

The National Planning Commission (NPC) is the apex planning agency of Nepal. It formulates periodic development plans of the country under the directives of the **National Development Council (NDC)**. It acts as a coordinating agency of the government, identifies program and policies, explores and allocates resources for economic development and works as a central agency for monitoring and evaluating development plans, policies and programmes. It also serves as an advisory body to the Government of Nepal in policy matters.

The present organization and functions of the NPC is based on the decision of the Government of Nepal on 28th June 1993. Its role and functions as regarding annual budgetary matters are stated in the Financial Administration Regulations, 2056 (1999). In these Regulations, provision has been made that the central level annual plans and programs should be approved by the Commission before its implementation. Other legislations also spell out some of the relevant responsibilities of the NPC.

Organization of the National Planning Commission (NPC)

The NPC is chaired by the Rt. Hon'ble Prime Minister. However, the Vice Chairman is the executive head. The present NPC was formed on 1 September 2006 with six members. Later on two more members were added. The Chief Secretary of the Government of Nepal and the Finance Secretary are the ex-officio members of NPC. The Secretary of the National Planning Commission Secretariat serves as Member-Secretary of the Commission.

Portfolio Allocation of the Hon'ble Vice-Chairman and Members of NPC

Dr. Jagadish Chandra Pokharel, Vice-Chairman

- Overall Inter-sectoral Policy Coordination
- Research, Regional Development, Specific Programmes
- Environment, Sustainable Development
- Ministries: Constitutional Bodies, Ministries and Institutions not allocated to Hon'ble Members

Dr. Pushpa Raj Rajkarnikar, Member

- Industry, Commerce, Supplies, Culture, Civil Aviation, Tourism and Macro Statistics
- Ministries: 1. Industry, Commerce and Supplies, 2. Finance and 3. Culture, Tourism and Civil Aviation.

Ms. Indira Shrestha, Member

- Health, Population, Women, Children and Social Welfare
- Ministries: 1. Health and Population 2. Women, Children and Social Welfare

Dr. Posh Raj Pandey, Member

- Macro-Policies, Policy Analysis and Studies, Millennium Development Goals, Poverty Reduction Strategy Paper, Periodic Plan Preparation, Review and Monitoring,
- Program and Budget, Foreign Aid Coordination
- Financial Sector

Dr. Chaitanya Subba, Member

- Local Self Governance, Decentralization, Inclusive Development, *Janajati*, *Dalit*, *Madhesi* and Least Developed Areas, Rural Roads, Drinking Water and Irrigation
- Ministry: Local Development

Mr. Rama Kant Gauro, Member

- Water Resources and Energy, Road Transportation, Housing, Urban Development, Drinking Water, Environment, Science and Technology

- Ministries: 1. Water Resources 2. Physical Planning and Works 3. Environment, Science and Technology

Mr. Bhim Prasad Neupane, Member

- Natural Resources, Agriculture, Forest, Land, Wildlife
- Karnali Region
- Western area bordering India
- Ministries: 1. Agriculture and Cooperative 2. Forest and Soil Conservation 3. Land Reform and Management

Mr. Deependra Bahadur Kshetry, Member

- Labour, Employment, Training, Youth, Rehabilitation, Reconstruction, Peace and Development,
- Overall Monitoring and Evaluation
- Ministries: 1. Peace and Reconstruction, 2. Labour and Transport Management

Prof. Maheshwor Man Shrestha, Member

- Education, Information and Communication related Programmes
- Ministries: 1. Education and Sports, 2. Information and Communication

Dr. Swoyambhu Man Amatya, Member Secretary

- Administration of NPC Secretariat
- Geographical Information System
- Information Management, Research and Publication

Foreword

In the process of planned economic development efforts, ten periodic plans have been implemented. Despite our efforts, the problems of the poverty, exclusion and disparity within the society still exist in the country. This Three Year Interim Plan (2007/08-2009/10) has been prepared to fulfill the aspirations of the people expressed in the People's Movement 2006 and has also given shape to the issues agreed upon at the political level and reflected in the Interim Constitution of Nepal and the Common Minimum Program of the present Government and other agreements.

This Interim Plan documents has been built on the previous achievements, and provides continuity to Poverty Reduction Strategy and Millennium Development Goals, and also addresses issues related to the post-conflict management. During the formulation of this Plan various consultations have been held with political parties, business community, academia, civil societies, local level agencies, development partners as well as various organizations and professional groups of the country.

This Plan puts special emphasis on peace building, relief, reconstruction, rehabilitation, reintegration, inclusion and the revitalization of the economy. Moreover, it has provided more attention to women, *Dalits*, Indigenous *Janajatis*, *Madhesis*, *Muslims*, disabled and the people of the remote and backward areas who had been excluded from the country's socio-economic and political development process. Furthermore, it has emphasized to increase government expenditure on social and physical infrastructure development as well as employment

generation. With the long term vision of building prosperous, modern and just Nepal, the Plan has given continuity to reforms.

In the context of the transitional period of the country, the Plan has envisaged to prepare a base for the future periodic plans and it has been formulated in such a way that helps to implement the Plan according to the changing circumstances.

This synopsis of the detail Plan will help to give a good glimpse of the Three Year Interim Plan and will help all the stakeholders to align their co-operation and efforts towards fulfilling the targets and objectives set in this Plan. The National Planning Commission is expecting co-operation from all the stakeholders to help in the effective implementation of this Plan.

January, 2008

National Planning Commission

Table of Contents

1. Background
2. Current Situation of Development
 - 2.1 *Overall Economic Situation*
 - 2.2 *Economic Sector*
 - 2.3 *Social Sector*
 - 2.4 *Infrastructure Sector*
 - 2.5 *Human Rights*
 - 2.6 *Local Development and Decentralization*
 - 2.7 *Peace, Reconstruction, Rehabilitation and Reintegration*
 - 2.8 *Inclusive Development*
 - 2.9 *Implementation, Monitoring and Evaluation*
3. Current Challenges of the Development Process
4. Opportunities
5. Vision, Goal, Objectives and Strategy of the Interim Plan
6. Priority Areas
7. Quantitative Targets
8. Economic Growth and Allocation of Resources
 - 8.1 *Target of Economic Growth Rate*
 - 8.2 *Capital Investment*
 - 8.3 *Government Budget and Sources of Financing*
9. Main Policies
10. Macro Economic Policy
 - 10.1 *Public Expenditure Management*
 - 10.2 *Money, Banking and Credit*
 - 10.3 *Foreign Aid*
 - 10.4 *International Relations and Economic Development*
 - 10.5 *Foreign Investment*
11. Cross Cutting Issues
 - 11.1 *Poverty Alleviation and Employment*
 - 11.2 *Environment and Science and Technology:*
 - 11.3.1 *Human Rights*
 - 11.4 *Local Development and Decentralization*
 - 11.5 *Social Inclusion and Regional Balance*
12. Economic Sector
 - 12.1 *Agriculture and Cooperatives*
 - 12.2 *Land Reforms*
 - 12.3 *Forestry*
 - 12.4 *Industry, Commerce and Supplies*
 - 12.5 *Tourism*
13. Social Sector
 - 13.1 *Education*
 - 13.2 *Health and Population*
 - 13.3 *Drinking Water Supply and Sanitation*
 - 13.4 *Gender Mainstreaming, Women Development and Empowerment*
 - 13.5 *People with Physical Disability*
 - 13.6 *Senior Citizens*
 - 13.7 *Youths*
 - 13.8 *NGOs*
14. Infrastructure Sector
 - 14.1 *Transportation*
 - 14.2 *Electricity*
 - 14.3 *Energy*
 - 14.4 *Irrigation*
 - 14.5 *Telecommunications*
 - 14.6 *Transport Management*
 - 14.7 *Housing and Urban Development*
15. Implementation, Monitoring and Evaluation

1. Background

Guided by the spirit of the People's Movement, this Interim Plan seeks to incorporate issues agreed upon at the political level and as reflected in various agreements. It is in line with the Interim Constitution and the Common Minimum Program of the present government and, after a decade-long conflict, has been formulated amidst the prevailing optimism.

The Plan is about inclusive development and emphasizes increasing public expenditure, developing infrastructure and carrying out relief works. It is directed towards peace building, reconstruction and rehabilitation as well as reintegration of the nation and revitalization of the economy.

Historical struggles by Nepali people, culminating with the latest popular movement, have given voice to demands for inclusive social and economic development of people and groups excluded from the country's economic, social and regional development process. The Plan gives special attention to women, Dalit, indigenous nationalities (Adibasi Janajati), Madhesi community, the poor and the deprived people of Karnali and other remote areas. Similarly, it has adopted special policies and programs to provide relief to common people, especially the helpless and the poor, and to bring improvements in their socio-economic conditions.

The Plan aims to move forward in a determined way to raise the living standards of Nepali people living in poverty, state of deprivation, exclusion and underdevelopment. It seeks to consolidate and institutionalize historical achievements of previous movements, and to take a step forward.

The Plan provides a framework for dismantling deep-rooted feudal structures and beliefs that have prevailed in the country for a long time and reduce regional imbalance. It makes a concerted effort to prepare a basis for providing relief and employment; promoting enduring peace and harmony; and building a Prosperous, Modern and Just Nepal.

It is a favorable coincidence that the Tenth Plan ended with the culmination of the 2006 People's Movement, providing fresh opportunity to address emergent as well as continuing issues. Hence, the Plan gives continuity to poverty reduction strategy and MDGs even

as it seeks to address issues related to inequalities, social exclusion and conflict. The Plan also carries on reforms and incomplete projects initiated during the Tenth Plan.

For the first time in the country's history of plan formulation, the National Planning Commission reached out to more than 70 VDCs of 30 districts, including excluded communities and marginalized groups, carrying out direct field observations and collecting people's suggestions. Similarly, NPC held consultations with political parties, civil society, development partners, business as well as various professional groups and organizations.

This Plan is intended to be flexible enough to cope with changing circumstances, and includes tasks that need to be carried out immediately and works that can be completed in three years.

2. Current Situation of Development

Some of the past plans have been implemented with poverty alleviation as the principal goal. Experience shows that the goal of poverty alleviation may not be achieved even when overall economic indicators remain positive. Based on this reality, the Tenth Plan divided poverty into three categories – income poverty, human poverty and social deprivation. Available data show that overall poverty and human development situation have improved significantly.

According to Nepal Living Standard Survey (NLSS) 2004/05, during the last eight years, absolute poverty has fallen to 31 % from 42 %. It is believed that this reduction is due to increase in the wage rate in both agricultural and non-agricultural sectors; increase in urbanization; increase in the proportion of active human resources in the population; and remittance.

However, during this period, the income inequality expressed in Gini-coefficient has increased to 0.41 from 0.34.

MDGs Progress Report, 2007, has shown that MDGs, excepting primary education and HIV/AIDS, are achievable by 2015 with reforms in the economic system if the achievements made during the last few years are replicated.

According to the Human Development Index (HDI), 2006, Nepal's HDI has increased to 0.527 from 0.513 in one year. However, Nepal still remains at the bottom of the list in South Asia. Nepal is placed at the 138th position in the Global Human Development.

2.1 Overall Economic Situation

During the Tenth Plan period, the average annual growth rate remained low at 3.4 percent against the targeted growth rate of 4.3 percent. The growth rate in agriculture sector was 2.7 percent and that in non-agriculture sector 3.8 percent.

There have been some structural changes in the economy during the plan period. The contribution of agricultural sector to GDP was 37.4 percent and that of non-agricultural sector 62.6 percent in the base year of the Plan. Their contributions changed to 33.1 percent and 66.9 percent respectively in the final year of the Plan.

The gross capital formation remained 25.6 percent of the GDP. Similarly, the gross domestic saving was an annual average of 10 percent and gross national saving 28.1 percent of the GDP.

2.2 Economic Sector

Agriculture, Land Reform and Forestry: Past efforts have helped gradually open up subsistence agriculture to commercialization. Programs relating to research and extension services, market and vocational development, food technology and quality control, as well as supply of production inputs and rural infrastructure works have been taking place in a coordinated manner. Agricultural Policy, 2004, and National Agricultural Commercialization Policy, 2006 have been prepared.

The total area covered by forest in Nepal is 39.6 percent. With community forest programs, user groups have increased and there is greater gender balance and community empowerment. Institutional development has also progressed in these sectors.

Tourism: Tourism sector developed rapidly after the 1990 political change, and adoption of liberal economic policy. The foreign exchange earnings increased by 7.1 percent during the plan period against the target of eight percent. Tourism infrastructure has however not improved. This applies to rural infrastructure, airline services (both domestic and international), and hotel and tourism business. In addition, tourism has been affected by conflict. The target of the Tenth Plan was to attract 516 thousand tourists annually. In 2006, the number of tourists visiting Nepal was merely 384 thousand.

Industry, Commerce and Supplies: Although annual industrial growth rate was targeted to be 7.8 percent, only 1.95 percent growth rate was achieved. During the Tenth Plan period, it is estimated that the

export of goods has increased by 0.5 percent and import by 8.7 percent. The Tenth Plan had set the target to limit trade deficit to 12.2 percent. However, it reached 15 percent.

Labor management and employment promotion: During the Tenth Plan period, about 800 thousand youths have gone abroad for foreign jobs after receiving permits. The number of young people going abroad without fulfilling government procedures is also significant. Bilateral labor agreement has been signed with Qatar. Nepal has obtained membership of international out migration (IOM). Apart from these, new Labor and Employment Policy 2006 has been enforced, vocational and skill development trainings have been provided in different subjects and minimum wages have been fixed for agricultural and non-agricultural sectors.

2.3 Social Sector

Education, Health and Population: Social indicators show satisfactory improvements. The literacy rate of the country is 53.7 percent, with the literacy rate of women 42.5 percent. Net enrollment ratio at primary level is 87.4 percent.

Due to policy level implementation and institutional reforms in the health sector, the access of the people to health services is increasing. Life expectancy is 62 years, maternal mortality rate per 100,000 populations is 281, and infant mortality per thousand is 34.

For the improvement of the health sector, National Health Policy and other supporting policies are in operation. Alternative health services like ayurvedic health service have been extended.

Despite significant decline in fertility rate (3.1) and crude birth rate (28.4) annual population growth rate is still high (2.25 percent). Labor participation is 48.9 percent for females, and 67.6 percent for males. Skill development programs are being run for social and economic empowerment of single women. The practice of including women in local development programs has been institutionalized.

Water Supply & Sanitation: The provision of providing universal safe drinking water to all is a declared commitment of the government, and is an important MDG. In line with the objectives of the Tenth Plan, the National Water Plan has set targets for achieving full coverage of drinking water supply and basic sanitation facilities by the year 2017. However, it will take more time to provide access to medium and high quality drinking water services for all. The community-based approach

adopted by the Tenth Plan for project implementation and operation and maintenance works has paid dividends as 76.8% of the population has access to water supply and 45.8% of the population has access to basic sanitation facilities.

Children, Youth and Senior Citizens: Children under 16 years constitute 40.9 percent of the total population. Various programs under the 10-year National Action Plan on Children (2005-2015) are being implemented. Youths comprise a large portion of Nepal's total population. Efforts are underway to bring them into the mainstream of development.

Health service programs for elderly citizens are being operated in 47 districts. Efforts are made to develop model old age homes in all the development regions. A mechanism has been initiated to work in a planned manner in accordance with the Elderly Citizen Policy and Action Plan, 2002.

NGOs: The role of NGOs in the socioeconomic development and social sector investment pattern has increased over the period. There are 22,685 NGOs registered in the country. Of them about 19,944 are operational. Most of them are working in the area of community and rural development.

Social Security: At present the government is carrying out some social security programs for the extremely poor, people affected by conflict, dalits, senior citizens, people with disability, orphans, children and women at risk and individuals and groups affected by natural disasters. However, there is a need to extend policy and programs to ensure human rights of such individuals and groups.

2.4 Infrastructure Sector

Roads: The total road length is 17,782 kms. This includes 5,402 kms of black topped, 4,529 kms of graveled and 7,851 kms of earthen roads. High priority is accorded to road construction to improve accessibility. Until now, some 63 district-headquarters are connected by road. A major challenge for integration and development of the country is inadequate connectivity between different regions.

Electricity: Up to the end of the Tenth Plan, only 560 MW of electricity generation capacity has been installed, 2100 VDCs of 59 districts are electrified and 48.5 percent of the population have access to such facilities. Power sector plays an important role in the development of industry and commerce. It helps generate employment opportunities.

Rural electrification helps to modernize agriculture by supplying power to households and ground water irrigation in the Terai at a low cost. Government policy considers hydroelectricity as an industry. The government is trying to increase the participation of the private sector. Some hydropower projects are being operated by the private sector.

Telecommunication: There is a growing realization that well-informed individuals and communities form a 'Knowledge Based Society'. Such a society should be emulated to change the face of Nepal. This is more significant for a country like Nepal marked with difficult terrain; it provides the most viable means of social and business interactions.

With the help of newly invented technologies, the target set by the Tenth Plan to extend tele-density to 40 lines per thousand was easily surpassed to reach 65 lines per thousand (26 not including mobiles). Almost 2 million connections have been provided across the country. Internet service is available in 58 districts serving more than 50,000 consumers. In order to develop the sector further, there is a need to improve coordination between stakeholders and trained human resources. Moreover, there is a need for capacity enhancement of the regulating body.

Housing, Building and Urban Development: The contribution of urban activities to the GDP has been significantly increasing in the recent years. However, urban development remains a grossly neglected agenda in macro planning and budget allocation. The achievements realized in the Tenth Plan period with respect to the set targets although considered satisfactory have failed to exhibit visible impacts at the national or regional level. The number of population living in urban areas is about 15 percent. It is increasing at the rate of more than 3.5 percent a year. At present, the activity of the private sector is increasing in the development of organized housing.

Environment, Science and Technology: In the context of Nepal, use of innovations is critical for enhancing the pace of development in almost every walk of national life. Science and Technology policy has been revised. Biotechnology Policy and Rural Energy Policy are in place. Similarly, there is a policy to support renewable energy and procedures have been implemented.

2.5 Human Rights

Apart from National Human Rights Commission, National Commission on Women, National Commission on Dalits and National Indigenous (Adibasi) Foundation for the Development of Janajatis (Nationalities)

have been set up at the national level for the protection and promotion of human rights. The government has prepared a national plan of action on human rights, which is being implemented. Structural and policy reforms have become necessary for enhancing the participation of different groups excluded from the development process.

2.6 Local Development and Decentralization

Local development programs are run for institution building and the construction of physical infrastructure. These aim at social and economic development. Local resources and capacity are mobilized in fulfilling basic needs of the people. Periodic District Development Plans have been formulated in 52 districts, and District Transport Master Plans have been formulated in 74 districts. Targeted projects on Poverty Alleviation for the extreme poor have helped to alleviate rural poverty in mid and far western districts.

2.7 Peace, Reconstruction, Rehabilitation and Reintegration

Due to a decade long conflict, 11,300 people lost their life. Apart from the human loss, 5 billion worth of property loss is estimated. Many physical infrastructures have been damaged. Many families have been displaced. There is an urgent need for social integration and reconstruction of infrastructure.

2.9 Implementation, Monitoring and Evaluation

Programs are being implemented based on priority in line with Medium Term Expenditure Framework (MTEF). Public Procurement Act has been enforced to simplify and bring competence the process of public procurement. There is a provision whereby DDC itself is authorized to transfer funds and revise programs at the district level along with the devolution of authority and inputs in local bodies. During the time of conflict also, in order to conduct development activities at the local level, community organizations, users' committees, and NGOs have been mobilized. There has been delay in the implementation of projects and programs. Accountability of the staff is more process-oriented rather than results-oriented. There is a lack of linkage between work performance and staff performance.

In addition to the devolution of power and resources to the local bodies, there is a provision for the transfer of funds to District Development Committee. Even at the time of conflicts, community organizations,

user groups and NGOs helped to carry out development programs at the local level.

There is no doubt that the conflicts have disrupted the implementation of development programs. In addition, the present orientation of the country towards peace and good governance has slowed down implementation for the time being. This is but natural in the immediate post conflict phase.

With regard to monitoring and evaluation, the past system of limiting reviews to fiscal and physical progress at the project and program level has been improved. Efforts had been made to institutionalize Poverty Monitoring and Analysis System (PMAS) after preparation at the central level. Moreover, the defined indicators of PRSP annual progress have been publicized. In the same way, initiation has been made to institutionalize District Poverty Monitoring and Analysis System (DPMAS). The system of citizen report card has been outlined and tested based on the participatory poverty monitoring system. In order to make improvements on the drawbacks in family surveys, surveys have been made systematic. NLSS and population and family health surveys have been accomplished. In the same way, performance based budget release system has been adopted in order to link budget release with performance.

3. Current Challenges of the Development Process

Some of the major challenges for rapid development during the transitional period in Nepal are as follows:

- To justify the presence and utility of the state.
- To orient the state toward sustainable peace and prosperity by integrating development efforts during the interim period and to make citizens hopeful about the future by providing them experience of change
- To immediately provide relief to all of those affected by conflict, to rehabilitate them, and to reconstruct damaged and destroyed infrastructures.
- To include regions, communities and groups excluded in the course of development in the development efforts of the state, and to ensure fair distribution of 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 driving forward decentralization and devolution, to make local service delivery effective, and to carry out institutional development of democracy from the grassroots level.
- To extensively promote skilled human resource development and employment.
- To utilize household savings and to develop a system of reflecting non-monetary activities in plans and planned investment.
- 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 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 drive the country's development process by utilizing them.

- New opportunity for economic prosperity and social justice due to historic political understandings and an environment of consensus.
- Abundance of cultural, biological and environmental diversity.
- Availability of human capital necessary for the country's development with the increase of active human resources in the population structure.
- Abundant water-resource remains as the primary resource of 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.
- Eagerness of the international community to help Nepal.
- 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, and the efforts and experiences at good governance and decentralization.
- Environment appropriate for national and foreign investment after establishment of peace.
- The civil society and the non-governmental sectors are becoming dynamic and empowered.
- The possibility of investing remittance from Nepalese working abroad.
- The opportunity to use and promote new and successful technology and processes.

5. Vision, goal, objectives and strategy of the Interim Plan

The long-term vision of this plan is to build a **Prosperous, Modern and Just Nepal**. In the envisaged situation, Nepal will be economically independent and free from absolute poverty.

The main goal of this Plan is to lay a foundation for economic and social transformation in order to build a Prosperous, Modern and Just Nepal.

The main objective of the plan is to generate an experience of change among people by reducing unemployment, poverty and inequality and by contributing to establishment of durable peace.

In order to achieve the goal and objective, the following strategies will be followed:

- **To give special emphasis on relief, reconstruction and reintegration:**

A Master plan will be prepared for reconstruction and rehabilitation of physical, economic and social infrastructure damaged during conflict. Special emphasis will be given to relief works and social rehabilitation of people affected by conflict.

- **To achieve employment-oriented, pro-poor and broad-based economic growth**

In order to alleviate poverty existing in the country, economic activities

will be carried out to support poor people to work, and increase their income. Policy will be directed to create good working environment for employees and laborers in formal as well as informal sectors. The role of agricultural sector in economic development will be enhanced. Special programs will be run for the poor people to help them use their capacity and generate income. The government will play the role a facilitator as well as that of a leader, if necessary, in creating opportunities for employment.

It will make the education system employment oriented. Policy reforms will be done to provide working environment suitable for humans to workers and laborers in both the formal and informal sector. Institutional arrangement will be made for providing skills and training in order to support to increase the productivity of labor. Special emphasis will be given to big projects with capacity to generate jobs and small projects will be made participatory. Priority will be given to projects providing more employment to women, dalit, indigenous (adibasi) janajati, youth and madhesi community. For the economic prosperity, strategies will be adopted to make the role of the private sector and cooperatives effective.

- **To promote good-governance and increase effectiveness in service delivery:**

The access of all the people, including those excluded or deprived, to social services will be enhanced by strengthening the value of the rule of law. The private sector, NGOs, and community organizations will be accepted as partners in development. Necessary acts, policies and programs will be revised, prepared and implemented. Emphasis will be given to decentralization, institutional strengthening and capacity development.

- **To increase investment in physical infrastructure:**

Special emphasis will be given to the development of physical infrastructure, using new concepts. In addition to roads that connect district headquarters and north-south corridors, Fast Track roads will be built. Likewise, cable cars and ropeways, which are significant from the perspective of tourism will be developed. Small and medium hydroelectric projects currently being constructed will be completed, while initiatives will be taken for mega hydroelectric projects. In order to get the most out of costly infrastructure, priority will be given to their regular maintenance and quality improvement.

- **To give emphasis on social development:**

Additional investments will be made on education, health, drinking water and sanitation and other social development activities in order to develop human resources and to raise the living standard of the people and to give emphasis on these activities. In order to make the services from these sectors effective. The responsibility of managing these will be devolved gradually to local bodies.

- **To adopt an inclusive development process and carry out targeted programs:**

In order to promote inclusive development, economic policies will be made compatible with social and political processes. In this regard, clear policies, institutional structures and programs will be prepared and implemented for the upliftment of excluded groups, indigenous (adibasi) janajati, dalits, Madhesi, women, the poor and the deprived, people with disability, as well as the poor in remote areas. They will be encouraged to participate in all the aspects of development. Similarly, the people affected by conflict will be provided relief. They will be rehabilitated and socially integrated.

Investment will be increased to support development through the inclusion of communities, regions and gender excluded from all the processes of development. This approach will help to end all kinds of discrimination and promote peace. Special programs for areas falling in the shadow of development including Karnali zone as well as border areas will be carried out. Programs will be implemented in such a way as to bring the women, socially excluded dalit groups, and marginalized indigenous (Adibasi) janajatis, *Madhesi*, people with disability, laborers and poor to the mainstream of development. Targeted programs will seek to end these conditions. Similarly, the people affected by conflict will be provided relief, rehabilitation, and social integration.

6. Priority areas

Priority areas of the Plan are as follows:

- Physical infrastructure will be reconstructed and rehabilitated and people affected by conflict will be provided with relief for re-integration.
- Investments will be made to support development through the inclusion of excluded groups.
- In order to revitalize national economy, investment will be increased in physical infrastructure supporting agriculture,

tourism and industry. Priority will be given to the development of hydropower and to infrastructure development like roads, irrigation and communication.

- Investment will be increased in education, health, water supply and sanitation for enhancing the quality of human resources.

7. Quantitative targets

The quantitative targets for economic, social and infrastructure for the Three-Year Interim Plan are presented in Table 1.

Table 1: Quantitative Targets

S. N.	Indicator	Situation unto FY 2006/07	Interim Plan's target
1	Economic growth rate (Annual Average) (%)	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	HDI	0.534	0.570
5	Gender Development Index	0.520	0.556
6	Gender Empowerment Measurement	0.351	0.450
7	Women receiving maternity services from health workers (%)	23.4	35
8	Family Planning Contraceptive users(%)	48	51
9	Total Fertility Rate (Women aged 15-49) (%)	3.1	3.0
10	Maternal Mortality Rate (per 100,000)	281	250
11	Infant Mortality Rate (per 1000 live births)	34	30
12	Child Mortality Rate (per 1000 live births)	48	42
13	Women's representation in overall state's mechanism, at least (%)	-	33
14	Population with access to drinking water (%)	77	85
15	Population with sanitation service (%)	46	60
16	Literacy Rate (%) - 6+ yrs	63	76
17	Literacy Rate (%) - above 15 years	52	60
18	Net enrollment rate at the primary level (%)	87.4	96
19	District Headquarters with road connectivity (number)	63	75*
20	Telephone, including mobile (per 100 density)	6.5	25
21	Electricity generation (MW)	560	704
22	Irrigation (Hectares)	1168144	1263824

+ Situation in FY 2006/07

* Simkot, district headquarter of Humla, will be connected from the Tibetan side.

8. Economic Growth and Allocation of Resources

Resources will be allocated, on a priority basis, on reconstruction, rehabilitation, relief, reintegration and social inclusion. Public investment will be made in areas contributing to effective delivery of services and infrastructure. In case of agriculture, special attention will be paid to the development of markets and the provision of inputs like roads, finance, research and technology and irrigation and rural

electrification. The excluded people and groups like indigenous (Adibasi) Janajatis, women, and people with disability, senior citizens and Madhesi community will be mainstreamed in the development process and outcomes. Private investments will be mobilized in areas like electricity, communications and roads. At the local level, community-led projects will be implemented to ensure people's participation, ownership and employment.

8.1 Target of Economic Growth Rate

During the plan period, the agriculture sector is estimated to grow by 3.6 percent, non-agriculture sector by 6.5 percent and the economy by 5.5 percent. The average annual rate of inflation will be limited to 5.6 percent during the plan period. The participation of community and private sector will also gradually increase. With the restoration of peace, there is an encouraging environment in the tourism sector and during the Plan period, new areas and services in the sector will be developed. At the same time, 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.

The growth rate in the transport and communication sector is expected to be 6.6 percent per annum. A large share of investment is allocated to this sector and policy reforms are envisaged.

The policy of economic diplomacy and improvement in the industrial environment will help to increase the growth in this sector by 6.4 percent. In the social service sector, 6.3, 6.5 and 7.0 percent annual growth rates are expected in the health, education and other community sectors respectively.

Table 2: Sectoral Contribution in GDP and Growth Rates

Sectors	Share in GDP 2006/07	Share in GDP 2009/10	Interim Plan's annual growth rate (%)
Agriculture, fishery and forestry	33.1	31.28	3.6
Non agriculture	66.9	68.72	6.5
Industry, Meteorology and mines	8.0	8.16	6.3
Electricity, Gas and Water	2.0	2.05	7.1
Construction	6.4	6.71	7.3
Retail and Wholesale Business	13.9	14.27	6.4
Hotel and Restaurant	1.4	1.48	7.1
Transport, storage and communication	11.8	12.12	6.6
Financial intermediation	3.3	3.27	5.5
Real estate, rent and business activities	8.5	8.67	6.4
General administration and Defense	1.8	1.72	3.8
Education	5.7	5.90	6.5
Health and Social work	1.3	1.31	6.3

Other community, social and individual service activities	2.9	3.05	7.0
Total Value Added	100.0	100	5.5
GDP at producer's price			5.6

8.2 Capital Investment

Based on the expected incremental capital output ratio and projected economic growth rate of 5.5 percent, the gross fixed capital formation during the Plan period is estimated to be Rs. 587.7 billion at 2007 constant prices. Of the total capital formation, the share of the government sector is expected to be 30.5 percent on an average.

Of the total public investment 12.3 percent is allocated to the agriculture sector and 87.7 percent to the non-agriculture sector. Of the non-agricultural sector 25.8 percent is allocated to the transport and communications sector. 19.4 percent is allocated to electricity, gas and water; 20.3 percent to other community sectors; 8.2 percent to education, and 7.2 percent is allocated to health.

Table 3: Sectoral Gross Fixed Capital Formation of the Private and Public sector in the Interim Plan (at 2006/07 constant prices)

(Rs. in millions)

Sectors	Public Sector	Private Sector	Total	% Share
Agriculture, fishery and forestry	22043	49626	71669	12.20
Industry and Mines	1650	45226	46876	7.98
Electricity, Gas and Water	34658	22783	57440	9.77
Construction	0	18625	18625	3.17
Wholesale and Retail Business	717	54417	55133	9.38
Hotel and Restaurant	1402	13226	14628	2.49
Transport, storage and communication	46101	99994	146095	24.86
Financial Intermediation	2834	17583	20417	3.74
Real estate, rent and business activities	0	66670	66670	11.34
General administration and Defense	5572	0.0	5572	0.95
Education	14671	11863	26533	4.51
Health and Social works	12930	2895	15825	2.69
Other community, social and individual service activities	36413	5779	42192	7.18
Gross Fixed Capital Formation	178990	408686	587676	100.00
Agriculture Sector	22043	49626	71669	12.20
Non- Agriculture Sector	156947	359060	516007	87.80

8.3 Government Budget and Source of Financing

During the Plan period, it is anticipated that there will be reasonable growth in revenue mobilization, increase in the availability of foreign assistance and there will be control in the increase in the regular expenditure. Thus, it is expected that the growth rate in domestic

borrowings can be kept within a desirable limit. It would decrease to 1.8 percent of the GDP in the final year. In this way, it is assumed that the budget projection in the government sector will help to maintain the macro-economic stability.

During the Plan period, the total investment (including the change in stock) of Rs. 6,805 billion, Rs. 5,398 billion (79.3 percent) would be borne through national savings, and Rs. 1,407 (20.7 percent) through foreign assistance. In the same way, of the gross fixed capital formation of, Rs. 877 billion, the private sector will have share of Rs. 4,987 billion (69.5 percent) and the public sector will have share of Rs. 1,790 billion (30.5 percent).

Capital expenditure was 5.1 percent of the GDP in 2007. It is expected to increase to 8 percent by the final year of the Plan. The development expenditure is expected to be Rs. 280.30 billion at 2007 constant prices during the Plan period. Of this, 12.9 percent will be allocated to agriculture sector and 17.9 percent to communication and transport. Similarly, 17.8 percent will be allocated to electricity, 12.6 percent to education and 10.8 percent to health. The projection of government budget is shown in Table 4.

Regarding foreign assistance, a total of Rs.1406.6 billion is expected to be mobilized during the plan period at 2006/07 constant prices. Of this, the grant is estimated to be Rs. 841.4 billion and loan Rs. 565.2 billions. As a proportion of GDP, it comes out to be 3.65 percent in 2006/07. It is expected to increase to 6.05 percent in the final year of the Plan.

Table 4: Projection of Government Budget (at FY 2006/07 constant prices)

	Three Years' Total Budget	
	Amount (Rs. in million)	Percentage
Total Expenditure	511378	100.0
Current Expenditure	285483	55.8
Capital Expenditure	178990	35.0
Principal Payment	46905	9.2
Sources of Financing Total Expenditure		
Revenue	318893	62.4

Foreign Aid	140660	27.5
Grant	84137	16.5
Loan	56522	11.1
Domestic borrowing	51826	10.1

As regards to government expenditure during the plan, the total expenditure is estimated to be Rs. 5,113.8 billion at 2006/7 constant prices. Of this regular expenditure is estimated to be Rs. 2854.8 billion. It is estimated to be 11.17 percent of the GDP in 2006/07. This will increase to 11.60 percent due to election of the constituent assembly, pay rise of the civil servants, and other recurrent expenses. As regards to capital expenditure, it is projected to Rs. 1789.9 billion during the plan period, In FY 2006/07. The proportion was 5.06 percent of the total production. This will gradually increase to 7.96 percent in the final year of the Plan. Total expenditure is expected to increase from 18.3 percent to 21.4 percent, current expenditure from 11.2 percent to 11.6 percent, and capital expenditure from 5.1 percent to 8 percent. Similarly, foreign aid will increase from 3.7 percent to 6.1 percent, and domestic borrowing is expected to decrease from 2.7 percent to 1.8 percent. In proportion to the GDP, total investment is expected to increase from 25.4 to 31.3 percent.

9. Main Policies

Some of the main policies outlined by the Plan are as follows:

- By adopting the system of market economy in general, a public welfare economic development will be integrated through government, cooperative and private sectors.
- Macro economic framework will be made socially inclusive.
- 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.
- The contribution of subsistence households to the national economy will be recognized and developed
- Physical infrastructures damaged during the course of conflict will be reconstructed and rehabilitated. Immediate relief will

be provided to the conflict affected individuals and communities.

- Agricultural Perspective Plan will be adopted as the main policy for agricultural development. Production and productivity will be increase through government, cooperative and private sector by using modern and appropriate technology. Other sectoral policies will be coordinated to be agriculture-friendly.
- By preparing a basis for scientific land reforms, and managing land, emphasis will be given to economic and social upliftment of agricultural laborers, freed bonded laborers and landless squatters.
- Savings will be accumulated in the community through cooperatives and an environment will be created for its investment in productive sector.
- Reforms in the modern sectors of the economy, including industry, bank and financial business, transport and communication will be carried out.
- Nepali diplomatic missions abroad will be asked to give priority to foreign trade, development assistance, labor management and tourism promotion.
- Service delivery to people will be made cheaper, more accessible and effective by improving management of service delivery organizations.
- End to corruption and sluggishness will be sought, transparency and good governance will be promoted. In order to empower existing mechanisms, necessary changes will be carried out.
- Community health policy will be adopted by increasing investment in rural health. In addition, emphasis will be given to drinking water and sanitation.
- 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.
- 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 defining 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 launched.
- Policy encouraging people's participation will be adopted for the sustainable development, management and use of the forest sector.
- Women's participation will be expanded in various bodies of the state and every sector of national life. Works will be carried out for proportional participation of indigenous nationalities, *Madhesi*, dalit, oppressed, poor, people with disability, and people of backward regions.
- For the development of excluded groups, communities and regions, special programs including social security will be implemented. Proportional development will be promoted through concrete programs for the remote-backward regions, including development of special mechanisms and programs for the Karnali region.

10. Macro Economic Policy

Overall economic policy emphasizes programs related to poverty reduction strategy, MDGs and post-conflict reconstruction and management.

Public finance has been affected by conflict and political instability. Domestic and national savings will be mobilized for investment in potential areas.

10.1 Public Expenditure Management

In order to improve public expenditure management, the following policies will be adopted:

- All possible action will be taken to mobilize domestic resources and curb unproductive expenditure,
- Existing budgetary system will be reviewed,
- Recurrent expenditure will be kept within the limit,
- Efforts will be made to increase development expenditure and its effective utilization,
- Expenditure will be made on the basis of priority and fiscal transparency will be ensured,
- A system will be developed for effective monitoring of government expenditure.

10.2 Money, Banking and Credit

In the context of globalization and promoting the competitive capacity of the national economy the following monetary, banking and credit policies will be adopted:

- Monetary management will be carried out to secure macro-economic stability and ensure high and sustainable economic growth,
- The access of rural people to financial services will be increased by developing a network of banks and other financial institutions, cooperatives and micro-credit institutions,
- In order to increase the contribution of banks and other financial institutions in the social sector, provisions will be made to encourage financial institutions to invest in neglected areas,
- Necessary provisions will be made for increasing the investment of financial institutions in mega projects for the development of hydro-power and other infrastructure,
- A mechanism will be put in place to mobilize remittances in the productive sectors.

10.3 Foreign Aid

- Special attention will be paid to increase the ratio of grant in total foreign aid and the concessionary aid flow will be devoted to the development of infrastructure and other productive sector on a priority basis,

- Utilization of technical assistance will be tailored to the goal of achieving sustainable national capacity development,
- Accountability of government and local stakeholders' in development projects and programs will be ensured,
- In the management of development programs and projects, transparency, accountability and good governance will be institutionalized. Timely project implementation will be ensured within the pre-determined costs in order to utilize resources on a sustainable basis,
- Foreign aid utilization will be enhanced through improvement in management, operation processes and in the conditions of foreign aid,
- Foreign aid will be utilized for reconstruction, relief and rehabilitation. Similarly, priority will be accorded to mobilizing foreign aid towards development of infrastructure like roads, bridges, electricity and communications.

10.4 International Relations and Economic Development

After the decade-long conflict and with the establishment of peace, Nepal's image in the international arena has greatly improved. Through economic diplomacy, the plan aims to mobilize foreign investment in Nepal. Moreover, Nepalese diplomatic missions abroad will be mobilized and strengthened through capacity building measures to make economic diplomacy effective.

10.5 Foreign Investment

A major objective of foreign investment policy is to increase foreign investment level through expansion of the industry base, and to acquire complimentary resources for sustainable, high economic growth and to create employment opportunities. To this end, the Plan has adopted the following policies:

- Encourage foreign investment in infrastructure development venture capital.
- Establish High-level Investment Promotion Board to facilitate foreign investment.

- Allow investment in medium and large-scale production-based industries with hundred percent share capital to the foreign investors. Similarly, this type of investment will be allowed in export oriented industries and Toll Roads Construction, etc.
- Effective policy will be adopted for Non Resident Nepalese' capital investment.

10.6 Private Sector Development

The long-term vision is to enable the private sector to exploit its potential entrepreneurship, and to compete in the global market by operating its business in a socially accountable manner.

The objective is to promote the private sector to compete in the global market by operating its business in a transparent manner. The Plan has envisaged the following Strategies

- Role of private sector as expected by the state will be clearly laid down and the ongoing policy reform process covering the vital aspects of economic policy will be continued,
- Private sector investment will be encouraged in sustainable and employment-generating ventures and the competing capacity will be promoted,
- Private sector will be encouraged to keep their operation transparent, to adopt corporate governance, and to carry out their social responsibility,
- Private sector will be encouraged to entertain the participation of stakeholders and labor in management of their establishments.

11. Cross Cutting Issues

11.1 Poverty Alleviation and Employment

The following policies will be adopted:

- Investment will be increased for reconstruction, rehabilitation, reintegration and infrastructure development,
- Inclusive, targeted and special area 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 in order to ensure that the targeted programs reach the concerned groups,

- Emphasis will be laid on employment.

11.2 Environment and Science and Technology:

The role of various agencies involved in environmental management will be defined. Rural people's lives will be improved through development of alternate energy systems. The access of information technology in rural regions will be increased by mobilizing the private sector in information technology. People's standard of living will be increased through development, improvement and use of science and technology.

11.4 Human Rights

- The formulation, monitoring and evaluation of sectoral policies will be carried out with a view to protect and promote human rights.
- While increasing the access to natural and economic resources of excluded groups like women, children, dalits, indigenous nationalities (Adibasi Janajati), Madhesi, people with disability, senior citizens, communities at risk and the poor, a policy will be adopted to guarantee their basic human rights. Social and economic services will be expanded, and the access of the excluded groups to these services will be increased. Quality service will be established as a fundamental right of the service taker. Employees entering local level services will be given orientation on local languages and cultures.

11.4 Local Development and Decentralization

- Certain development programs will be launched at the local level, which will meet local needs through optimum mobilization of local resources, skills, and technologies.
- HRD plans will be prepared and implemented to enhance capacity in the areas incorporated in local development. Trainings will be organized in Local Development Training Academy with the ownership of local authorities.
- Strategic plans will be prepared for the development and management of local infrastructure. An appropriate system that is environment friendly, participatory and based on local resources will be adopted. Emphasis will be given to forming

partnerships with NGOs and private sector.

- Local bodies will be developed in the form of capable local governments through restructuring in terms of geography, population and resources. The stakeholders will be involved in the course of planning and implementation as well as in the supervision and evaluation of local programs.

11.5 Social Inclusion and Regional Balance

- The plan has a policy of improving the standard of the lives of women, Dalits, Madhesi, people with disability, indigenous nationalities (Adibasi Janajati), and the poor. It aims at the economic, social, civic and psychological empowerment of excluded groups. Legal provisions will be made for social inclusion. Participation of women, men and children of the excluded groups will be ensured in the process of policy and decision-making, planning and implementation and supervision and evaluation.
- The policy of affirmative action will be followed to ensure social and economic security of excluded people. This will cover areas including education, health, employment, and other services.
- Necessary policies will be devised for study, research, supervision and evaluation of inclusive development.
- Due to lack of political commitment for balanced development, regional development strategies have not been effective. Specific economic sectors will be gradually developed based on existing trade, market and infrastructure. Necessary policies will be implemented for the development of economic regions of the country as per the recommendations of the Regional Development Strategy Study (RDSS). There will be an increase in investment in the backward regions and communities.

12. Economic Sector

12.1 Agriculture and Cooperatives

Agricultural sector will be developed in line with the vision of the Agriculture Perspective Plan. Infrastructure and scientific land reform and management system will be developed to make necessary reforms in the sector. The overall goal of the agriculture sector in the Interim

Plan is to achieve broad based, gender-inclusive and sustainable agricultural growth.

An integrated economic policy will be formed focusing on agriculture as the basis of development. Programs and policies will be implemented to introduce high value and comparatively beneficial organic produce in the international market.

More focus will be given to increase the productivity of dalits, indigenous (adibasi) nationalities, Madhesi, women, and small and marginal farmers through agriculture development program.

National food security policy and program will be implemented for the food-insecure poor and people in the remote areas.

Integrated national cooperative 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 sector. 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 Goals (MDGs).

12.2 Land Reforms

Usages and productivity of land will be increased through land reforms. Scientific land reform program will be implemented in place of traditional land ownership system. A long-term land use policy will be formulated to encourage effective land management, and justifiable land distribution and plotting for scientific agricultural system.

12.3 Forestry

In order to develop internal market, promote exports, and generate employment through the promotion of forestry and forest-based industry, regular supply of forest-based products will be ensured by long-term management of aquatic and geographical diversity, forest and plants. The access of the poor will be ensured by a just distribution system and community forest management, long-term forest management and by increasing forest-based products and their supply.

12.4 Industry, Commerce and Supplies

Programs to enhance competitive culture, to develop entrepreneurship and increase productivity will be implemented. Policy will be adopted

to rehabilitate the viable sick-industries. Policy will be formed to enhance the process of industrialization through the development of micro, cottage and small industries. Commerce sector will be developed by increasing productivity and production and maintaining smooth supply. Institutional reforms, human resource development, and capacity building in trade will be encouraged. The following are other policies adopted by the plan:

- To create an industrial climate for a high and sustainable growth rate with competitive competence in the global economy as well as an expanded base,
- To develop Nepal as a safe, attractive and environment-friendly location for investments,
- To support poverty alleviation and economic development by addressing emerging challenges due to the process of globalization and by increasing the trade of goods and services with deep forward and backward interlinkages,
- To realign trade business to the goal of economic development by identifying areas of comparative advantages with the participation of the private sector
- To help alleviate poverty by taking advantage from the service sector made open through the world trade agreement,
- To initiate reforms and to develop commercial, physical and institutional structure in order to take maximum advantage from the changing form of the world trade, bilateral, regional multilateral trade and transit system,
- To ensure food security and availability of essential goods throughout the country at fair prices.

12.5 Tourism

Enhancing the contribution of tourism in national economy by promoting international and domestic tourism through the development of international and national air services and urban and rural tourism destinations has remained a challenge. New tourism products and destinations will be identified and developed with focus on increasing employment, regional balance and social inclusion.

Infrastructure needed to support tourism will be developed and improved. In this connection, initial works to construct a second international airport will be carried out. Nepal will be established as a

major tourist destination in the international level so as to enable tourism sector to develop as an important segment of the national economy.

The Plan seeks to develop reliable and competitive air service through the expansion of domestic and international air service by involving the private sector in the construction, development, expansion and operation of infrastructure related to the air transport sector.

13. Social Sector

13.1 Education

The education sector lacks basic infrastructures. The Plan has adopted a policy of providing free and equal quality education with accessible basic education, and to develop higher education to meet requirements for research-oriented and competitive human resources.

Efforts will be made to improve the structure and the quality of education right from the primary to the higher levels, increase the role and contributions of the local bodies, make education inclusive by increasing the access and establishing the right to education of women, dalits, indigenous nationalities (Adibasi Janajati), Madhesi, the conflict-affected, the displaced and the people with disability.

Women's participation will be increased, basic child development education and pre-primary programs will be expanded, and an Education Development Fund created to mobilize educational resources.

13.2 Health and Population

The Plan seeks to establish the rights of the citizen to free basic health services. Public health issues—preventive, promotional and curable health services—will be implemented as per the principles of primary health services. The following policies will be implemented:

- 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.
- Special health programs will be launched targeting those deprived of health care – indigenous nationalities (Adibasi Janajati), Dalits, people with disability and Madhesi people.
- Human, financial and physical resources provided by the government, private sector and NGOs to raise the quality of

health care would be managed effectively.

- Considering their success, Community Drug Program and Community Cooperative Clinic services will 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.
- Researches in health sector will be encouraged, promoted and expanded.

13.3 Drinking Water Supply and Sanitation

The major constraints and challenges faced by the sector during the Tenth plan period include:

- lack of maintenance and rehabilitation of the previously implemented schemes,
- duplication of efforts by the government and non-governmental agencies and
- Lack of trained and motivated human resources to serve in remote areas.

Programs and activities will be initiated to address these problems, and the Tenth Plan's on-going programs will be continued.

13.4 Gender Mainstreaming, Women Development and Empowerment

Gender management system will be introduced to push forward policies and programs related to gender issues in an integrated manner.

13.5 People with Physical Disability

Nepal lacks disability-friendly programs. As a result, people with disability find it difficult to participate in the development process. Opportunities will be created to enable people with disability to live an independent and dignified life. Policy will be adopted to mainstream the rights and concerns of the people with disability in all sectoral policies and programs. Programs will be launched to prevent disability and empower people with disability.

13.6 Children and Senior Citizens

Local bodies, NGOs and the private sector will be encouraged to provide appropriate services and facilities to senior citizens. The goal is to end all types of exploitation, misbehavior, fear, risk and

discrimination through the promotion of favorable, child-friendly environment for the physical, emotional, mental and intellectual development of the children and for the protection of the Children's rights. Some of the policies are:

- To provide immediate relief to children affected by the conflict, children belonging to marginal communities, and children with disabilities or children at risk.
- To make the programs related to children transparent, and to carry out policy, legal and institutional reforms for the protection of children's rights.
- To make the efforts of governmental, non-governmental sectors coordinated, mutually linked and effective by giving priority to collaboration and coordination.
- To provide favorable facilities and environment for dignified living of senior citizens.

13.7 Youths

Socio-economic entrepreneurship will be promoted among the youth. They will be provided with opportunities for employment, self-employment and social work. Necessary institutional mechanisms will be developed to increase their creative participation in development and reconstruction. Some of the important programs to be run during the Plan period are as follows:

- To formulate and implement national action plan for the employment of the youth.
- To run youth entrepreneurship and skill development programs
- To run leadership development programs.
- To run business-incubation, youth-credit and seed-capital programs.
- To form and operate youth information resource centers.
- To run capacity enhancement program of the organizations of the youth.
- To run programs related to the control of drug abuse and HIV/AIDS with the establishment of rehabilitation centers for those affected by drug abuse and HIV/AIDS.

13.8 NGOs

NGOs will be encouraged as partners in social and economic development. The Social Welfare Council will be transformed into Social Development Council by carrying out institutional and procedural reforms. INGOs will be urged to implement programs in harmony with local planning process and only through local bodies, NGOs and other community-based organizations.

14. Infrastructure sector

It is a challenge to fulfill people's expectations related to infrastructure development and reconstruction. The Plan has adopted policies of increasing the quality of construction, and making it cost effective.

Investment plan will be formulated and implemented for the overall reconstruction and rehabilitation of rural infrastructure damaged during conflict.

14.1 Transportation

Strategic action plan will be formulated for the development and management of local infrastructure. The private sector will be involved in the construction of infrastructure like alternate technology, railway, cable cars, and the reach of rural areas in development infrastructures will be increased. A clear policy on road safety will be adopted.

14.2 Electricity

Domestic and foreign investment will be encouraged for the development of hydro-electricity. Clear, simple and transparent procedure will be adopted to increase the participation of the private sector, the community and local bodies in production, consumption and export of hydro-electricity. Policies will be adopted to provide electricity easily and at low cost to agriculture and other productive sectors. Water resource strategy as well as other provisions in National Water Plan will be gradually implemented.

14.3 Energy

The Plan emphasizes development of alternative energy systems for improving the living standards of people in rural areas. The Plan gives priority to the use of environmental friendly fuels. Rural Energy Fund will be strengthened and gradually extended to district and village levels. In line with decentralization policy, District Energy Cells will be established in VDCs to coordinate all alternative energy programs in

the district. High priority will be accorded to research and development as well as technology transfer initiatives.

The plan envisages using alternate technology to provide electricity to additional 4.5% of the rural population. An additional 1,500 VDCs will be covered under the program.

- Construction of 100,000 biogas plants in 73 districts, leading to generation of energy equivalent to 22 MW.
- Production of 10 MW of hydro-electricity through micro-hydro powers in 54 districts
- Distribution of 90,000 domestic solar systems in 73 districts leading to generation of energy equivalent to 1.8 MW.
- Distribution of 931 institutional solar systems in 24 districts.
- Operationalization of 200 solar water supply and small irrigation schemes in 24 districts.
- Installation of 3,000 improved water mills in 40 districts.
- Production of 100 KW electricity using windmills and wind energy mapping in feasible districts.
- Construction of 300,000 improved ovens and installation of other organic energy systems.
- Establishment of district energy cell in 65 DDCs.

14.4 Irrigation

To enhance year-round agricultural production, the Plan focuses on dependable and sustainable irrigation services that promote employment, social inclusion and geographically balanced development.

14.5 Telecommunication

The Plan policy is to provide easy and affordable telecommunication services to all groups within the country's VDCs and extend optical fiber network for effective communication system. Accordingly, the Plan has proposed the development of 'Information Super-Highway' using optical fiber to connect all major urban centers along with alternate technologies for connectivity to remote areas. The concept of 'Universal Access' has been introduced to serve the rural population by

providing low cost telecommunication services within hearing distance and urban population will be facilitated through 'Universal Service Obligation' program whereby any type of connection could be provided on demand. Moreover, under 'Commercial Service Development Program', various types of business activities will be supported through 'Leased Line & Data or similar' facility of one or more service providers.

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. Currently, some 72 percent of the people have access to Radio Nepal.

14.6 Transport Management

Institutional reforms will be carried out to develop the transport sector and to make management effective. Priority will be given to public transport system.

14.7 Housing and Urban Development

There will be a strategic focus on regional economic centers in line with Regional Development Strategy Study (RDSS). Priority will be given to the improvement of urban environment. The capacity of municipalities will be strengthened. A basis for planned development of urbanizing settlements will be prepared.

15. Implementation, Monitoring and Evaluation

The main challenge of the development process is to implement the periodic plans, programs and projects effectively in order to achieve the specified goals and objectives. The following actions will be taken to facilitate implementation.

- Provision will be made to ensure quality at entry of the central level development projects. Plan will be implemented through partnership between the government, people, NGOs and the private sector.
- Regulations and directives related to public procurement will be implemented to make development programs and projects effective.
- Policy will be adopted to ensure financial resources necessary for construction works.

The central government will take a lead role in the production of national public goods, and it will mobilize participation of the private sector and other sectors. The responsibility of providing local public goods will lie on the local bodies in line with the spirit of decentralization. Local bodies will mobilize NGOs and Community organizations to ensure the access of local public goods.

The Plan emphasizes coordination and collaborative joint ventures for the smooth implementation of development programs. Implementation mechanism will be developed by considering coordination within the government and coordination among the government and development partners including the donor community, the private sector, NGOs and INGOs.

The objective of monitoring and evaluation is to institutionalize poverty monitoring and analysis system from the center to the districts and to make the progress monitoring and evaluation of development projects and programs more effective. For this, the following actions will be taken:

- Public expenditure monitoring system will be expanded.
- Process will be started to institutionalize managing for development results at all levels of development process.
- Progress monitoring system for human security will be developed from the center to the VDC levels considering different aspects like income and food, environment and health.

Monitoring of development programs and projects will be result-oriented. Provisions will be made for public hearings and social auditing in addition to the monitoring of progress of development projects. The implementation status of policies made public will be monitored. The results obtained from evaluation of development programs and projects will be used in the planning process.