



## Three-Year Interim Plan

Approach Paper

(2064/65-2066/67)



Government of Nepal  
National Planning Commission  
July, 2007

## Preface

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It is a favourable coincidence that, as the Tenth Plan comes to an end in July 2007, we have received an opportunity to formulate a new periodic plan after the culmination of a series of historical struggles in the form of the 2006 People's Movement. This Approach Paper has been formulated in the process of implementing the three year Interim Plan from FY 2007/08. It is believed that this Approach Paper will help address the spirit of the People's Movement, and give shape to issues agreed upon at the political level, and reflected in the various agreements, the Interim Constitution, and the Common Minimum Program of the present government.

This interim plan, being prepared at prevailing a special moment in the country's history, will give continuity to previous achievements, and address issues specific to the transitional period in a post-conflict situation. These specificities are reflected in the procedure of the plan formulation, as well as in the conceptualization and priorities of the plan. For the first time in the country's history of plan formulation, the National Planning Commission has targeted to more than 70 VDCs of 30 districts, carrying out direct observation and collecting people's suggestions. Similarly, at the central level, consultations have been held with political parties and civil societies as well as various professional groups and organizations that have become part of the national life.

This Plan puts special emphasis on increasing public expenditure to assist relief and generate employment as well as on peace building, reconstruction, rehabilitation, reintegration, inclusion, and revitalization of the economy. Similarly, the Plan gives special attention to women, *dalits*, indigenous groups, *Madhesi* community, the poor, inhabitants of Karnali area and people of remote areas who had been excluded from the country's economic, social and regional development process. Similarly, this Plan has adopted special policies and programs to provide relief to common people including the helpless and the poor, and to bring improvement in their socio-economic condition. Similarly, by giving continuity to reforms and incomplete projects initiated in the Tenth Plan, policies and programs focusing on the needs and desires of the common people have been included.

It is not possible for a single short-term plan to end poverty, and economic and social imbalance by dismantling deep-rooted feudal structures and beliefs that have prevailed in the country for a long time. Still, this plan makes a concerted effort to prepare a basis for providing relief, generating employment, promoting enduring peace and harmony, and building a

Prosperous, Modern and Just Nepal. This Plan includes tasks that need to be carried out immediately and works that can be completed in three years. Taking into account the current period of transition in Nepali history, this Plan has been formulated so that it can be implemented in flexible and changing circumstances.

Finally, the National Planning Commission would like to thank all the concerned people, institutions, and communities who have provided their valuable suggestions and responses during the formulation of this Approach Paper. The National Planning Commission also expects additional suggestions and assistance in the course of making the detailed Plan document.

**July, 2007**

**National Planning Commission**

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## 1. Background

The country is already moving toward enduring peace after the historical struggles waged by Nepali people in the past, and the People's Movement of 2006. At present, an unprecedented understanding between the major political forces in the country has been attained.

By using the new opportunities arising after nearly a decade long political conflict, the feeling of self-confidence and realization among the common people, we are having a golden opportunity to waive old thoughts, structures and feudal remains, and to move forward in a determined way to raise the living standards of Nepali people living in poverty, scarcity and backwardness. It has now become the main goal of the country to make use of such excellent opportunities, to institutionalize historical achievements obtained through previous movements, and to take a leap forward in development.

Nine periodic plans have been completed in five decades of planned development in Nepal. The Tenth Plan is ending at the end of the current fiscal year. Surfing the period, various development efforts focused on aspects like development of physical infrastructures, regional development, fulfillment of basic needs, and poverty alleviation. As a result of these efforts, many physical and social development structures were constructed and there have been many changes in the mutual relationship between the government, civil society and the people. However, the economic development targeted by periodic plans could not be achieved, and Nepal's economic progress receded compared to even the least developed countries. The policies adopted in the past could not adequately address structural problems of the economy like unequal access to productive resources, distributive conflict and lack of good governance. There was no improvement as expected in the economic and social conditions of women, dalit, indigenous people, *Madhesi*, inhabitants of Karnali and people of remote areas, and helpless and powerless people. Such situation invited and fueled conflicts in the country.

The struggles carried out by Nepali people in the past have revealed the structural and feudal thought existing in the country in economic, social and cultural areas, the orthodox culture of classifying Nepali people in different forms, discrimination based on ethnicity, language, culture and religion; human rights violation and social and geographical exclusion; these have also empowered the people. The 1950 revolution initiated a process of changing existing untouchability, child marriage and feudal system existing in the society. The development programs carried out in the governmental and non-governmental sector in accordance with economic and social policies

adopted after the 1990 revolution has shown an overall positive results and impact. During this period, the concept of inclusive development could not be implemented extensively. But the historical struggles by Nepali people, and the latest people's movement has directed the country to a new thinking in order to move forward in a planned manner for inclusive social and economic development of women, dalit, indigenous people, *Madhesi*, and disadvantaged people.

It appears that it will take about three years for an elected government to form after preparation of a constitution in accordance with the people's wishes after the election of the constituent assembly. Therefore, it appears appropriate to implement a new three-year plan to carry out development process in a planned manner.

This Plan will give emphasis to aspects like reconstruction and rehabilitation of physical infrastructures, social reintegration, economic recovery, inclusive development, and economic and social transformation. Similarly, policies will be taken to move the development process ahead by using opportunities from continuity of successful programs of poverty alleviation strategy, commitment to millennium development goals, opportunities after membership in the WTO, and industrial development and trade relations between immediate neighbors China and India.

The objectives, goals, strategies and policies of development have been formulated in this plan, together with a long-term vision, by taking as guidance the parliament's historical declaration in accordance with the people's spirit reflected through the People's Movement, the subsequent agreements at the political level, the state's responsibility, the directive principles and policies inherent in the interim constitution as well as the interim government's common minimum program.

## 2. Current Situation of Development

Some of the past programs have been implemented with the primary objective of poverty alleviation. Based on the past experience that the target of poverty alleviation can only be obtained if the overall economic indicators are positive, the Tenth Plan categorized poverty into three dimensions, income poverty, human poverty and social exclusion. Analyzing all these dimensions in the previous years, the overall poverty and human development indices of Nepalis have considerably improved.

According to the Nepal Living Standards Survey, 2003/04, absolute poverty has decreased 11 percent from 42 to 31 in the last 10 years. The reasons for such decrease in poverty are the wage increases in

agricultural and non-agricultural sectors, increasing urbanization, the rise in the economically active population sector, and large amount of remittances entering the country. However, during the same period, the gini coefficient has increased from 0.34 to 0.41, in other words the difference between the rich and poor is seen to have increased.

Similarly, according to the Human Development Index, 2006, although Nepal's Human Development has grown to 0.527 from the previous year's 0.513, Nepal remains as the country with least human development in South Asia. Nepal remains on the 138th position in the Global Human Development.

According to the MDGs Progress Report, 2005, it appears possible to obtain Millennium Development Goals in sectors other than primary education and HIV/AIDS by the year 2015.

## 2.1 Overall Economic Situation

The Tenth Plan had targeted normal economic growth rate to be an annual 4.3 percent on an average (agricultural sector 2.8 and non-agricultural sector 5.2). However, during the Plan period the average annual growth rate remained 3.4 percent (agriculture sector 2.67 percent and the non-agriculture sector 3.79 percent) gross value addition to be 3.4 percent. It is estimated that within non-agriculture sector growth rate estimates in the community and social services under agriculture sector, as well as electricity, gas and water sectors has remained higher compared to other sectors (Table 1, Annex 1).

During this period, some structural changes in the economy have been seen. The contribution in Gross Domestic Production of agricultural sector was 37.4 percent, and non-agricultural sector was 62.6 percent in the base year of the Plan, it became 33.1 percent and 66.9 percent respectively in the final year of the Plan. Among the non-agriculture sector, trade and commerce, hotel and restaurant's contribution is seen to be the highest (Table 2, Annex 1).

During the review period, the total consumption, on an average, remained 89.84 percent. The gross capital formation remained 25.57 percent of the Gross Domestic Product. Similarly, the Gross Domestic Savings remained an annual average of 10 percent and Gross National Saving 28.1 percent of the Gross Domestic Product. Similarly, although no change is seen during the Tenth Plan period in Domestic Saving and Consumption, a positive change in Gross Capital Formation and Gross National Savings has been observed. During the plan period there has been some deterioration in the current account surplus, whereas an improvement has been observed in the balance of payments position (Table 3, Annex 1).

The average growth rate of money supply (M-1) which remained 11.3 percent in the Plan period, has reached 14.7 percent during the FY 2006/07. During this period, the GDP deflator has increased by an average of 5.6 percent. In the government budget side, the revenue and foreign aid has increased positively in proportion to Gross Domestic Product, while the average ratio of capital expenditure (including principal payment) did not increase. Some increase is seen in the ratio of current expenditure on an average.

## 2.2 Economic Sector

**Agriculture:** The agriculture is gradually transforming toward commercialization from subsistence system due to past development efforts. There has been an increase in production and consumption of cash crops. There is also coordinated mobilization of research, extension services, market, vocational development, food technology and quality control, supply of production inputs and rural infrastructure development and promotion work. There is an effective emergency of cooperative, private and community organizations and corresponding decrease in involvement of government sector in the flow of services. The production of consumer goods is increasing more than expected. At the policy level, Agricultural Policy, 2004, and National Agricultural Vocation Policy, 2006 have been promulgated for the development of agricultural sector.

In the agriculture and cooperative sector, the per production food consumption was 275 kg. while the target for the first year was to increase from 264 kg. to 286 kg., vegetable production (including non-seasonal) was 80 kg. while the target was to increase from 66.74 to 79.15 kg., fruit production remained 21.63 kg. while the target was to increase from 16.17 kg. to 17.89 kg., fish production was 1.87 kg. while the target was to increase from 1.5 kg. to 1.87 kg., meat production was 8.6 kg. while the target was to increase from 8.5 kg. to 9.94 kg., milk production was 51 kg. while the target was to increase from 47.05 liters to 50.85 liters. The increase has been more than expected. Similarly, there has been diversification of production technology of herbs like chiraito, allo, and keshar. In addition, there has been development of farming technology of varieties of high-value agricultural production. Similarly, efforts are underway for diversification and modernization in the agricultural sector.

Due to difficulties in transportation and non-competitive market, especially in remote hilly areas, food problem is complicated. Inability to effectively use investment and physical facilities, lack of intensive crops, inadequate supply and inadequate use of basic agricultural materials like chemical fertilizers, improved seeds, irrigation and credit; the weakness of market mechanisms, higher risk in production,

ineffectiveness of agricultural extension services; and lack of agricultural research in required sectors are seen as major problems.

There is food deficit in remote areas. There has been decrease in food security due to lack of access to means and resources, inequality within the family, lack of emergency assistance; increase in the habit of eating easily available but unhealthy food.

**Land Reforms:** Work has started to map remaining village block areas/Village Development Committees (VDC), and municipality areas as well as prepare a digital statistical database by remapping using digital technology. GIS system has been established in six Land Revenue Offices, while work has been completed to manage ammonia print of maps of 74 districts at the central level.

The lack of access of the landless and economically deprived groups to land, the continued existence of dual ownership in practice, fragmentation of agricultural land, non implementation of land use project, and lack of management of the landless and freed bonded laborers remain the main challenges.

**Forestry:** Until now, the total area covered by forest in Nepal remains 39.6 percent. At the beginning of the Tenth Plan, forest areas were managed through formation of some 12 thousand community forest user groups. By the end of the plan period some 14,500 community forest user groups have been formed, and they are managing some 1.24 million hectares of forest areas. In addition to community forests, more than 950 leasehold forest consumer groups have been formed to create income opportunities for people living below poverty line. These groups are managing 3,700 hectares of forest, resulting in improvement of the quality of forest as well as protection of forest, environment and biodiversity. This is also resulting in easy supply of forest product for people depending on the forest, sustainable management of forests, as well as implementation of community development works. Through the means of community forest user groups, gender balance, community empowerment, and institutional development works are increasing. In the context of sustainable conservation of Nepal's biodiversity, 19 percent of the total land is covered by conservation areas. In order to fulfill its obligation to international convention on biodiversity, Nepal Biodiversity Strategy, 2059 and Nepal Biodiversity Strategy Implementation Plan, 2063, have been implemented. Since opportunities have been obtained for generating international resources through Nepal's forest sector from provisions like Carbon Trading, Reduction in Climate Change and payment for Environmental Services, it is necessary to make diplomatic efforts efficient and effective for this purpose. There are problems like decrease in forest areas due to encroachment of

forests, costly and ineffective land conservation due to flooding and landslides, lack of awareness about biodiversity, lack of identification of valuable non-timber forest products, lack of information about farming technology, and reluctance of the private sector to move forward in this sector as expected.

**Tourism:** The process of tourism development became rapid after the 1990 political change. Consequent to the liberal policy adopted by the government, there was a remarkable increase, in number of Hotels, Travel Agencies, Airlines. The number of tourist arrivals and tourist stay also increased after 1991. However, the tourism business, which grew in such a way, began to slow down after intensification of political conflict in the country. During the Tenth Plan period, tourist arrivals were targeted to reach 516 thousand per annum with an average growth rate of 7.2 percent. The foreign exchange earnings were targeted to increase by eight percent. During the FY 2062/63, total tourist arrival however, was only 375 thousand, which generated US \$ 148.4 million, which is 7.1 percent of the country's total foreign exchange earnings. The average length of tourist stay has come out to be only 9.1 days. Similarly, in the FY 062/63, the contribution of this sector to the Gross Domestic Product has remained 1.2 percent. There has been no improvement in rural infrastructure, reliable and adequate domestic and international airline services, hotel and tourism business necessary for the development of tourism sector. In addition, the tourism sector has been affected by domestic conflict.

**Industry:** Although the sectoral contribution of industry and mining sector to Gross Domestic Product was expected to be 9.32 percent during the review period, it has remained 8.4 percent. Similarly, although industrial growth rate was targeted to be 7.8 percent on an annual average, only 1.95 percent growth rate was achieved. Due to the deteriorating peace and security situation during the first four years of the Tenth Plan, there was a negative impact on the pace of industrialization. Problems like decrease in production due to lack of physical infrastructure, inadequate capacity uses, lack of business environment, structural weaknesses, problems of technology transfer, as well as lack of competitive capacity, and small domestic market have been observed.

**Commerce:** Some efforts have been made toward development of policy and regulatory frames related to commerce. In order to develop healthy and competitive market and establish corporate good governance, Competition Act, Bankruptcy Act, Company Act, Cyber Act etc, have been brought into effect. In order to reduce the cost of foreign trade by facilitating movements of commercial goods and simplification of procedures, the work of setting up dry ports in Birganj, Bhairahawa and Biratnagar have been completed during this period.

New opportunities and challenges have been emerged by Nepal's entry into World Trade Organization and regional organizations. In the Tenth Plan period, it is estimated that the export of goods has increased by 0.5 percent, and import by 8.7 percent. As a result, although the Tenth Plan had targeted to limit the total trade deficit at 12.2 percent of the Gross Domestic Product, it has reached 15.1 percent.

**Supplies:** In the supply sector, the government has been, for a long time, operating Food for Work program, as well as supplying food grains, salt, chemical fertilizers, and construction materials at concessional prices, especially in the remote and backward regions. In this context, the government has been supplying food grains by subsidizing transportation cost in 30 remote districts and iodized salt in 22 districts. In accordance with the liberal economic system, there is no government control over sales and distribution of goods, except for some basic consumer goods (petroleum, salt and food grains). Although the demand for petroleum is 76 thousand kilo-liters per month, about 60 thousand kilo-liters are being supplied. In the food grain sector, the total annual demand is 173 thousand quintals, of which 97 thousand quintal is being supplied annually.

**Labor Management and Employment Promotion:** According to the Nepal Living Standards Survey (NLSS) 2060/61, total unemployment is estimated to be 3.8 percent. A new Labor and Employment Policy, 2062 has been issued for internal labor management. Since adequate employment opportunity has not been generated in the domestic labor market, some 800 thousand youths have gone to various countries for employment. However, it is estimated that the number of youths going to third countries without completing government procedures is also significant. Similarly, the number of people migrating to various parts of India for employment on a seasonal and permanent basis is increasing as compared to number of youths going to third countries. It is seen that labor administration should carry out additional efforts to ensure secured, decent and productive employment opportunities for female and male laborers/employees by effectively managing domestic and foreign employment sectors. Although attraction to foreign employment is increasing, there is a challenge to make them safe and organized. At the same time, it has not been possible to produce skilled and capable human resources in accordance with the demand of foreign labor market.

### 2.3 Social Sector

**Education:** The participation of both girls and boys is seen to have increased at various levels of education including the primary schools. In the primary schools, the total rate of admission is 87.4 percent. Of

the total children of school going age, the percentage of girls is 48, the percentage of indigenous groups is 38, the percentage of *dalits* is 18, and the percentage of disabled is one. The total number of schools has reached 28,026 including government and private schools. At the primary level, the percentage of female teachers is 30.6, of *dalits* 2.5, of *Janjatis* 17.8. The total literacy rate of the country is 53.7 percent, of which the literacy rate of women is 42.5 percent. The general literacy equity index was targeted to reach 0.8 by the end of the Tenth Plan, whereas it has reached only 0.61.

Still, some 13 percent of children are seen to be excluded from primary education. There is no equal reach of all gender, class and regions in schools and higher education. There is a high rate of repetition and drop outs; the graduation rate is also not satisfactory. Although the access of children to every level of education is increasing, the admission rate of poor, dalit, especially the dalit and indigenous groups of Madhesh, is very low. In addition, there are five universities in the country.

**Health:** By accepting the global principle of health as a fundamental right of the people, the Interim Constitution, 2063 has for the first time in history, established the obligation of the state to the health of Nepali citizens. Due to policy level, implementation and institutional reforms in the health sector, the reach of people to health service is increasing. Health organizations are being operated from the regional, zonal, and district hospitals to every Village Development Committee. As a result, according to the Nepal Population and Health Survey, 2064, maternal mortality is 281 per 100,000; child mortality rate, 61 per 1,000; infant mortality rate 48 per 1000; and neo-natal mortality rate 34 per 1,000. The average age of Nepalis has reached 62 years. In this the average age of female is more than that of male. For the improvement of the health sector, National Health Policy and other sub-sectoral policies are operational. There is an expansion of alternative health services including ayurvedic health service. Regarding the situation of children's nutrition, the percentage of stunting has decreased from 57 percent in BS 2058 BS to, 49 percent in BS 2064. The percentage of underweight (weight to height) has increased from 11 to 13, and underweight (weight to age) has decreased from 43 percent to 39 percent. However, the dismal physical condition of health agencies, and lack of health workers, medicine and equipment, has made it difficult for the people to access necessary and quality health service.

**Population:** The country's annual population growth rate is still high (2.25 percent). If this growth rate continues, Nepal's current population will double in the next 31 years. Whereas the total fertility rate was 6.3 on average in BS 2038, this has decreased to 3.1.

Whereas the total birth rate has reached 28.4, and the rate of use of family planning materials 48. Although the total fertility rate is decreasing in urban areas, the rate of population growth in the rural areas is still very high. The number of children and elderly is still high in Nepal's population structure, as a result the number of elderly and dependents is increasing. Due to the migration of male population, there are currently 89 males to 100 females. Expected targets have not been reached in reproductive health. Similarly, there is repetition in implementation of population related programs, and there is lack of coordination between sectoral agencies.

**Drinking Water and Sanitation:** There has been extensive increase in the participation of consumer groups in the construction, operation and maintenance of drinking water systems. According to the Nepal Population and Health Survey, 2064, some 90 percent of urban households and some 80 percent of rural households have access to drinking water. Similarly, in sanitation, about 37 percent of urban households, and 20 percent of rural households are using improved latrines. From the administrative records, it is found that some 77 percent of the population have access to drinking water, and some 46 percent of the population are using proper latrines. The supervision and coordination of various agencies working in the sector of drinking water and sanitation is found to be weak, and necessary facilities have not been provided in many places. In addition, adequate attention has not been paid in improving the quality of drinking water, or in adequately maintaining drinking water systems that have been constructed.

**Women's Empowerment and Gender Equality:** Gender Development Index and Gender Empowerment Index are found to be 0.452 and 0.391 respectively. Labor participation is 48.9 percent for females, and 67.6 percent for males. Most of the women are involved in informal, subsistence-oriented, *domestic* (home-based), and (unpaid) *non-wage earning* work. The weekly contribution of male and female to external economic activities is 42.6 and 36.3 hours respectively. On the other hand, weekly male and female contribution to household economic activities is 46.5 and 42.5 hours respectively. Similarly, weekly labor contribution of male and female to non-economic household activities is 9.7 and 25.1 hours respectively. The total weekly male and female involvement in economic and non-economic activities is found to be 98.8 and 103.9 hours respectively.

Similarly, the share of women in income is seen to be only 30 percent and in administrative services 12.7 percent. A (resolution) *proposal* to ensure 33 percent representation of women in all state mechanisms has been passed by the reinstated parliament. Beijing Action Plan, National Action Plan relating to International convention on eradication

of all kinds of discrimination against women, and a national plan of action on control of trafficking in women and children have been prepared. Some of the laws discriminatory against women have been amended. Gender focal points have been established on all sectoral ministries in addition to establishment of National Commission on Women. Assistance has been provided for skill development for social and economic empowerment of single women. A mechanism for gender budgeting has been set up in the Ministry of Finance. The (practice) *tradition* of compulsory participation of women in preparation and implementation of local development program has been institutionalized. The awareness level of women has increased as a result of active engagement of the non-governmental sector and the civil society in protection of women's rights. However, it is felt that there has not been adequate improvement in the legal provisions, development programs and budget allocation for gender equality.

**Children:** Children under 16 years constitute 40.93 percent of the total population. Some 87.4 percent of the total children of school going age are found to be enrolled in schools. In the course of the past internal conflict some 230 children have died and some 107 are found to have been disabled. In the interests of children the Civil Code has been amended and laws formulated against Sexual and Labor Exploitation. Masterplan on Child Labor, 2061-2071, Child Labor (Prohibition and Regularization) Act, 2056 have been implemented. The Optional Articles of the International Convention on Rights of the Child as well as SAARC Convention have been ratified. Various programs under the 10-year National Action Plan on Children (2061-71) are being implemented. Minimum standards have been fixed for operation of (Children's Homes) *orphanages*. Although there have been improvements in health, education and children's participation, there has not been expected improvement in the access of children from Dalit, Indigenous, Janajati, *Madhesi*, rural and poor families to education, health and services as well as in the social security situation.

**Disability:** The percentage of people with various types of disability in the total population is estimated to be between one to eight percent. In this sector, a National Policy and Action Plan 2063 has been implemented and a Disabled Service National Coordination Committee formed. Similarly, operation of special education classes, rehabilitation and skill development trainings are going on. (Based on) *According to* quota, social security allowances are being given on a monthly basis from the local bodies. Scholarships are being provided to disabled students. Efforts are being made to make government buildings and physical infrastructures disability friendly. (Still) *Even then*, adequate programs are not being implemented for

empowerment and rehabilitation of people with disability, and even the scope and effectiveness of those programs being carried out are limited. As a result, there has not been a remarkable improvement in their situation.

**Youth:** Youths comprise a large portion of Nepal's total population. There is an effort to bring this group covering such a large portion of the population to the mainstream of development. During the course of the historic people's movement, youths appeared at the frontline for the country's political, economic and social transformation. The necessity of adopting an effective strategy is seen in order to merge the youths' energy into the country's development.

**Senior Citizens:** About 6.5 percent of the total population consists of elderly citizens over 60 years of age. In the past, some welfare and security works have started for the senior citizens. In accordance with it, health treatment service programs for elderly citizens are being operated in 47 districts. Grants are being provided to homes for the elderly and day service centers in various parts of the country. A high-level senior citizens coordination committee has been constituted on elderly citizens. Provisions have been made to keep abandoned, helpless elders in old age homes. Work is being implemented to develop model old age homes in all the five development regions. An elderly citizen welfare trust has been established. A mechanism has been initiated to work in a planned manner in accordance with the Elderly Citizen Policy and Action Plan, 2058. There is a practice of providing social security allowance to elderly citizens/widows.

**Non-governmental Organizations:** There has been a remarkable expansion in the role and investment of non-governmental organizations in the country's socio-economic life. At present, of the 22,685 NGOs registered in the country, some 19,944 are operational. Of this more than 50 percent are working in the area of community and rural development. Although there has been an effort to implement all of them through one door policy, and to make the sector of social service dignified, organized and accountable, it has not been possible to direct the investment and activities of this sector to areas of national priority through the means of effective facilitation, coordination, monitoring and evaluation.

**Social Security:** At present the government is carrying out some social security programs for extremely poor, conflict-affected, dalit, senior citizens, people with disability, orphans, children and women at risk and individuals and groups affected by natural disasters. New and expanded policy and programs have not been fixed for guaranteeing human rights of such individuals and groups.

## 2.4 Infrastructure Sector

**Roads:** Taking transportation as the pillar of overall development, special emphasis is being given to road construction for years. As a result, by the end of FY 2063/64, 5,360 km blacktopped, 4,854 km graveled, and 7,626 km. earthen roads are estimated to be constructed bringing the total length of roads to 17,840 km. Until now, some 1,197 motorable bridges have been constructed. Although there is a policy to connect every district headquarter with a road, until now only 63 district headquarters are connected by road. Kalikot and Jumla districts of Karnali zone, which so far had not been connected by road transport, are accessible by road from FY 2063/64. Although the concept of build, own, operate and transfer (BOOT) has been promoted in order to increase participation of the private sector in the construction of roads and other physical infrastructures, the investment of the private sector has not been achieved as expected. Similarly, due to lack of maintenance of roads constructed, it has not been possible to obtain expected results from such structures.

**Electricity:** Throughout the country, only about 560 mw of electricity is being produced and only about 2,100 VDCs are getting electricity supplies until FY 2063/64. The total length of transmission lines ranging from 33 kv to 132 KV is 3332.86 kms. In accordance with the increasing demands for electricity, new projects have not been commissioned in accordance with the increasing demands. It has also not been possible to control electricity leakage as expected. In accordance with the primary policy of developing hydroelectricity as an industry by increasing the participation of the private sector, some hydroelectric projects are being operated by the private sector. Although licenses have been issued to operate many projects, they have not been commissioned.

**Irrigation:** Until now, it has been possible to extend irrigation facility to only 66 percent land (1168144 hectares). Although policy has been adopted to increase agricultural products and productivity by extending surface and underground irrigation, expected results have not been achieved. In the Terai, the extension of irrigation facility has decreased after reduction in direct subsidy to shallow tube wells. Similarly, problem is seen in appropriate maintenance of completed projects.

**Information and Communication:** There has been considerable expansion in the sectors of domestic and foreign courier postal service and international money transfer service. Similarly, work has been started to secure newspapers in CD-ROM. Nepal Television has started transmission by establishing a satellite center. The reach of Radio Nepal has reached 72 percent of the people. Including the

participation of the private sector telephone (including mobile) has reached a density of 55 per 1,000 people. The total number of subscribers of mobile telephone has reached 916,639, telephone service has reached 2762 VDCs, and email/internet service has reached 58 districts. The total number of newspapers registered has reached 4614, with 340 dailies, 1661 weeklies, and 2613 others. In television sector, some 16 private television companies have received licenses and 7 are operational. Some 490 cable TV operators have received license. Similarly, some 205 FM radio stations have received license to operate, of which 72 are operational. However, lack of timely and quality technology, difficult geographical condition, internal conflict, coordination, and inadequacy of means and resources are making it difficult to achieve targeted goals.

**Housing and Urban Development:** In Nepal, the number of population living in urban areas is about 15 percent, and it is increasing by a rate of more than 3.5 percent a year. One third of the total urban population is living in 42 small municipalities (with less than 50,000) population. Two thirds are living in the 16 big municipalities. At present, the activity of the private sector is increasing in development of managed settlements.

On the one hand, it has not been possible to provide services necessary for the urban inhabitants by managing increasing urbanization, on the other hand adequate work has not been possible in managing scattered rural settlements and strengthening rural urban interrelationships.

**Environment, Science and Technology:** The environmental impact assessment work, as specified by environment law, has been internalized in order to embed environmental management with development works. Work of producing human resources by including environmental education from primary level to university level has been carried out. Environmental standards is operational in order to reduce and manage vehicle emission and industrial pollution. Work has been initiated to gain benefit from clean development mechanism under the Kyoto Protocol. Similarly, rural information centers have been established in various part of the country. Science and Technology policy has been revised, and various legal and institutional mechanisms including Biotechnology Policy, Rural Energy Policy, Electricity Trading Act and regulation, have been established. For the first time in Nepal work for DNA testing has started. In the alternative energy sector, some 170 thousand biogas plants have been established, 9.5 MW hydro electricity produced, 81 thousand solar home systems installed, and 213 thousand improved cooking stoves built. Similarly, renewable energy subsidy policy and procedures has been implemented, and 5.1 percent of the people are getting electricity service from alternative energy.

Despite the above mentioned achievements, environmental aspects have not been able to receive priority in program implementation due to inter agency coordination. It is seen that in the sector of science and technology, research, development, and use of appropriate technology should be used in accordance with the country's needs.

## **2.5 Human Rights**

Organizations like National Human Rights Commission, National Commission on Women, National Commission on Dalit, and National Janajati (Nationalities) Academy has been set up at the national level for the protection, promotion and monitoring of human rights. A national plan of action on human rights has been prepared and is being implemented. Many discriminatory policies and laws have been revised. Some years before the historical People's Movement remained susceptible to human rights violations. Although many organizations in the non-governmental sector are active in watching human rights situation, operating awareness programs, providing legal consultations and assistance, investigating incidents of human rights violations and communicating information, it is seen that there should be coordination among them.

## **2.6 Peace and Good Governance**

During the last five decades in the course of Nepal's governance system attaining a democratic form, despite efforts to establish the main components of good governance--rule of law with political stability, people's voice, accountability, and corruption control--political instability is increasing and the government is facing difficulties in obtaining full confidence of the people. According to the latest corruption index of Transparency International, Nepal remains in the bottom quarter of the world.

After the success of the latest historical people's movement, declaration of the House of Representatives, the accomplishment of Comprehensive Peace Accord between the seven political parties and the Communist Party of Nepal (Maoist), and declaration of the Interim Constitution and the government's Common Minimum Program, the agenda of state restructuring has gained speed and shape. Structural and policy reforms is necessary for real participation of women, dalit, indigenous nationalities, *Madhesi*, laborers, farmers, people with disability and backward groups in the state structure.

There has been a change in the thinking of the civil service, which remains as the pillar of governance, and an awareness of the need of people-oriented and inclusive administration. Many relevant aspects of public management, which are becoming global, have also been gradually adopted.

It is felt that the organization of the Nepal Police should be strengthened in a timely manner to face changing challenges for peace and security as well as crime control. Similarly, it is necessary to pay additional attention to organizational strengthening for international border management and improve services related to domestic security.

Although local bodies are becoming stronger due to satisfactory implementation of Local Self Governance Act and improvement in the accountability of local representative institutions, the absence of elected representative in these bodies have affected provision of services at the local level. In a situation where decentralization and devolution, to be carried out by ensuring political, administrative, and fiscal rights, should not be obstructed for a long time, the formation of interim mechanisms to carry out people's work based on political understanding has not been possible.

Offices providing public service are becoming more aware and service oriented due to the awareness among service seekers and consumers. There has been a decrease in delays in service delivery as laws, code of conduct and service declarations related to consumer benefit have been issued in order to promote good governance through participation, transparency and accountability in the process of development and service delivery. Issues of public interest have been made public and are improving after increase in the monitoring role of civil society and the communications media.

## **2.7 Local Development and Decentralization**

According to the Local Self Governance Act 2055, local bodies have obtained additional authority and their capacity has increased to some extent. Local development programs are oriented toward social, economic and institutional and physical infrastructure development by mobilizing local means, resources, and capacity in fulfilling people's basic needs. Periodic District Development Plans have been formulated in 52 districts, and District Transport Master Plan has been formulated in 74 districts. In sectoral devolution, although some activities have been devolved in the sectors of agriculture, primary education, basic health and local infrastructure, full devolution has not been found in accordance with the Acts goals and principles. Until now some 2263 primary schools and 1417 primary health institutions have been handed over. Income level of rural people in mid and far western districts has increased due to West Terai Poverty Alleviation Project and Western High Hills Region Poverty Alleviation Project targeted to extremely poor families.

Although there have been efforts to generate meaningful participation of people in service delivery after decentralization and

institutionalization of local self-governance system, continued conflict and absence of elected people's representatives has not allowed remarkable progress to be obtained in this area.

## **2.8 Peace, Reconstruction, Rehabilitation and Reintegration**

Because of the decade long internal conflict, the country has had to face huge amount of human loss as well as loss of physical infrastructures. In this context, some 11,300 people have lost their lives. Similarly, according to latest statistics, it is estimated that there has been a physical loss amounting to Rs. 5 billion. Police offices, VDC buildings, local-level service unit offices, medium of communication transmission and telephone infrastructure have been the most affected by conflict.

Inhabitants of the conflict affected area have been considerably displaced. Conflict affected people, forced to abandon their permanent settlement, have been taking shelter in various places and living a difficult life. Since they are primarily taking shelter in headquarters and other urban areas, there has been excessive pressure on government service delivery centers in those areas. A separate Peace and Reconstruction Ministry has been established for the humanitarian care of the conflict affected, and to make overall management for rehabilitation. Commitments for priority assistance have also been received from friendly nations for rehabilitation, reconstruction and social integration programs.

## **2.9 Inclusive Development**

In Nepal, high incidence of poverty is found among dalit and nationalities. Some 46 percent dalit, 44 percent hill nationalities (Magar, Tamang, Gurung, Rai, Limbu) and 41 percent Muslim communities are found to be below the poverty line. Since the incidence of poverty is very high compared to the national average of 31 percent, it is seen that these communities have limited access to the states resource, development investment and results.

There has been improvement in the laws, policy level, institutional and program implementation related to women's empowerment, gender equality, and gender mainstreaming. Encouraging progress has been made from savings and credit program for economic and social empowerment of women. It is necessary to adopt a gender perspective in overall economic environment, development progress, budget and policy formulation.

In the area of disability, a National Policy and Action Plan 2063 has been formulated. In addition to provisions for customs exemption for

assistance materials used by the people with disability, as free health service has been increased. It is felt necessary to have a disability friendly feeling in the process of economic and social development.

Various policy level and institutional efforts have been made for end of untouchability and racial discrimination as well as empowerment and mainstreaming of dalit and indigenous nationalities. People living in Karnali as well as backward regions and remote hilly districts have only obtained limited benefit from programs targeted to these areas. Even then, there has not been substantial increase in the participation of dalit and indigenous nationalities in policy formulation bodies and processes. There is very little participation of dalit, nationalities and *Madhesis* in the civil service. Concrete work has not been possible in the protection and promotion of culture and language of indigenous nationalities. Although inclusive political environment is being created, it remains a challenge to manage procedures and mechanisms to include them in various bodies of the state. During this period there has been no substantial work to identify excluded communities and ethnic groups in the Terai, and to include them in the mainstream of development.

## 2.10 Implementation, Monitoring and Evaluation

**Implementation.** Programs and projects are being operated based on prioritization through Medium Term Expenditure Framework. Procurement Act has been implemented to bring simplicity and effectiveness in the public procurement process. In addition to devolution of power and resources to the local bodies, there is a provision for the District Development Committee to transfer funds and revise programs of district level programs. Even during the period of conflict, community organizations, user groups and non-government organizations were mobilized to carry out development programs at the local level.

There have been delays in the implementation of projects and programs due to inability of authority and annual programs to reach field on time, inability to finalize contracts on time due to cumbersome procurement process, looking for employee accountability from process and not from results, and inability to embed employee's personal evaluation from the work carried out.

Obstruction in the implementation of development programs being carried out, and the orientation of the country's attention on peace and good governance rather than development and construction also had negative impact on implementation of projects and programs.

Monitoring and Evaluation: Monitoring and evaluation system of the past limited to review of projects and program level financial and

physical progress has been improved. Accordingly, in addition to developing and institutionalizing poverty monitoring and analysis system at the central level, an annual progress report is being published under certain indicators of Poverty Reduction Strategy Paper. Similarly, process has been initiated for District Poverty Monitoring and Analysis System for the district level. Pilot testing of citizens' report card has been carried out by preparing a model of participatory poverty monitoring system. In the course of improving the lapses in the household surveys, the surveys have been organized and the Nepal Livelihood Standards Survey and Population and Family Health Survey have been carried out. Similarly, in order to tie up budget allocation to work implementation, a system of budget allocation system based on work implementation has been initiated.

Some of the major problems in this sector include the inability to institutionalize efforts to make the system of monitoring and evaluation more effective, process oriented nature of monitoring and evaluation, and lack of high level commitment.

## 3. Current Challenges of the Development Process

The following challenges for rapid development of Nepal have been observed:

- to justify the presence and utility of the state
- to orient the state toward sustainable peace and prosperity by integrating development process during the interim period upto the restructuring of the state, and make the citizens hopeful for the future by providing them with an realization of change.
- To immediately provide relief to all of those affected by the past conflict, to rehabilitate them, and reconstruct damaged and destroyed infrastructures.
- To include regions, communities and groups excluded in the course of development in the development effort of the state, and to ensure fruits of development.
- To establish a relation of mutual trust between the state, citizens and the private sector.
- To unanimously accept and give continuity to policies of national interest.
- To promote people's participation in the country's governance system by pushing forward decentralization and devolution, to

make effective the local level service delivery, and to carry out institutional development of democracy from the grassroots level.

- To extensively promote human resource development and employment.
- To develop the practice that reflects non-monetary activities in plans and planned investment, and mobilization of household savings.
- To give momentum to economic activities and to prepare conducive investment environment for high economic growth rate.
- To promote investment in productive sectors, and to increase the productivity of capital and labor.

#### **4. Opportunities**

Although the above-mentioned challenges are present, certain opportunities are also available in the country. It is possible to utilize them and move the country's development process ahead.

- New opportunity available for creating economic prosperity and social justice by utilizing the historic political understanding and environment of consensus.
- The abundant existence of cultural, biological and environmental diversity due to the country's geography and climate.
- Availability of human capital necessary for the country's development in the context of the increase of active human resources in the population structure.
- Nepal's abundant water-resources remaining as the primary resource for development.
- The efforts to establish and strengthen democratic system, as well as commitment to human rights and good governance have led to improvement of image in the international community.
- Possibility of taking advantage from the high rate of economic growth in India and China to expand market mechanisms and infrastructure as well as exchange of bilateral/multilateral assistance.
- The physical and social infrastructure created in the last 50 years, the efforts and experiences at good governance and decentralization provide a basis for future development.

- While reconstructing damaged infrastructures, an opportunity available to review old structures and use new thinking.
- Creation of an environment appropriate for national and foreign investment after establishment of peace.
- The civil society and the non-governmental sectors, that are becoming dynamic and empowered in the country, becoming useful for development process.
- The possibility of investing remittance coming to the country annually from Nepalese working abroad.
- The opportunity to use and promote new and successful technology and processes adopted by various groups, individuals, industrialists, professionals and researchers.

#### **5. Vision**

The vision of this Plan is to build a Prosperous, Modern and Just Nepal. In the envisioned situation, Nepal will be free from absolute poverty and all Nepalis will have obtained full rights to live in suitable human conditions. The people will obtain equal rights, and economic and social opportunities to fully utilize their potential. The modern way of thinking will bring about changes in the social, cultural, educational, economic and financial sectors; improve people's behavior and allow them to accept appropriate technology and new concepts. In a just situation, the gap between the rich and the poor will have reduced, and all kinds of discrimination and inequality, whether they are legal, social, cultural, linguistic, religious, economic, ethnic, gender, physical condition, and geographical, will have ended. It will ensure social justice, guarantee basic human rights, and good governance.

#### **6. Goal**

The main goal of the Interim Plan is to prepare a basis for economic and social transformation for building a Prosperous, Modern and Just Nepal.

#### **7. objectives**

The main objective of this Plan is to realize changes in the life of people by reducing poverty and existing unemployment and establishing sustainable peace.

## 8. Strategies

The strategies of this Plan will be as followings:

### ***To give special emphasis to relief, reconstruction and reintegration:***

Priority will be accorded to programs targeted by plans like rural infrastructure reconstruction, and rehabilitation, investment plan for roads, master plan for infrastructure, in order to reconstruct, rehabilitate and reintegrate physical, economic and social infrastructures damaged due to conflict, those that could not undergo maintenance, and those that could not be constructed according to program. Special emphasis will be given to relief operation and social rehabilitation of individuals or groups affected by conflict.

### ***Creation and Expansion of employment opportunities.***

By making education system employment oriented, opportunities for employment will be generated for new entrants in the labor market according to their capacity and skills. Policy level improvements will be carried out to create human working environment for employees and laborers of both formal and informal sectors. Institutional arrangements will be made to provide skill and training to assist the laborers productivity. Provisions will be made for training to promote skills of laborers involved in the informal sector, and to hand over appropriate technology that they can use. In this context, implementation of big projects and small participatory projects that generate employment will be given special emphasis. Priority will be given to programs that immediately provide large number of employment to women, dalit, nationalities, youth and *Madhesi* community.

### ***To increase pro-poor and broad-based economic growth,***

Strategy will be adopted to strengthen the role of private and cooperative sector for economic growth. In order to alleviate poverty existing in the country, economic activities will be created and expanded so that they can support poor people to work, and increase their income. For this, the manufacturing sector and service sector will be expanded and will be included in economic activity of their choice.

Environment will be generated for operating economic activities in transparent, legal, and secure atmosphere. Strategy will be adopted to make the concept of cooperatives, and private-public partnership more effective in the economic activities, in addition to the private sector.

The role of agricultural sector in economic development will be made more important, and the relationship of this sector to overall economy will be increased. Special programs will be operated for poor people to use their capacity and generate income.

### ***Promotion of good-governance and effective service delivery:***

By strengthening the value of rule of law and state machinery, and creation of people's participation, transparency, accountability and corruption-free environment, access of all Nepalis including those excluded in economic and social service delivery will be increased. For this, the private sector, civil society (including NGOs, and community organizations) will be accepted as partners in development, and necessary laws, policies and programs will be revised, formulated and implemented in addition to emphasis on decentralization, institutional strengthening and capacity development.

### ***Increase investment in physical infrastructures:***

In addition to putting special emphasis on reconstruction and development of social and physical infrastructures, new concepts will also be utilized. In the context of infrastructure, strategy will be adopted for both construction of mega projects and medium and small-scale projects based on identification and participation of local people. In addition to roads that connect district headquarters and north-south corridors, rapid transit roads and road networks will be given special emphasis. Similarly, transport mediums like cable cars and ropeways significant from the perspective of tourism will be developed. Small and medium hydro-electric projects currently being constructed will be completed, while initiatives will be taken for mega hydro-electric projects. Information and communication technology will be extensively expanded. In order to get the most out of infrastructures built through large investments, priority will be given to regular maintenance and quality improvement.

### ***Adopt an inclusive development process.***

Clear policies, institutional structures and programs will be implemented by focusing on socially excluded groups, indigenous people, dalit, *Madhesi/Terai* people, women, deprived, people with disability, extremely poor people and groups as well as remote geographical areas due to inequality and structural weaknesses. While adopting inclusive development process, participation of groups suffering from exclusion in development inputs and outputs, as well as geographical, economic, social, gender solidarity and re-integration will be emphasized. This approach seeks to make special efforts in

ending all kinds of discrimination and in promoting multiculturalism and peace. In order to ensure a basis for inclusive development macro-economic, social and political development processes will gradually be engendered.

**Carry out targeted programs:**

Under this will fall special programs for areas falling in the shadow of development programs in Karnali zone as well as regions along district borders, and international border region. Programs will be implemented that will directly target and bring to the mainstream of development the women, socially excluded dalit groups, marginalized indigenous nationalities, people living in the Terai (including *Madhesi* and backward groups), people with disability, laborers and poor. Even in the 21st century, many individuals, groups and communities are still living a life that is unacceptable from a humanitarian point of view based on food security, health, education, and other social and economic benefits. Therefore, targeted programs will seek to end these conditions. Similarly, the people affected by conflict will be provided relief, rehabilitation, and social integration.

**9. Priority Areas**

The following will be the priority areas of this Plan:

- Physical infrastructures will be reconstructed and rehabilitated, and people affected by conflict will be provided relief, rehabilitation and social reintegration.
- Investment will be increased to support development through inclusion of communities, regions and gender excluded from all structures, sectors and processes of development.
- In order to revitalize national economy, investment will be increased in physical infrastructures supporting agriculture, tourism and industry
- Priority will be given to electricity development.
- Priority will be given to infrastructure development like roads, irrigation and communication.
- Investment will be increased in the sectors of education and health for human resource development.

**10. Quantitative Targets**

The quantitative targets of major indices related to economic, social, and infrastructure development is estimated to be in accordance with Table A:

**Table A: Quantitative Targets**

S. N.	Indicator	Situation upto FY 2063/64	Interim Plan's target
1	Economic growth rate (%)	2.5+	5.5
	Agriculture	0.7+	3.6
	Non-agriculture	3.6+	6.5
2	Population below poverty line (%)	31	24
3	Employment growth rate	3.0	3.5
4	Women receiving maternity services from health workers (%)	23.4	35
5	Family Planning users (%)	48	51
6	Total Fertility Rate (Women aged 15-49) (%)	3.1	3.0
7	Maternal Mortality Rate (per 100,000)	281	250
8	Infant Mortality Rate (per 1000 live births)	34	30
9	Child Mortality Rate (per 1000 live births)	48	42
10	Women's representation in overall state's mechanism, at least (%)	-	33
11	Population with access to drinking water (%)	77	85
12	Population with sanitation service (%)	46	60
13	Literacy Rate (%) - above 15 years.	54.1	66
14	Net enrollment rate at the primary level (%)	87.4	92
15	District Headquarters with road connectivity (number)	63	75*
16	Telephone, including mobile (per 100 density)	5.5	20
17	Electricity generation (MW)	560	704
18	Irrigation (Hectares)	1168144	1263824

+ Situation in FY 2006/07

\* Simikot, district headquarter of Humla will be connected from Tibet side

**11. Economic growth rate, provision and allocation of resources**

In order to achieve the targeted growth rates of the Three-Year Interim Plan, sectoral investment will be made on the following:

- Taking into account the post-conflict situation, priority will be given to allocation of resources for reconstruction, rehabilitation and inclusion.
- Resources will be provided to priority areas that will support broad-based, inclusive and sustainable development. Public investment will be concentrated more on effective delivery of services and infrastructure development.
- In agriculture development, special attention will be paid to agricultural roads, agricultural loan, research and dissemination of technology, irrigation, rural electrification and market structure development.
- Backward geographical areas, ethnic groups, nationalities,

women, people with disability, senior citizens and *Madhesi* community will be included in the development process and outcomes.

- Concrete contribution to poverty alleviation and economic growth will be made by emphasizing programs that raise the income of poor and marginal communities and empower them.
- Emphasis will be on increasing private sector investment in potential areas like electricity, communications, rural electrification and roads, where the government is currently engaged.
- Investment will be made in some big projects in order to generate people's confidence toward the state and to generate opportunities for employment. At the local level, multiple projects that the communities have identified and can manage will be implemented, increasing people's participation, ownership and employment.
- Financial services as well as means and resources of production will be made accessible to all citizens.
- Emphasis will be put on development of investment friendly environment and productivity enhancement.
- Improvement and expansion of good-governance and service delivery will be carried out.

### **Target of Economic Growth Rate**

Taking into account the current situation and potentiality of availability of internal and external resources, the annual average economic growth rate for the Interim Plan is projected to be 5.5 percent, which will increase per capita income by 3.3 percent, and employment by 3.5 percent on an average, annually. On the basis of the elasticity of poverty with economic growth rate, growth in employment and achievements of targeted programs, the percentage of population living below the poverty line is projected to be 24 by the end of the Plan. Of the overall growth, the agriculture sector is estimated to grow by 3.6 percent and non-agriculture sector by 6.5 percent. During this Plan period, the average annual rate of inflation is estimated to be 5.6 percent.

During the Plan period, the agriculture sector will be oriented toward commercialization, cooperatives will be promoted, and emphasis will be put on irrigation, agriculture roads, agriculture loans, research and technology dissemination, rural electrification and development of

market structures for increasing products and productivity. As a result, the average annual growth rate of agriculture sector is projected to be 3.6 percent.

In the industrial sector, policy, procedural, and institutional reforms will be carried out to improve industrial environment. Similarly, there will be development of industrial and commercial infrastructure, expansion of services, expansion and promotion of small and medium-scale industries. By guaranteeing peace in the industrial sector, and creation of an environment for existing industries to make full use of their established capacity, the growth rate in this sector is estimated to be 6.3 percent.

During the Plan period, rural electrification will be given special attention. In addition, some hydroelectric projects will be completed with the participation of the private sector also. Together with energy available from other sources the average annual growth rate of the electricity sector is estimated to be 7.1 percent.

In the construction sector, projects that could not be carried out due to conflict and other reasons in the past will be completed, damaged and destroyed infrastructures will be reconstructed, and new infrastructures will be constructed. The participation of community and private sector will also gradually increase. This is estimated to raise the growth of this sector to an annual average of 7.3 percent.

As peace has been restored, there is an encouraging environment in the tourism sector and during this Plan period, new areas and services in the tourism sector will be developed and policy and institutional reforms will be carried out to remove structural obstacles to tourism development. As a result, this sector's growth is estimated to be 7.1 percent.

As the government is making a high level of investment by giving special priority to this sector, and the investment of the private sector is also expected to increase due to policy reforms, the transport and communications sector is projected to see a growth rate of 6.6 percent

In the trade sector, the positive impact of economic diplomacy and improvement in the industrial environment is expected to increase the growth in this sector by 6.4 percent. After restoration of peace, the investment climate is expected to improve, and this is likely to generate 5.5 percent growth in the finance sector and 6.4 percent growth in the real-estate. In the social service sector, the government's priority is likely to generate increase in investment generating a projected growth of 6.3, 6.5 and 7.0 percent in the health, education and other community sectors. (Table 1)

**Table 1: Gross Domestic Production during the Interim Plan and Sectoral Value Addition (at 2063/64 constant prices)**

(in million)

Sectors	Estimated GDP of 2063/2064		Estimated GDP of 2066/67		Interim Plan's annual growth rate (%)
	Product ion	%	Product ion	%	
Agriculture, fishery and forestry	228677	33.1	254273	31.28	3.6
Non agriculture	462882	66.9	558528	68.72	6.5
Industry, geology and mines	55193	8.0	66354	8.16	6.3
Electricity, Gas and Water	13530	2.0	16635	2.05	7.1
Construction	44186	6.4	54533	6.71	7.3
Retail and Wholesale Business	96284	13.9	115974	14.27	6.4
Hotel and Restaurant	9802	1.4	12052	1.48	7.1
Transport, storage and communication	81341	11.8	98529	12.12	6.6
Financial mediation	22686	3.3	26612	3.27	5.5
Real estate, rent and business activities	58546	8.5	70451	8.67	6.4
General administration and Defense	12500	1.8	13966	1.72	3.8
Education	39661	5.7	47953	5.90	6.5
Health and Social work	8890	1.3	10668	1.31	6.3
Other community, social and individual service activities	20263	2.9	24800	3.05	7.0
Total Inflation	691559	100.0	812801	100.0	5.5

### Capital investment and incremental capital output ratio

During the Plan period, restoration of peace, improvement in the investment climate as well as reforms in implementation modalities are expected to slightly improve marginal capital production ratio. However, since the investment in infrastructure development in the period is to be increased, and its returns are not expected to be immediately available, the marginal capital production ratio is expected to be 4.8:1. Based on the expected Incremental capital output ratio and projected economic growth rate of 5.5 percent, the total capital investment during the Plan period is estimated to be Rs. 587.68 billion at 2007 constant prices. Of the total investment, the share of the government sector is expected to be an average 28.84 percent.

Of the total public investment, agriculture sector will receive 12.31 percent, and non-agricultural sector will receive 87.69 percent. In the non-agriculture sector, the transport and communications sector will receive the largest 25.76 percent investment. Similarly, electricity, gas and water will receive 19.36, other community sectors 20.34 percent, education 18.20 percent, and health 7.22 percent. In the sectors where the private sector is interested, particularly electricity,

communications, industry, finance, real estate, the private sector will be encouraged. Policy has been taken to use the savings resulting from reduction in government strategy to increase investment in sectors like agriculture, social service and infrastructure development. (Table 2)

**Table 2 Sectoral Fixed Capital Investment of the Private and Public sector in the Interim Plan (at 2006/07 constant prices)**

(Rs. in millions)

Sectors	Incremental Capital output Ratio	Public		Private		Total	
		Amount	%	Amount	%	Amount	%
Agriculture, fishery and forestry	2.8	22043	12.31	49626	12.14	71669	12.20
Industry, geology and mines	4.2	1650	0.92	45226	11.07	46876	7.98
Electricity, Gas and Water	18.5	34658	19.36	22783	5.57	57440	9.77
Construction	1.8	0	0.00	18625	4.56	18625	3.17
Wholesale and Retail Business	2.8	717	0.40	54417	13.32	55133	9.38
Hotel and Restaurant	6.5	1402	0.78	13226	3.24	14628	2.49
Transport, storage and communication	8.5	46101	25.76	99994	24.47	146095	24.86
Financial Inter mediation	5.2	2834	1.58	17583	4.30	20417	3.74
Real estate, rent and business activities	5.6	0	0.00	66670	16.31	66670	11.34
General administration and Defense	3.8	5572	3.11	0.0	0.0	5572	0.95
Education	3.2	14671	8.20	11863	2.9	26533	4.51
Health and Social works	8.9	12930	7.22	2895	0.71	15825	2.69
Other community, social and individual service activities	9.3	36413	20.34	5779	1.41	42192	7.18
Gross Fixed Capital Formation	4.8	178990	100.00	408686	100.00	587676	100.00
Agriculture Sector	2.8	22043	12.31	49626	12.14	71669	12.20
Non- Agriculture Sector	5.4	156947	87.69	359060	87.86	516007	87.80

### Government Budget and Sources of Financing Public Expenditure

During the Plan period, a total of Rs. 312.54 billion (at 2006/07 constant prices) is expected to be raised in revenues. While projecting the revenue, it is expected to increase by an annual average of 8.9 percent. Its proportion to the Gross Domestic Product in fiscal year 2006/07 was 12.08 percent, and is projected to increase to 13.60 percent in the final year of the plan period (2010).

In the government expenditure, the total expenditure is expected to be Rs. 511.38 billion, (at 2006/07 constant prices) of which current expenditure is expected to be Rs. 285.48 billion. The current expenditure is expected to be 11.17 percent of the Gross Domestic Production in 2006/07. However, due to reasons including the Constituent Assembly elections in the first year of the plan period, current expenditure is going to increase and put excessive pressure on the current expenditure of FY 2007/08 and is expected to reach 12.20 percent of the GDP. However, this is expected to be gradually reduced to 11.60 by the final year of the plan period. Regarding capital expenditure, Rs. 178.99 billion is projected to be spent during the period. Capital expenditure was 5.06 percent of the Gross Domestic Production in 2007 (2063/64), which is targeted to be gradually increased to 7.96 percent by the final year of the plan.

A total of Rs. 140.66 billion in foreign aid (at 2006/07 constant prices) is expected to be mobilized during the period. Of this foreign grant is expected to be Rs. 84.14 billion, and foreign loan Rs. 56.52 billion. The ratio of total foreign aid to gross domestic production in 2006/07 was 4.45 percent, which is expected to be gradually increased to 6.05 percent by the final year of the Plan period.

During the Plan period, the growth rate of internal loan is expected to be limited within the desired limits, given the adequate growth in the mobilization of revenue, an expected rise in foreign aid, and control of growth in current expenditure. In the fiscal year 2006/07, the total internal loan is expected to be 2.31 percent of the gross domestic production. However, the amount is expected to decrease in the final year of the plan period, and remain 1.8 percent. In this way, an overall fiscal stability is expected from the government-sector budget projection. (Table 3 and 6)

**Table 3: Projection of Government Budget (at FY 2006/07 constant prices)**

(Rs. in million)

	2006/07	Percentage 2006/07	Three Years' Total Budget	
			Amount	Percentage
Total Expenditure	135540	100.0	511378	100.0
Current Expenditure	80330	59.3	285483	55.8
Capital Expenditure	36370	26.8	178990	35.0
Principle Payment	18840	13.9	46905	9.2
Sources of Financing Total Expenditure				
Revenue	86894	64.1	318893	62.4
Foreign Aid	32000	23.6	140660	27.5
Grant	20000	14.8	84137	16.5
Loan	12000	8.9	56522	11.1
Domestic Borrowing	16646	12.3	51826	10.1

Development expenditure is expected to be Rs. 280.30 billion at 2007 constant prices during the plan period. Of this agriculture sector will receive 15.11 percent, communications and transport 19.22 percent, electricity 14.98 percent, education 11.54 percent, other community expenditure 19.82 percent and health 9.69 percent. Of the development expenditure, 63.86 will be government investment. (Table 4)

**Table 4 : Sectoral Distribution of Total Development Program Expenditure (at FY 2063/64 constant prices)**

(Rs. in millions)

Sectors	Projection of Interim Plan	
	Amount	%
Agriculture, fishery and forestry	42360	15.11
Industry, geology and mines	2083	0.74
Electricity, Gas and Water	41996	14.98
Retail and Wholesale business	1213	0.43
Hotel and Restaurant	2685	0.96
Transport, storage and communications	53886	19.22
Financial mediation	3669	1.31
General administration and defense	8899	3.17
Education	32350	11.54
Health and social service	27174	9.69
Other community, social and individual service activities	55550	19.82
Misc.	8437	3.01
Total Development Program Budget	280301	100.00

### Impact of Investment on overall economy

The macro economic indicators are expected to remain favourable due to the proposed investment in the interim period. During this Plan, the macroeconomic stability will be maintained, and economic growth will be made employment generating, most inclusive and broad-based.

Looking at the macro economic indices in proportion to the Gross Domestic Product, revenue is expected to increase from 12.08 percent in 2063/64 to 13.60 in FY 2066/67. Total expenditure is expected to increase from 18.84 percent to 21.45 percent, current expenditure from 11.17 percent to 11.60 percent, and capital expenditure from 5.06 percent to 7.96 percent. Similarly, foreign aid will increase from 4.45 percent to 6.05 percent, and internal loan is expected to decrease from 2.31 percent to 1.80 percent. In proportion to the gross domestic production, total expenditure is expected to increase from 25.35 to 30.4 percent. (Table 6)

**Table 5: Sources of Gross Fixed Capital Formation in the Interim Plan (at FY 2006/07 constant prices)**

*(Rs. in millions)*

Sectors	Amount	Percentage
Total Investment (Including change in stock)	680488	
Gross Fixed Capital Investment	587676	100
Private Sector	408686	(69.54)
Public Sector	178990	(30.46)
Gross Total Resources	680488	100
Gross National Savings	539828	(79.33)
Foreign Aid	140660	(20.67)
Revenue	318893	(62.36)
Total Expenditure	511378	100.00
Current Expenditure	285483	(55.83)
Capital Expenditure	178990	(35.00)
Principal Payment	46905	(9.17)
Foreign Aid	140660	(27.51)
Grant	84137	(16.45)
Loan	56522	(11.05)
Domestic Borrowing	51826	(10.13)

**Table 6: Projected Investment, Public Expenditure and its Sources of the Interim Plan (as percentage of GDP)**

Sectors	FY 2006/07	Final Year of the Interim Plan (2009/10)
Total Investment (Including change in stock)	25.35	31.3
Gross Fixed Capital Investment	22.73	26.7
Private Sector	17.67	18.8
Public Sector	5.06	8.0
Gross National Savings	28.56	28.9
Gross Domestic Savings	9.35	12.7
Net Factor Income	6.18	6.5
Current Transfer	19.94	22.6
Current Account (Savings)	2.3	3.5
Revenue	12.08	13.6
Total Expenditure	18.84	21.45
Current Expenditure	11.17	11.60
Capital Expenditure	5.06	7.96
Principle Payment	2.62	1.89
Foreign Aid	4.45	6.05
Grant	2.78	3.6
Loan	1.67	2.45
Domestic Borrowings	2.31	1.80

## 12. Policies

### 12.1 Main Policies

The main policies to be adopted in order to obtain the goals outlined by the Plan are as follows:

- Structural and legal basis will be prepared to build a federal Nepal in a new form
- By adopting the system of market economy in general, a public welfare economic development will be adopted through government, cooperative and private sectors.
- Macro economic framework will be made social inclusive through gradual gender oriented mechanism. Government machinery will be made gender mainstreaming.
- Process will be started to identify people living under poverty line, and economic and social policy and program based on social justice, economic growth and equitable distribution will be formed by focusing development efforts on poverty alleviation.
- By respecting the contribution of subsistence households to the national economy, their development will be emphasized.
- Physical infrastructures damaged during the course of conflict will be reconstructed and rehabilitated.

- In addition to rehabilitation and reintegration of conflict affected individuals, families and communities, immediate relief provisions will be made.
- Relief, including waiver of interest on fixed limit loan amounts will be provided to small farmers and small cottage entrepreneurs suffered from natural disaster and conflict.
- Appropriate programs will be carried out, taking into account the country's varied geographical environment, and special features of Terai, Hills and Mountain regions.
- By adopting Agricultural Perspective Plan as the main policy for agricultural development, by using modern and appropriate technology, production and productivity will be increase through government, cooperative and private sector. In addition, agriculture will be made the main basis of development, and other sectoral policies will be coordinated to be agriculture-friendly.
- By preparing a basis for scientific land reforms, and managing land through this, emphasis will be given on economic and social upliftment of agricultural laborers, freed bonded laborers and landless squatters.
- By accumulating savings amount in the community through cooperatives, environment will be created for its investment in productive sector.
- Agriculture, electricity, tourism, information communication, science and technology, physical infrastructure, and human resource development will be given the highest priority.
- Reforms in the modern sectors of the economy, including industry, bank and financial business, transport and communication will be carried out with importance.
- Nepali diplomatic missions abroad will be asked to carry out tasks like foreign trade, development assistance, labor management and tourism promotion with priority.
- Special emphasis will be given to quantitative and qualitative tourism development. For this, areas like geographical diversity, historical, religious and cultural sites will be identified, improved and developed. Domestic and regional tourism will be promoted.
- By improving the management of organizations that provide services to the people, service delivery will be made cheap, accessible, and effective.
- Private sector will be developed by emphasizing competition culture promotion, enterprenurship development and productivity enhancement and other subjects.
- End to corruption and sluggishness, transparency and good

governance will be promoted. For this, in order to empower existing mechanisms, necessary changes will be made and given completion.

- The action plan that includes democratization, right sizing, developing national and inclusive character, and values of human rights in Nepalese army, will be implemented.
- Education, health and employment will be promoted as rights based program.
- Special emphasis will be given to quality, employment generating, vocational and technical education that are accessible to ordinary people. Government budget and participation will be increased in literacy campaigns and informal education
- In order to make health service cheap and simple, community health policy will be adopted increasing investment in rural health. In addition, emphasis will be given on drinking water and sanitation.
- Long term population action plan will be carried out in an effective manner for population management.
- Additional effective coordination will be Sectoral Ministries, and programs will be coordinated in additionally effective manner. New projects will be built based on regional balance.
- Policy will be taken to promote new approaches for industrial and business infrastructure development, private sector development and business promotion.
- Assistance will be provided for creation of security environment necessary to promote domestic and foreign investment in the country.
- Domestic and foreign investment will be promoted for development of country's economic sector, and domestic investment will be encouraged in certain sectors.
- Economic activities promoting employment while integrating formal and informal sectors, formation of national capital, promotion of economic equity, and contributing to overall economic development will be adopted.
- Youth, particularly, those affected by conflict will be provided self employment and employment opportunities. Similarly, foreign employment sector will be made more organized, and remittance amount will be directed toward productive sector.
- By removing the malpractices in the public distribution system, consumer rights will be promoted.

- By determining clear work responsibility of the central and local levels, all service deliveries and development construction works at the local level will be devolved to the local bodies. Accordingly, financial system, local mechanisms and management of human resources will be appropriately organized.
- For food security/sovereignty and social economic empowerment of the poor, dalit, indigenous nationalities, *Madhesi*, backward group, people with disability, freed bonded laborers, and laborers, a database will be prepared and special targeted programs will be adopted.
- In order to make the people's daily necessary goods and services cheap and easily accessible, supply system will be made regulated and monitoring will be carried out emphasizing control of price rise.
- People's participation oriented policy will be adopted for the sustainable development, management and use of the forest sector.
- Human Rights and other provisions of United Nations and International declarations that Nepal has ratified will be implemented effectively.
- Women's participation will be expanded in various bodies of the state and every sector of national life, and work will be carried out for proportional participation of indigenous nationalities, *Madhesi*, dalit, oppress, poor, people with disability, and people of backward regions.
- For the development of excluded groups, communities and regions, special programs including social security social security will be implemented. According to the concept of proportional development, concrete programs will be implemented for the remote-backward regions, and special program and mechanism will be constructed for the development of Karnali region.
- All types of discrimination existing in the sectors of religion, language, and culture will be completely eliminated. Special provisions will be made for protection-promotion of language and culture of all ethnic groups and nationalities.
- In addition to making provisions for the protection of the rights of non-resident Nepal's, encouragement will be given to invest their skills and capital in the country.

## 12.2 Macro economic policy

For the creation of a Prosperous, Modern and Just Nepal, revisions and reintegration will be carried out in the macro economic policies.

The following policies will be adopted in the sectors outlined below.

### Savings

For the investment required to attain the economic growth rate determined in this Plan, maximum mobilization of the savings is required. In order to transform the available savings into potential investment by increasing the Gross Domestic Saving, the following policies will be adopted:

Special programs will be brought forward to improve consumption behavior, public expenditure management and business culture of private entrepreneurs by increasing the capacity for savings of all households, business institutions, government corporations and non-governmental organizations and creating appropriate environment for savings.

In order to mobilize rural savings, policy provisions will be made for promotion of savings and credit organizations through cooperatives.

By creating an environment for an ordinary depositor to have easy access to banks and financial institutions and also efforts will be made to make positive the interest rate to be obtained by the depositors.

In the sectors of potential investment, mobilization of domestic and national savings will be encouraged.

### Revenue

Government finance sector was also negatively affected by the past conflict and political instability. Government revenue was affected because tourism, industry and business as well as other income generating sectors could not expand activities due to conflict. Similarly, the task of collecting revenues has become challenging due to lack of development of tax-paying culture among individuals and institutions that can pay taxes. Therefore, the following policies will be taken in this plan to create favorable impact on domestic revenue mobilization:

The system of collecting and mobilizing taxes will be made transparent and simple by reviewing existing tax system and acts.

Revenue leakage will be controlled by strengthening revenue administration capacity.

Value Added Tax system will be made more effective.

The tax base will be gradually broadened.

Customs rate and other tax systems will be adopted in line accordance with Nepal's commitment to international and regional organizations like World Trade Organization, and SAFTA.

Domestic revenue mobilization will be strengthened by broadening

existing tax base.

### **Public Expenditure Management**

In the past, there was negative impact on national income growth and other economic indicators as the regular expenditure was more than targeted and development expenditure far less than targeted. The following policies will be adopted in order to improve public expenditure management.

Additional efforts will be made to increase efficiency in public expenditure to strengthening fiscal system, and maintaining fiscal discipline in order to help maintain macroeconomic stability. Additional measures will be adopted to reduce the imbalance between current and capital expenditure.

Medium Term Expenditure Framework will be reviewed and input/outcome/impact system will be adopted in a concrete manner for new methods of sectoral prioritization and investment effectiveness.

Budget release and control system will be reviewed and improved.

Unproductive expenditure will be gradually reduced, and auditing enforced to maintain fiscal discipline.

Feasibility study will be carried out to implement a zero-based budgeting system.

Gender accountable budget system will be institutionalized.

#### **(a) Foreign Aid Management**

The absence of appropriate coordination and compatibility between donors, government and related parties in aid management, the low quality of completed development projects/program carried out with foreign assistance, and increase in debt burden over the state are major problems in this sector. By increasing effectiveness of foreign aid and also achieve the goal of poverty alleviation through high and sustainable economic growth, the following policies will be adopted.

A system will be established to receive foreign aid only according to national necessity and priority. Effective and skillful management of development programs/projects carried out through foreign aid will be emphasized.

In order to remove duplication in foreign aid and for effective management of foreign assistance, a coordination and partnership mechanism will be developed between donor agencies. By mapping areas of assistance, all kinds of foreign assistance available to the country will be reflected in the national budget.

Foreign assistance will be mobilized for reconstruction, restructuring,

reintegration and inclusive development.

### **(b) Public Debt Management**

Fiscal deficit still exists due to lack of revenue growth in proportion to allocated expenditure. The following policies will be adopted while taking into account the need to maintain macroeconomic stability:

- Domestic borrowings will be maintained within appropriate limit of Gross Domestic Product.
- Government expenditure will gradually be reduced by making the private sector more active in economic activities.

### **Money, Banking and Credit**

In the context of promoting the national economy's competitive capacity and globalization, the following money, banking and credit policies will be adopted in order to successfully implement Nepali economic system:

- The access of rural people to financial services will be increased by development of a network of bank and financial institutions, cooperatives and micro-credit institutions.
- The shares of rural development banks remaining in the government sector will gradually be transferred to the private sector.
- By operating the micro-credit programs through NGOs and the private sector, mechanisms will be developed for income growth of small and marginal farmers, entrepreneurs and poor families in rural areas.
- Environment will be created for the excessive liquidity of commercial banks and financial institutions to be invested in productive sectors.
- Transparent and simple legal environment will be prepared for healthy operation of banks and financial institutions. Legal provisions concerning merger and rating agencies will be formulated and issued.
- The capacity of Nepal Rastra Bank will be enhanced to observe and supervise banks and financial institutions.
- Process to recover non-performing loans will be made effective.
- In order to increase the contribution of financial institutions in the social sector development, provisions will be made for commercial banks and other financial institutions to provide resources in neglected areas.

- Necessary provisions will be made for increasing investment of financial institutions in mega projects for development of hydro-electricity and other infrastructures.
- Efficiency of Karmachari Sanchaya Kosh, Nagarik Lagani Kosh, and other financial institutions will be increased. An appropriate regulating body will be established for Karmachari Sanchaya Kosh, Nagarik Lagani Kosh, and savings and credit cooperative organizations.

### **Capital Market, Contractual Savings, Investment and Insurance**

The following policies will be adopted to streamline capital markets, contractual savings and investment and insurance:

- In addition to modernizing stock exchange system, promoting quality of business and macro economic policies favorable to stock market, the transparency of the market and the quality of information flow will be improved.
- Priority will be given to large scale industries to form public limited companies that issue shares in public.
- By strengthening monitoring, evaluation and regulation provisions of insurance business, their quality will be raised to international standards and according to national needs.
- In order to protect the rights of the insured, trustworthy mechanisms will be developed and insurance service expanded to all levels of society including remote rural areas and low income groups.
- While creating capital structure, organized institutions will be encouraged to include debenture capital.
- Environment will be created to invest the remittances in productive sectors.

### **Government Dinvestment Policy**

The following main policies regarding dinvestment will be adopted in order to generate necessary resources to establish the state's role accountable to the people, just and rational regulator by promoting the private sector, and to attain the goals of inclusive development and poverty alleviation:

- By clearly defining which of the existing public enterprises is to be kept in the private sector and which in the public sector, the management of those remaining in the public sector will be improved and transparency, accountability and effectiveness of these enterprises will be increased.
- Of the institutions where the private sector is involved, previous

government investment will be dis-invested.

### **Foreign Investment**

Since the financial resources necessary for development is not adequate from the domestic market only, policy measures will be adopted to invite foreign investment directly and indirectly.

- Foreign individuals and organizations willing to make joint ventures with Nepalis will be attracted to invest in business and other sectors related to economic development.
- Effective policy will be adopted for Non Resident Nepalis' capital investment.
- Environment will be created for the private sector to get loans from the international capital markets in specific areas of national priority.

### **Foreign Exchange and Balance of Payments**

In order to make foreign exchange and balance of payments situation favourable, the following policies, in compliance with WTO, SAFTA and BIMSTEC conditions, will be adopted:

- A real exchange rate will be maintained to increase export trade, attract foreign investment, to make imports competitive, to limit current account deficits within a certain percentage of the GDP, and strengthen the economic base. In this context, the current exchange rate with Indian currency will be reviewed and made realistic.
- Additional institutional measures will be adopted for safely inflow of remittances into Nepal.
- Provision will be made for regular monitoring of the impact of fluctuations in the exchange rate in the financial sector.

## **12.3 Poverty Alleviation and Employment**

The primary challenge of the Plan is to give continuity to poverty alleviation efforts and reduce the increasing gap between rich and poor. The following policies will be taken for poverty alleviation and employment promotion:

- Investment will be increased for reconstruction, rehabilitation, reintegration and infrastructure development.
- The strategy of economic growth based on inclusiveness will be made favorable to poverty alleviation.
- Inclusive, targeted and special region programs will be carried out

in various sectors based on both geographical and social groups.

- A system of identifying population living below poverty line will be developed with the objective of making targeted programs reach the concerned groups effectively. After the identification of the targeted group, the services and facilities to be provided by the state on that basis will be delivered to the group.
- To reduce the condition of employment and under-employment, production-oriented employment will be promoted.
- In order to make employment more income generating, skill development and concessional loans will be provided to youth groups of the poor and targeted groups.
- Subsistence oriented production system will be commercialized by increasing small savings, ordinary skills and the productive use of limited land through cooperatives.

## 12.4 Economic Sector

### Agriculture

Low productivity and fluctuation in productivity has been a major hurdle in the agriculture sector. The major challenge is to commercialize the traditional agriculture up to the mark of industrial sector. For the purpose, infrastructure will be developed for the scientific land reform and management to revolutionize the agriculture sector. In addition, the following policies will be formulated to increase the production and productivity of crops, horticulture, floriculture, animal husbandry, and fishery:

- Policy will be brought to develop agricultural sector by institutionalizing the vision of Agriculture Perspective Plan.
- An integrated economic policy will be formed focusing on agriculture as the basis of development. By using modern and accurate technology, the production cost of agriculture, especially the high cost agriculture produce, will be lowered and productivity will be increased. Similarly, horticulture, agriculture, sericulture, fishery, floriculture, animal husbandry, fruits and herbal production will be promoted.
- Help will be provided from the available resources to the demand and necessity of all the stakeholders (producers, processors and businesspersons), to make the agricultural produce more qualitative and competitive by commercializing it, according to the national and international demand.
- Refineries will to established - according to necessities with the

involvement of cooperative and private sector for the justifiable benefit of stakeholders (producers, refiners and businessmen) - from the sale of tea, coffee and high cost crops/produce, according to Nepal's geographical specialty and comparative benefit. Certified lab will be established to keep up the quality of the products to the international, regional and national market by strengthening quarantine service and regulation.

- The investment and facilities for underground water, irrigation in mountains, micro-irrigation, rain water harvesting will be increased and unified agriculture projects will be launched targeting poor, conflict-hit and vulnerable farmers for a fixed period at the remote areas of districts, where there is no such facilities.
- Industrial training and service-oriented training will be provided to the rural youth according to their wish, to generate rural self-employment. In addition, they will be monitored and facilitated, provided technical service, help, loan, and other necessary facilities so that they can utilize the skills they have learnt in the training.
- Market will be searched for the remote Himali and mountainous crops after researching and increasing their productivity.
- Organized agriculture loan will be easily made available for the small and poor farmers.
- Programs and policies will be implemented to introduce high value and comparatively beneficial organic agriculture produce in the international market.
- Necessary milk policy will be brought to address the milk farmers' problems and the chilling centers operated by cooperatives will be given some concessions in the use of electricity to upgrade the capacity of the private dairies and Nepal Dairy Corporation.
- Small farmers and businessman will be encouraged to establish joint venture industry small and medium agriculture-based industry.
- A systematic mechanism will be developed and implemented effectively to run agriculture, land reforms, irrigation, and forestry related programs in co-ordination
- Insurance policy will be brought in the agriculture and animal husbandry.
- Cooperative agriculture will be encouraged to uplift life standard of marginalized farmers.

- More focus will be given to increase the productivity of *Dalits*, indigenous nationalities, madeshi, women, and small and marginalized farmers through agriculture development program.
- National food security policy and program will be implemented for the food-insecure poor and people from the remote areas.
- Agriculture loan will be provided to the poor and marginalized in discount rate.
- Agriculture and Forestry University will be established to fulfill the necessity of work force in agriculture research sector.

### **Cooperatives**

- Integrated national cooperative policy and regional policy will be formulated and implemented to develop cooperative system as a major tool for economic, social, and cultural development. Cooperative education will be encouraged and expanded to governmental, cooperative and private - all three sectors.
- Cooperatives will be developed and encouraged as a basic medium of community and rural development to achieve the national target of poverty alleviation and Millennium Development Goal (MDG).
- Cooperatives will be restructured and reformed so that it could play coordinator's role in rural development.
- Cooperatives will be classified according to the transactions and business and organization will be set up based on specialization. Special types of cooperatives will be encouraged to ensure the participation of youth, women, students and children.
- Development works, social service, and sale of consumer goods and agriculture inputs by the government will be arranged to be done by the cooperatives of similar kinds.
- National cooperative bank will float complete commercial loans and restructuring of capital for the cooperatives.
  - A mechanism will be developed to manage in a coordinated way micro-finance, cottage and small industry, and cooperatives.

### **Land Reforms**

The major challenges are the lack of proper data of land ownership, usage of land sources, rehabilitation of landless, no timely changes in law, settlement of landless and freed-Kamaiyas. Long-term land and its utilization policy will be formulated to increase the productivity of land, alleviate poverty by settlement of landless and squatters, and

freed-Kamaiyas to face the challenges. The following policies will be formulated to fulfill the objectives:

- Usages and productivity of land will be increased by land reforms. Scientific land reform program will be implemented in the place of will be traditional land ownership system. The reach of landless and squatters like agriculture labor, freed-bonded laborers, *Dalits*, Janajati, Indigenous, Madeshi, Women will be increased in the land resources to confirm their rights on land.
- A long term land and its utilization policy will be formulated to encourage effective land management, and justifiable land distribution and plotting for scientific agricultural system.
- Land reforms system will be made skilled by producing skilled manpower in the fields of land management, measurement of land and collection of geographical information
- Land data Bank will be kept to make the land-ownership, land-usages, and land resources data up to date and scientific. A policy will be taken by the state to invest on the backward community and areas according to the land-information system.
- Land under Guthi will be effectively managed.
- A program will be implemented for the solution of land disputes.

### **Forestry**

To stop the encroachment of forest, commercialization of its products, conservation and utilization of herbal products and the overall long term management of the forest areas are its major challenges. To develop internal market, promote exports, and generate employment by promoting forestry and forest-base industry, ensure regular supply of forest-based products by long term management of aquatic and geographical diversity, forest, plants , following policies will be implemented:

- The necessary legal provisions and procedural process will be reformed to effectively manage the development of forestry.
- For the long term development of forest and aquatic areas, the peoples' participation will be ensured thereby generating opportunities for the income from long –term management of forest, forest-related products , herbs, land and aquatic, environment, geographical diversity and forest related products' business.
- -The reach of the poor will be ensured by justifiable distribution system and community forest management, long-term forest management and by increasing forest-based products and its supply.

- Some 35 per cent of the income of the community forestry will be invested on the dalit, indigenous nationalities, madeshi, handicapped, women and poor people's productive businesses.
- The reach of indigenous nationalities and the locals will be ensured in the community forestry and its management.
- Monitoring of community forestry will be made effective.
- The total area covered by the forest will be marked.
- Programs will be brought by reforming necessary policies for the long-term management of aquatic area.
- Priority will be given to local Tharu community, indigenous nationalities and madeshi (Muslim and backward community) in Terai for the management of community forestry.
- Forest development fund will be set up by collecting fixed percentage of amount from buyers while selling forest-related products and a fixed percentage from the revenue generated by the sale of these products. The amount will be used in the tree plantation and long-term forest management and poverty alleviation.
- The wasted land on the river banks will be conserved and utilized, and bonded-forest program will be expanded to improve the livelihood of the families under-the poverty line.
- Forest, agriculture, land and water conservation like related subjects will be managed in a unified manner.
- A package program will be brought for Seti, Mahakali, Rapti, and Karnali by declaring them Herbs Zone.
- A special program will be brought for the people of Himalayan region for the conservation, management, and promotion of herbs and forest animals.
- The western Himalayan region will be declared a conservation area and program will be brought for its special conservation and social development.
- The role of the local community will be increased in the management of conservation area.

### **Industry**

The following policies will be brought into effect in the context of facing the challenges like industrial insecurity, maintaining cordial industrial relations, complex legal provisions, inadequate physical infrastructure by developing policy level and institutional and basic structures:

- Policies and legal provisions will be reformed according to the necessity for the industrial promotions.
- Programs to enhance competition culture, develop entrepreneurship and increase productivity will be implemented.
- While maintaining cordial industrial relationships flexible labor policy will be developed and implemented for the investment promotion and increasing productivity and competitiveness ensuring security of both the labor and investor.
- A Board of investment will be formed in participation of stakeholders for the promotion of industry and investment.
- Policy will be adopted to rehabilitate the viable sick-industries.
- A new industrial policy will be brought into effect to make simple, transparent, scientific, and up to date industrialization process.
- Policy will be formed to enhance process of industrialization through development of micro, cottage and small industries.
- Emphasis will be given on the concept of Special Economic Zones (SEZs).
- Program will be brought to develop entrepreneurship industriousness and increase income generation opportunities for the conflict-hit, women, dalit, indigenous, janajati and backward community by providing opportunities to participate in micro-industries.
- The study on petroleum and other minerals exploration will be continued.

### **Commerce**

Identifying Nepali export items with comparative and competitive advantages and establish them in the global market has been a challenge. Following policies will be taken for the poverty alleviation through trade taking advantage from the service sector that has been opened by World Trade Organization (WTO) and by maximum utilization of the local resources.

- Commerce sector will be developed to increase productivity and production and its smooth supply.
- Policy reforms for the reform in internal and external trade will be continued.
- The opportunities being emerged from the expansion of two big neighboring economies will be utilized by developing trade and industries.

- International trade will be expanded by opening North-south trade route.
- Institutional reforms, human resource development, and capacity building in trade will be encouraged.
- Import policy will be formulated in a way that while importing services and necessary goods it will facilitate the exports also.
- Trade related physical infrastructure and basic amenities will be developed.
- Effective system will be developed to stop under-quality and date expired goods import.
- Effective policy will be formulated to establish Nepali knowledge and skill internationally to protect the Intellectual Property Rights.
- Economic diplomacy will be followed to promote exports.
- Exportable products with comparative and competitive advantage will be identified and developed. Also there will be diversified market to promote exports.
- The backward and forward linkages of exports business will be extended.
- Trade facilitation procedures (like payment system, customs procedures, transport procedure and quality control) will be made compatible with the trading partners (China, India, etc.).

### **Supplies**

Smooth and quality supply according to demand has been the major challenge. Following policies will be brought to face these challenges and make supply system effective:

- Emphasis will be given in coordination of all supply institutions for integrated supply of essential commodities like salt, sugar, kerosene in the remote districts.
- Food security will be ensured in the Karnali zone and other remote areas encouraging local agriculture production and its trade as permanent solution of food problem.
- A clear policy on petroleum products supply will be brought.
- Minimum stock will be maintained effectively to tackle and manage food insecurity
- Effective regulation and monitoring will be carried out to control monopoly and unnatural scarcity.
- Subsidy given to different consumer goods will be reviewed.

- Smooth and simplified supply of consumer goods will be ensured.
- Transit corridor will be opened towards China and South-Asia for supply diversification.

### **Tourism**

It has been a challenge is to enhance contribution of tourism sector in natural economy by promoting international and domestic tourism through development of international and national air service and urban and rural tourism destinations. In this regard, the following policies will be adopted:

- New tourism products and destinations will be identified and developed with emphasis on increasing employment, regional balance and social inclusion;
- Tourism industry will be recognized as a national priority industry and will be offered facilities at least at par with other industries;
- New Destinations based on the natural beauty and biodiversity potentials will be developed;
- Local participation in tourism with emphasis on poverty alleviation will be encouraged;
- New tourism areas and products based on religion, sports, meetings, incentives, conferences, Exhibition (MICE), health, education and others would be developed and expanded;
- Rural tourism would be promoted with the objective of bringing in the advantages of tourism to villages and facilitating poverty alleviation;
- In light of potentials of developing tourism based on flora and fauna, nature conservation would be encouraged and flora and fauna based tourism will be promoted;
- With the objective of facilitating tourist arrival and supporting the export and import trade, the construction of the second international airport will be started. Similarly regional airports will also be developed;
- The airports destroyed due to the conflict will be reconstructed;
- International air service link will be expanded and enhanced. Nepal Airlines Corporation, the national carrier will be strengthened;
- Looking at the potentials of developing tourism around large lakes, new ideas such as using large lakes for landing of small aircrafts/ hydro-planes a technical feasibility study would be

conducted;

- Infrastructure supporting the tourism such as roads, airports, railways will be developed;
- Nepalese diplomatic missions abroad will be mobilized for tourism promotion;
- Provision will be made to set aside a certain proportion of the income generated from tourism in a particular region for the development of that region.

### **Culture**

In order to conserve and promote Nepal's cultural, religious and archeological heritage, the following policies will be followed:

- By promoting and conserving Nepal's cultural, religious and archeological heritage, Nepal's unique identity will be maintained. Special programmes will be launched to protect and conserve sites under world heritage list and archeological sites having important significance;
- Emphasis will be on development of democratic culture replacing archaic and outdated traditions, norms and cultures;
- National identity will be strengthened by conserving and developing marginalized languages, literature, arts, indigenous knowledge, skills and culture;
- Taking in consideration the essence of secular state, law and policies will accordingly be improved and changed;
- Studies will be carried out to identify and record tangible and non-tangible cultural heritages;
- Different culture existing in the country including languages, literature, arts and music will be protected and promoted;

### **Labor**

Legal provisions are in need of timely reform based on the changes that have occurred in the labor market. No improvement in the industrial relations has been achieved as it was expected. Accordingly, in addition to protecting fundamental rights of workers and employees and establishing employment as fundamental right, following policies will be adopted to achieve the objectives of promoting opportunities for employment and self employment at home and abroad:

- In addition to reforms in existing legal and institutional provisions, diplomatic mechanism will be put in place to protect the interests

of migrant Nepali workers and to make domestic and foreign employment safer and more dependable. Employment opportunities for women will be promoted at home and abroad through provision of necessary skills, training and women friendly legislations;

- Opportunities for self reliance will be created for *dalits*, *adivasi janjatis*, *madhesi* communities, laborers, poor peasants, people with disabilities, freed bonded laborers, landless squatters and people from other marginalized communities by providing appropriate skill training;
- Necessary mechanism will be devised to promote harmonious relations between workers and management and to maintain industrial peace by ensuring interests and rights of workers;
- Labor force working in agriculture, tea gardens, transportation, construction, brick kiln, restaurant including home-based workers and other informal sector workers will be identified and legal arrangement will be made with a view to provide them protection;
- Based on identification of international labor market, legal, technical and practical trainings will be provided with a view to maximize available opportunities;
- Policy will be adopted to gradually replace foreign labor;
- Separate institutional arrangements will be made for the management of internal and external labor affairs;
- Labor Commission and Labor Tribunal will be established;
- Social security provisions will be developed on gradual basis for workers and employees and a separate Fund will be created for the management of work related accidents and hazards;
- Life and accident insurance covering entire contract period will be provided for people going for foreign employment;
- Labor agreements will be negotiated with countries which receive Nepali workers beyond a certain threshold;
- After identification of the unemployed a gradual policy of minimum employment guarantee will be pursued;
- Labor force survey will be undertaken to reach at the realistic estimation of labor situation;

## 12.5 Social Sector

### Education

This sector lacks even minimum basic physical and educational infrastructures. In addition, there is no coordination between teachers' quality and promotional prospects. The following policies will be adopted to make all citizens literate and to provide them with quality and job-oriented education gradually:

- Rights to free secondary education for each citizen will be gradually established.
- Improving the structure and raising the quality of education right from the primary to the higher levels, increasing the role and contributions of the local bodies, making education inclusive and increasing the access and establishing the right to education of women, Dalit, indigenous nationalities, *Madhesi*, the conflict-affected, the displaced and the disabled
- Literacy programs will be implemented as a well-coordinated campaign and mobile facilitators will be arranged. The educationally deprived – Dalit, indigenous nationalities and ethnic groups, Muslims, disabled, conflict-affected, the displaced, women and poor segments of the population – will be specially targeted and NGOs, local bodies, schools and the private sector will be made involved to implement the literacy campaign
- Class 12 will be made the exit point of school education, more teachers will be recruited, and training/incentives will be added in. Scholarships and encouraging schemes will be launched to increase the access of the target groups up to Class 12. Open universities will be started and scholarships/ subsidized loans will be provided for the benefit of the backward and the underprivileged segments of the population.
- Technical and vocational training will be managed and extended further and to promote skills-oriented and vocational education institutes (including Polytechnic universities) will be set up.
- Setting up of one university in each development region will be encouraged.
- Efforts will be made to establish a science and technology university.
- Women's participation will be increased, basic child development education and pre-primary programs will be expanded.
- There will be at least one school in each village

- The existing vacancies in schools will be filled by giving preference in recruiting Dalit, women, indigenous ethnic groups, *Madhesi* and the disabled
- Public-Private partnership will be promoted by involving the local bodies and communities to manage the educational institutions
- An Education Development Fund will be created to mobilize educational resources
- Keeping in view the role of the private sector in educational development, this sector will be provided with different incentives, subsidies and patronage and monitored. The private sector shall also be required to support certain percent scholarships for poor and marginalized students in a competitive and transparent manner.
- Children will be taught in their mother tongue and a tri-lingual policy will be adopted
- Teaching provided by religious institutes, such as, Madarsa, monastery and *Aashram* will be mainstreamed into the educational system
- Players winning medals in international competitions will be given cash prizes and employment opportunities

### Health

Increasing the people's access to quality health services and to decentralizing management of the agencies that provide health care is quite challenging. The following policies will be adopted in the spirit and provision of the Interim Constitution 2007 to guarantee the citizens' fundamental right to quality health services without being discriminated based on caste, creed, sex, religion, ethnicity and political beliefs:

- Rights to free basic health services to each citizen will gradually be established. Special priorities will be given to promote the health status of the poor, women, marginalized, Dalit, Indigenous groups and the people with disabilities.
- Public health issues – resistant, preventive, promotional and curable health services – will be implemented as per the principles of the primary health services.
- Special programs will be launched in an integrated manner (by involving the government, private sector and NGOs) to increase the citizens' access to basic health services.
- Priority will be given to implement important programs (i.e., urban

health, and health care for the elderly) which are not implemented so far.

- Special health programs will be launched targeting the segment of population deprived of health care – indigenous groups, Dalit, disabled, *Madhesi*.
- The district health system will be implemented in an integrated system in line with the principles of decentralization and services provided by hospitals and health institutes will be improved.
- Vacancies of health workers will be reviewed and, if need be, added and necessary medicines and equipment will be made available to health institutes.
- Public-private partnership concept will be implemented effectively to establish and run health institutes. Human, financial and physical resources provided by the government, private sector and NGOs to raise the quality of health care will be managed effectively.
- Community hospitals will be encouraged.
- New medical colleges will be opened in areas where there are no medical colleges presently.
- Policy decisions will be taken to ensure that the people from neighboring districts also benefit from the free beds in teaching hospitals.
- Further emphasis will be given to women's health (reproductive health) and child health (immunization, nutrition).
- Treatment protocols for new infections, such as, Bird Flu and Dengue, and non-infectious diseases will be made more effective.
- Special emphasis will be given for the prevention of drug abuse and rehabilitation of those addicted.
- Considering the success of Community Drug Program Community and Cooperative Clinic services will be encouraged.
- Specialized health camps will be launched (surgery, gynecology).
- Health insurance will be promoted and efforts will be made to bring every household into the insurance network.
- Natural and Ayurvedic treatment procedures will be developed to complement the modern medical study. In process, local and traditional knowledge will also be encouraged.

- Mutual relationship between health science education and medical and public health studies will be strengthened to make health services effective, efficient and pro-people by improving the health sector management.
- If need be, Headquarters and electoral constituency-based health service providing institutes will be relocated on the basis of population and distance/remoteness.
- Tele-medicines centers will be set up and expanded.
- Hospitals with higher revenues base will be made autonomous, thus creating surplus resources to invest in facilities in backward and needy areas.
- Researches in health sector will be encouraged, promoted and expanded.
- Those doing their MBBS on government scholarships will be required to work at least for two years in government sets ups (regional, zonal, district-based and primary health centers) as assigned by the Ministry of Health and Population before being eligible for certification by the Nepal Medical Council.

### **Population**

Maintaining demographic balance by reducing the population growth rate remains quite a challenge. Even as the reproduction rate is declining in urban areas it continues to be quite high in the rural areas. The following steps will be implemented to maintain a demographic balance:

- The population management programs will be linked with developmental activities and implemented in an integrated manner to eradicate poverty and hunger
- Measures will be adopted to reduce the population increase rate by promoting smaller families
- Migration will be managed

### **Drinking Water and Sanitation**

The principal challenge is to provide and improve the quality of drinking water and sanitation facilities in areas where there are no traditional sources. The following policies will be implemented to improve the public health situation by providing drinking water on a sustainable basis:

- The people's access to quality drinking water will be increased in areas where they have no access. Drinking water projects will be

made gender-friendly

- Rain water harvesting will be promoted to back up the existing sources of water
- The principle of cost recovery will guide investments in drinking water projects in the urban areas while, in the rural areas, investments will be made on the basis of the people's capacity to bear the costs involved
- Sanitation program will be treated as an integral part of the drinking water projects. In the urban areas the sewerage/drainage system will have a provision for re-cycling and in rural areas appropriate technologies will be used. Women will be involved institutionally and at all levels (from the top to the bottom)

### **Gender Mainstreaming, Women Development and Empowerment**

The allocation of resources for women's development and empowerment continues to be low and gender analysis has not been effective in the Nepali context. Pro rata involvement of women in development activities leaves much to be desired. The following policies will be adopted to create an inclusive society based on gender equity and equality:

- Existing legal, policy and institutional arrangements will be reformed to ensure at least 33% representation of women in the state affairs. The diversity among women will be taken into consideration to make women's participation proportional.
- All discriminatory laws will be scrapped to implement the commitments made by the state at international levels
- Gender management system will be introduced to push forward policies and programs related with gender issues in integrated manner. Moreover, gender mainstreaming in macro-economic framework and other sectors will be achieved by institutionalizing gender budgeting, gender monitoring and gender accounting.
- Women will be given by ensuring access to and control over natural resources for their economic empowerment
- National Women's Commission will be strengthened and made autonomous.
- Rehabilitation centers will be set up and special programs will be launched in coordination with NGOs to protect rights and provide social security to the conflict-affected, displaced, victims of violence, women with disability and single women;

- All social malpractices related with women will be eliminated;
- Modern skills and training will be imparted to women to raise their capacities.

### **Children**

Given that the legal, policy, institutional and operational efforts to protect and promote child rights continue to be ineffective, the following policies will be implemented to create child-friendly environment and to put an end to all kinds of discriminations and exploitation against children:

- Children will be defined by age and necessary legal, policy and institutional arrangements will be put in place to free them from all kinds of torture, abductions and discriminations;
- Efforts will be made to maintain peace in schools and areas primarily meant for children;
- Children affected by the conflict and those living in the difficult circumstances will be rehabilitated and provided psycho-social counseling. In addition, a permanent child development fund will be created.
- The district child welfare committees will be strengthened and mainstreamed by bringing them under the district development committees.

### **People with Physical disabilities**

Nepal lacks disability-friendly laws, policies and programs. As a result, the people with disabilities have limited participation in the development process. It is quite challenging to promote independence of the people with disability and to guarantee their rights. The following policies will be adopted to give the people with disability an environment to develop their talent and explore possibilities to be able to live an independent and dignified life:

- Existing laws and policies will be reviewed and reformed with a view to make them disability-friendly, to protect the human rights of the disabled and empower them;
- In line with the international standards, roads, transport, public places, government building, hospitals and schools will be made disabled-friendly;
- Developing social and economic infrastructure, opportunities will be created to enable people with disability for independent, free and dignified life;

- Policy will be adopted to mainstream the rights and concerns of the people with disability in all sectoral policies and programs;
- Special programs will be initiated to rehabilitate those maimed during the conflict, including women with physical and mental disability and victimized by the conflict;
- Coordination and relationship with the government and national and international NGOs dedicated to the cause of the people with disability will be strengthened to empower the disabled;
- Programs will be launched to prevent disability and help people with disabilities develop.

### **Senior Citizens**

Nepal's population is ageing and families are opting for nucleus life-style. Programs aimed at addressing the needs and concerns of the senior citizens have not been adequate in the given circumstances. Following policies will be implemented to establish the basic rights of the senior citizens:

- Necessary legal and institutional provisions will be made to establish the rights of the senior citizens;
- Houses for the aged run by the government and NGOs, the provision of allowance for senior citizens, and social security programs, will be reviewed and extended as necessary. Special programs will be initiated for the benefit of the senior citizens who have no support system;
- Special facilities will be given to the senior citizens in hospitals and public transport;
- Knowledge, skills and experience of the senior citizens will be properly utilized;
- Local bodies, NGOs and the private sector will be encouraged to develop appropriate services and facilities for the senior citizens.

### **Youth**

The following policies will be embraced to ensure that all youths have an opportunity to be involved in the reconstruction and socio-economic transformation of the nation:

- In line with international standards, a national youth policy will be introduced in the spirit of the special provision in the Interim Constitution;
- Developing socio-economic entrepreneurship among the youths, the youths will be provided with opportunities for employment,

self-employment and social work;

- Necessary institutional mechanisms will be developed to increase the youths' creative participation in development and reconstruction. The youths will be mobilized for the reconstruction of social structure;
- To address the problems facing the youths, mechanisms including youth counseling service and resources centers will be developed;
- Special attention will be given to provide education, training and employment to the youths, attempts will be made to instill the sense of secured future at home in them and to encourage to properly utilize their labor and skills;
- An assessment will be made of the unemployed and atmosphere will be created to provide them with employment and self-employment opportunities at home;
- Youths will be encouraged in sporting activities necessary for overall personality development.

### **NGOs and INGOs**

There is a need to do more to facilitate and coordinate with local and international NGOs which have emerged as crucial development partners. Moreover, there is no institutional system that evaluates their contributions. These activities will be implemented to make NGOs, communities and the civil society active in the empowerment and development of the target groups:

- Reviewing the Social Welfare Act, including Society Registration Act and other regulations, reforms will be initiated in structural and other domains;
- NGOs will be encouraged in social, economic and developmental activities as partners of development;
- After categorizing, NGOs will be mobilized in the area of their comparative advantage with a view to optimize their inherent capacities;
- One window system will be made mandatory and facilitation effective. The Social Welfare Council will be developed into Social Development Council by making necessary institutional and procedural reforms;
- INGOs will be motivated to implement programs only through local bodies, NGOs and other community based organizations in forging close coordination with local planning process. NGOs will also be encouraged to actively engage in conflict transformation,

peace building and in rehabilitation of those affected and displaced by the conflict.

- Mechanisms will be developed to monitor and evaluate the national and international NGOs regularly to increase their transparency and effectiveness.

## 12.6 Physical Infrastructure Sector

It remains a big challenge to fulfill the increasing people's expectations related to infrastructure development and reconstruction, to increase the quality of construction, and make it cost effective. The following policies will be adopted for reconstruction and rehabilitation of damaged infrastructures, and for development and expansion of new physical infrastructures:

- Big projects giving momentum to the country's economic development, create immediate employment opportunities, and raising the concern of the whole nation will be identified and implemented.
- Investment plan and program will be formulated and implemented for the overall reconstruction and rehabilitation of rural infrastructures damaged during conflict.
- In order to increase the participation of the private sector while constructing physical infrastructures, laws related to Build, Own, Operate and Transfer (BOOT) will be made practical and simple in order to implement effectively.
- Environment protection and promotion will be given special emphasis in all kinds of development, construction and service processes to be operated in the public and private sector.
- Nepali Army, Nepal Police, and Maoist army will be mobilized, where possible and appropriate in infrastructure development and reconstruction based on usefulness.
- During development and construction of infrastructure, balance will be maintained to benefit economically and socially excluded groups, communities, ethnic groups and regions.
- Industrialization, organized urbanization, specified economic centers, agriculture production regions and potential contribution to tourism promotion will be made the basis of infrastructure development.
- Strategic action plan will be formulated for development and management of local infrastructure development. The mobilization and full utilization of technical human resources will

be given special emphasis in such works.

- Emphasis will be given to construct of physical infrastructures identified by the community.
- While constructing infrastructures in remote districts including those in Karnali zone, capital injection policy that will make immediate use of unskilled and semi-skilled laborers will be adopted.
- While carrying out the construction, quality improvement and maintenance work of physical infrastructures, disability and gender sensitivity will be taken into consideration.
- Physical infrastructures will be standardized and made reliable as per international commitments shown by the government.

## Transport

It remains a great challenge to make all district headquarters as well as remote areas accessible by road due to lack of resources and special geographical features. The following major policies will be taken in the transport sector in order to reduce regional and social inequalities.

- Roads connecting district headquarters, remote areas, mid-hills, and east-west, and north-south corridors, as well as Hulaki Sadak network will be expanded and improved so that agriculture, industrial production and services will have easy access to market.
- Feasibility study of a fast-track highway connecting Kathmandu with the Terai, and Electric railway will be carried out and the construction of feasible project initiated.
- Works related to completion of roads under construction and quality improvement will be given priority.
- The private sector will be encouraged in construction of infrastructures like alternative technology, railway, cable-cars, and the reach of rural areas in development infrastructures will be increased. Similarly, feasibility study about waterways development will be carried out.
- Local bodies will be given responsibility for local road construction and maintenance.
- A clear policy about road safety will be adopted.

## Transport Management

Problems are seen in the transport system due to excessive increase

in the number of vehicles compared to the load bearing capacity of existing roads. Accidents and pollution rate are also increasing due to deteriorating condition of vehicles and roads. It has not been possible to modernize the management through necessary infrastructure and new technology. There is poor coordination between traffic, roads, and agencies managing transport, as well as between programs. Therefore, in order to make the transport system efficient, service oriented and effective, the following main policies will be adopted:

- The highways will be made safe, reliable, effective and modern by improving policy, legal, institutional arrangement and technology;
- Institutional reforms will be carried out to develop transport sector and to make management effective. The partnership and cooperation with the private sector will be made deeper through establishment of an autonomous national transport board.
- By operating public transport in a competitive environment, the syndicate system will be dismantled to obtain certainty in service, cost effectiveness and economic efficiency;
- A policy will be taken to encourage environment friendly vehicles and displace polluting vehicles.
- Priority will be given to public transport system.
- Effective coordination will be maintained with agencies related to transport management.

### **Hydro-electricity**

The main objectives of the hydroelectricity sector are to expand electricity to rural areas by providing quality service at a low cost, to adopt hydro-electricity as the foundation of overall economic development, and develop it "as an exportable item". The following main policies will be adopted to attain these objectives:

- Domestic and foreign investment will be encouraged for development of hydro-electricity.
- An electricity regulating agency will be strengthened for institutional improvement of electricity sector, and management of production, transmission and distribution.
- Clear, simple and transparent procedure will be adopted to increase the participation of private sector, community and local bodies in production, consumption and export of hydroelectricity.
- Rural electrification will be expanded with priority.
- Policy will be adopted to provide electricity easily and at low cost

to agriculture and other productive sectors.

- The tendency to just obtain license for small hydroelectricity production and distribution, without carrying out production and distribution works will be discouraged.
- Domestic investment will be encouraged in hydroelectricity production to a certain capacity.
- Water resource strategy as well as other provisions in National Water Plan will be gradually implemented.
- In the context of Nepal's electricity system to be connected to SAARC countries, and regional power-grid development, initiatives will be taken to formulate necessary legal provisions with concerned countries through mutual coordination for large hydro-electric projects at a regional level.
- Initiative will be taken to integrate micro and small hydroelectricity with the national grid.

### **Information and Communication**

In the context of making information and communication service easily accessible to every citizen, the existing geographical composition, weak economic condition, institutional structure and technical capacity remain the main challenges. In order to effectively face these challenges, various sectors of the information and communication are to be made effective, widespread, equipped with latest technology, high quality and competitive. In order to achieve these objectives, the following main policies will be adopted:

- By making the use of information and communication technology country-wide, increasing its use in agriculture, industry, business and service sectors, the unnecessary levels between the producer and the consumer will be reduced.
- The access to information and communication of all language groups, nationalities, religions, and inhabitants of remote and difficult areas will be increased.
- In order to ensure the people's right to information by providing easy access of ordinary people to telephone, mobile and other wireless telecommunications technology, telephone service will be extended to all village development committees during this plan period.
- The network of optical fiber will be increased in order to make information and communications system faster and more organized.

## **Housing and Urban Development**

The main challenge of this sector is to develop organized settlement by providing necessary physical infrastructure and other facilities to scattered settlements. In the course of constructing safe and cost effective buildings, managing urbanization, and strengthening rural-urban interrelationships through protection and promotion of existing cultural and historical regions, the following main policies will be adopted:

- In the context of managing increasing urbanization, minimum facilities will be guaranteed, and suburbs will be developed at the periphery of the city. Similarly, settlements scattered in the rural areas will be managed through resettlement.
- Building code and standards will be updated and implemented in the government as well as in the private sector.
- A basis for planned development of urbanizing settlements will be prepared.

## **Irrigation and Water Induced Disasters Preventions**

The following main policies will be adopted to provide round the year irrigation facility through surface irrigation and underground irrigation systems to agricultural land suitable for irrigation, and reduce the annual damage through water induced natural disasters:

- Priority will be given to big and medium surface irrigation as well as deep and shallow tube well irrigation in the Terai.
- In the hilly and mountain regions, medium and small irrigation as well as other irrigation system based on appropriate technology will be given priority.
- Special assistance and encouragement will be provided to district, city and settlements for integrated conservation of rivers and streams.
- In order to reduce water induced disasters, special attention will be given to identification of rivers posing risks and to control such rivers and reduce the adverse effect from natural disasters and environment damage.

## **Environment, science and technology**

In order to face the problems and challenges in this sector, to maintain a healthy environment by making environmental management effective, and to attain sustainable development through wise use of natural resources, and to raise Nepali people's living standard through development and use of science and technology, the following main policies will be adopted:

- By emphasizing conservation of natural environment, rehabilitation and sustainable use, water, air and noise pollution reduction methods will be implemented.
- By implemented the country's international commitments and conventions, treaties and agreements to which Nepal is a party, projects related to Clean Development Mechanisms will be promoted.
- By strengthening environmental good governance, local bodies will be strengthened and implementation of environmental management works will be emphasized.
- By creating clarity in the role and responsibility of various agencies involved in institutional development for environmental management, infrastructure related development works will be made environment-friendly.
- Encouragement will be provided to carry out feasibility studies for alternative fuel development including bio-fuel.
- Special priority and assistance will be provided for use of environment friendly fuel.
- Rural people's lives will be improved through development of alternative energy system.
- The access of information technology in rural regions will be increased by mobilizing private sector in the information technology sector.
- People's standard of living will be increased through development, improvement and use of science and technology.

## **12.7 Human Rights**

There is a challenge of increasing the effectiveness, quality and access of social economic services being provided on behalf of the government for human rights promotion.

In order to ensure peace, equality and social justice by implementing the provisions in all the conventions and instruments ratified by the Nepal government, and emphasizing protection and promotion of human rights of all Nepali citizens, especially those marginalized on the ground of nationalities, languages, gender, religion, region, groups and communities, the following main policies will be adopted:

- In order to reflect commitment to and implement human rights as well as all other conventions and agreements ratified by the Nepal government, existing legal provisions will be amended and new laws formulated and implemented.

- The formulation, monitoring and evaluation of sectoral development policies will be carried out with a view to protect and promote human rights;
- By increasing the access to natural and economic resources of marginalized communities like women, children, *dalits*, indigenous nationalities, *Madhesis*, people with disability, senior citizens, communities at risk from socio economic perspective and people suffering from poverty, a policy will be adopted to guarantee their basic human rights.
- By ending discrimination, exploitation, violence and abuse based on nationalities, gender, region, language, religion and communalism, projects will be implemented to protect and promote political, economic, social and cultural rights of all citizens.
- By adopting a policy of zero tolerance to lawlessness and corruption in order to end impunity, and by improving and strengthening security, crime investigation and prosecution system, rule of law and the ordinary citizen's right to live peacefully will be ensured.
- Mass communication medium will be promoted as effective medium to inform security workers, politicians and ordinary citizens, and to provide formal and informal education about human rights.
- Social and economic services will be expanded, and their access and effectiveness increased.
- The human rights of those in custody will be guaranteed.
- Jails will be gradually developed as reform houses.
- Capacity, and effectiveness of governmental and non-governmental organization related to human rights will be increased.
- Necessary program will be initiated and effectively implemented in order to make national plan of action on human rights relevant to the new times and circumstances.

## 12. 8 Peace and Good governance

The main challenge of the country at present is to make state mechanisms inclusive and manageable and develop influential service flows. With the objectives to enhance participation, transparency and responsiveness in state regulation and development works and to establish stable peace and good governance, the following major policies will be undertaken.

- The administrative mechanism will be gradually improved to make it propitious to the inclusive, federal, democratic and progressive restructuring of the country.
- An approach of optimizing the performance of public employees by developing an administrative culture based on work performances will be acquired. Provisions will be made to appraise employees' performances on the grounds of the satisfaction of service recipients.
- Improvements will be made in the performances of government employees by undertaking an evaluation mechanism
- Reformation in governance will be augmented through the application of a strategic information mechanism.
- Both preventive and remedial strategies will be executed in order to end corruption. A clear provision will be made to penalize those who have amassed illegal wealth exploiting an advantageous position. Strict imposition will be made of the existing rule that one entering into a profitable position or government service must furnish the detail of personal wealth.
- The judicial system will be consolidated according to democratic values and made independent, unblemished, impartial and competent.
- Priority will be given to capacity development of legal and semi-legal institutions in order to guarantee accessible and transparent legal services and enhance legal independence and dignity.
- A policy of positive discrimination will be acquired in order to ensure significant participation of women, *dalits*, indigenous nationalities, *Madhesis*, workers, farmers, disables, and backward people and places in the course of restructuring the country, emphasis will be given on the enhancement of their capacities.
- For good governance, emphasis will be given to the preservation and delivery of the spirit of participation, transparency, responsiveness, responsibility, and rights.
- Service delays and corruptions will be checked through appropriate policy and law and, for this, the civic supervision system will be activated and institutionalized with goal-oriented approaches.
- Qualitative service will be established as a fundamental right of the service recipients.
- Employees entering local sector services will be provided orientation on local languages and cultures.

- Use of information technology will be made extensive in civil services. E-governance will be implemented systematically.
- The Nepali Police force will be strengthened against new challenges arising in the course of ensuring security and control of crimes.
- Necessary legal provisions will be made to preserve the human rights of prisoners, and to help them adjust in the society after their releases.

## 12.9 Local Development and Decentralization

A major challenge of the present time is to substantiate the objectives, policies and principles of the Local Governance Act 2055, and to make its deposition prominent by amending any conflicting laws. The main objective of the Local Development Program will be to face this challenge to help in poverty alleviation by creating income and job opportunities through direct involvement of people in mobilization of local resources and utilization of skills and techniques. The main goal of deposition, furthermore, will be to keep the spirit of inclusive federal republic for the fulfillment of popular will by consolidating the local authorities that generally function as local governments. The following policies will be undertaken in order to achieve this goal:

- Specific goal-oriented schemes and social mobilization programs will be introduced for the upliftment of women, *dalits*, indigenous nationalities, *Madhesis*, disables, Muslims, marginalized classes and backward regions. Substantial contribution will be made in the reduction of poverty both in rural and urban areas through programs for social empowerment, infrastructure and income generation.
- Certain development programs will be launched in the local level which will meet local needs through optimum mobilization of local resources, skills, and technologies
- Human resource development plans on capacity enhancement will be prepared and implemented in the areas incorporated in the local development. Trainings will be organized in Local Development Training Academy by crating ownership of local authorities.
- Priority will be given to overall reconstruction and reinstallation of rural infrastructures destroyed during the conflict.
- Necessary strategic plans will be devised for development and management of local infrastructures through a system that is environment friendly, participatory and based on local resources. Emphasis will be given to partnership with NGOs and private

sectors.

- For waste management of urban and semi-urban areas a sanitary landfill site will be constructed and operated with concerned municipality's investment partnership.
- All governmental, non-governmental and private sectors will be made responsible for undertaking decentralization and devolution as the major policy for central government and vehicle for the consolidation of the local authorities.
- For reliable sectoral devolution of resources, a system of conducting all local level projects by the local authority will be institutionalized. Similarly, specific criteria will be developed to allow the flow of resources from the center.
- Individual ministries will develop modalities for the functioning of local authorities and make provisions to enhance their capabilities.
- Special attention will be given in the mobilization and sharing of revenues between local authorities so as to ensure equal development and to help overall upliftment of socially and economically backward places, classes and communities. Provisions will be made for the distribution and mobilization of resources between local authorities.
- An implementation task schedule will be enforced to specify the functional jurisdiction of local bodies, allocate budget as per the jurisdiction, and hand over a mechanism that enables them to accomplish their tasks.
- Local bodies will be developed into capable local governments through restructuring in terms of geography, population and resources.
- Emphasis will be laid on the use of both Nepali and local languages in the local administrations.
- Local authorities will be made inclusive according to their own social structure. Necessary provisions will be made to make their work transparent, responsible and people-oriented.
- Grants to local bodies will be incorporated within the framework of minimum conditions and performance measures. The total budget allocated to local bodies and the sector-specific central budget will be adjusted scientifically.
- Formulation and implementation of policies and programs will be based on human rights approach, and human rights and fundamental liberty of common citizens (women, children, *Madhesis*, disables, indigenous nationalities and oppressed

classes included) will be preserved while involving them in all sectors of the state.

- The stakeholders will be involved in the course of planning, implementation, supervision and evaluation of local development programs.

## 12.10 Peace, Reconstruction, Rehabilitation, and Reunification

Regaining lost social values and giving momentum to impeded development works through reconstruction and rehabilitation has been the immediate challenge in the country today. Of immediate priorities of the country are continuity of peace, rehabilitation, reunification and social assimilation of the displaced people and reconstruction of damaged physical infrastructures. The following policies will be implemented in this direction:

- In order to establish new values, places related to important events during the historical struggles and popular movements will be identified and developed into national icons.
- Specific programs will be introduced to help in the stability and institutionalization of peace, with an assurance of a substantial involvement of women in the process.
- Physical infrastructures damaged during the conflict will be reconstructed.
- For the rehabilitation and reunification of displaced and conflict affected people and family, special arrangements of psycho-social counseling, employment or self-employment opportunities and security will be made effective.
- The recommendations of the Special Committee set up for the assimilation and rehabilitation of the Maoist Combatants will be implemented.
- Relief programs will be introduced for the displaced and disappeared including the conflict affected persons after collecting data.
- Empowerment and rehabilitation packages will be conducted for conflict-affected women, children and disables and helpless persons.
- Peace and rehabilitation committees will be established in the center, districts and villages so as to help in the effective peace-building, reconstruction, rehabilitation and reunification. The country will be led towards reconciliation and prosperity, and

participation of private sectors, NGOs and civil societies will be encouraged in this juncture.

- Democratization of Nepal Army will take place for the promotion of peace and safeguard of enhancement of human rights. Managing the appropriate number and structure of the Nepal Army, it will be converted into inclusive with national character. The Army will also be involved in activities of national development and construction.

## 12.11. Inclusive Development

The present interim plan has the policy of improving the standard of the lives of women, *dalits*, *Madhesis*, disables, indigenous nationalities, and the poor. Institutional, structural, and legal obstacles will be avoided for ending their long-term deprivation so as to ensure their inclusion into the mainstream and subsequent assertion of their social, cultural, economic and human development. The following two attempts will effectuate the process of social inclusion:

- a) Empowerment of the deprived groups:  
Economic, social, civic and psychological empowerment of deprived groups
  - b) Inclusion:  
Correct the attitudes and treatment of the policy makers and service providers towards the deprived groups, change discriminatory laws, social values and doctrines, and increase the participation of the deprived groups in policy making positions and processes through proportional representation, reservation or any other appropriate approaches.  
A long-term objective of social inclusion is to build a just and prosperous modern nation. Moreover, it aims to improve the human development of the deprived groups by guaranteeing their proportional participation in all state structures, decision making processes and services. The following strategies will be made elemental in the accomplishment of these objectives:
- Legal provisions will be made for social inclusion. Any kind of discrimination based on race, language, culture, religion, location, gender, economic and physical condition will be eliminated.
  - A substantial participation of men, women and children of the deprived groups will be guaranteed in processes of policy making, planning, implementation, supervision and evaluation.
  - Three dimensions of social inclusion -- i) access to resources, services and opportunities, ii) empowerment, identity assertions and capacity building, and iii) planning, implementation,

monitoring and evaluation will be based on policies, laws, values and structures.

- In the course of planning and implementing programs for the deprived groups and regions, priority will be given to the most marginalized among them.
- Programs for the deprived groups will be conducted through their representative organizations and emphasis will be given to their empowerment
- A policy of positive discrimination and reservation will be implemented in the area of education, health, employment, participation, capacity building, and public service for the socio-economic security of the deprived.
- National identity will be enhanced by protection and development of languages, literatures, arts, and traditional knowledge and skill and culture of the marginalized groups.
- Surveys will be conducted to identify the languages spoken inside the country.
- Specific target-oriented programs will be introduced to improve people's lives considered unacceptable on the ground of socio-economic aspects like health and education.
- Some model programs will be introduced in backward places like Karnali and other bordered and geographically uncongenial hinterlands so as to uplift their status to the average standard of the relatively developed regions. Necessary policies will be implemented for the development of such regions as per the recommendations of the Regional Development Strategy studies.
- The state will increase investment in the backward regions and communities with the help of Geographical Information System.
- In view of addressing the issues related to women, *dalits*, *Madhesis*, disables, laborers and indigenous nationalities and for effectively conducting programs for their overall development, appropriate commissions, committees and councils with definite rights and scopes will be formed.
- Physical infrastructures will be made disable-friendly.
- The access of deprived groups (women, *dalits*, *Madhesis*, disables, laborers and indigenous nationalities) will be increased in technical and vocational education.
- Emphasis will be given on the operation of development projects with vision of the proportional development of the deprived people and places.
- Provisions will be made to enforce the spirit of a secular state

with due respect to religious equality and independence.

- Settlement and employment opportunities will be provided to landless indigenous nationalities, liberated Kamaiyas (farm laborers), ploughmen, pastorals, *dalits* and *Madhesis*.
- Upliftment of farm laborers and landless people will get major attention.
- The overall economic structure of the country will be made inclusive.
- Necessary policies will be devised for study, research, supervision and evaluation of inclusive development.

## 12.12 Regional and Balanced Development

Existing investment in economic and social infrastructures does not appear to have made adequate progress in the proportional and balanced development of various geographical, rural and urban areas. On account of the lack of political commitment about balanced development, geographically appropriate economic policies and regional development strategies could not be implemented in comparatively backward places.

The following will be the strategies for addressing the problems of regional development.

- In allocating resources, priority will be given to places that are backward on the ground of economy and infrastructure.
- Specific economic sectors will be gradually developed on the basis of the amount of existing trade, market management and infrastructure development. Such sectors will be included infrastructural network of transportation and communication.
- In course of formulating regional strategies, a production system based on local skills and resources will be developed on the basis of relative profit and competitive capability.
- A policy will be implemented to build infrastructures in the topographically diverse rural and urban settlements near highways operating or under construction.

## 12.13 Implementation, Monitoring and Evaluation

### Implementation

The main challenge of the development process is to effectively implement periodic plan, programs and projects, and to achieve the specified goals and objectives. Therefore, the main objective of the implementation mechanism will be to complete development

programs and projects in accordance with the specified quantity, quality, cost and time, and to create a condition so that beneficiaries could obtain sustained results. For this the following policies will be adopted:

- Provision will be made to ensure quality at entry of the central level development projects.
- For all projects and programs to be operated at the central, district and community levels, a working procedure will be implemented that will make selection and implementation participatory and of high quality so that it is cost effective, results oriented, and promoting ownership of the customer.
- The partnership of government agencies, citizen and non-governmental organizations, private sector will be increased in implementation of plan. Provision will be made for the budget and program to be finalized in the previous fiscal year, and to start implementation at the beginning of the new fiscal year. Provisions will be made for grants and amount for reconstruction and rehabilitation to be directly sent to district development committee from the Finance Ministry.
- Regulations and directives related to public procurement will be implemented to make development programs and projects effective.
- For the reconstruction of physical infrastructures damaged during conflict and new construction, projects that can be undertaken through local level consumer groups, non governmental organization and community based organizations will be implemented directly through them.
- Additional legal provision to allow multi-year contracts for project construction will be made. Policy will be adopted to ensure financial resources necessary for construction work through such contract system.
- Past successful programs will be given continuity, expanded and new and creative works will be encouraged.

### **Monitoring and evaluation**

The task of refining and institutionalization of the initiatives to make the monitoring and evaluation system remains the main challenge. The main challenges seen in the implementation of monitoring system are the commitment of the policy-making level, institutional activeness, retaining trained and skilled human resources, following of

the indices used and overall information flow system. The objective of monitoring and evaluation is to institutionalize provisions for poverty monitoring and analysis system from the center to the districts and to make effective the progress monitoring and evaluation of development projects and programs.

- By creating a mechanism in the district, municipal and village levels including the civil society and political parties, they will be given the responsibility of overall monitoring and implementation facilitation.
- Special monitoring will be carried out for reconstruction, rehabilitation, reintegration and social inclusion.
- Poverty monitoring and analysis system will be revised as necessary and institutionalized.
- Monitoring and evaluation system will be made more participatory and the concept of public evaluation system developed.
- Monitoring and evaluation system will be made more participatory.
- Public expenditure monitoring system will be expanded.
- Process will be started to institutionalize management for development results at all levels of development process.
- Progress monitoring system for various aspects of human security like food security, environment security, health security, income security will be developed from the center to the VDC levels.
- Support will be provided to implement projects as targeted by making the monitoring of development programs and projects result oriented and activating mechanisms established for this.
- Provision will be made for period publication of the budget, annual programs and progress of every project from the field to the district level.
- Provisions will be made for field supervision and observation of selected projects on the basis of an annual schedule of development programs and projects.
- Provisions will be made for public hearing and social auditing in addition to monitoring progress of development projects.
- The implementation state of policies made public will be monitored.
- By evaluating development programs and projects, the obtained result will be used in the planning process.

**Annex 1**

**Table 1: Gross Domestic Product  
(At 2001/02 constant prices) and Economic Growth Rate**

*(Rs. million)*

Sectors	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Tenth Plan average annual growth rate
Agriculture, fishery and forestry	166090 (3.1)	171619 (3.3)	179881 (4.8)	186176 (3.5)	188258 (1.1)	189492 (0.7)	2.7
Non agriculture	277962 (-1.2)	287485 (3.4)	302645 (5.3)	310650 (2.6)	324876 (4.6)	336468 (3.6)	3.8
Industry, and mines	39885 (-4.7)	39970 (0.2)	40773 (2.0)	41933 (2.8)	42903 (2.3)	43925 (2.4)	1.9
Electricity, Gas and Water	9138 (11.4)	10878 (19.0)	11321 (4.1)	11770 (4.0)	12199 (3.6)	12591 (3.2)	6.6
Construction	2883.8 (6.4)	2944.4 (2.1)	2934.2 (-0.3)	3019.2 (2.9)	3239.4 (7.3)	3288.1 (1.5)	2.7
Business, hotels and restaurants	71921 (-12.3)	73527 (2.2)	81614 (11.0)	76589 (-6.2)	79575 (3.9)	77949 (-2.0)	1.6
Transport and Communications	34959 (8.4)	36776 (5.2)	39531 (7.5)	40315 (2.0)	42070 (4.3)	45481 (8.1)	5.4
Finance and Real Estate	48727 (-2.8)	47480 (-2.6)	47514 (0.1)	54158 (14.0)	57267 (5.7)	62203 (8.6)	5.0
Community and Social Service	44494 (12.0)	49409 (11.0)	52550 (6.4)	55694 (6.0)	58468 (5.0)	61437 (5.1)	6.7
Gross balu addition	444052 (0.4)	459104 (3.4)	482526 (5.1)	496826 (3.0)	513134 (3.3)	525960 (2.5)	3.4
Gross Domestic Product (at producer's prices)	459443 (0.1)	477569 (3.9)	499931 (4.7)	515545 (3.1)	529976 (2.8)	543232 (2.5)	3.4

Source: Central Bureau of Statistics

Note: Economic growth rate given in parentheses.

\* Revised Estimate. \*\* Preliminary Estimate

**Table 2: Sectoral Contribution to Gross Domestic Production**

(Percent)

Sectors	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Average contribution of Tenth Plan
Agriculture, fishery and forestry	37.4	36.5	35.9	35.2	33.9	33.1	34.9
Non agriculture	62.6	63.5	64.1	64.8	66.1	66.9	65.1
Industry, geology and mines	9.0	8.7	8.5	8.4	8.2	8.0	8.4
Electricity, Gas and Water	2.1	2.4	2.3	2.3	2.1	2.0	2.2
Construction	6.5	6.5	6.4	6.5	6.5	6.4	6.5
Business, hotels and restaurants	16.2	16.1	17.0	15.7	16.0	15.3	16.0
Transport and Communications	7.9	8.3	8.9	9.1	10.4	11.8	9.6
Finance and Real Estate	11.0	10.8	10.4	11.8	11.6	11.7	11.2
Community and Social Service	10.0	10.7	10.5	11.2	11.4	11.8	11.1
Gross Domestic Production	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 3 : Overall Economic Indices in Proportion to Gross Domestic Production**

Detail	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07**	Tenth Plan Average Ratio
Total Consumption	90.51	91.44	88.25	88.44	92.09	90.65	89.84
Total Investment	20.25	21.41	24.53	26.45	25.99	25.35	25.57
Gross Domestic Savings	9.49	8.56	11.75	11.56	7.91	9.35	10.01
Gross National Savings	24.20	23.77	27.25	28.41	28.19	28.56	28.10
Import of goods and services	28.49	28.55	29.46	29.48	31.68	28.48	29.75
Export of goods and services	17.74	15.70	16.68	14.58	13.60	12.48	14.26
Current Accounts (Saving)	4.9	4.3	2.5	2.9	2.2	2.3	
Balance of Payments (Rs. million). In constant prices)	-3342	4233	14930	5041	21186	10731	
Money Supply (M-1) Growth Rate	9.3	8.6	12.2	11.2	12.0	14.7	11.3
Money Supply (M-2) Growth Rate	4.4	9.8	12.8	12.5	13.5	16.0	11.5
GDP Deflator Growth		3.1	3.98	6.25	6.50	8.33	5.6
Revenue	11.0	11.4	11.6	11.9	11.4	12.0	11.7
Total Expenditure	17.4	17.1	16.7	17.1	17.3	18.8	17.4
Ordinary Expenditure	10.6	11.2	10.9	11.2	11.2	11.0	11.0
Development Expenditure	6.9	5.9	5.8	5.9	6.1	8.4	6.4
Current Expenditure	10.6	10.6	10.3	10.5	10.7	11.2	10.7
Capital Expenditure (including principal payment)	6.8	6.5	6.3	6.9	6.7	7.7	6.8
Foreign Aid	3.1	3.2	3.5	4.0	3.6	4.5	3.8
Grant	1.5	2.3	2.1	2.4	2.1	2.8	2.3
Loan	1.7	0.9	1.4	1.6	1.5	1.7	1.4
Domestic Borrowing	3.3	2.4	1.5	1.5	1.8	2.3	1.9

\*Revised estimate. \*\*Preliminary estimate.