Master Plan, arsenic minimization, gravity-flow drinking water, irrigation, micro-hydropower, and solid waste management. In FY 2007/08, a total of 38,094 people were benefited by the drinking water and sanitation scheme, 45,296 people from Stand Alone Sanitation Scheme, 1,330 people from irrigation and 86 from micro hydro project while 11 arsenic minimization schemes were completed. In the second trimester of the fiscal year 2009/10, drinking water and sanitation scheme benefited 6,531, Stand Alone sanitation scheme benefited 3,342. Similarly, 1583 and 2573 households received benefit from irrigation and water utilization scheme and arsenic minimization scheme respectively.

### **Western Nepal Rural Drinking Water and Sanitation Program**

- 12.81 This program was launched in Tanahu, Shyangja, Parbat, Baglung, Myagdi, Kapilvastu, Rupandehi, Nawalparasi, and Pyuthan in FY 2008/09 with the grant support of the Government of Finland through which 33 new gravity-flow drinking water and sanitation project was implemented. In the first eight months of FY 2009/10, the new drinking water and sanitation project and carried over projects from the previous years have benefited 5,544 people while Sanitation and Health Program has benefited 2,484. Similarly, programs operation guidelines have been prepared during the same period.

### **Local Infrastructure Development Program for Livelihood Improvement**

- 12.82 This program is in implementation since the fiscal year 2005/06 under the Swiss Government's support with the objective of uplifting women, children and backward communities of six districts including Achham, Dailekh, Doti, Ramechhap, Dolkha and Jajarkot. In FY 2008/09 construction of 33 small sized irrigation canal, seven primary school buildings and seven health post buildings and one agricultural forest products collection building were completed in order to improve the living standard, enhance income generation opportunities, and increase cash crop production in food scarcity areas of program districts. In FY 2009/10, 56 small irrigation projects are completed under this program.

### **People's Participatory Development Program**

- 12.83 This program is being operated with the objective of enhancing direct participation of stakeholders (beneficiaries) in the development process to be initiated at the local level with their participation at every stage from



selection to management and ownership of the highly demanded projects and programs. The People Participation based Development Programs Operation Procedures, 2008 was approved in FY 2008/09, while 36 central and regional level projects and 118 local level projects were selected during the same period. Detailed survey of 109 Km road, 333 Km track opening, regular maintenance of 188 km road, construction of 1581 meter gabion and dry walls together with 5 buildings, 910 sewerages, 962 support walls and 129 various small projects were carried out under this program. In FY 2009/10, The People Participation based Development Programs Operation Procedures, 2009 has been approved by the Council of Ministers and programs are being implemented accordingly.

**Table 12 (x): Achievements on Physical Infrastructure Development**

<i>S.No.</i>	<i>Activities</i>	<i>Fiscal Year</i>	
		FY 2008/09	FY 2009/10
1	Earthen Road	1,687 km	346 km
2	Gravel Road	1,289 km	-
3	Track Construction	583 km	-
4	Road Repair and Maintenance	3,888 km	88 km
5	Bridge and Culvert Construction	428 Nos	-
6	Suspension Bridge Construction	115 Nos	23 Nos
7	Completed Suspension Bridge Fabrication	127 Nos	35 Nos
8	Completed concreting of Suspension Bridges	80 Nos	17 Nos
9	Wire Stretching of Suspension Bridges	75 Nos	29 Nos
10	Completed Drinking Water Schemes	283 Nos.	-
11	Food Distribution	5,611 MT	-

\*Progress by mid-March 2010

Source: Ministry of Local Development

## Social Development

### Registration Program

12.84 Registration and distribution of certificates of birth, death, marriage, internal migration, divorce etc of all Nepalese citizens is being done through local bodies and according to this, 261,021 births, 55,500 deaths, 72,572 marriages, 39,195 internal migrations, and 119 divorce cases were registered in FY 2008/09. In FY 2009/10, software for registering personal incidents has been developed and piloted in 5 VDCs, 2 municipalities, and 3 DDCs in order to keep such records systematically. There have been 129,838 birth registration, 25,429 death registrations, 39,367 marriage registrations, 21,340 internal migration registrations and 38 divorce registration until mid February of the current fiscal year 2009/10.

### Social Security Program

12.85 In FY 2008/09, arrangement for monthly social security allowance/stipends introduced and distributed at Rs. 500 per month each to people of communities in danger of extinction of all ages (Kusunda, Bankariya, Raute, Surel, Hayu, Raji, Kishan, Lepcha, Meche, Kushwadiya), 81,820 Dalitss of age above 60 years, 296,221 single women, and 16,085 residents of Karnali Zone of age above 60. Similarly, the same amount of money was distributed to each of the total 545,556 senior citizens aged above 70 and Rs. 1000 per month to each of the 15,073 completely handicapped. Likewise, Rs. 300 per month was distributed to each of the total 6,875 partially disabled and helpless people. Software development work has been initiated in the current fiscal year 2009/10 in order to keep records on social security programs systematically. The total amount of Rs. 1,209 million that fell short to distribute under social security program in the previous fiscal year has been distributed in this current fiscal year.

**Table 12 (y): Allowances in Social Security Program**

<i>S.No</i>	<i>Description of Target Group</i>	<i>Number</i>	<i>Monthly rate Rs.</i>	<i>Remark</i>
1	Senior Citizen 70+	5,32,634	500	

2	Senior Citizen, Dalits 60+	93,377	500	
3	Senior Citizen, Karnali 60+	14,108	500	
4	Single Women	2,67,857	500	
5	Indigenous people nearing danger of extinction	16,470	500	Provision for distributing monthly allowance of Rs.1000 to each Raute
6	Completely Disabled	13,089	1000	
7	Partially Disabled	6,875	300	
<b>Total</b>		9,44,410		

*Source: Ministry of Local Development*

## **Children Grant Program**

12.86 The data collection works are being carried out in the concerned districts after developing child protection procedures so as to distribute Rs. 200/month as child protection grant to the children under 5 years of age of each family of Karnali zone and each Dalits family of other districts. This program expects to provide benefit to about 400,000 children.

## **Inclusive Development**

### **Program for Upliftment of Endangered indigenous/ethnic people and Chepang Development:**

12.87 Tasks and programs such as one linguistic survey on mother tongues, preparation and publication 16 dictionaries, scholarships to 322 students of those tribes, distribution of education materials, 65 income generating and awareness raising programs and orientation on ILO Convention 169 were carried out in FY 2008/09. Objective of the program is to protect and promote language, arts, culture of indigenous/ethnic and Chepang. These programs are continued in this fiscal year as well.

### **Excluded, Oppressed, and Dalits Upliftment Development Committee**

12.88 In the fiscal year 2008/09, meetings and interaction programs were conducted together with awareness raising, income, employment and skill

oriented, technology transfer, capacity development, social mobilization programs. Besides, distribution of scholarship and educational materials to the students, free health camps, empowerment also were carried out for the upliftment and development of excluded, oppressed and Dalits communities, which have been given continuity to this fiscal year as well.

### **Madheshi-backward Community and Muslims Upliftment Program**

- 12.89 The Government of Nepal launched this program in 22 districts with own resource from FY 2007/08 with the objective of improving economic, social and cultural situation of Madhesis, Muslims and other communities left behind, and minorities by introducing policy that serves best their interests. Training was imparted to Magahi language for 20 individuals from 10 districts in FY 2008/09, while various programs such as income generation and awareness raising, reproductive health, health education, sanitation, literacy and educational incentive programs as well as institutional development programs were implemented through DDCs in the previous fiscal year. These programs are given continuity in the current fiscal year 2009/10 as well.

### **Chure and Terai Region Development Programme**

- 12.90 This program is in implementation since FY 2007/08 in Siraha, Dhanusha, Mahottari, Sarlahi, and Rupandehi districts with the objective of long-term development of the whole Terai and Chure region. A Grant sum of Rs. 18,000,000 was released in FY 2008/09 for the implementation of the program through concerned VDCs in coordination of DDCs with District Soil Conservation Offices at the local level. Programs are ongoing in the fiscal year 2009/10 with the grant money of Rs. 19.0 million

### **National Dalits Commission**

- 12.91 The Commission, formed for the overall development and protection of rights and welfare of the Dalits, is mainly engaged in Dalits-focused activities since 2001. Such activities include: Policy-formulation; conduct studies on their traditional skills; data collection and analyses of landless Dalits; conduct programs on social awareness and social justice; coordination and integration among Dalits targeted programs; and develop resource centres for Dalits related data and information. Various suggestions have been received so as to incorporate Dalits concerned issues in the new constitution. Likewise, Bills for the establishment of National

Dalits Commission, and Abuse control bill on Crime against Untouchability have been approved principally and submitted to the legislative parliament. During the first 8 months of the current fiscal year 2009/10, mobile justice service program were conducted in Sindhupalchowk and Makwanpur districts while, Dailit empowerment program for the physically disabled Dalits was performed in Syangja and Okhaldhunga districts.

### **Remote and Special Area Development Programme**

- 12.92 Remote Area Development Program is being carried out as a targeted program in Nepal's 22 Northern bordered and geographically remotest and economically backward districts with the objective of providing support to the poverty reduction in those areas. Initially, this program was launched in four Himalayan districts of Humla, Mustang, Solukhumbu (Namche-bazar), and Taplejung, later expanded to another 14 more districts in 1976 reaching a total number of program districts to 18. It has now covered 22 districts following the program review that was conducted in 1991. At the institutional level, Remote Area Development Committee is active for proper management and coordination. During FY 2008/09, activities carried out by the Program include, completion of construction of 8 suspension bridges; 10 rural electrification programs with a total of 202 KW electricity output; three drinking water schemes, four small irrigation and 10 various programs including river training, wooden bridge, tower construction. Likewise, survey, supervision, and follow-up of 30 projects were conducted as well as five skill oriented trainings were imparted. During the current fiscal year 2009/10, 3 suspension bridges, 3 rural electrification projects, one irrigation program and seven Km long horse trail have been completed.

### **Monastery Management and Development Program**

- 12.93 This program is launched for protection, development and extension of archeological properties, and Monasteries scattered throughout the country possess. During FY 2008/09, the program carried out renovation and maintenance of 92 Monasteries, technical survey of archeologically and historically important and ancient Monasteries, two rounds of Dharmadeshana and Lama Desh Darshan program; survey of various Monasteries in 6 districts; 12 rounds study and research works on ancient Monasteries. In addition, one round each of training on Thangka and

Amchi making and preservation of ancient statues and idols was conducted. Likewise, re-publication of Himali child gift part-1 and 2 and construction of 1 library were completed during the same fiscal year. In the first 8 months of FY 2009/10, beside one Dharmadeshana program, updated survey of monasteries in 8 districts and detail technical survey on 8 different ancient Monasteries in 8 districts were also carried out. During the same period, skill oriented Aamchi training and Ancient Monastery Self Reliance Programs were conducted.

### **Decentralized Action Plan for Women and Children**

- 12.94 This program is under implementation in 361 VDCs and 10 Municipalities of 23 districts (Panchthar, Sunsari, Udayapur, Saptari, Kavre, Chitwan, Parsa, Nawalparasi, Tanahu, Kaski, Kapilbastu, Dang, Rukum, Jajarkot, Kalikot, Jumla, Humla, Mugu, Dolpa, Dadeldhura, Bajhang, Bajura and Achham) of the country with the grant assistance of UNICEF. During the fiscal year 2008/09, the program covered quality basic education, preliminary children's fund, primary child care and knowledge enhancement, child health, maternal health, sanitation, control of HIV/AIDS, protection of rights of women and children, Community Action Process (CAP) which have been given continuity to the current fiscal year as well. This program has empowered poor rural women and children through their access to public services. Likewise, this program has also improved the health condition of rural women and children, created awareness to the children about their rights, and enhanced their capacity. Under this program, 8,435 community organizations have remained active with the establishment of children's clubs at local and school levels, which are actively functioning. Similarly, as of now, 457 paralegal committees and 7,000 Preliminary Child development centers are actively operating at VDC level. Further, child friendly governance concept has been introduced under this program in 5 districts and 1 municipality as a pilot project.

### **Population Education and Reproductive Health Program**

- 12.95 This program is in implementation in Saptari, Mahottari, Rautahat, Kapilvastu, Dang, and Dadeldhura districts since 2008 A.D with the assistance of United Nations Fund for Population Activities (UNFPA) with the objective of maintaining gender justice through the improved reproductive health. During FY 2008/09, district level orientation was given in 45 VDCs, Women Health Fund established in 32 VDCs and EOC

Fund was created at primary health posts of 15 VDCs. Programs are being implemented subsequent to their approval in current fiscal year.

## **Poverty Reduction and Employment**

### **Karnali Employment Program**

12.96 Because of the geographical remoteness, poverty, and economic and social backwardness of Karnali Zone, sustaining life is very difficult merely depending upon traditional occupation, trade, and employment for most of the families. With this realization, "Karnali Zone - One Family One Employment" program is being implemented since FY 2006/07 with the objective of creating employment opportunities to such families. During the fiscal year 2008/09, employment oriented 615 small-scale projects such as construction of tracks, trails and motor able roads, toilets, school buildings and maintenance of micro-hydro projects were completed creating 13 days' equivalent employment for 878,327 households on an average of 27 Man/day. As Mid-October-to-Mid-October is considered as one fiscal year for 2008/09, with Mid-November to Mid-February calculated as the first trimester, records of unemployed youths in the districts (of Karnali Zone) has been updated during this period. Subsequently, selection of projects through the formation of unemployed youth groups and calculation of expected costs are being carried out. Likewise, coordination is being done with district based government and non-government organizations to carry out such functions.

### **Western Upland Poverty Alleviation Project**

12.97 This program was launched initially in FY 2002/03 in four upland districts (Jumla, Humla, Bajhang and Bajura) with the objective of improving living standard of ultra poor residing in upland districts of mid-Western and far-Western Regions of Nepal. The program has been expanded to upland districts of Mugu, Dolpa, Kalikot and Jajarkot in since FY 2006/07. Now, this program is being implemented in 11 districts with further expansion of this program in additional three districts of Rukum, Rolpa and Dailekh in FY 2008/09. This program is implemented with the assistance of International Fund for Agriculture Development (IFAD), in joint investment of the Government of Nepal, private sector, DDCs, VDCs, and

local program beneficiaries. Under this program in FY 2008/09, 95 infrastructure schemes like construction of drinking water and sanitation schemes, small irrigation, school and health post buildings, bridges and culverts, and micro-hydro projects etc. were completed while scheme repair and maintenance, and social assessment related trainings were provided to 87 users' committees. Likewise, VDC level public hearing program were conducted 54 times and 144 leasehold forest users' group were formed thereby handing over 544 hectares of leasehold forest land to those users' groups. Similarly, medicinal herb farming is being carried out on 296 hectares of Leasehold Forest. Distribution of plants, seed kits, construction of green house and goat lending activities were carried out under this program. In addition, formation of groups under the micro-finance and marketing programs, mobilization of internal saving and credit, and capital fund and trade fairs were among the other activities carried out under this program. In the first trimester of the current fiscal year 2009/10, 2 small infrastructure construction related schemes were carried out and 74 leasehold forest users' groups were formed. Likewise, 298 hectares of leasehold forest was handed over and 2,346 individuals were provided training on leasehold forestry and land management. Similarly, vegetable farming was demonstrated through 176 greenhouses and 102 vegetable nurseries together with 123 community organizations were established during the same period.

### **Programs Linking Local Initiatives with Knowledge and Skills**

- 12.98 Some 21,615 families were benefited from the income generating activities such as vegetable farming, seeds production, herbal farming, marketing management of produced goods, transfer of improved technology, small scale physical infrastructure, institutional capacity enhancement of local partner organizations, appropriate management and coordination of resources that were carried out in FY 2008/09 in some VDCs of Dailekh, Jajarkot, Doti, and Achham districts in coordination with the concerned DDCs. During the same period, 70 small physical infrastructure construction works were carried out while during the same period of the current fiscal year 2009/10, 13,200 households (small farmers) have been engaged in various incomes generating activities like production and marketing of vegetable seeds, cereals, ginger and herbs. Similarly, the construction of 30 small and minor irrigation schemes has been completed while 1,100 groups have been mobilized so as to make publicity of



agricultural technology and transfer the demand based skill and knowledge to the needy persons.

### **Program to Address Nepal's Food Crises**

- 12.99 This program has been brought into implementation after entering into an Agreement between Ministry of Finance and Ministry of Local Development, the World Bank and the World Food Program. Objectives of this program is to ensure food security by launching campaigns in districts having food scarcity; provide immediate relief to the people hit by food shortage; and prepare a special program to support farmers for immediate preparation and implementation of the project so as to increase food products.

### **Environmental Management**

#### **Public Private Partnership Program for Urban Environment Improvement**

- 12.100 Implementation of Public-Private Partnership for Urban Environment Improvement is ongoing in 10 municipalities with the support of United Nations Development Program (UNDP). The Program is actively involved in creating necessary environment towards meeting the growing demands for services with rapid urbanization and bringing government, private sector, and civil society in one place to carry forward the process of Public-Private Partnership. In FY 2008/09, four drinking water distribution schemes, three urban sanitation (Public Toilets), one solid waste management (manure making and collection of household garbage), four urban transport management and one renewable energy program were completed while capacity of 1,160 people was enhanced through trainings, workshops, seminars and orientation programs. In FY 2009/10, distribution of one drinking water, five urban sanitation, five solid waste management, two urban transport management programs were completed while capacity of 587 people was enhanced through trainings, orientation programs and seminars.

#### **Solid Waste Management Program**

- 12.101 This program was initiated in FY 1999/00 with the objectives of reducing environmental pollution by raising awareness for sustainable management of solid waste, mobilizing garbage as a resource, and involving NGO and private sector in managing solid waste. Repair and maintenance and removal of landslide at Tinpile-Aletar road, support to three

Municipalities outside the Kathmandu Valley for conducting Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA), capacity enhancement of 21 municipalities; and infrastructure development at Aletar landfill site were some achievement made during FY2008/09. In FY 2009/10, the EIA report has been approved for the construction of the proposed Banchare Danda permanent sanitary landfill site so as to ensure sustainable solid waste management of the Kathmandu valley while compensation is being distributed for Madhyabarti region. The bill on Act 2009 for the solid waste management has already been submitted to the parliament. A fully authorized high level committee has been formed so as to carry out functions including the selection of private sector for the solid waste management of the Kathmandu valley through private sector. Request for Proposal (RFP) from the selected private sector is underway after securing Letter of Intent (LOI) from this sector. During this period, cleaning and maintenance of drainage along the 3.4 Km long gateway of Okharpauwa, construction of shed and electrification at Aletaar Landfill site have been completed while post closure at Sisdoile landfill site is underway so as to make it environmental friendly.

#### **Strengthening Environment Administrative Management at the Local Level (SEAM-N)**

12.102 This program was implemented in 2001/02 in Government of Finland's support with the objective of strengthening environmental administration. In FY 2008/09, capacity building programs in 19 municipalities and capacity enhancement training for 244 staff of local bodies on public-private partnership were carried out while trainings on project development and management were provided and resource materials published. During the same period, preparation of policy draft on financial framework was completed in order to run projects at the local level through public-private partnership. In the first eight months of the current fiscal year, environmental monitoring and laboratory promotion were carried out while environmental sections and sub-committees in six municipalities were formed and working staff of these sections and sub-committees were provided training. Likewise, environment model village program and local environment fund and industrial environment support fund related works have been carried out.

#### **Human Resource and Institutional Development**

## **Local Development Training Academy (LDTA)**

12.103 Local Development Training Academy is implementing programs pertaining to training, research, and consulting services since FY1981/82 with the objectives of strengthening institutional capacity of local bodies. Training programs the Academy conducted during FY2008/09 include: local resource mobilization for 12 persons; social mobilization for 36 persons; gender mainstreaming and social integration for 40 persons; and social integration orientation and in-service training for 75 VDC secretaries. Other training the Academy conducted were accounts Assistants of local bodies on accountancy 58; associate employees on good governance 48; office management 48 persons; and 26 persons on local good governance and inclusive development. In addition, 15 persons were provided with library and information documentation related in-service trainings. During FY 2009/10, account management training for 25 local bodies account assistants was imparted. Similarly, Account related in-service training for 177 VDC associate employees, social mobilization training for 24 persons, and gender mainstreaming and social integration trainings were provided to 20 persons during the same period.

## **Human Resource, Communication, Environmental Management, and Project**

### **Monitoring:**

12.104 Under this program, Ministry of Local Development monitors the projects and programs implemented through local bodies and provide immediate advice accordingly. Likewise, activities are being carried out such as regional monitoring and review workshops, publications of journals and brochures, organize trainings for the capacity enhancement of employees.

## **Local Bodies Finance Commission**

12.105 The Commission has been giving continuity to the functions like making recommendations for the financial strengthening of local bodies, publication of financial situation analysis booklets, carrying out analysis whether local bodies are carrying out functions in line with Acts, regulations, working procedures/guidelines. Besides, the Commission emphasizes on mobilizing Minimum conditions and performance measures (MCPM) groups in order to provide quality output through the utilization of additional grants provided by the Ministry of Local Development.

## **Local Bodies Grant**

- 12.106 The Government has been providing grants to the local bodies in addition to their available internal resources to institutionalize their functions through the maximum utilization of local resources such as labor and skills with people's participation. In FY2008/09, construction of 426 Km road, 209 suspension bridges, 26 road bridges, 140 irrigation and river training schemes, 57 micro-hydro projects, 652 drinking water schemes and 322 buildings were completed through DDC grants. Likewise, there has been provision of direct disbursement of grant from the Ministry of Finance on the basis of formula in the fiscal year 2009/10. Similarly there has also been provision of providing motivational grants to the DDCs on their performance measurement basis. During this period, constructions of 664 Km road, 44 bridges and culverts, 212 community and school buildings, 288 drinking water schemes, 160 river training, and rural electrification of 95 KW have been completed through grants and internal resources.
- 12.107 A grant tied to the formula is being provided to the local bodies since FY 2005/06 for providing support to the municipalities for public construction and improvement and social activities. This would further bring social equity in the mobilization of local resources and distribution of development outputs through the increased people's participation for the institutional development of accountable local bodies. Total grants in FY2008/09 amounted to Rs. 324.5 million, which has been raised to Rs. 350 million in the current fiscal year 2009/10.
- 12.108 This program is brought into operation with the objective of ensuring efficient service delivery of VDCs through public participation by enhancing access of the local people to services and facilities; making local bodies sensitive and accountable towards the people's aspirations; and making VDCs capable and self-reliant. The Government in FY2008/09, had made provision of disbursing grant between Rs. 1.5 million to Rs. 3.0 million as per the VDC Grant Operational Procedure, 2008 with the slogan "Let's Make Our Village Beautiful". During the same fiscal year, construction of 169 Km road, seven suspension bridges, 48 micro-hydro and alternative energy projects, 166 drinking water and sanitation projects, 120 buildings were completed through such VDC grants. Likewise, the grant has been made available to the VDCs like in the previous years with the slogan "Let's make our village by ourselves" in the current fiscal year. During this period, construction of 102 Km road, 1 bridge, 42 irrigation,

and river training schemes, eight micro-hydro and alternative energy projects, 95 drinking water schemes and 80 buildings have been completed.

**Table 12 (z): Formula of Grant Allocation in the Local Bodies (in %)**

<i>Agency/Basis ⇨ ⇩</i>	<i>Population (According to Population Census, 2001)</i>	<i>Cost</i>	<i>Area (According to Survey Department)</i>	<i>Poverty</i>
<i>Village Development Committee</i>	60	30	10	-
<i>Municipality</i>	50	-	25	25
<b>District Development Committee</b>	40	25	10	25

*Source: Ministry of Local Development*

## **Local Development Fee Fund**

12.109 The toll that municipalities were collecting since 1998/99 has now been abolished and the Government of Nepal has been levying 1.5 percent tax at the customs points as Local Development Fee. The Ministry of Local Development is making available necessary amount to projects approved by Municipalities on users' cost-sharing basis from the reserve fund created out of savings from the fund so collected. In FY2008/09, Municipalities were provided amounts from the reserve fund by bringing it in the budget framework. In FY2008/09 Municipalities received Rs. 1,330 million as unconditional lump sum grant disbursed on trimester basis. In addition, Rs. 1,440.0 million was disbursed as conditional grants out of the accumulated total reserve fund. Of the allocated Rs. 2000 million as Local Development Fee Fund for the FY2009/10, Municipalities have been provided 1,336.7 million, as recurrent and capital expenditures while the remaining Rs. 660.0 million is being released for payment of street lights tariff and reserve fund programs.

## **Local Self- Governance and Community Development Program (LGCDP)**

12.110 Local Self-Governance and Community Development Program is under implementation since FY 2008/09 with the objectives of providing support to poverty alleviation through the implementation of participatory development programs in the initiative local bodies and communities that are more inclusive, responsible, and accountable. In FY 2008/09, much needed infrastructures were constructed, and working procedural guidelines were prepared in the preparatory phase of this program. During the same fiscal year, Program Coordination Unit and National Advisory Committee were established, operation procedures for DDC's additional grants were prepared and Rs. 630 million was provided to 46 DDCs. Likewise, concept papers were developed on gender equity, social inclusion policy and social mobilization. Similarly, institutional assessment of Ministry of Local Development was carried out. Agreement on LGCDP was signed between the Government of Nepal and Asian Development Bank for implementation of LGCDP while monitoring and evaluation framework was developed for the Program. In addition, a Joint Financial Agreement on LGCDP was signed between the Government of Nepal and donor agencies including Asian Development Bank, Governments of Norway and Denmark, DFID and SDC. In FY 2009/10, additional grant of Rs. 2,400 million was provided through this program to those 67 DDCs, 56 Municipalities and 2,749 VDCs rated successful on the basis of minimum conditions for VDCs and MCPM results for DDCs and Municipalities. During this period, local entities have been implementing programs based on operating guidelines prepared and approved including Social Mobilization Operation Procedures and Guidelines, Additional Grant Operation Procedures, and Guidelines for DDCs, VDCs and Municipalities; and Subject-wise Conditional Grant Operation Guidelines for Devolved Bodies. Other additional Guidelines in operation are Local Bodies' Information, Education and Communication, Program Operation Guidelines; Environmental Improvement and Social and Environmental Protection Program Implementation Grant Operation Guidelines; Dalits Upliftment District Coordination Committee and Indigenous, Tribal Communities District Coordination Committee's Capacity Enhancement Grant Operation Guidelines; and Local Bodies Capacity Development Program Operation Guidelines.

### **Internal Income Status of Local Bodies**

12.111 Provision exists for implementation of local needs based and demand driven projects and programs through the local bodies (DDCs, Municipalities and VDCs). For this, local bodies implement such projects and programs through collection of revenues from their respective areas as per the provision of Local Self-Governance Act 1998, Local Self-Governance Regulation, 1999 and Local Bodies Financial Administration Regulation, 2007. Description of such local incomes collected in the fiscal year 2008/09 is given below:

**Table 12 (aa): Internal Income of Local Bodies (FY 2008/09)**

(Rs. in million)

<i>Local Bodies</i>	<i>Eastern Region</i>	<i>Central Region</i>	<i>Western Region</i>	<i>Mid-Western Region</i>	<i>Far Western Region</i>	<i>Total</i>
<i>District Development Committee</i>	416.8	1,197.4	664.5	142.6	81.1	2,502.4
<i>Municipality</i>	530.0	1,128.8	179.0	55.3	19.9	1,913.0
<i>Village Development Committee</i>	117.3	268.0	91.7	17.6	17.3	511.9
<i>Total</i>	<b>1,064.1</b>	<b>2,594.2</b>	<b>935.2</b>	<b>215.5</b>	<b>118.3</b>	<b>4,927.3</b>

*Source: Ministry of Local Development*

**Status of Physical Infrastructures Completed in FY 2008/09 through such Internal Income and Grants:**

<i>Activities</i>	<i>Total</i>
<i>New track opening of Road (Km)</i>	3,142
<i>Regular Maintenance (Km)</i>	4,459
<i>Earthen Road (Km)</i>	1,740

<i>Black topping (Km)</i>	398
<i>Gravel Road (Km)</i>	1,582
<i>Construction of Suspension Bridges Completed(No.)</i>	655
<i>Repair and Maintenance of Suspension Bridges (No.)</i>	722
<i>Drinking Water Schemes (No.)</i>	2,443
<i>Irrigation (Hectares)</i>	3,658
<i>Building Construction (No.)</i>	3,271
<i>Micro Electrification Projects (No)</i>	290

*Source: Ministry of Local Development*

## **Women, Children and Social Welfare Program**

12.112 Ministry of Women, Children and Social Welfare and agencies under it have been implementing various programs to ensure rights, benefits, and nurturing welfare of women, children, senior citizens and disables. According to this, the program implementers such as committees, groups and organizations that are formed under women development program have been emphasizing on increasing women access to every sphere of national development by embracing the concept of women empowerment, gender mainstreaming and gender equity. Likewise, programs are being implemented with a view to protect and promote child rights, disables' rights and provide conducive environment to the senior citizens to spend their lives with dignity and self-respect acknowledging their experiences.

## **Senior Citizens related Programs**

12.113 Grants and trainings for the treatment of elderly people have been provided to establish one senior citizen shelter in every development region and Pushpalal Sharjak Shelter Kathmandu so as to ensure the proper care, medical treatment of conflict affected senior citizens and honoring and preserving national talents. Likewise, the country-wide programs



related to medical treatment and management for senior citizens have been given continuity and October 1 is being marked as International Senior Citizens Day. Senior Citizen Day Care Service Centres and Old Age Homes are being run so as to enhance the dignity and self-respect of Senior Citizens. Operational Grants are being provided to run such centers and Old Age Homes. Towards the social security sector, service and facilities provided by the state to the senior citizens and disables have gradually been raised due to which their self-confidence and social dignity are felt to have enhanced.

### **Program for Disabled**

12.114 Community Based Rehabilitation (CBR) Program is extended to all 75 districts from this year through which trainings are provided by identifying the disables. This has enhanced their skills and raised their level of self-confidence to do something for their earnings. The International Disables Day (3 December) was observed to ensure rights of the disabled people by looking at them compassionately. Grants is availed to Orphan Disables Rescue Society Nepal and Nepal Leprosy Eradication Association to perform various programs. The Legislative Parliament has endorsed the Convention on Rights of Persons with Disability Nepal has signed. Likewise, Identity Cards distribution program for disables is continued in all 75 districts as in the previous years. Skill oriented training, education support, scholarship and CBR Programs are being conducted for disables as required. Viewing the physical condition of disables, assistive devices such as white stick, wheel chairs are distributed at free of cost through organization engaged in serving disables in various districts of Nepal. A district wide data collection work has been initiated from this year, as there is no precise data available on disables and senior citizens.

### **Child Rights Promotion Related Programs**

12.115 Child Search Coordination Centre Operation Program is given continuity and search operation and documentation of 1,397 missing children has been done, of which 778 children were found based information received, and handed over safely to their respective parents. Of 273 missing children found in unidentified condition, 208 have been reintegrated into their respective families while 62 are kept in various child homes for their safety. In the process of carrying out regular monitoring of child homes in order to operate and make them operate in line with Minimum Standard on Child

Homes Operation and Management 2003, thirty eight such child homes have been monitored and issued directives for their effective management. Likewise, continuity is given to programs like, Child Protection and Development Program in 27 districts, Juvenile Justice System Strengthening Program in 26 districts and Institutional Strengthening Program in 16 districts while program to establish child friendly Village Development Committee is being run in 26 districts. Child Welfare Central Committee is provided with grant money to operate fund through the establishment of a permanent central emergency child relief fund so as to rescue children from natural disaster and reintegrate them into their respective families or in societies. Similarly, submission of revised guidelines to the Council of Ministers is in process after having the proposed draft reviewed. Process for establishment of a child day care center within Singha Durbar premises has been brought forward while child improvement center is under construction in Pokhara and Biratnagar.

### **Women Empowerment Program**

12.116 Women Development program is being implemented in 2,443 VDCs and 35 Municipalities of all 75 districts of the country. Under this program, gender equity, social mobilization for women empowerment and social inclusion, formation of targeted poor women's group and their institutional development, agency promotion through basic and subject-wise trainings, economic empowerment, and girl child development programs are being carried out. Women Development Offices are functioning as Gender Focal Agencies in districts by focusing primarily on advocacy, coordination, and networking activities. Through this program, women have been empowered in their work fields with the increased proportion of backward women representation in women's organizations. Likewise, ability of women in group savings mobilization and their leadership capacity have also been found quite positive. Efforts are underway to provide continuity to these programs and organize dispersed women in groups, committees, and institutions through the means of institutional development as well.

**Table 12(ab): Major achievements of Women Development Program**

<i>S.No.</i>	<i>Activities name</i>	<i>Unit</i>	<i>Total</i>	<i>Remarks</i>
<b>Expansion</b>				

1	Program Districts	No.	75	
2	Program VDCs	No.	2443	
3	Program conducted municipalities	No.	35	
4	Program Wards	No.	15,787	Including Municipality
<b><i>Institutional Development</i></b>				
5	Group formation	No.	71,940	
6	<u>Women involved in Groups (No.)</u>		<u>4,78,069</u>	15.49 Percent
6.1	Dalit		74,042	33.85 Percent
6.2	Ethnic People		161,821	50.66 Percent
6.3	Others		242,206	
7	Women Committees Formed	No.	7243	
8	Registered Women Organizations	No.	1,112	
9	Adhoc Women Organizations	No.	294	
<b><i>Resource Mobilization</i></b>				
10	Women's Group Saving	Rs. in '000	796,213.5	
11	Investment out of total savings		767,398.3	
12	<u>Operating Fund</u>		<u>95,396.6</u>	
12.1	Principal		915,62.0	
12.2	Interest		3,834.6	
13	Amount Invested		75,302.0	

Source: Ministry of Women, Children and Social Welfare

## **Social Welfare Program**

12.117 Efforts made last year in formulating Social Development Act by making necessary amendments in the present Social Welfare Act, 2049 (1992) in order to address the burgeoning problems in the NGO sector are being continued this year as well. Until the second trimester of the current fiscal year 2009/10, 42 International NGOs have signed agreement to utilize about Rs. 6,393.5 million in various sectors. Of this total, those NGOs are expected to execute activities worth Rs. 2,236.7 million.

## **Labor and Skill Development**

### **Child Labor Elimination Program**

12.118 Grants were released in the fiscal year 2008/09 from the Ministry of Labor and Transport Management administered Child Development and Rehabilitation Fund, and Child Labor Elimination Fund for rehabilitation of child labors. In addition, programs on Information and Education on HIV/AIDS at workplace, awareness raising (Audio-visual) program against child labor, self-employment oriented skill development and awareness-raising program focused on the guardians of child labors were implemented. Education Centers are being operated jointly by the Ministry and Kathmandu Metropolis Corporation in ward no. 2, 5, 7, 20 and 33 of Kathmandu Metropolis. Through these centers, details of 505 household child labors were registered, non-formal education provided to 297 child labors, 394 child labors admitted to the schools and 50 were provided vocational trainings (sewing, cutting, beauty parlor, cookery and bamboo products making). Likewise, daycare and non formal education centers that are being run through child development and rehabilitation fund at Jorpati, Mahankal, Gaurighat, Kirtipur and Dhapasi have provided non-formal education to about 250 child labors annually while 280 child labor monitoring were conducted in industrial enterprises. Similarly, publicity through awareness raising materials (audio-visual) against child labor were done 896 times. Likewise, self-employment oriented skill development and awareness raising training was provided to 250 guardians of child labors and World Day against Child Labor was celebrated on June 12, 2009 with various programs with the slogan "Let's give opportunity to the children".

12.119 Programs such as child labor inspection and monitoring, awareness raising against child labor, strategic seminar on child labor elimination, support program on child labor related study, research and data collection,

program for improvement of the worst form of child labor, health promotion of child labor and HIV/AIDS awareness program, and production of documentary are underway. Likewise, programs on providing grants to various funds (grants to rehabilitation of child labor, child labor elimination fund, and rehabilitation of child labor) are also ongoing. During the first eight months of the current fiscal year, child labor has been monitored for 100 times while awareness raising program against child labor and works like studies, research and grants pertaining to child labor are being conducted.

### **Programs implemented through the Department of Labor**

12.120 A separate Department of Labor was established on January, 2008 with objectives of reducing unemployment through the production of human resource that is compatible with the new technology to meet the existing demand in the labor market; and creating secured, reputable and healthy environment for the labors by maintaining industrial relations. During the fiscal year 2008/09, the Department of Labor apart from registering 10 Federation of Trade Unions, 262 Trade Unions, 249 labor authorizations and renewals, conducted 2 industrial relation seminars, 3 labor market information seminars, published two issues of bulletins and Annual Report. Likewise labor offices also registered and renewed 388 trade unions, settled 147 labor related disputes, inspections of 436 industrial enterprises and factories, conducted 10 seminars on labor. Similarly, trainings like four-day facilitators training program for social stakeholders through the Business Security Health Program; emergency and first-aid related training; record keeping of 10 industrial accidental cases; 9 research oriented works, 85 sample collection and analysis of harmful products/objects; and 9 publicities and documentary production activities were also carried out during the same period. During the first eight months of the current fiscal year, activities like monitoring of 20 industrial enterprises, resolution of 2 labor disputes were carried out. Employment Information Center has maintained roster of more than 18,000 unemployed persons.

### **Foreign Employment**

12.121 Addition of 400,000 labor force is projected annually in the labor market. Nepalese workers are going to the foreign countries in search of foreign employment due to the existing poverty and unemployment situation in the country. Though the remittance generated through foreign employment

has largely supported the national economy, the remittance could not be collected as expected due to the maximum number of Nepalese workers engaged in unskilled sectors with minimal facilities and remunerations. Although Nepal Government has opened 108 countries for foreign employment, maximum numbers of Nepalese go to Malaysia, Saudi Arab, Qatar, UAE, Kuwait, Bahrain, Oman, and so on for foreign employment. In the fiscal year 2008/09, a total of 219,965 Nepalese workers including 211,371 male and 8,954 female workers had gone for foreign employment while this number was 173,239 including 164,711 males and 8,528 females for the first eight months of the current fiscal year 2009/10. The Number of Nepalese workers bound abroad for foreign employment in different fiscal years are as follows:

**Table 12 (ac): Status of Foreign Employment**

<i>Fiscal Year</i>	<i>Nepalese Workers gone for Foreign Employment (No.)</i>
<b>1999/00</b>	355,43
<b>2000/01</b>	55,025
<b>2001/02</b>	104,739
<b>2002/03</b>	105,055
<b>2003/04</b>	106,660
<b>2004/05</b>	135,992
<b>2005/06</b>	177,506
<b>2006/07</b>	204,533
<b>2007/08</b>	249,051
<b>2008/09</b>	219,965
<b>2009/10*</b>	173,239

\* Until mid-February, 2010

Source: Department of Foreign Employment

## Vocational and Skill Development Training Program

12.122 Vocational and skill development trainings on various disciplines were imparted to 21,741 trainees through Vocational and Skill Development Training Center, Bhaisepati and 12 other Skill Development Training Centers under it in the fiscal year 2008/09. Likewise, of the target to provide such trainings to 20,800 trainees through the this Center, 15 other Centers and additional 3 Centers in Rautahat, Dhading and Jumla under this Center in current fiscal year 2009/10, a total of 17,887 persons received such training within the first eight months of this current fiscal year. The skill oriented training details from the FY 2007/08 to the current fiscal year are as follows:

**Table 12 (ad): Skill Oriented Training Details**

S. No.	Program Name	Fiscal Year					
		2007/08		2008/09		2009/10	
		Target	Achievements	Target	Achievements	Target	Achievements*
1	General Mechanics	190	182	190	152	192	147
2	Electrical fitting	705	772	720	739	780	807
3	Electrical Fitting Upgrading	95	84	80	62	80	27
4	Plumbing	435	431	441	456	501	472
5	Hair dressing	516	679	640	803	700	827
6	Hair Dressing Upgrading	40	38	240	251	240	174
7	Cutting & Stitching	780	1123	1020	1167	1080	1334
8	Electronics repair	390	362	379	381	439	443
9	Motorcycle Repair	300	294	345	335	365	385
10	Auto Mechanics	85	98	85	92	85	89
11	Computer	440	513	645	677	705	756
12	Welding	160	170	160	163	160	174
13	Bamboo and Rattan	75	96	90	93	130	74

S. No.	Program Name	Fiscal Year					
		2007/08		2008/09		2009/10	
		Target	Achievements	Target	Achievements	Target	Achievements*
14	Pump set Mechanics	30	31	20	34	20	31
15	Dhaka cloth weaving	0	0	45	45	45	30
16	Residential Women Skill Development Training Programme	70	70	90	90	110	110
17	Short-term	0	0	0	0	0	0
	(a) Skill oriented training 1 - 3 weeks	8630	9362	11200	12660	11455	9351
	(b) Foreign Employment Oriented Training - 4 to 6 weeks	625	662	1425	1368	1530	981
18	Foreign and Youth Employment related (special skills development training program-(4 & 6 weeks)	1000	1028	1500	1570	1500	1500
19	One Week Entrepreneurial Development \ training	150	153	685	603	685	175
	Grand Total	14716	16148	20000	21741	20800	17887

Source: Ministry of Labour and Transport management

## Urban Development and Housing Construction

12.123 The following programs have been executed through Department of Urban Development and Building Construction and agencies under this Department and various Projects and Schemes, and their achievements in given in the following paragraphs:

### Urban Area Development and Market Center Study Program

12.124 Construction and renovation of physical infrastructure and temple premises at 105 locations within the working areas of 16 division offices under the Department of Urban Development and Housing Construction have been completed in FY 2008/09. During that period, Master Plan of six greater townships including Attaria, Dhangadhi, Panchkhal, Dhulikhel-Banepa-Panauti (Kavre Valley) and Birendranagar-Chhinchu-Dashrathpur



(Surkhet Valley) were also completed. Similarly, the Master Plan of six places including Dhanpalgadhi- Kaseni VDC of Morang, Namobuddha of Kavre, Trivenidham of Nawalparasi, Ghamirkot of Gulmi, Bishrampur of Rautahat and Tatopani of Sindhupalchowk has been prepared while study on the compact settlement of Gulmi district is completed. Periodic plans for four municipalities were formulated on the joint effort of UDLE/GTZ and concerned municipalities. The Rural Housing Company has constructed 12 low-cost houses at Anandapur of Tribhuvanabasti VDC of Kanchanpur for poor and low income families through the maximum utilization of locally available construction materials. Programs such as policy formulation on slum dwellers/homeless; English translation, and revision of high-rise building criteria, monitoring, inspection and control of joint housing development were carried out.

- 12.125 During the current fiscal year 2009/10, construction and maintenance works on 192 buildings including community/Dalits, Janajati hostel, centers for orphans, helpless, and elderly people, women community, and the museum for indigenous are being carried out. Likewise Building of Mahendranarayan Nidhi Mithila Culture Center is under construction. Rural Housing Company is carrying out low-cost building construction works for poor with very low income families through the maximum utilization of locally available construction materials. Programs such as slum dwellers/homeless policy formulation, translation and revision of high-rise building criteria, monitoring, inspection and controlling of integrated housing development were carried out. Continuity is given to the mobilization of Land Development Revolving Fund so as to run land development program. Likewise, Physical Development Plan for three locations (Letang of Morang, Burtiwang of Baglung, Salli Bazaar of Salyan) has been formulated. In addition to this, drainage on Ugrachandi of Kavrepalanchowk, feasibility study for land integration, master plan on Lumadhi Bhadrakali area of Tundikhel Kathmandu are being done. Besides, formulation of construction policy and guidelines and quality assurance plan is underway.

## **Rural Development through Small-town Market Development**

- 12.126 Physical infrastructure development works were carried out through this program in FY 2008/09 at various 44 rural towns in order to promote rural-urban interrelationship. Implementation of master plan at eight locations including Pathivara of Taplejung, Maipokhari of Ilam, Sukhani Park of

Jhapa, Sabhapokhari of Sankhuwashava, Baraha Chhetra of Sunsari, Kalinchowk Vagawati and Bhimeshwor of Dolakha and Bhagawati Chhetra of Kavrepalanchowk, execution of physical infrastructure development plan at 7 locations including Vedetaar of Dhankutta, Chakraghatti of Sunsari, Mrigaulia and Biratchowk of Morang, Fattepur of Saptari, Vimad of Tanahun, Marpha of Mustang and Chainpur of Darchula were among the activities carried out in FY 2008/09. Likewise, Land development program was implemented in Ilam Municipality ward no.2, Nepalgunj Municipality of Banke and its adjoining VDCs. Similarly, DPR of Land Development Program at Pakali VDC of Sunsari and Balewa of Baglung and feasibility study in Syanja districts were carried out. Road Sewerage Network Plan was implemented in Anarmani, Birtamod of Jhapa while activities for the conservation of public land of two places were also carried out during the same period.

- 12.127 In the current FY 2009/10, various activities such as implementation of reports on small town and market, master plan implementation, physical development plan implementation, market management, infrastructure development of Bus parks etc. were carried out at 176 different places of rural towns so as to enhance rural-urban interrelationship. Likewise, implementation of master plan of Barahatal Khotang and physical development plan of six places including Helambu, Melamchi of Sindhupalchowk, Sunkahani VDC of Nuwakot, Palungtaar of Gorkha, Naumule of Dailekh, Chaurjahari of Rukhum is underway. Similarly, construction of 6 community buildings is underway and land development program in the participation of local land owners in Nepalgunj Municipality of Banke and its adjoining VDCs is being implemented.

### **Integrated Action-oriented Plan**

- 12.128 During fiscal year 2008/09, infrastructure development for improving unorganized and unhealthy settlements; preparation of digital base-maps of Ghorahi Municipalities in cooperation of local bodies were conducted. Formulation of periodic plans of three Municipalities and formulation of four other period plans that were implemented in the previous fiscal year have been completed in cooperation with UDLE/GTZ and local bodies. Likewise, a program on healthy town was carried out in cooperation with WHO in Tikapur and Lekhnath Municipalities while Physical Development Plans were formulated for four non-municipal district headquarters (Bhojpur of Bhojpur district, Mangalsen of Achham district, Okhaldhunga

of Okhaldhunga district and Chautara of Sindhupalchowk district) and Rampur Bazaar of Palpa district. National Workshop on the concept of Urban Development was organized in participation of Municipal Chiefs and Officials. Likewise training to the staff of Municipality and the department on the use of digital base maps of Municipality was provided and those digital base maps were handed over.

- 12.129 In FY 2009/10, periodic plans of two Municipalities in cooperation of GTZ/UDLE with local bodies have been formulated while tasks are being carried out towards the completion of periodic plans of six municipalities brought into operation since last year. The preparation of digital base map with the inclusion of poverty mapping of 2 Municipalities with cost involvement of local bodies is underway. Study on 5 big town corridors is being carried out while formulation of periodic plan of Bhimdatta Municipality is being continued as well. Likewise, physical development plan for six places is being formulated. DPR preparation for the operation of land integration project of Pakali of Sunsari and Pokharia of Parsa is underway.

### **Special Physical and Infrastructure Sector Development Project**

- 12.130 Under this program, physical and infrastructure development activities were carried out at 14 places in FY2008/09 in line with the concept of sustainable development. Construction, repair, and maintenance works were carried out in 60 places of having special importance by mobilizing people's participation. Similarly, Master Plans based on the concept of sustainable development were prepared for four places upon preparation of base-maps. Necessary environment is being created for handing over Changunarayan and Suryabinayak areas to concerned local bodies. In the current fiscal year 2009/10, construction, repair and maintenance of physical infrastructures at various places are going on while development construction, repair and maintenance works of physical structures at 412 places of special importance are being carried out by mobilizing the local people's participation.

### **Urban Development Project**

- 12.131 In FY 2008/09, Urban Infrastructure and Environmental Improvement Program was carried out in 32 different urban areas. Under the Build New Nepal concept, development of physical infrastructure program was implemented for five big town corridors. The construction works on road

,sewerage and footpaths that were started in three various districts (Jhapa, Sankhuwasabha and Palpa) in FY2009/10 with the involvement and cooperation of local bodies have now been completed. The Government of Nepal is in process of acquiring land for the construction of four integrated Check Posts in Birganj and Bhairahawa with the assistance of the Government of India. Rain Water Harvesting Programs are being carried out in Dharan and Ilam with the assistance of UN Habitat. Taal Talaiya area development works were being carried out under the Infrastructure Development Program of Itahari. An Integrated infrastructure Development, construction and improvement works were completed in three Municipalities with the cooperation of local bodies. Likewise, physical development plan was formulated for 13 various VDCs. The Eco-City program was implementation in Lekhnath and Kirtipur Municipalities in cooperation and coordination of KOICA and local bodies while temple was constructed at the residence of Former Prime Minister Krishna Prasad Bhattarai.

- 12.132 In fiscal year 2009/10, urban infrastructure and environmental improvement programs are being carried out at 64 urban areas and periodic plans of 15 places, road sewage network plan, physical development plan are being implemented. Likewise, the master plans and physical development plan of Sabhapokhari of Sankhuwasabha, Bhagwanthan of Kapan, Kathmandu, Gangapriya of Rautahat Bhalahiya, Pachrukhi and Matsari are being implemented as well. Infrastructure development programs on five big town corridors are being continued in sequential manner. Road and sewage network plan of Mudebazaar of Sankhuwasabha has been formulated while feasibility study on land development of Thaskot of Kavre is being carried out. An integrated infrastructure development program is going on in three municipalities (Ramgram, Prithivinarayan and Dasharath Chand) in local bodies' cooperation. Programs like Healthy Town Program in the technical assistance of WHO and One City One Identification Program are being implemented following the study on urban system of the nation and planned settlements for slum dwellers program is being carried out as well.

### **Urban and Environment Improvement Project**

- 12.133 A six-year Urban and Environ Improvement Project is being ongoing in nine Municipalities of Central Development Region including Dhulikhel, Bharatpur, Hetauda, Banepa, Ratnanagar, Panauti, Bidur, Kamalamai, and

Kathmandu Metropolis since FY2003/04 in users' participation and loan assistance of Asian Development Bank.

- 12.134 A detailed design work on various sub-projects was carried out by the consultants in Dhulikhel, Bharatpur and Hetauda Municipalities in the fiscal year 2008/09, where the project was launched under 1st group. Preparation of urban mapping, road improvement, and construction of public toilets have been completed in Dhulikhel Municipality. Various urban and environmental improvement projects were implemented in Bharatpur, Hetauda, Banepa, Ratnanagar, Panauti, Bidur, Kamalamai and Kathmandu Metropolis.
- 12.135 During the fiscal year 2009/10, drinking water schemes, sewerage system improvement and construction of sewerage processing center, vegetable market and improvement of intersections and community development works are being carried out in Bharatpur Municipality and eight other Municipalities.

### **Outer Ring-road Development Project**

- 12.136 In the process of preparing detailed report on the Land Development Project, the field report of Chovar (khokana)-Harisidhi section prepared in FY 2008/09. Likewise, attempts were made to garner 51 percent of consensus as per the Land Consolidation Act so as to carry out land consolidation works for Chovar-Satungal section road by forming users' group. A Draft report on Socio-environmental impact assessment of outer ring-road is received. Since land consolidation activity needs to be carried out in extensively large area for the construction of outer ring road, system analysis report was prepared subsequent to the selection of software development consultant to facilitate this work. Inception and audio-visual reports were prepared on the possible impacts of outer ring road on social, economic, physical infrastructures of Kathmandu Valley.
- 12.137 Hiring of consultant to carry out detailed study of 10 Km long Harisidhi-Chovar (Khokana) was done under this project in FY 2009/10 and the construction of 14.5 meter service track for Satungal-Chovar section road is underway. Public hearings were held for Lalitpur, Bhaktapur and Kathmandu in the process of assessing the socio-environmental impacts of outer ring-road. The selection of consultants for the consolidation and supervision of land and technical service for Satungal-Chovar section road is in final stage. Extensive software for Land consolidation work or Land

Pooling Software has been developed for outer ring-road. Likewise, the distribution of compensation against demolition of formerly constructed homes, sheds and other structures within 50 meter of the proposed outer ring road alignment of Chovar –Satungal section road has been initiated.

### **Building Construction Code, Construction of Government Buildings**

12.138 Construction of library, museum and exhibition hall at Mahendra Naryan Nidhi Mithila Cultural Centre is given continuity in FY2008/09. The construction works of Office building of Department of Urban Development and Building Construction, Covered Hall in Myagdi, Dalits hostel buildings in Surkhet, City Hall in Syangja, Lekhnath Sahitya Sadan of Kathmandu, Dailt hostel Building in Ainselukharka of Dailekh, ethnic building at Hangpang of Taplegung, Guest House, Library and Guard House at the residence of former Prime Minister Krishna Prasad Bhattarai were completed. Likewise, other construction works that have been completed as per the target are: 42 community buildings, People's building at Dingden of Panchthar, Lekh Nath Library building in Jhapa, Sangha Ram Bihar at Bishnumati link road of Kathmandu, two cultural buildings, Dalits Hostel Building in Pokharabari Arje of Gulmi, together with four office buildings. Printings of building construction manuals and catalogues, study on ancient historical buildings that were constructed through the use of locally available skills and materials in five districts, revision of building codes, observing earthquake safety day and preparation of various norms and specifications were among the targeted programs for the fiscal year 2008/09.

12.139 During the fiscal year 2009/10, continuity is given to the construction of auditorium building along with the construction of Mahendra Narayan Nidhi Mithila Cultural Center. Likewise, construction of 12 office buildings of the Department of Urban Development and Building Construction and the Division Offices under this Department is underway while the construction of 10 other government buildings is being carried out. Construction works that have been given continuity at the residence of former Prime Minister Krishna Prasad Bhattarai are at various stages of their accomplishments. Of the program to retrofit 2 government/community buildings, the program is being carried out in Surkhet and Morang districts. Procurement of land for the construction of residential buildings under settlement program for slum dwellers and landless people is under process. There is a program to provide training to 1,165 trainees

including Engineers and Sub-Engineers engaged in Departments and Local Bodies, technicians of concerned offices and construction entrepreneurs in the process of enforcing the implementation of National Building Code. Programs such as preparation of cost estimate and mapping of 25 division offices on digital format and training on rainwater harvesting technology are being carried out. Likewise study is being carried out on ancient historical buildings that were constructed with the locally available skills and materials in six districts including Jhapa, Dhanusha, Manang, Sankhuwasabha and Mugu. Revision of Building Codes, Observing Earthquake Safety Day and preparation of various norms and specifications are among the ongoing programs of the current fiscal year. Similarly, other ongoing programs are to print and distribute construction related informative materials and publish earthquake resilient assessment methods/techniques on departments' office buildings.

### **Biratnagar Ring-Road Project**

12.140 Preparation of Detailed Project Report (DPR) for the construction of a section of 30 Km-long ring road through land development system and construction of earthen road with the alignment of the road initiated in the previous fiscal year, and construction of the earthen road in the remaining section of the proposed 30 Km ring-road with its alignment were carried out during the fiscal year 2008/09. In the current fiscal year 2009/10, works including the preparation of DPR for the construction of the first section of 30-Km ring-road through the land development system are brought forward.

### **Model Integrated Settlement Development Programme (Terai-Madhesh-Hill-Mountain)**

12.141 Integrated infrastructure development programs were implemented in FY2008/09 after the implementation of compact settlement program in those five districts where studies were carried out in earlier years. Implementation of study reports on model village development in four VDCs, infrastructure development in 12 VDCs based on model VDC plans and Integrated Infrastructure Development Program in 10 district headquarters were carried out during the same fiscal year with formulation of infrastructure development project of six VDCs and periodic plan of one Municipality. The programs executed in previous fiscal year are continued into this current fiscal year 2009/10 as well and Thawang Model Integrated Settlement Program in Rolpa is under implementation. Likewise, under the People's Residence

Program, various activities such as organizing settlements targeting Dalits, poor Muslims of Siraha, Saptari and Kapilvastu through the construction of low-cost housing, formulation of infrastructure development plan and infrastructure development works for settlements and small towns that lie on people's highways are being conducted.

### **The Republic Monument**

12.142 Detail design works have been initiated for the erection of Statue of Republic within the Narayanhiti premises.

### **Programs implemented through Singhadurbar Secretariat Reconstruction Committee**

12.143 There have been programs to construct central agencies' buildings within Singh durbar premises complying with the Singha Durbar Secretariat Master through adoption of National Building Code and set standard with the plan to trans-locate those Master Plan non-compliant buildings outside the Singha Durbar. Under this program, construction of annex building for the Ministry of Finance will be completed in the current fiscal year 2009/10, while foundation casting is being done for the construction of building for Ministries of Local Development; and Women, Children and Social Welfare. Likewise, construction of building for the Ministry of Education, construction of additional storey and renovation of the Ministry of Industry Building, landscaping within the Singha Durbar premises, installation of solar powered streetlamps, construction works of security sentry posts and installation of CCTV are underway.

### **Drinking Water and Sewerage**

#### **Drinking Water and Sanitation**

12.144 Of the target set to provide basic drinking water facility to additional 260,000 people through the completion of 100 projects among 642 such ongoing projects at district level under the Department of Drinking Water and Sewerage in the fiscal year 2009/10, additional 255,000 people have benefited through the completion of 100 such projects. Likewise, additional 92,000 were provided with basic drinking water facility against the target set to provide such facility to 126,000 through the completion of 106 projects implemented under community based drinking water and sanitation project. Similarly, 60,000 people were provided high/medium level drinking water facility through the completion of seven Drinking



Water Quality Improvement Project and 191,000 were provided with the same facility through completion of the rest 11 projects implemented under the Small Town Drinking Water and Sanitation Project.

- 12.145 In the fiscal year 2009/10, 11 central level projects are ongoing, while 30 projects have been completed so far. Out of the 821 ongoing district level schemes including 542 carried over and 209 new ones, the target for this year was set to complete 100 such schemes to benefit basic drinking water facility to additional 270,000 people through the completion of 100 such projects. Of the 454 ongoing community drinking water schemes, the target for the fiscal year was set to provide basic drinking water and sanitation facilities to 377,000 people through the completion of 445 community drinking water project, of which 42 are completed so far. Construction of water treatment system in 15 water supply system is ongoing under the Drinking Water Quality Improvement Project, of which 5 such systems are expected to complete by the end of this fiscal year. Rainwater is being harvested and used as an alternative source of water in small rural settlements where source of drinking water is scarce. Of the target set for this fiscal year to make at least 75 communities Open Defecation Free (ODF) areas as a campaign initiated in the previous fiscal year in stakeholders' partnership and cooperation and the initiative of school/community for the promotion of sanitation throughout the country, 22 VDCs and 150 school areas have already been declared as open toilets-free zones.
- 12.146 The Small Town Drinking Water and Sanitation Project completed in the fiscal year is given continuity in the current fiscal year 2009/10 as the 2nd Small Town Water Supply and Sanitation Project under the grant assistance of Asian Development Bank (ADB). The project, targeted to be complete in FY2015/16, expects to provide quality drinking water and sanitation facility to about 240,000 people of 20 small towns. Likewise, reconstruction and rehabilitation of 31 drinking water projects destroyed by flood in Kailali, Kanchanpur and Sunsari districts will be carried out together with the installation of 2,500 shallow tube-well and construction of 2,500 toilets in the coming year through ADB supported Flood Damaged Reconstruction Project. Awareness raising activities on the purification of drinking water and sanitation have been carried out along with the construction of 2,000 private toilets in Rukum and 3,000 in Jajarkot under Nepal Government's special relief program so that diarrhea epidemic not

to reoccur in Rukum and Jajarkot as in the previous year. Likewise, tablets and chlorine liquid for the purification of water is being distributed.

### **Small Town Drinking Water and Sanitation Project**

12.147 The remaining 10 small town drinking water projects carried into the current fiscal year from the ADB funded Small Town Drinking Water and Sanitation Project have been completed. Overall, the project provided high/medium level drinking water facility to a total of 510,133 people through the completion of 29 small town projects. Entrepreneurship and capacity development related activities are being carried out in cooperation of UN Habitat in this current fiscal year 2009/10 so as to enhance the entrepreneurship and capacity of users' committees that are taking full responsibility for the operation and management of the project. On sanitation, about 30,000 family toilets were constructed in the partnership and cooperation of stakeholder organizations in areas covered by 26 VDCs and 120 school premises which were declared as Open Defecation Free zone.

12.148 In the fiscal year 2009/10, the entire drinking water and sanitation programs that are being run under "One Family, One Toilet" Program have now been consolidated in order to operate these programs in an integrated manner, whereas nationwide construction works for additional 110,000 toilets are underway in the current fiscal year.

### **Kathmandu Valley Drinking Water and Sanitation Program**

12.149 In FY 2008/09, additional five5 million liters of water is being supplied daily through six new tube-wells installed with the government funded dry season program. Through this program, pipeline extension and improvement works have been carried out in areas where water could not be supplied earlier. In addition to this, additional four million liters of water is being supplied in FY 2008/09 after having 10 old deep tube-wells repaired through drinking water production and supply improvement program. Likewise, the installation work of additional five new deep tube-wells under the Kathmandu Drinking water and Sewerage Program is being carried out in and around President's residential area, Ministers' quarter area, office area of vice-president, Prime Minister's residential area and Singhadurbar area. Under this program, water pipes of various sizes of about 12 Km length have been laid with a view to improve the drinking water supply system. Likewise, pipeline extension works have been carried

out in newly extended areas as per the demand and urgency through which 30,000 people have received direct benefits.

- 12.150 Drinking water production improvement, drinking water supply improvement, managerial improvement, and supervision consultancy service have been the tasks that completed in the current fiscal year 2009/10 under ADB funded Melamchi Drinking Water sub project-II. Under these tasks, procurement of pipes of different sizes for the improvement of drinking water supply system has been started while details and cost estimates for immediate improvement works have been prepared and improvement works on production and distribution of drinking water were carried out. Procurement of 15,000 household water meters, five generators, 14 Km long spare pipes and fittings has been done until this period of the current fiscal year 2009/10. Similarly, procurement process is underway for leak detection equipment, four jetting trucks for flushing out sewages, 10 water tankers, 35 pumps with different capacities, bulk water meters. Construction works such as demonstration scheme, surface source extension for the improvement of drinking water supply at Baneshwor, Meenbawan area and pipeline extension and improvement at 10 different places, new deep boring at five places, reconstruction of water treatment plant at two places, construction of well equipped central laboratory building at Mahankaal for water testing have been initiated. Likewise, improvement of sewerage treatment system is being carried out at Kodku of latilpur and Sallaghari of Bhaktapur. Of a three-year 32 procurement package master plan with the approved budget of Rs 2,930.6 million through the Project Implementation Directorate, 19 such packages with the procurement of Rs. 610.0 million has been done so far. Likewise, works are underway with the aim of completing bidding process within this current fiscal year for remaining packages with the budget of Rs. 960.0 million namely Kusunti-demo project, surface source improvement and design and hiring of supervision consultant. The drinking water distribution system has been upgraded through the special arrangement of water supply for dry seasons. Tasks completed under such arrangement are distribution of water to the public by using 17 water tankers of KUKL together with additional water tankers hired from the Department of Roads and from other companies, constructing inject points, producing drinking water with the use generator during load shedding hours have been completed.

## Urban Drinking Water System

- 12.151 Twenty percent progress was achieved in the fiscal year 2008/09, on the target of laying of 11.2 Km (Ductile Iron) DI pipes of 20 inch diameter from Mardi intake to Bindabasini (Pokhara) initiated under the drinking water production enhancement program. Likewise, extension and improvement of 4 Km long pipeline have been completed in Banepa, Butwal, Bhairawa, Nepalgunj, Bhadrapur, Rajbiraj, Lahan, Bharatpur, Mahendranagar, Dhangadi, Kalaiya, Krishnanagar, Taulihawa and Gaur. Of the target set to install two deep tube-wells in Janakpur and Dhangadhi, tube well in Janakpur could not be installed due to technical reason, while this has been installed in Dhangadhi. Of the reconstruction of water intake/deep tube-wells, works on 18 water intake (surface source) and 16 deep tube wells have been accomplished. Similarly, procurement of 46 pump sets for Banepa, Dharan, Biratnagar, Janakpur, Jaleshwore, Malangwa, Birgunj, Hetaunda, Pokhara, Butwal, Bhairahawa, Nepalgunj, Bhadrapur, Rajbiraj, Lahan, Bharatpur, Mahendranagar, Dhangadhi, Kalaiya, Krishnanagar, Taulihawa and Gaur has been done. During the fiscal year 2008/09, an additional two million liters of water was produced daily through such tube-well construction providing benefits to other 14,000 people.
- 12.152 Of the target set to produce 18.0 million liters of drinking water daily through the installation of nine new deep tube-wells in Biratnagar, Rajbiraj, Birgunj, Bharatpur, Butwal, Nepalgunj under Drinking Water Production Enhancement program in FY2009/10, the installation works are underway in Biratnagar, Rajbiraj, Bharatpur, Butwal and Nepalgunj. Birgunj has been producing four million liters of water daily through the installation 2 new tube-wells. Likewise, seven ground tank with various capacities and two overhead tanks of 450 cubic meter capacity are being constructed. Seventy percent progress has been achieved on deep tube-well and tank construction until mid March 2010.
- 12.153 Of the target set to complete 13 Km pipeline extension work in Bhadrapur, Biratnagar, Dharan, Rajbiraj, Lahan, Janakpur, Jaleshwor, Malangwa, Gaur, Kalaiya, Birgunj, Hetauda, Bharatpur, Pokhara, Butwal, Bhairahawa, Taulihawa, Krishnanagar, Nepalgunj, Dhangadhi, Mahendranagar, Banepa, Panauti ( 23 urban areas), 70 percent progress has been achieved until mid February, 2010. Likewise, 70 percent progress is achieved on the procurement of generator, water tanker, transformer, pump set until mid February, 2010. The tender process that was initiated last year for the extension work of 12 Km of DI pipe of 10 inch diameter to be carried out

from Jhumsa Khola, Butwal to Panipokhari of Ramphedi under Drinking Water Improvement Project, 1 Km pipeline extension work has already been completed in the first eight months of the current fiscal year subsequent to the procurement of pipes and fittings. This project is expected to be completed within the upcoming fiscal year 2010/11 which would generate about 10 million liters of additional water daily benefiting 70,000 additional people. Likewise, of the target to complete pipeline extension work of 11.2 Km of 20 inch diameter DI pipe (between Mardi intake to Bindabasini) that was initiated last fiscal year, 7 Km of pipe laying works have been completed until mid March, 2010 and this work is expected to be completed within this current fiscal year. After the completion of this extension work, about 175,000 additional people will be benefited through the production of additional 25.0 million liters of water daily due to which drinking water could be supplied round the clock to pokhara city dwellers.

#### **Programs Implemented by the Rural Water Supply and Sanitation Fund Development Board**

12.154 This Board has been mobilizing non-government organizations (NGOs) engaged in drinking water and sanitation sector in order to implement and operate demand-led community based rural water supply and sanitation projects and providing financial as well as technical supports to run projects by communities themselves. The community needs to contribute 2.5 percent of the total project cost in cash mandatorily and other contribution in kind including local materials and labor. The communities have been found contributing up to 38 percent both in cash and kind which is encouraging. The program achievements are as follows:

**Table 12(ae): Progress of Rural Drinking Water and Sanitation**

S.N	Major Activities	Unit	2008/09		2009/10	
			Target	Achievement	Target	Achievement*
<i>a</i>	Agency Selection	No.	70	70	70	NA
<i>b</i>	Community Selection	No.	450	416	400	NA
<i>c</i>	Pre-construction Community mobilization and preparation	No.	645	625	400	416

<i>d</i>	Drinking Water Project Construction	No.	447	70 percent	590	167
<i>e</i>	Beneficiaries	No.	220,000	150,280	357,000	113,560
<i>f</i>	Budget	In million Rs.	1,130.0	853.9	1,121.02	216.8

*\* First eight months*

*Source: Rural Drinking Water Supply and Sanitation Fund Development Board*

## **Ministry of Home Affairs**

### **Peace and Security**

12.155 Primary objectives of the Ministry of Home Affairs have been to maintain law and order in the country and ensure security of the people by protecting their lives, properties and freedom. Similarly, protecting fundamental rights and ending lawlessness guaranteeing peace and security in the country have been other objectives of the Ministry. For this, special security program, 2009, public service and road obstruction control work plan 2009, Program for the control of abduction and crime of serious nature, 2009, Kathmandu Valley Special Security Plan 2009, Tarai and Eastern and Mid-Western District Security Enhancement Work plan, 2009 and awareness program for effective peace and security management are brought into implementation. After the implementation of such programs, crime incidents have declined in major cities and district headquarters of the country including Kathmandu Valley with the mass mobilization of security personnel.

### **Local Administration**

12.156 By mid March 2010, fifty percent (204) prisoners, except for the prisoners with 9 serious cases, have been released on the auspicious occasion of Dashain and Dipawali 2009 acknowledging their improved behavior. As per the decision of National Human Rights Commission, compensation is provided to the victims while actions are taken in pursuance to the prevailing law against those security personnel and other people who have been found guilty. Likewise, activities for the protection and promotion of human rights have been carried out following the human rights related national and international commitments and provisions. Furthermore, the human rights of the detainees have been protected and various trainings

imparted while detention center improvement advisory commission's suggestions and recommendations are being implemented.

## **Disaster Management**

12.157 Disasters that occur in Nepal from time to time have caused physical damages and human lives losses and therefore, National Strategy for Disaster Risk Management, 2009 has been approved so as to operate rescue, relief and rehabilitation programs effectively for such disaster victims. Likewise, activities such as drafting of Disaster Management Act, 2009 and establishing Emergency Operation Centers (EOC) under the Ministry of Home Affairs are in final stage. Similarly, compensation of Rs. 924.2 million has been distributed against the damages brought about by the Koshi flood in several VDCs of Sunsari district last year. Supports were provided to the family of those deceased who were killed by the outbreak of diarrhea that spread across 11 districts of far western and mid-western regions of Nepal and awareness programs with high priority are being carried out in cooperation of NGOs and INGOs.

## **Drugs Control**

12.158 By mid-March of the current fiscal year 2009/10, drug abuse control strategy, 2009 aimed at building narcotics free healthy and prosperous society, has been approved. Likewise, in the changed context, works on new Act for drug abuse control in compliance with drug abuse control related international treaties and agreements are being carried out. Similarly, various awareness raising programs on drug abuse control are being conducted through NGOs targeting about 46,000 drug addicts in Nepal.

## **E-Governance**

12.159 By mid-March of FY 2009/10, works are being carried forward for distributing citizenship certificates through all District Administration Offices using single software in the computers. So far, installation of computer networks at 30 District Administration Offices has been completed while police personnel are being provided facilities as per the prevailing rules and documents are being managed at police library through the installation of computer network. As provisioned in the policies and programs of the current fiscal year, internal home-works are

being done for the distribution of biometric smart cards with picture that could be used as national identity card by the people even at elections.

### **Ministry of General Administration**

12.160 Until mid March 2010, survey was carried out on having complaints of office heads and interested employees at district offices of Panchthar, Darchula, Baitadi, Kanchanpur and Doti. Likewise, Persuasive Partnership Program was conducted in Doti Multiple Campus while preparations are underway to conduct said program at the campuses of Rukum and Pyuthan in near future. The Council of Ministers has approved Education Qualification Verification Guideline prepared by the Ministry. This has also been proposed to convert the Ministry into Human Resource Ministry following the organization management survey. This has principally agreed the proposal to run boarding schools in Dhankuta and Doti districts for the children of Civil Servants after having them registered with Guthi and that has already been forwarded to the concerned regional administration offices for its implementation.

12.161 Survey works have been carried out on the service seekers' satisfaction at District Administration Offices, hospitals and Land Revenue Offices of Taplejung, Panchthar, Ilam, Morang, Sindhuli and Office of Dhulikhel Municipality and posted on Ministry's website. Likewise, works such as preparation of guidelines on promotion of employees, financial support for retired employee service commission and public administration organization have been conducted. Likewise, 26 officers visited friendly nations to get acquainted with their Federal Government System, leadership development training was provided to joint secretaries, foreign scholarship was awarded to various Ministries and agencies and 105 civil servants have been agreed to provide higher education. Similarly, Civil Servant Hospital is being fully operated with the intention of providing modern medical facilities to civil servants and the public. Likewise, kidney treatment center has been established and necessary medical equipments arranged for the diagnosis of cancer disease.

### **Ministry of Peace and Reconstruction**

12.162 The Ministry of Peace and Reconstruction was established on 2063/12/18 following the decision of the Council of Ministers of the Government of Nepal for formulation, implementation, monitoring and evaluation of immediate, long-term policies, strategies plans and programs. The Ministry



is assigned with the responsibilities like restoration of peace, manage conflict, carry out reconstruction and rehabilitation of physical infrastructures destroyed by armed conflict, provide relief to conflict victims, manage peace mechanism and peace processes, hold peace talk, peace accord, management and operation of the Peace Fund, manage the explosive mines, and management of cantonment of combatants and so on. The Ministry has spent Rs. 13,852.0 million on projects implemented by mid-March, 2010.

**Box 12(d): Major Tasks accomplished by Ministry of Peace and Reconstruction**

- With regard to the bill on High Level Truth and Reconciliation Commission and the Bill on the Disappeared People (Crime and Penalty) is submitted to the legislative Parliament.
- With a view to disseminate peace related information at local levels, information on peace and reconstruction related activities, peace promotional programs are being aired weekly through 31 FM radio stations in various district. A search program 'Campaign for Peace' is being televised through Nepal TV while weekly interaction audio-video program namely 'Second People's Movement Saga (*Gatha*)' is being transmitted. Likewise, street dramas are being performed at various places so as to disseminate peace related information in an entertaining way.
- Local Peace Committee Guideline, 2009 has been approved and implemented while Local Peace Committees are formed in 67 districts. A regional level seminar was held with the involvement of coordinator of Local Peace Committee, women members and office secretaries.

Source: Ministry of Peace and Reconstruction

**Table 12 (af): Expenditure of Peace and Reconstruction Sector**  
(Rs. in million)

S. N.	Program Name	FY2006/07		FY 2007/08		FY 2008/09		FY 2009/10 (mid-April)		Total		Remark
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
1.	Financial support to families of deceased in					11676	1,167.60	1621	162.10	13297	1329.70	

S. N.	Program Name	FY2006/07		FY 2007/08		FY 2008/09		FY 2009/10 (mid-April)		Total		Remark
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
	the conflict											
2.	Scholarships to children of deceased					1362	17.70			1362	17.70	
3.	Financial support against the loss of personal property during the conflict					525	32.38	196	39.28	721	71.66	
4.	Vehicles Damaged					1	0.70			1	0.70	
5.	Personal Homes rented to the Government destructed					1	0.40			1	0.40	
6.	Financial supported to abducted citizen					102	2.55	119	2.98	221	5.53	
7.	Financial support to person disabled due to conflict					140	9.99	165860.19	1798	70.18		
8.	Livelihood allowance to the families of the deceased					25	1.47	1	1.7	26	3.17	
9.	Livelihood allowance to wounded in conflict					23	.62		.59	23	1.21	
10.	Scholarships to the children of the people wounded in the People's							30	0.51	30	0.51	

S. N.	Program Name	FY2006/07		FY 2007/08		FY 2008/09		FY 2009/10 (mid-April)		Total		Remark
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
	Movement II											
11.	Monthly allowance to combatants in Cantonmentments	30582	92.56	19602 - 30852	514.49	19577 - 19602	1855.34	19550 - 19577	882.96	19550 - 19602	3345.34	
12.	Upkeep expenses for combatants in cantonments	30852	173.92	19602 - 30852	510.75	19577 - 19602	547.55	19550 - 19577	474.62	19550 - 19602	1706.83	
13.	Financial support to home returning displaced people			52163	250.00				90.00	52163	340.00	
14.	Financial Support to closest (dependent) widow of the deceased								91.70		91.70	
<b>Total</b>												6,984.57

## Cantonment Management

12.163 A sum of Rs. 13.70 million was spent for the cantonment management in FY 2008/09 while Rs. 7.24 million has been spent by mid March, 2010.

## Peace Fund

12.164 A total of Rs. 907.5 million was spent through peace fund in FY 2008/09. Through this program, 19,594 Maoist combatants at the cantonments were distributed upkeep allowance by mid July 2009. Likewise, expenses were made for medical treatment for Maoist combatants residing in 28 Cantonments and Satellite Camps, construction of solar energy technology in the main Cantonments and satellite camps cantonments of Kailali division, constitution assembly sub-election and constitution building

process. A total of Rs. 3,264.8 billion has been spent for 10 organizations by mid March, 2010.

### **Reconstruction and Rehabilitation Program**

12.165 Rehabilitation Program: Rs. 187.0 million was spent for Relief program in FY 2008/09. The expenses under this program include scholarship to 1,362 children of deceased persons, compensation to 527 persons against the loss of their personal property (including vehicular damage), financial support to the families of 102 abducted and disappeared persons, financial support to 140 persons who became disabled on armed struggle, subsistence allowance provided to 25 martyr's families and 23 injured persons during peoples' movement-II. This program cost was calculated at Rs. 105.7 million by mid March, 2010. Expenses under this program include compensation to 196 persons against the loss of their personal property, financial support to the families of 119 abducted and disappeared persons, financial support to 1,658 persons who became disabled in armed struggle, subsistence allowance provided to 26 martyr's families and 23 injured persons during peoples' movement-II and scholarship to 30 children of deceased persons.

12.166 Reconstruction Program: During FY2008/09, Rs. 1,089.6 million was spent for the reconstruction of totally damaged physical infrastructures. Of the ongoing 488 schemes implemented under Department of Local Infrastructure Development and Agricultural Roads, (DOLIDAR), 180 schemes through Department of Urban Development and Building Construction, 126 schemes implemented under 32 DDCs, 256, 71 and 69 such schemes have been completed respectively under this Reconstruction Program. Besides, a sum of Rs. 429.9 million has already been spent until mid-March, 2010 for the remaining 232, 109 and 57 such schemes. Under this program, 921 new schemes and 419 carried over schemes from the previous years are being run under the projects of DOLIDAR, Department of Urban Development and Building Construction, DDCs and the Ministry. Likewise, 78 such schemes have been completed by this period.

### **Post-conflict Peace and Reconstruction Project**

12.167 During FY 2008/09, a sum of Rs. 24.2 million was spent for agriculture and herbs related schemes implemented with the objective of creating employment opportunities to conflict affected people, relief and other supports to conflict affected children and constructing Shanti Udhyans

(Peace Garden), Model Garden and Martyr Memorial Parks. In FY2009/10, twelve schemes were implemented under this project, which are still being continued in a sequential manner. A sum of Rs. 4.1 million has been spent on these schemes by mid-March 2010.

### **Peace Process Support Project**

12.168 The total project expenditure for FY 2008/09 remained at Rs. 2,889.7 billion of which, Rs. 100,000 was distributed in to each dependent of those 11,676 persons who were killed in armed conflict. Likewise, monthly allowance was distributed to the Maoists combatants residing in cantonments until mid-June, 2009. A total of Rs. 768.7 million has been spent until mid-March 2010 for this project. In addition, the first eight months of this fiscal year, Rs. 100,000 has been distributed to each dependent of 1,621 persons killed in armed conflict. By mid-March, 2010, Rs.882.9 million has been distributed as monthly allowance to Maoist combatants in cantonments.

### **Local Peace Committee**

12.169 By the end of the first eight months of the current fiscal year, Rs., 100.5 million is spent for Local Peace Committees such expenses in FY2008/09 stood at Rs. 13.7 million.