

(Unofficial Translation)

AN APPROACH PAPER TO THE THIRTEENTH PLAN (2013 – 2016)

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(2013 – 2016)



Government of Nepal

National Planning Commission

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CHAIRPERSON
(Council of Ministers)

FOREWORD

Despite the turmoil of the ongoing political transition, we have been able to draft this Approach Paper to the Thirteenth Plan (AFTP) to continue nearly six decades of planned development course. Nine five-year and three three-year plans have already been implemented, each leading to significant strides in social and economic development. Even so, problems such as illiteracy, poverty, backwardness, and brain drain among the youth and intelligentsia are still prevalent, and ensuring that development efforts are sustainable is a challenge.

The AFTP endeavours to address the high expectations of the Nepali people, expectations shaped by growing awareness of rights, empowerment, advancement of information technology, and the impact of globalization, all of which have expanded political and social consciousness.

The AFTP has the ambitious vision of upgrading Nepal from its current status as a least-developed country to that of a developing nation by 2022 and begins the movement in that direction. It also incorporates the goals of eradicating economic poverty and human deprivation prevalent in the country and improving living standards. In meeting these goals, the AFTP will also ensure that Nepal achieves its millennium and the SAARC development goals and addresses the issues of sustainable development, human rights, climate change and other matters it committed to at the regional and international levels. The AFTP also promotes greeneconomy.

The AFTP sets goals for lowering the percentage of people living below the poverty line from the current 23.8 percent to 18 percent, increasing the annual average economic growth rate to 6.0 percent, maintaining the population growth rate at 1.35 percent and raising the life expectancy to 71 years. These goals are attainable assuming that all agencies concerned put in a collective effort.

Development under the AFTP will be multidimensional, with priority given to hydropower and energy, agriculture, basic education, health, drinking water, physical infrastructure, good governance, tourism, trade, and environment among other sectors and to increasing the contributions of the private, government and cooperative sectors in these efforts. To meet the objectives and goals of the AFTP, stakeholders will employ a variety of strategies, including promoting broad-based, inclusive and sustainable economic growth; developing physical infrastructure; increasing people's access to social services as well as the utility and quality of those services; enhancing good governance in public and private sectors; empowering people socially and economically; and conducting development programmes designed to boost resilience and adaptation to climate change.

I would like to extend my heartfelt thanks to all the political parties; civil society, governmental and non-governmental organisations; academics, scholars, and intellectuals; development partners; and all other classes, sectors and groups concerned for their suggestions and assistance in drafting the AFTP. We are confident that through its successful implementation, we can improve the social and economic state of all Nepalis and make good progress toward becoming a developing country. I would like to extend my warm gratitude to the National Planning Commission and its Secretariat for their work on preparing this paper.

July, 2013

Khil Raj Regmi
Chairperson, Council of Ministers and
National Planning Commission

**GOVERNMENT OF NEPAL
NATIONAL PLANNING COMMISSION**

Letter No:

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Dr. Rabindra Kumar Shakya
(Vice-Chairperson)

PREFACE

Nepal is proceeding towards sustainable peace, inclusive and equitable development by institutionalising political changes. The major challenges at present are to create an environment in which the Nepali people can experience the social and economic transformations promised in the Comprehensive Peace Accord and the Interim Constitution of Nepal (2007). Additional challenges are: to alleviate poverty in a sustainable way; to raise the living standard of the general public by creating an environment conducive to investment in productive areas which generate mass employment; and to identify development priorities.

In its twelve previous periodic plans, Nepal undertook to continue a planned development process which set the goals and priorities of overall national development. The long-term vision of this Approach Paper to the Thirteenth Plan (AFTP) (2013/14–2015/16) is to attain the millennium development goals (MDGs) and other development commitments and to upgrade the status of the country from its current least-developed status to that of a developing nation within the next decade. The goals, objectives, strategies and working policies of the AFTP have all been formulated to materialize this vision.

The AFTP incorporates the suggestions of representatives of political parties; development partners; government, private and non-government organisations; intellectuals, former vice-chairs and members of the National Planning Commission; civil society; and all the other national and international communities involved in the National Development Council as well as national and regional symposiums.

On behalf of the National Planning Commission, I would like to extend my heartfelt gratitude towards all the institutions and individuals who contributed to drafting this document.

July, 2013

Dr. Rabindra Kumar Shakya
Vice-Chairperson
National Planning Commission

National Planning Commission

Rt. Hon'ble Chairperson of Council of Ministers, Mr. Khil Raj Regmi	Chairperson
Hon'ble Dr. Rabindra Kumar Shakya	Vice-Chairperson
Mr. Leela Mani Paudyal, Chief Secretary, Government of Nepal	Member
Mr. Shanta Raj Subedi, Secretary, Ministry of Finance	Member
Mr. Yuba Raj Bhusal, Secretary, Secretariat	Member-Secretary

Abbreviations

AMP:	Aid Management Platform
APTP:	Approach Paper to the Thirteenth Plan
BFI:	Bank and Financial Institutions
BIMSTEC:	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
CDM:	Clean Development Mechanism
CFL:	Cybre Forensic Lab
DTAA:	Double Tax Avoidance Agreement
EVI:	Economic Vulnerability Index
FY:	Fiscal Year
GPS:	Global Positioning System
HAI:	Human Assets Index
HIV:	Human Immunodeficiency Virus
ITERC:	Information Technology Emergency Response Centre
MEDeP:	Micro Enterprise Development Programme
NFP:	National Focal Point
NTIS:	Nepal Trade Integrated Strategy
SAARC:	South Asian Association for Regional Cooperation
SAFTA:	South Asian Free Trade Area
TMC:	Threat Monitoring Centre
TP:	Thirteenth Plan
TYP:	Three Year Plan
UNESCAP:	United Nations Economic and Social Commission for Asia and the Pacific

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CHAPTER 1

INTRODUCTION

1.1 Background

Planned development in Nepal started in 1956. The nation has seen the implementation of nine five-year plans and three three-year plans. The last, the Three-Year Plan (TYP) (FY 2010/11-2012/13) drew to a close in mid-July 2013. While these plans made a remarkable contribution to the economic and social development of the country, problems such as poverty, economic disparity, and social exclusion still need to be addressed. The APTP (FY 2013/14–2015/16) addresses these and other matters of concern.

1.2 Brief Progress Review of the Three-Year Plan (2010/11-2012/13)

The objective of the TYP was to bring about a visible improvement in the lives of common people by triggering broad-based, employment-oriented, inclusive and equitable economic growth that would help alleviate poverty and establish a sustainable peace. Its strategies included creating development infrastructures, making governance and service delivery effective and mainstreaming trade in a fashion that, in light of the nation’s future federal structure, promote regional balance. The TYP aimed for an overall annual economic growth rate of 5.5 percent, with growth rates of 3.9 and 6.4 percent in the agricultural and non-agricultural sectors respectively.

Table 1.1: Quantitative Targets of the Three Year Plan

Statement	Status of 2009/10	Targets of TYP	Achievements of TYP period			
			2010/11	2011/12	2012/13	Average growth
Economic growth rate (%)	4.3	5.5	3.9	4.5	3.6	4.0
Agricultural sector growth rate (%)	2.0	3.9	4.5	5.0	1.3	3.6
Non-agricultural sector growth rate (%)	5.4	6.4	3.6	4.2	5.0	4.2
Population living below the poverty line (%)	25.4	21	25.2	24.4	23.8	-
Employment growth rate (%)	3.0	3.6	2.9	2.9	2.9	2.9

The average annual economic growth at constant prices during the TYP period was just 4.0 percent, with 3.6 and 4.2 percent growth in the agricultural and non-agricultural sectors respectively. Because of favourable climatic conditions among other reasons, the economic growth rate in the agricultural sector was better than hoped

for in the first two years, but it is expected that it will be lower in the third and final year due to a shortage of chemical fertilisers, unfavourable climatic conditions, and the delay in the issuance of the full budget. The non-agricultural sector failed to achieve the target in any year, though it did increase. The low rates of growth in the industrial, mining, electricity, gas, water, and financial sectors and the negative growth in the construction sector kept overall growth low.

Macroeconomic Sector

Revenue collection increased during the TYP period. In the first year, the share of revenue in gross domestic production (GDP) was 14.6 percent; that proportion is expected to rise to 17.0 percent in the final year. Expanding tax coverage, consolidating mechanisms to control revenue loss, and intensifying anti-smuggling customs patrols had positive results.

The target for average annual inflation, less than 7 percent, was exceeded, with 9.1 percent on an average over the three years of the TYP. The money supply stood at 9.6 percent due to frequent adjustments in petroleum prices that have been made since the fiscal year (FY) 2010/11. However, in the second year, the consumer price index improved because of a decline in food price in neighbouring India and an increase in the production of winter and summer crops due to good climatic conditions. However, pressure was exerted on the consumer price index in the final year of the TYP period by the rise in the prices of non-food products due to the devaluation of the Nepali rupee against the US dollar, an increase of petroleum prices and transportation costs, adverse climatic conditions, poor distribution and monitoring systems, and other factors.

Though the TYP includes appropriate policies for promoting employment and economic growth through foreign direct investment, the desired level of foreign investment was not achieved primarily because of the absence of an investment-friendly environment and the confusion about how to develop the economic sector amidst political instability. That said, Nepal did sign bilateral trade promotion and protection agreements with some countries and established the Investment Board to provide one-window service for big investments. The targeted rate of economic growth was not attained due to various factors such as the lack of law and order, impunity, the absence of people's representatives at the local level, a weak bureaucracy, eroding industrial relations, an extreme power crisis, the slow-paced expansion of bank loans, the prolonged political transition, and unfavourable climatic conditions.

During the TYP period, capital and development expenditure was to be increased by limiting current expenditure to not more than 15.1 percent of the GDP, but current expenditure was just 12.4 percent in the first year of the plan period. Current expenditure did improve in the second and third years, but was

still only slightly above target. Controlling spending on non-productive sectors and current expenditure and increasing capital expenditure continue to challenge budgetary management.

The target for the annual growth rate of money supply was 18.3 percent but it decreased to 14.4 percent during the TYP period. The total domestic credit and credit to the private sector were to increase by 20 and 23.3 percent but actually increased by only 11.3 and 12.6 percent respectively. The limited growth in total domestic loans can be attributed to the policies of banks and financial institutions to curb the flow of loans into the production sector by reducing unproductive credit and to the absence of investment-friendly environment because of the prevailing political instability.

In the base year of the TYP, gross capital formation was 21.4 percent of the GDP; that figure was expected to reach 21.2 percent by the third year. In the same period, the gross domestic savings was expected to increase from 8.6 to 10.0 percent of the GDP.

The balance of payments situation improved in the first two years of the TYP; in fact, the surplus increased significantly, reaching Rs. 127.7 billion in the second year. The target for foreign exchange reserves was to be large enough to support the import of goods and services for a minimum of six months, but it was actually much larger. In mid-July 2012 foreign exchange reserves totaled Rs. 439.46 billion, enough to support imports of services for 10 months and goods for 11 months. In the last year, however, the balance of payments surplus was threatened by rising imports and difficulties in utilising it in productive areas.

Progress made in revenue and gross national savings as a proportion of the GDP was satisfactory but as total domestic credit and credit to the private sector increased less than targeted, the investment sector shrank, a contraction which had negative impact on economic growth. Though remittance increased drastically and the Nepal Rastra Bank has issued a foreign employment bond for the use of remittance in productive sectors, the expected rise in monetary supply and credit could not be achieved due to the absence of a strong investment-friendly environment, the lack of publicity about opportunities, and the reluctance of emigrants to invest in the face of mounting inflation.

Various programmes and projects were formulated and implemented to increase the production and productivity of agricultural and livestock products and productivity and to promote their commercialisation. Other programmes improved access to and capacity to use agricultural information, an effort which particularly increased food and nutrition security.

These endeavours helped increase agricultural production and productivity; improve food and nutrition security; promote employment, inclusive and balanced

development, and equitable progress, alleviate poverty; and attain Nepal's MDGs. Because of poor climatic conditions, targets for the third year in the yields of food grains, fish, meat, and fruits were not met. A resource crunch, increasing land fragmentation, inadequate irrigation, limited access to agro-credit, lack of agricultural labourers, increase in production costs, poor market networking, and poor management were among the reasons for limited growth in the agricultural sector.

Table 1.2: Macroeconomic Targets and Achievements of the Three Year Plan (as a Percentage of the GDP)

	Targets of TYP	Achievements of TYP period			
		2010/11	2011/12	2012/13	Average
Gross fixed capital formation (as a percentage of GDP)	21.4	21.3	20.0	21.2	-
Private sector	16.2	16.6	15.3	17.2	-
Government sector	5.2	4.7	4.7	4.0	-
Gross domestic savings (as a percentage of GDP)	11.2	14.5	11.5	9.3	-
Gross national savings (as a percentage of GDP)	41.1	37.4	40.0	38.4	-
Revenue growth rate	15.7	11	20.5	23.0	18.2
Revenue (as a percentage of GDP)	17.3	14.6	15.7	17.0	15.8
Total expenditure (as a percentage of GDP)	25.8	21.6	23.5	26.3	23.8
Current expenditure	14.9	12.4	16.5	16.4	15.1
Capital expenditure	9.1	7.9	4.0	3.9	5.3
Domestic borrowings	2.2	3.1	2.4	1.4	2.3
Foreign grant	4.4	3.4	3.8	2.8	-
Foreign loan	2.1	0.9	1.5	0.6	-
Inflation rate	7.0	9.6	8.3	9.5**	9.1
Broad money supply	18.3	12.3	22.7	8.3*	14.4
Credit to the private sector	22.3	13.9	13	16.5*	14.5
Rate of increase in domestic credit	20.0	14.6	11	8.4*	11.3
Months of goods and services import being sustained by the foreign exchange reserves	6	7.3	10.3	9.2*	-
Balance of payments (In billion rupees)	1	0.4	8	1.3**	-

Source: Economic Survey, 2011/12, Budget Speech, 2012/13, Ministry of Finance

* Based on the first 9 months data.

** Based on the first 7 months data.

Physical Infrastructure Sector

The TYP accorded high priority to the road sector because that sector makes a considerable contribution to socio-economic development, social integration, service delivery and governance. By the end of the second year, 25,133 km of

strategic roads had been constructed, including roads to 73 of the targeted 75 district headquarters. This length exceeds the target, as does the proportion of people who have access to telephone services.

The upgrading, reconstruction and restoration of roads, in contrast, saw little progress as maintenance was not prioritised. The major challenges in the road sector are to overcome the geographical obstacles to providing road access to all district headquarters and remote areas, to operate reliable and safe transport throughout the year, to attract private investors, to coordinate among various agencies involved in road construction, and to evaluate the risks of damage due to natural calamities and implement mitigative measures.

The expected outcome of infrastructure development as a whole could not be met for several reasons, including the lack of a complete budget, discrepancies between the annual budget and the periodic plan, the absence of elected representatives in local government bodies, the absence of project progress in the performance appraisals of employees, and the absence of a high-level authoritative coordinating agency. As the majority of rural settlements are scattered, it is difficult to provide them with access to the national grid. Thus, alternative energy services must be developed and promoted. Nepal registered micro-hydropower development under the carbon trade arrangements of the clean development mechanism and now receives income under this provision.

In places where power cannot be provided via the national grid system, the TYP had considerable success in providing electricity for domestic and institutional use through alternative energy technologies in cooperation with the private sector. The installation of solar home electricity systems is expected to achieve its target within the TYP period, while progress in institutional systems has already surpassed the target.

The major problems in this sector are poverty, especially in the hinterlands; a significant increase in the cost of equipment and materials; difficulty in transporting goods to remote areas; the lack of adequate technical human resources; and the absence of a separate statute governing alternative and renewable energy.

Social Sector

In the social sector, the achievements of the TYP were encouraging. The net enrolment rate (NER) at the primary level had reached 95.3 percent at the start of the final year, well on track to meet the target of 98 percent. The target for NER at secondary level was similarly encouraging. In contrast, technical education and vocational training were not as effective as expected because this sector received only about 3 percent of the total education budget though they are costlier than general education. Even trained human resources are increasingly facing

unemployment as the government has not been able to provide the sort of training which meets the demands of the national and international labour markets.

Drinking water coverage nearly meets the TYP target and sanitation coverage exceeds it. Programmes run with the joint investment of consumers in both urban and semi-urban areas have helped improve the standard of service and quality of drinking water. Total sanitation programmes run in partnership with multiple stakeholders increased the extent of open defecation-free areas.

In the health sector, achievements in reducing the rates of maternal, child and infant mortality were satisfactory, and progress in reducing the total fertility rate of women aged between 15 and 49 is expected to exceed the target. Acknowledging its encouraging achievements in women's reproductive health, the United Nations bestowed Nepal with the MDG Award in 2010.

Working against the TYP's objective of providing good quality healthcare services to all citizens are the lack of an adequate supply of essential medicines, lack of competence among health workers, difficulty in staffing healthcare facilities in remote areas, lack of repair and maintenance of physical facilities, and weak coordination among healthcare service providers.

Women, Children, and Youth

The Interim Constitution of Nepal includes a policy of providing special arrangements for the social security of women, persons with disabilities, children and senior citizens. The Ministry of Federal Affairs and Local Development mandates that 20 percent of the annual bloc grant disbursed to village development committees should be spent on the empowerment of children, women and disadvantaged groups, and committees have, accordingly, begun to do so. Legal provisions which discriminate against women were revised. The Act for the Amendment of Some Nepal Acts (2006) was promulgated to maintain gender equality and a political commitment to ensure that women comprise at least 33 percent of the representatives in state mechanisms was espoused. In the FY 2011/2012, the government extended the women's development program to all 3,570 VDCs to create capacity-building opportunities for impoverished rural women. Altogether 19.1 percent of the budget is gender-sensitive. Social mobilisation for gender equality is gaining momentum and the participation of women in targeted programmes is considered an essential indicator of their success.

Although the TYP focused on the protection and promotion of the rights of women, persons with disabilities, children, and senior citizens, the expected progress has not been made because policy measures have not been effectively implemented, disaggregated data for use in mainstreaming gender in Nepal's macro-economic framework is insufficient, and gender-sensitive monitoring and evaluation is not conducted. Nor have inequalities among different castes, classes, and ethnic

groups of women been scrutinised. State mechanisms have not made the expected progress in ensuring 33 percent women's representation.

Efforts are underway to make public places friendly to the differently abled and a special rebate on customs duties is provided for the import of vehicles friendly to the differently abled. As the issues of both persons with disabilities and senior citizens are multilateral and multidimensional, coordination among national and international organisations and government and private agencies is imperative. However, because such coordination is lacking, resources are being mobilised haphazardly and the efforts of various stakeholders are not integrated.

Of the 150 non-government organisations which signed agreements to run youth partnership programmes as per the Youth Partnership Programme Guidelines (2011), 149 have completed their programmes to the benefit of 13,535 youths in 62 districts. To mobilise youths, the government has implemented various initiatives such as the formation of the Ministry of Youth and Sports, the inception of the Youth Self-Employment Programme, and the provision of soft loans to youths seeking overseas employment. However, strengthening the role of youths and improving their productivity is still a great challenge. Satisfactory achievements in youth development are yet to be realised in areas such as agriculture, industry, and business, none of which could have been able to form a base for the economy through meaningful participation of youths.

Peace, Rehabilitation, and Reconstruction

Efforts to bring peace to the nation after a prolonged conflict are ongoing. The TYP included policies and programmes designed to fulfill the state's top priority agenda of implementing the required processes and developing the required infrastructure to bring peace and stability. Considerable progress was made in managing ex-combatants in camps. Peace committees were constituted at the local level and many of them actively run programmes that promote peace. The making of various agreements among warring groups through dialogue and negotiation reduced the number of programmes of agitation and opposition. However, since some of the agreements fall under the purview of the Constituent Assembly/Parliament, their immediate enforcement was not possible. The distribution of relief to the conflict-affected and the reconstruction of physical structures damaged during the conflict era were prioritised. Nepal was declared a landmine-free nation during the TYP period once all such devices had been removed.

Of the peace-related objectives of the TYP, only the management of landmines was achieved. Several activities for the promotion of transitional justice in an institutional manner are still pending. Though a few peace committees were constituted at the local level, national-level bodies such as the Truth and Reconciliation Commission and the Commission for the Investigation of Disappeared Persons were not

constituted and all displaced persons have yet to return to their places of origin. Several activities agreed upon by the government and the Maoists in the Comprehensive Peace Accord, including the rehabilitation of combatants disqualified by the UN Mission by providing them with an as-yet-to-be-determined amount of cash, have still not been implemented.

Good Governance and Human Rights

The TYP's objective was to transform public administration so that it would function in a legitimate manner with a clear jurisdiction and defined set of responsibilities. One measure taken was the establishment of the "Hello Sarkar" unit, a phone line which encouraged the general public to voice their grievances. Under the Strategy and Action Plan against Corruption (2008) and the Departmental Action Plan (2010), which was enacted for 33 central-level public agencies, some districts also opened integrated service centres to simplify and speed up public service delivery.

Pursuant to the Good Governance Action Plan (2011), the joint monitoring of developmental projects and programmes was carried out by various ministries, central agencies and the National Planning Commission and directives were issued to the relevant offices. A central monitoring committee was formed under the chairpersonship of the Chief Secretary of the Government of Nepal in order to make service delivery simple, easy, and transparent. A total of 198 reforms under 15 sectors were identified for immediate implementation to address important areas of national life such as economic prosperity and good governance. The Contemporary Action Plan for Governance and Financial Reforms (2012) was implemented; it incorporates reforms directly and indirectly related to improving livelihoods through the achievement of high economic growth and good governance.

In order to promote human rights, the National Human Rights Action Plan (2010-2013) was implemented. Matters pertaining to human rights are included in the national curricula for formal and non-formal education. Under this plan, violators are punished and aggrieved parties find remedies, including compensation.

Despite the above measures, the delivery of good-quality and timely services is impeded by local-level security issues, a dearth of employees in conflict-prone areas, and the absence of elected representatives in local government bodies. Other major impediments are the lack of positive thinking among employees in service-delivery agencies, a resistance to problem-solving, difficulty in carrying out result-oriented and participatory monitoring and evaluation of targeted objectives, the fact that good governance programmes are not prioritised, inadequate homework for the implementation of programmes, and excessive politicisation of most human rights and governance issues.

1.3 Progress Review of the Millennium Development Goals

The eight MDGs and their indicators were adopted in 2000 for attainment by 2015. According to the progress review of 2010, Nepal is on track to achieve six of those goals. Despite 10 years of internal conflict, a prolonged transitional period and political turbulence, Nepal has made noteworthy progress in poverty alleviation as well as other socio-economic domains. (Table 1.3)

Nepal has made progress in the majority of the 60 indicators designed to measure the MDGs. In 1995, 45 percent of the population was below the poverty line; in July 2013, just 23.8 percent were. While this is a major achievement, the gap between the rich and poor is still immense and regional inequalities, a primary obstacle to balanced development, are still pervasive. Poverty in the Far-Western and Karnali regions is more acute than it is in other parts of Nepal and poverty in rural areas, where 83 percent of the population resides, is more widespread than it is in urban areas.

In 1990, the maternal mortality rate was 850 per 100,000 live births. This rate had decreased to 229 in 2011. Though it needs to decrease still further to meet the MDG target of 134 per 100,000 by 2015, Nepal was felicitated in the UN General Assembly in 2010 for implementing significant reforms in the maternal health sector, including free maternity and delivery services, the provision of transportation costs for institutional delivery, incentives for health professionals who agree to serve in remote areas, training for local health and maternity workers, and the legalisation and provision of abortion services.

Goals for reducing poverty and increasing primary-level NER have almost been achieved and goals for drinking water and sanitation coverage, maternal and child mortality and the proportion of underweight children under five years of age have already been accomplished. However, persistent efforts have to be made to realise other goals, including the literacy rate and the proportions of HIV-infected persons among persons in the age group of 15-49, women attended by skilled birth attendants, and users of contraceptives, by 2015.

Table 1.3: Achievement of MDG Indicators

S. No.	Indicators	Year	Achievement Status	MDG by 2015	Source
01	Size of population (in millions)	2012	27.21	-	Central Bureau of Statistics (CBS)
02	Average population growth rate (%)	2011	1.35	-	CBS
03	Life expectancy (in years)	2012/13	69.1	-	CBS
04	Per capita gross national income (in USD)	2012/13	721	-	CBS
05	Rate of increase in gross domestic production (%)	2012/13	3.6	-	CBS
06	Rate of inflation (%)	2012/13	9.1	-	CBS
07	Human development index (value)	2011	0.46	-	UNDP
08	Population below national poverty line	2012/13	23.8	21	CBS
09	Number of underweight children below 5 years of age (%)	2011	29	29	Nepal Health and Demographic Survey, 2011
10	Literacy rate of age group 15-49 (%)	2011	80	100	Ministry of Education, 2011
11	Net enrollment rate at primary level (%)	2012/13	95.3	100	Ministry of Education, 2012
12	Child mortality rate (per 1000 live births)	2011	54	54	Nepal Health and Demographic Survey, 2011
13	Maternal mortality rate (per 100,000 live births)	2010/11	229	134	WHO
14	HIV infected people in the 15-49 age group (%)	2011	0.3	0.3	National AIDS and Sexual Diseases Centre, 2012
15	Proportion of people using firewood as the main source of energy (%)	2011	64	-	CBS
16	Area under forest coverage (%)	2012/13	39.6	40	
17	Proportion of people having a sustainable access to source of safe drinking water in both rural and urban areas (%)	2012/13	82.8	73	CBS
18	Proportion of people having a sustainable access to safe sanitation (lavatories) in both rural and urban areas (%)	2012/13	62	53	CBS

1.4 Objective, Goals, Strategy and Priorities of the Thirteenth Plan

1. Background

Nepal is considered a least developed country, but if development efforts are accelerated and political commitment is forthcoming, Nepal may be upgraded to a developing country by the next decade. Out of the three essential indicators for a developing country, Nepal has already achieved one, so it needs to achieve just one more to improve its status. The objectives, goals, strategy, and priorities of the TP are all oriented towards securing this upgrade in status as well as to attaining the millennium and SAARC development goals; promoting sustainable development, human rights and adaptation to climate change; alleviating poverty by promoting a green economy; and addressing regional and international commitments.

2. Long-Term Vision

2.1 To upgrade Nepal from a least developed to a developing country by 2022.

3. Objective

3.1 To bring about a direct positive change in the living standards of the general public by reducing the economic and human poverty prevalent in the nation.

4. Goal

4.1 The main goal is to decrease the proportion of the population living below the poverty line to 18 percent. Other goals are as follows.

Table 1.4: Targets

S. No.	Indicators	Status of FY 2012/13	Targets TP
1	Annual average economic growth rate (%)	3.6	6.0
2	Annual average agricultural growth rate (%)	1.3	4.5
3	Annual average non-agricultural sector growth rate (%)	5.0	6.7
4	Annual average growth rate in employment (%)	2.9	3.2
5	Life expectancy at birth (in years)	69.1	71.0
6	Population (in millions)	27.2	28.3
7	Population growth rate (%)	1.35	1.35
8	Maternal mortality rate (per 100,000)	229.0	134.0
9	Population with access to drinking water (%)	85.0	96.25
10	Population with access to sanitation (%)	62.0	90.5
11	Net enrolment rate at the primary level (Grade 1-5) (%)	95.3	100.0
12	Number of district headquarters with road connectivity	73.0	75.0*
13	Density of mobile phones and telephones (per 100)	71.5	100
14	Installed capacity of electricity generation (in MW)	758.0**	1426
15	Population with access to electricity (%)	67.3	87.0
16	Irrigation (in hectares)	13,11,000	14,87,275
17	Forest coverage area (%)	39.6	40.0
18	Total length of road transport (km)	25,133	28,133

* The district headquarters of Humla is to be connected to the Chinese autonomous province of Tibet.

** A total of 758 MW of electricity is connected to the national transmission network, including 705 MW from hydropower and 53 MW from thermal power. The 35 MW generated from alternative energy is not yet linked to the national transmission network.

It is projected that by the end of the TP, the current human development index of 0.463 will have risen to 0.508, the per capita gross national income will have increased to USD 902 from the current USD 721, the human asset index will have reached 66.0 from the current 62.2, and the economic vulnerability index will have declined to 26.95 from the current 27.8.

5. Strategy

1. Achieve inclusive, broad-based and sustainable economic growth by enhancing the contributions of the private, government and cooperative sectors to the development process.
2. Develop physical infrastructure.
3. Enhance access to social services and improve the use and quality of those services.
4. Enhance good governance in the public and other sectors.
5. Empower targeted groups and sectors both socially and economically.
6. Implement development programmes which support climate change adaptation.
7. Priorities pursuant to achieving its objective, the APTP has identified the following priority areas.
 - Developing hydropower and other energies
 - Increasing the productivity, diversification and commercialization of the agricultural sector
 - Developing the basic education, health, drinking water, and sanitation sectors
 - Promoting good governance
 - Developing roads and other physical infrastructure
 - Developing the tourism, industrial, and trade sectors, and
 - Protecting natural resources and the environment

1.5 Economic Growth Targets and Resource Management

1.5.1 Economic Growth Rate

In view of the need to increase the pace of national development and in consideration of the resources available, it is estimated that the average overall annual economic growth rate in the TP period will be 6.0 percent, with growth rates in the agricultural and non-agricultural sectors maintained at 4.5 and 6.7 percent respectively. It is estimated that the average annual inflation rate for the entire TP period will be 7.0 percent and that per capita income and employment will grow by 4.6 and 3.2 percent per year respectively. Efforts to alleviate poverty; boost employment, especially among targeted populations; and high economic growth are together predicted to reduce the proportion of people living below the poverty line to 18 percent. Other important considerations are as follows:

- To achieve 4.5 percent growth in agriculture, there is a need to increase production and productivity and attract private investment. To this end, emphasis will be placed on commercialisation, cooperatives, irrigation, agro-roads, agro-credit, research, supporting technology transfers, rural electrification and market mechanisms.
- To achieve 6.7 percent growth in industry, industrial security will be enhanced and institutional reforms carried out. The industrial climate will be improved by

implementing the policy and procedural reforms and promulgating a new Industrial Enterprises Act.

- Through efforts such as developing and expanding industrial and commercial infrastructures; expanding and enhancing micro, small, cottage and medium industries; ensuring industrial peace, and placing a special focus on mineral-based industries, an environment conducive to the full utilization of the potential of existing industries will be created.
- It is estimated that the annual average growth rate in the electricity sector will be 8.2 percent. Some private and government hydropower projects will be completed and connected to the national grid during the TP period and alternative sources will continue to be added as well.
- The annual average growth rate in construction is projected to be 5.5 percent assuming that investment in and the construction and expansion of new infrastructures of national pride takes place as planned, that road connectivity is ensured in all 75 districts, and that private sector participation increases.
- It is estimated that the trade sector will grow at an annual rate of 5.6 percent following improvements in the industrial environment.
- The development of new tourist destinations and services and policy and institutional reforms for the removal of structural hurdles to tourism development will contribute to an annual growth rate of 8.6 percent in this sector.
- In the transport, storage and communications sector, the predicted annual average growth rate of 8.4 percent is based on the expectation that government investment will be high and that investment by the private sector will increase once policy-level reforms are instituted.
- The annual growth rate of financial intermediaries is estimated at 6.2 percent provided that the investment environment improves and remittance increases.
- The real estate sector is predicted to grow by an annual average of 6.7 percent and the education and health sectors by 8.2 and 7.7 percent respectively as long as government and private investment increases as foreseen. The administrative sector is likely to grow by 5.9 percent and other community sectors by 9.5 percent annually. (Table 1.5)

Table 1.5: Gross Domestic Production and Sectoral Value Added in the Thirteenth Plan (at the constant prices of the FY 2012/13)

(in Rs. 10 million)

S.No.	Sectors	Growth Rate	Base Year of 2012/13*	2013/14	2014/15	2015/16
1	Agriculture	4.5	55,558.5	57947.5	60,555.2	63,461.8
1.1	Agriculture, forestry and fisheries	4.5	55,558.5	57947.5	60,555.2	63,461.8
2	Non-agriculture Industries	6.7	104,358.8	110,690.5	118,120.6	126,772.0
2.1	Industry, mining and quarrying	4.7	23870.2	25031.8	26364.1	27932.9
2.1.1	quarrying	8.2	10,795.9	11,260.1	11,778.1	12,378.8
2.1.2	Electricity, gas and water	5.5	2028.7	2184.9	2361.9	2572.1
2.1.3	Construction		11,045.6	11,586.8	12,2224.1	12,982.0
2.2	Services		80488.4	85658.7	91756.3	98839.2
2.2.1	Wholesale and retail trade	5.6	23,058.4	24,096.0	25,445.4	27,175.7
2.2.2	Hotel and restaurant	8.6	2,914.1	3156.0	3430.5	3735.9
2.2.3	Transport, storage and communications	8.4	14,714.6	15,877.1	17,210.7	18,725.3
2.2.4	Financial intermediaries	6.2	6720.7	7103.8	7537.1	8042.1
2.2.5	Real estate, rent and business activities	6.7	13,553.0	14,366.2	15,343.1	16,447.8
2.2.6	General administration and defense	5.9	3029.9	3196.5	3385.1	3595.0
2.2.7	Education	8.2	8619.5	9291.8	10,063.0	10,918.4
2.2.8	Health and social works	7.7	2202.2	2367.4	2554.4	2753.6
2.2.9	Other activities of social, community and personal activities service	9.5	5676.0	6203.9	6787.0	7445.4
Gross value added (Including FISIM)		6	159,917.1	168,638.0	178,675.7	190,233.8
Financial intermediation service (indirectly measured)		8.2	5899.0	6370.9	6899.7	7479.3
Gross domestic product (at basic price)		5.9	154,018.1	162,267.1	171,776.0	182,754.5
Taxes less subsidies on products		11.1	16,101.2	17,952.8	19,963.6	22,059.7
Gross domestic product (at producer's price)		6.4	170,119.3	180,219.9	191,739.6	204,814.2

* Provisional.

1.5.2 Basis for the Allocation of Resources

1. Private-sector investment in power, information and communication, rural energy, roads and other infrastructure development will be increased by boosting public-private partnerships.
2. Creating an investment-friendly climate, enhancing the productivity and production of good-quality goods and services, and establishing effective

- distributive mechanisms will be prioritised.
3. Institutional and policy reforms will be implemented in order to ensure that all people benefit from development. In particular, reforms will increase access to public services and promote high economic growth.
 4. Investment in mega-projects and projects of national pride will be increased in order to promote national integration.
 5. Investment in priority areas which promote inclusive, broad-based and sustainable development will be increased. Policies and programmes designed to provide incentives to the private sector to invest in physical infrastructure development, social security, and other economic activities will be adopted.
 6. Investment will be centered on those sectors, strategies, and programmes which generate employment directly or indirectly. In fact, the generation of employment will be the primary basis for the selection of any project or technology.
 7. Development of the agricultural sector will be given special emphasis because it is the foundation of equitable economic development, food security, and livelihoods. To this end, emphasis will be put on integrated service, development of irrigation facilities, increasing marketisation and productivity, the timely supply of appropriate agricultural inputs, agro-roads, agro-credit, research, technology transfers, rural electrification, and the development of market mechanisms.
 8. In order to promote sustainable economic development, investment will be in those sectors and development programmes in which the common person experiences a feeling of positive change and in which the resources available can be utilised to the maximum.
 9. In order to make a tangible contribution to poverty alleviation and economic growth, emphasis will be on strategies and programmes that raise the income of and empower the poorest and most marginalised of communities.
 10. The state will involve backward geographical regions, women, indigenous and ethnic communities, Madhesis, persons with disabilities, senior citizens and single women in the development process and ensure that they benefit from its results. Economic growth will be channeled toward meeting the needs of these most disadvantaged people, and
 11. Special emphasis will be put on programmes and policies which increase economic activities designed to meet the needs of local people, be managed and owned by local communities, promote local economic development, and mobilise local resources.

1.5.3 Capital Investment and Incremental Capital Output Ratio

During the TP period, it is expected that capital investment will increase but that there

will be no significant short-term change in the incremental capital output ratio, which is estimated to be 4.9. It is expected that that gross fixed capital formation at the constant prices of FY 2012/13 will be Rs. 1486.45 billion, Rs. 465.02 billion provided by the public sector and Rs. 1021.42 billion by the private (Table 1.6).

Table 1.6: Capital Formation and Incremental Capital Output Ratio

(in Rs. 10 million)

S. No.	Sectors of Investment	Incremental Capital Output Ratio	Public		Private		Total	
			Amount	Percentage	Amount	Percentage	Amount	Percentage
1	Agriculture		7293.9	15.69	16,416.0	16.07	23,709.9	15.95
1.1	Agriculture and forests	3	7293.9	15.69	16,416.0	16.07	23,709.9	15.95
2	Industries		7159.1	15.4	16582.7	16.24	23741.9	15.97
2.2	Manufacturing	5	278.9	0.6	7635.4	7.48	7914.4	5.32
2.3	Electricity, gas and water	22	6880.2	14.8	5074.5	4.97	11,954.7	8.04
2.4	Construction	2	0	0	3872.8	3.79	3872.8	2.61
3	Services		32049.5	68.92	69143.8	67.7	101193.1	68.07
3.1	Wholesale and retail trade	2.8	149.9	0.32	11,378.6	11.14	11,528.4	7.76
3.2	Hotel and restaurant	7	551.5	1.19	5200.8	5.09	5752.3	3.87
3.3	Transport, storage and communications	8.7	10703.2	23.02	24189.7	23.68	34892.8	23.47
3.4	Financial intermediaries	5.5	1010.8	2.17	6256.9	6.13	7267.7	4.89
3.5	Real estate, rent and business activities	5.5	0	0	15921.3	15.59	15921.3	10.71
3.6	General administration and defense	4	2260.5	4.86	0	0	2260.5	1.52
3.7	Education	3.5	4448.9	9.57	3597.2	3.52	8046.2	5.41
3.8	Health and social works	8.9	3921.4	8.43	986.3	0.97	4907.7	3.3
3.9	Other activities of social, community and personal service activities	6	9003.3	19.36	1613.0	1.58	10616.2	7.14
Gross fixed capital formation		4.9	46,502.5	100	102,142.4	100	148,644.9	100

1.5.4 Government Budget and Sources of Financing Government Expenditure

Total revenue collection is projected to be Rs. 1133.23 billion during the TP period at the constant prices of FY 2012/13. It is predicted to increase on an average of 13.8 percent annually from 17.0 percent of the GDP in the FY 2012/13 to 21.1 percent of the GDP in the final year of the TP, FY 2015/16.

As for government expenditure, the total budget for all three years is to be Rs. 1616.75 billion at the constant prices of FY 2012/13. Current expenditure is expected to reach Rs. 1039.29 billion, increasing from 16.4 to 18.6 percent of the GDP. It is expected that total capital expenditure will be Rs. 329.98 billion and that it will increase from 3.9 percent of the GDP in the first year to 6.4 percent of the GDP in the final year.

Total foreign aid is estimated to be Rs. 341.59 billion at the constant prices of FY 2012/13. Of this, grants will total Rs. 189.46 billion and loans, Rs. 152.13 billion. It is expected that as the proportion of the GDP the total foreign aid will increase from 4.3 to 5.9 percent in the final year of the TP period.

The domestic borrowing as the proportion of the GDP, which was estimated at 2.23 percent in FY 2012/13, will increase slightly to 2.25 percent in the final year of Plan. Budget estimates in this Plan were designed to maintain macroeconomic stability.

Table 1.7: Projection of Government Budget (at constant prices of FY 2012/13)
(in Rs. 10 million)

S. No.	Descriptions	Base Year of FY 2012/13*	2013/14	2014/15	2015/16	Total of TP	Average Growth Percentage
1	Total budget	40482.9	48452.3	53600.6	59622.4	161675.3	13.8
2	Total revenue	28960.5	33071.0	37558.7	42693.2	113322.9	13.8
3	Foreign grant	4698.9	5912.8	6216.6	6816.1	18945.5	13.2
4	Total expenditure	34154.6	40648.6	45565.0	50712.7	136926.3	13.7
a)	Current expenditure	27901.1	31589.7	34649.6	37689.4	103928.7	10.5
b)	Capital expenditure	6613.5	9058.9	10915.4	13023.3	32997.6	25.3
5	Budget surplus (+) deficit (-)	-855.2	-1664.7	-1789.7	-1203.4	-4657.9	12.1
6	Financing	855.2	1664.7	1789.7	1203.4	4657.9	12.1
7	Net internal loan	1583.4	2560.8	2550.4	2869.2	5720.2	21.9
a)	Domestic loan	2022.9	2990.7	2969.7	3277.3	6977.5	17.4
b)	Less Internal loan refund	439.5	429.9	419.3	408.1	1257.3	2.5
8	Net share investment	859.8	1121.5	1179.1	1428.5	3043.3	18.4
a)	Domestic share investment	576.8	887.9	917.1	1061.2	2180.3	22.5
b)	Foreign share investment	283.0	233.6	262.0	367.3	863.0	9.4
9	Net external borrowings	-999.4	-3003.1	-3096.3	-2979.5	-10251.1	43.9
a)	External amortization	1584.6	1962.6	2008.9	2163.2	4962.5	10.9
b)	External borrowings	2584.0	4965.7	5105.2	5142.7	15213.6	25.8
10	Net domestic borrowings	-2299.0	-2343.9	-2422.9	-2521.6	-8148.3	3.1
a)	Domestic amortization	1501.0	1729.0	1877.9	2040.7	4787.7	10.8
b)	Domestic borrowings	3800.0	4072.9	4300.8	4562.3	12936.0	6.3

* Provisional.

1.5.5 Impact of Investment on the Overall Economy

Investments made during the TP period are expected to have a positive impact on the macroeconomic indicators of the national economy and to create a favourable environment for ensuring inclusive, broad-based and sustainable development, to generate employment, and to maintain macroeconomic stability.

Total revenue mobilisation in the FY 2012/13 was 17.0 percent of the GDP; that value is set to increase to 21.1 percent by the final year of the TYP. The total government budget will also increase in the same period, from 23.8 to 29.5 percent of the GDP. Current and capital expenditures will also increase, from 16.4 to 18.6 percent and 3.9 to 6.4 percent of the GDP respectively. Likewise, foreign aid is expected to rise to 5.9 percent of the GDP from the current 4.3 percent and domestic borrowing will reach 2.25 percent of the GDP from 2.23. Gross fixed capital formation is estimated to rise to 27.9 percent of the GDP from the current 21.2 percent.

Table 1.8: Projected Investment, Government Expenditure and its Sources in the 13th Plan (TP) (as a percentage of GDP)

S. No.	Statement	Status of FY 2012/13*	Targets of TP (in FY 2015/16)
1	Total investment	37.79	40.84
2	Gross fixed capital formation	21.15	27.89
a)	Private sector	15.85	19.16
b)	Public sector	5.3**	8.73**
3	Change in Stocks	16.64	12.94
4	Gross national savings	38.41	34.93
5	Foreign aid	4.28	5.91
a)	Grant	2.76	3.37
b)	Loan	1.52	2.54
6	Total budget	23.8	29.47
7	Total revenue	17.03	21.1
8	Foreign grant	2.76	3.37
9	Total expenditure	20.29	25.06
a)	Current expenditure	16.4	18.63
b)	Capital expenditure	3.89	6.44
10	Budget surplus (+), deficit (-)	0.5	0.59
11	Financial provision	0.5	0.59
12	Net debt investment	0.93	1.42
a)	Internal debt investment	1.19	1.62
b)	Internal debt reimbursement	0.26	0.2
13	Net share investment	0.51	0.71
a)	Internal share investment	0.34	0.52
b)	Foreign share investment	0.17	0.18
14	Net foreign debt	0.59	1.47
a)	Principal and interest payments of foreign debt	0.93	1.07
b)	Foreign debt	1.52	2.54
15	Net Domestic borrowing	1.35	1.25
a)	Principal and interest payments of domestic borrowing	0.88	1.01
b)	Domestic borrowing	2.23	2.25

* Provisional.

** Includes the investment of public enterprises also.

1.6 Roles of Various Sectors in Development

People do not feel a sense of ownership in any development endeavor unless they participate in it; thus, their spontaneous involvement is imperative and indispensable. Though the overall development of the country is primarily the responsibility of the government, the government, with its limited resources cannot adequately address the ever rising aspirations of the people. The government must cultivate a

functional partnership with the private and non-governmental sectors and community-based organizations in order to carry out the national development process. To ensure maximum development and to involve all people, it is necessary to clarify the roles, functions and duties of each sector and to develop its capacity.

1.6.1 Role of the Public Sector

The government itself is the main mechanism for national development. Hence, it has to play a lead role in its partnership with the private and non-governmental sectors, build an enabling environment for the mobilisation of other agencies in the development process, and take the initiative to overcome any stumbling blocks in this partnership. Its role encompasses the following activities:

1. To maintain law and order across the country and to provide the public with a sense of security and faith in the impartiality of the judicial system.
2. To draft long-term policies and plans as required to achieve sustainable development.
3. To arrange for the policy, institutional and legal provisions required to develop the private sector and promote investment.
4. To develop physical infrastructure in areas where the private sector is not motivated to act.
5. To facilitate the investment of the private sector in economic activities such as industry, trade, tourism and water resources.
6. To generate domestic employment opportunities to mobilise youths who would otherwise seek foreign employment.
7. To make necessary policy and procedural initiatives to distribute the benefits of development to the common person by maintaining social justice and regional balance.
8. To undertake coordination, monitoring, and evaluation of and instruction for programmes of nation-building.
9. To direct agencies and local bodies concerned to upkeep an updated record of the development programmes run by government offices, local agencies and non-government organisations.
10. To create an enabling environment for the judicious and timely delivery of services and amenities to people by promoting good governance.
11. To emphasise the role local bodies play in speeding up development efforts by mainstreaming marginalised areas and groups in these efforts and ensuring that all participate in development initiatives.
12. To build capacity at the local level so that people themselves can assess and prioritise needs, formulate and implement plans for development, and monitor and evaluate results.
13. To develop capacity and a sense of duty so that local government bodies can and will fulfill the responsibilities entrusted to them under the Local Self-Governance Act, and
14. To conserve local resources by ensuring people formulate and implement plans for environmental conservation and pollution control.

1.6.2 Role of the Private Sector

In accord with the worldwide wave of economic liberalisation prevalent since the 1980s, Nepal adopted a laissez-faire policy after the restoration of democracy in 1990 and the adoption of the Eighth Plan. Since then, it has encouraged the private sector to invest in the social and economic development of the country. Initially progress was good but sustaining it has been a great challenge. The majority of banks, financial institutions and public corporations were privatised, but the lack of an investment-friendly environment and the inadequate development of infrastructure has worked against private sector development. More specifically, industrial insecurity, the power crisis, the deterioration of entrepreneur-employee relations and overall political turbulence have stymied progress in this sector. The role the TP envisions for this sector is as follows:

1. To develop the capacity to compete in international markets in a global economy marked by globalisation and liberalisation.
2. To run businesses which adopt professional values and norms and consider the interests of consumers.
3. To assist the government in formulating policies and programmes related to the private sector.
4. To assist in the establishment of private-public partnerships.
5. To develop a healthy relationship between employers and workers and to support the prevention of child labour.
6. To help make goods and services easily available and improve their quality.
7. To support the functioning of a market-driven economy.
8. To facilitate the periodic market monitoring carried out by the government.
9. To make timely payments of taxes as provided for by rules and statutes, and
10. To assist in increasing investment in priority areas like poverty alleviation and the development of physical and social infrastructure.

1.6.3 Role of the Cooperative Sector

The role of the cooperative sector in the economy will be as follows:

1. To establish the cooperative as a principal pillar of national economy by mobilising local labour, skill, and capital to the maximum extent possible.
2. To assist in the national goal of reducing poverty by generating employment and self-employment opportunities in urban and rural areas.
3. To improve access to employment and self-employment opportunities in order to raise the living standard of the poor, women, and other targeted groups.
4. To contribute to economic growth and national development by establishing industries, businesses, and other productive endeavours, and
5. To enhance the access of cooperative members in rural areas to savings and micro-credit facilities.

CHAPTER 2

MACROECONOMIC POLICIES

2.1 Savings

1. Background

Gross domestic savings (GDS) were 14.5 percent of the GDP in the FY 2010/11; they declined to 11.5 percent in the FY 2011/12 and further still to 9.3 percent in the FY 2012/13, surpassing the TYP target of 11.2 percent. Growing consumerism; less-than-expected expansion of financial instruments like shares, debentures, government bonds; and the lack of access to financial services in rural areas hampered savings mobilisation. Gross national savings were 35.9 percent of the GDP in the fiscal year 2009/10. They rose to 37.4 percent in the FY 2010/11 and still more to 40 percent in the FY 2011/12. However, they are estimated to decrease to 38.4 percent in the FY 2012/13, falling short of the TYP target of 41 percent.

2. Objective

2.1 To emphasise a gradual change in the consumption practices of the general public, increasing their savings capability in order to raise GDS.

3. Strategies

- 3.1 Motivate people to save by increasing various saving opportunities.
- 3.2 Increase savings mobilisation by developing appropriate financial markets, and
- 3.3 Enhance access to financial services among the general public.

4. Operating Policies

- 4.1 Awareness-raising and banking, education, and financial literacy programmes will be introduced to develop banking habits among the general public. (1)¹
- 4.2 Provisions will be made for trading shares, bonds and other marketable instruments in major cities besides Kathmandu. (2)
- 4.3 The market coverage of financial instruments, including mutual fund schemes, will be extended. (2)
- 4.4 The capacity of the Employees Provident Fund, which supports contractual savings mobilisation, will be enhanced and an additional investment fund will be developed. (2)
- 4.5 The Citizen Investment Trust, which also supports contractual savings mobilisation, will be strengthened and expanded with private sector involvement

¹ The numbers in parentheses indicate the sequence in which actions are to be taken.

- and new such trust funds will be established. (2)
- 4.6 Banks and financial institutions will be encouraged to deliver services to rural areas to increase people's access to financial services, (2) and
- 4.7 Foreign employment bonds will be publicised in order to increase investment in them. (3)

5. Expected Outcomes

By the final year of the TP, the GDS and GNS will be 13 and 41 percent of the GDP, respectively.

2.2 Government Finance

2.2.1 Revenue

1. Background

The rate of revenue mobilisation during the current TYP was generally high, averaging 18.2 percent annually. Tax revenue was 13.2 percent of the GDP and total revenue was 15.9 percent of the GDP.

In the first year of the TYP, the FY 2010/11, the total revenue was 14.6 percent of the GDP and tax revenue, 12.6 percent. Those values increased in the FY 2011/12 to 15.5 and 13.8 percent respectively and it is estimated that the ratio of revenue may reach 17.0 percent of the GDP in the FY 2012/13.

2. Objective

- 2.1 To enhance the efficiency and effectiveness of the tax system by facilitating trade and ensuring good-quality service and the judicious enforcement of tax laws in order to increase voluntary participation in the tax system.

3. Strategies

- 3.1 Emphasise strict adherence to tax laws and policies.
- 3.2 Raise the bases and coverage of tax not by increasing rates of revenue but by increasing the voluntary participation in the tax system.
- 3.3 Review the existing organisational structure of the revenue administration with a view toward introducing modern technology and mobilising competent human resources.
- 3.4 Modernise customs administration, facilitating legitimate trade through adherence to laws and rules and contributing to revenue mobilisation.
- 3.5 Effectively control revenue evasion and promote economic activity free of financial crimes, and
- 3.6 Develop non-tax revenue as an important source of revenue collection by making their rates timely, relevant, cost effective and transparent.

4. Operating Policies

- 4.1 Timely and relevant reforms and revision will be made in tax laws and policies. (1)
- 4.2 Tax laws and procedures will be harmonised with international standards. (1)
- 4.3 Research and revenue projection will be used to maximise revenue mobilisation. (1)
- 4.4 A tax information network will be developed to both develop a risk management system and ensure that tax laws are judiciously implemented. (1)
- 4.5 Tax laws will be enforced in an effective and impartial manner. (1)
- 4.6 Commercial cost-cutting measures will be emphasized in order to promote partnerships with the private sector in revenue mobilisation and encourage voluntary tax-paying. (1)
- 4.7 A legal provision for the mandatory registration of doctors, engineers, advocates, auditors, and other professional who run a business but do not have a permanent account number will be instituted; failure to register will result in their being barred from practicing. (2)
- 4.8 Information about the tax system will be incorporated in the secondary-level school curriculum to increase awareness. (2)
- 4.9 An information, communication and technology network for revenue administration will be developed and expanded. (3)
- 4.10 A full-fledged electronic governance system will be implemented. (3)
- 4.11 The information, communication and technology network will be managed and regularly audited as required by international norms. (3)
- 4.12 Professional and functional relations will be established with national and international institutions. (3)
- 4.13 Access to services will be extended among potential taxpayers by incurring the least administrative cost possible. (3)
- 4.14 Policies and plans for human resource development will be formulated to develop professional expertise in tax administration. (3)
- 4.15 A human resource development system will be developed to increase the knowledge, skill and competence of employees. (3)
- 4.16 A human resource development plan will be devised and implemented to build and maintain the capacity of employees and to retain them in their jobs. (3)
- 4.17 A high-level tax system review commission will be formed to carry out timely reforms in the nation's system. (3)
- 4.18 The organisational structure of the Customs Department will be reviewed periodically in order to transform it into a powerful agency which can address revenue risks, promote social security, and facilitate trade facilitation. (3)
- 4.19 To transform it into a centre of excellence, the Revenue Administration Training

- Centre will be upgraded and a documentation unit will be opened therein. (3)
- 4.20 Nepal will continue to make bilateral double tax-avoidance agreements which directly benefit Nepal and encourage investment inflow. (3)
- 4.21 Revenue Armed Police will be mobilised in high-risk areas in order to curb revenue embezzlement and smuggling. (4)
- 4.22 A speedy assessment-and-clearance import regime will be introduced in order to minimise interference with trade. (4)
- 4.23 The capacity of Customs Department to carry out post-customs clearance audits will be increased. (4)
- 4.24 Promotional, preventive, mitigative, and punitive measures will be adopted to control tax evasion. (5)
- 4.25 Goods which are susceptible to unauthorised import or export and trade distortions will be subject to strict controls. (5)
- 4.26 The installation of tracking devices based on the geographical positioning system in transport and cargo carriers will be made compulsory. (5)
- 4.27 Emphasis will be placed on a scientific investigative process in order to expedite investigations into revenue evasion, foreign exchange embezzlement, money laundering and to curb such illegal practices. (5)
- 4.28 A five-year strategy to gradually enforce international commitments made to counter money-laundering will be executed, (5) and
- 4.29 A study will be carried out to identify non-tax sources of revenue, to review existing tax rates in various sectors, and to simplify and manage the process of collecting non-tax revenue. (6)

5. Expected Outcomes

By the end of the TP period, revenue collection will amount to 21.1 percent of the GDP, the proportion of taxpayers who have not filed tax returns and income details will decrease by 25 percent, an electronic tax system will have been developed, and the costs of both participating in and administering the tax participation system will have been reduced.

2.2.2 Public Expenditure

1. Background

Public expenditure must be rational, transparent, reliable, accountable and predictable. During the TYP period, total expenditure constituted 21.76 percent of the GDP in the base year of the FY 2009/10 and was predicted to grow to 23.8 percent in the final year, the FY 2012/13. During the same period, total public expenditure increased from 25.8 to 28.3 percent of the GDP. Capital expenditure, in contrast, shrank during the TYP period due to delays in the budget for and programmes of the FYs 2010/11 and 2012/13.

2. Objectives

- 2.1 To properly use government resources by prioritising the enhancement of governance capacity, and
- 2.2 To make public expenditure projections reliable.

3. Strategies

- 3.1 Make the budget appropriation process more efficient.
- 3.2 Attain operational efficiency by making the public expenditure regime reliable, transparent and result-oriented.
- 3.3 Implement projects of national pride and prepare criteria for their selection, and
- 3.4 Make the monitoring and evaluation regime effective by linking it to results.

4. Operating Policies

- 4.1 A Financial Accountability Account will be established and put into effect. (1)
- 4.2 Non-budgetary releases will be discouraged. (1)
- 4.3 Provisions will be made to compel the timely release of the appropriated portions of the budget. (1)
- 4.4 A National Subsidy Policy will be formulated to ensure that the distribution of subsidies is productive and transparent. (2)
- 4.5 Public expenditure will be integrated in a single accounting system; funds will be well managed and accounting reports released periodically. (2)
- 4.6 A contributory pension system will be enforced. (2)
- 4.7 Criteria for selecting projects of national pride will be prepared. (3)
- 4.8 The existing budget-release mechanism will be simplified, (4) and
- 4.9 Emphasis will be placed on creating a result-oriented monitoring and budget system. (4)

5. Expected Outcomes

By the end of the TP period, the financial arrears will have been reduced, budgets will have been released on time, the percentage of capital expenditure will have increased, and productive and cost-effective projects will have been implemented.

2.2.3 Public Debt

1. Background

Although the annual growth rate of revenue collection for the past few years is encouraging, the government was unable to spend the amount allocated for capital expenditure because the mobilisation of public debt declined. That said, public debt is still the state's major instrument for financing the deficit.

At the end of the FY 2011/12, the outstanding public debt was Rs. 474.667 billion, 32 percent of the GDP. Outstanding foreign debt comprised nearly 60 percent of the total. Foreign and domestic debt comprised 19 and 13 percent of the GDP respectively. In the FY 2011/12, government expenditure comprised 23 percent of the GDP, but revenue collection was just 15.3 percent of the GDP. Payments of principal and interest have declined as a proportion of the GDP in the past years. In the FY 2011/12, that proportion was 17 percent.

2. Objective

- 2.1 To effectively and appropriately mobilise domestic and foreign debt in a manner that contributes to national development and capital formation, manages the national debt in the present, and decreases it in the long term.

3. Strategies

- 3.1 Confine public debt within certain limits.
- 3.2 Not accept foreign debt on commercial terms except for the development of huge infrastructure or under compelling circumstances and not permit government to act as a guarantor for any foreign debt incurred by any other agency, and
- 3.3 Prioritise the savings amount in the payment of debts by considering the position of the national treasury.

4. Operating Policies

- 4.1 The domestic debt will be confined within limits that enable the state to maintain macroeconomic stability. (1)
- 4.2 A policy of controlling overdrafts and not using them as a means of financing a budget deficit will be pursued. (1)
- 4.3 Treasury bills will be used only for short-term mobilisation of public debt as made necessary by the position of government cash flow. (1)
- 4.4 Commercial credit will not be accepted from international financial institutions except in the case of huge infrastructure projects that would give high returns and contribute to the formation of national capital. (2)
- 4.5 The government will not act as a guarantor for the debts of any agencies barring public enterprises and the government itself, (2) and
- 4.6 Financial discipline will be accorded top priority. (3)

5. Expected Outcomes

Throughout the TP period, the share of internal debt in the GDP will be within the limits determined by the share of the government sector in the total investment of the TP and by the public debt to be mobilised on the basis of government revenue.

2.2.4 Foreign Aid

1. Background

International aid has played a crucial role in the overall development of the nation. Since total government expenditure accounts for nearly 22 percent of the GDP and in any given year only an average of 15 percent can be mobilised through domestic revenue, external aid needs to be mobilised both to cover expenditures and to finance the deficit.

In the first and second years of the TYP period, it was projected that Rs. 135.47 billion in foreign grants and Rs. 51.88 billion in external loan, or a total of Rs. 187.36 billion, would be mobilised. As of mid-July, 2012, however, agreements had been made for Rs. 213 billion foreign aid of which Rs. 121.67 billion was grants and Rs. 91.99 billion, loans. Emphasis was placed on incorporating all kinds of foreign aid into the national budget and on integrating information on foreign aid offered to NGOs into the nation's international aid information system to promote transparency and mobilise aid as provided for in national development policies.

The major problems and challenges besetting the foreign aid sector are lack of absorptive capacity; hurdles in project management, particularly frequent transfer of employees; delays in reimbursement, bidding and contracts; and lack of adequate preparation prior to signing agreements.

2. Objectives

- 2.1 To mobilise foreign aid as effectively as possible to fulfill national development plans and priorities, and
- 2.2 To enhance development effectiveness by optimally utilising the foreign aid provided for self-reliant and sustainable development.

3. Strategies

- 3.1 Place additional emphasis on mobilising foreign aid through the national budget.
- 3.2 Utilise external loans in economic infrastructure development, productive sectors and employment generation in order to gradually reduce the burden of foreign debt, and
- 3.3 Make the mobilisation, management and coordination of foreign aid more effective.

4. Operating Policies

- 4.1 All types of foreign assistance received by Nepal will be linked to the Aid Management Platform established in the Ministry of Finance. (1)
- 4.2 A revised foreign aid policy will be implemented by incorporating action

plans and the commitments of the Busan meeting. Provisions will be made to utilise foreign aid in developing physical infrastructures, especially roads, power, and agriculture, among other sectors, (2) and

- 4.3 The Ministry of Finance will coordinate with stakeholders to make the aid received by international non-government organisations transparent and accountable. (3)

5. Expected Outcomes

A new Foreign Aid Policy will have been formulated and implemented and at least 80 percent of total foreign aid will have been included in the national budget system.

2.3 International Economic Relations

1. Background

Nepal must face the challenges and exploit the opportunities brought by the process of globalization.

Nepal is an active member of international and regional institutions such as the UNO, WTO, UNESCAP, BIMSTEC, SAARC and the Colombo Plan, but it has not been able to reap the expected economic and other benefits from its membership. During the TP period, it will adopt economic diplomacy for economic prosperity.

2. Objective

- 2.1 To contribute to economic development by fortifying international, regional and bilateral relationships.

3. Strategies

- 3.1 Reap the economic and other benefits from relationships with neighbouring countries and memberships in international and regional institutions, and
- 3.2 Consolidate economic diplomacy and thereby contribute to economic development.

4. Operating Policies

- 4.1 Nepal will reinforce traditional relationships with its rapidly developing neighbours and adopt appropriate foreign policies to support its own economic development. (1)
- 4.2 The role of non-resident Nepalis in bolstering Nepal's international economic relations will be made effective. (1)
- 4.3 Policies needed to invite and encourage foreign direct investment, especially in priority sectors, will be formulated. (1)
- 4.4 Foreign policy and economic diplomacy will be employed as the chief means for

activating and reinforcing bilateral, regional and multilateral relations with nations and institutions in matters of interest to Nepal. (2).

- 4.5 The roles of the Ministry of Foreign Affairs and Nepali diplomatic missions abroad will be made more effective. Economic diplomacy will be used to promote trade, investment, transfer of technology, financial aid, tourism, human resource development, foreign employment, and other matters, (2) and
- 4.6 The capacity of the Ministry of Foreign Affairs and Nepali diplomatic missions abroad will be bolstered by creating additional staff positions and making resources available for the effective implementation of economic diplomacy. (2)

5. Expected Outcomes

The practice of economic diplomacy through the capacity-building of Nepali diplomatic missions abroad will have been made effective and result-oriented, the investment of non-resident Nepalis in Nepal will have been increased, and the country will have reaped the benefits associated with the opportunities created by rapid economic development of its neighbours.

2.4 Foreign Direct Investment

1. Background

Nepal is a country blessed with abundant water resources, touristic opportunities, bio-diversity, and cultural heritage but it needs foreign investment to develop and expand the infrastructure sector, introduce modern technology, cultivate managerial and technical skills, increase the presence of Nepali goods and services in international markets through industrial development, reduce the trade deficit, attain a high economic growth rate and reduce poverty by creating employment opportunities. Since the inception of the Nepal Business Forum, the resultant ongoing dialogue between the public and private sectors has fostered easy exchange of information and knowhow between policymakers and the business community. Now that the Investment Board has been established, handling transaction costs and processes have become smooth and simple for large investors. Nepal has signed agreements with other countries to protect bilateral investments and avoid double taxation.

2. Objectives

- 2.1 To narrow the widening gap between the need to invest and limited domestic savings by promoting foreign capital investment.
- 2.2 To introduce modern technology, management knowhow and technical skills along with foreign capital in order to develop physical infrastructure and increase the competitive ability of the nation through an increase in productivity,

and

- 2.3 To link foreign investment with local resources, including skills and materials, and thereby effectuate balanced national and regional development.

3. Strategies

- 3.1 Create an investment-friendly environment that will attract foreign investment.
- 3.2 Ensure good labour relations.
- 3.3 Attract foreign investment by imparting special facilities to export-oriented industries.
- 3.4 Utilise economic diplomacy to attract foreign investment in priority areas, and
- 3.5 Make transparent all businesses operating under foreign investment.

4. Operating Policies

- 4.1 Investments in huge projects will be fast-tracked through the Investment Board. (1)
- 4.2 The provision allowing non-resident Nepalis to run industries or businesses in Nepal on an equal footing with Nepali citizens will be strengthened. (1)
- 4.3 Legal provisions will be put on place to permit the transfer of technology even to those industrial enterprises in which foreign capital investment is not allowed. (1)
- 4.4 The share, extent and process of foreign investment in service industries will be determined and implemented according to Nepal's commitments as a member of the WTO. (1)
- 4.5 The tripartite labour relationship among the government, industries and workers will be made effective and problems between industries and labourers will be sorted out gradually. (2)
- 4.6 Legal provisions forbidding strikes and shut-downs in special economic and export promotion zones will be enacted. (2)
- 4.7 Labour laws will be made flexible and the number of labour courts will be increased so that disputes can be settled promptly. (2)
- 4.8 Emphasis will be placed on the development and expansion of special economic and export-promotion zones and will be provided with infrastructure, services and facilities meant for export-oriented industries. (3)
- 4.9 Nepali diplomatic missions abroad will be mobilised to carry out economic diplomacy and Nepal will highlight the issues of foreign investment and technology in various international forums. (4)
- 4.10 For nations with considerable investments in Nepal, Nepal will prioritise bilateral agreements regarding investment protection and avoidance of double taxation. (4)
- 4.11 Institutional indirect investment will also be included within the purview of foreign capital investment, (5) and
- 4.12 Secondary markets will be opened gradually for institutional investors. (5)

5. Expected Outcomes

The TP period will see an increase in production, the generation of employment, the replacement of imports and an increment in exports, and additional foreign investment.

2.5 Monetary Policy

2.5.1 Money and Banking

1. Background

Despite efforts to use monetary policy to control it, inflation could not be contained at the desired level due to non-monetary factors. Because of growing imports and stagnating exports and over-dependence on remittances, external sector stability cannot be maintained through monetary policy interventions alone. In the TYP, several objectives, such as maintaining price and external sector stability via monetary policy, managing the requisite liquidity to contribute to economic growth, widening the access of financial services across the nation by strengthening the financial sector and inducing stability, and consolidating the payment system were endorsed. A detailed monetary survey of development banks and finance companies as well as the Nepal Rastra Bank and commercial banks is being carried out in order to widen the scope of monetary statistics and make the measurement of the liquidity of financial sector more realistic. As a means for reducing the gap between the interest rates of deposits and lending and to make the determination of lending rates of commercial banks transparent, a base interest rate will be implemented from the third year of the TP.

From the target of 18.3 percent set for the annual average growth rate of broad money supply in the TYP, it is predicted that the average growth of cash flow will rise by 16.0 percent during the TP period. During the TYP period, it was predicted that the total domestic debt and total credit to the private sector would rise by an annual average of 20.0 and 23.3 percent respectively, but for the TP period those rates have dropped to just 12.1 and 13.4 percent respectively. The low growth rate of gross internal debt can be attributed to reasons such as the prolonged political transition; the absence of an investment-friendly environment; the inability of banks and financial institutions to shift their focus to tourism, hydropower, knowledge and other new sectors from the traditional sectors of loan investment; and laxity in government capital expenditure, which decreased the pressure of claims by the banking sector on the government.

In the external sector, after reporting a loss in the balance of payments in the base year of the TYP, the first, second and third years recorded surpluses of Rs. 2.18 billion, Rs. 127.7 billion and Rs. 30.0 billion respectively. Consequently, the foreign exchange reserves in mid-July 2013 stood at Rs. 478.45 billion, enough to cover the

import of goods and services for at least 8.7 months.

As was the case in previous plans, in the TYP, too, open market operations were used as an effective instrument of monetary policy and continuity was given to the policy of using the primary and secondary transaction of government bonds in order to attain monetary objectives. The bank rate was 6.5 percent at the commencement of the TYP, but was increased to 7.0 percent in the second year to address excessive liquidity in the banking sector and then to 8.0 in the third year in order to increase its effectiveness. From the inception of the TYP, the statutory liquidity ratio, a tool of monetary policy, was fixed at 15 percent for the commercial banks, 11 percent for development banks and 10 percent for financial institutions. The mandatory cash reserve ratio to be kept by banks and financial institutions in the Nepal Rastra Bank was lowered from the initial rate of 5.5 percent to 5 percent in the second year. From the beginning of the third year, however, a change was made: while the rate for financial institutions continued at 5 percent, those for development and commercial banks increased to 5.5 and 6.0 percent respectively.

Also in the third year, in order to increase credit flow in prescribed areas, the scope of re-lending offered to the banks and financial institutions (BFIs) with a good debt rating was increased to a maximum of six months and the re-lending rate was lowered to a uniform 6 percent from 6.5 percent for the agricultural and hydropower sectors and 7 percent for other prescribed productive sectors. The special re-lending rate meant for sick industries, cottage and small industries, export-oriented businesses and foreign employment was fixed at 1.5 percent.

The above policy shifts resulted in an increase in credit flows from Banks and Financial Institutions (BFIs) from Rs. 742.9 billion in the base year to 15.1 and 13.2 percent and reached Rs. 854.8 billion and Rs. 967.6 billion in the FYs 2010/11 and 2011/12 respectively. In the third year, credit swelled another 12.7 percent to reach Rs. 1090.9 billion in mid-July, 2013. Savings mobilisation also increased, from Rs. 729.1 billion in the base year to Rs. 823.2 billion and Rs. 1011.8 billion in the first and second years, which represent increases of 12.9 and 22.9 percent respectively. Savings were estimated to have reached Rs. 1143.5 billion in mid-July 2013, an additional increase of 13 percent. The ratio of bad debt in the base year was 2.9 percent; it improved over the following two years, dropping to 2.6 percent in mid-July 2012.

During the TYP period, significant efforts were made to maintain good governance and stability by effectively regulating and supervising banks and financial institutions. Standard reforms were effectuated in their balance sheets and various regulative measures such as on-site and indirect supervision and inspection, early warning systems, rapid reformative action, risk-based supervision, pressure auditing, contingency planning, and inquisitorial analysis were put into place. Moreover, macro-rational regulation was modified as required and implemented

rigorously and the provisions of BASEL-II regarding the sufficiency of capital funds in commercial banks were continuously adopted.

To improve financial competitiveness, the base of the capital of BFIs was expanded and a policy encouraging mergers adopted. As a result, in the first two years of the TYP, a total of 22 BFIs had merged into just 10 entities.

2. Objectives

- 2.1 To ensure the stability of prices, the balance of payments and the financial sector through balanced monetary, foreign exchange and fiscal policies.
- 2.2 To create a favourable environment for increasing access to banking services and for directing the flow of available financial means in a manner which contributes to the expansion of economic activities, and
- 2.3 To develop a safe and effective payment module in order to enhance public trust in the financial system.

3. Strategies

- 3.1 Make monetary policy effective; attain stability in prices, a balance-of-payments surplus and the financial sector; and maintain macro-economic stability.
- 3.2 Conduct studies on the latest monetary theories and their applications in order to further strengthen the effectiveness of monetary policy and to review the achievement of internal goals through the implementation of that policy.
- 3.3 Encourage financial institutions at the local level by developing the necessary infrastructure, and
- 3.4 Make the regulation, inspection and monitoring of banks and financial institutions effective and make the financial sector healthy and competitive.

4. Operating Policies

- 4.1 A Financial Sector Master Plan will be drafted to promote the stability and sustainable development of the financial sector. (1)
- 4.2 Open-market operations will be the principal instrument of monetary policy. (2)
- 4.3 Necessary amendments will be made in laws and rules to fulfill Nepal's international commitments and make the financial sector more dynamic. (2)
- 4.4 The Productive Re-lending Programme will be effectively advanced for the sustainable economic development of nation. (2)
- 4.5 Necessary revisions will be made in existing policy provisions and they will be rigorously enforced in order to increase access to financial services in rural areas. (3)
- 4.6 Through policy provisions pertaining to licensing, the government will

continue to expand financial access and inclusiveness, particularly in remote and backward regions. (4)

- 4.7 The amount of credit provided to disadvantaged groups will be increased in a timely manner. (4)
- 4.8 The limited on the amount of a single loan will be gradually increased in productive sectors and areas of national priority. (4)
- 4.9 Banks and financial institutions will be rated and their exact financial situations publicised. (4)
- 4.10 The policy of encouraging mergers among BFIs will be implemented with further effectiveness. (4)
- 4.11 An institutional arrangement will be made for the monitoring and supervision of micro-credit organisations. (4)
- 4.12 In order to make micro-credit organisations strong, active and effective, micro credit programmes will be integrated with other programs, such as literacy, agriculture and livestock expansion, poverty alleviation, environment conservation and skill development. (4)
- 4.13 Microfinance institutions will be expanded to all 75 districts. (4)
- 4.14 Laws and rules will be put in place to rein in illicit activities and to bring businesses such as networking and *dhukuti*, the practice of extending informal cooperative loans, into the legal ambit, (4) and
- 4.15 Regulations to manage the derivatives market and other money and financial market systems will be adopted. (4)

5. Expected Outcomes

The inflation rate will have been limited to an annual average of 7 percent, the annual average growth rate of the broad money supply will be 14.5 percent, credit to private sector will have increased by an average of 17.5 percent, the total internal loan will have been raised by an annual average of 16 percent, and the foreign exchange reserves will be able to cover the import of goods and services for at least six months.

2.5.2 Credit

1. Background

During the TYP period, to increase credit in productive sectors such as agriculture, banks and financial institutions were required to increase investment in the agricultural sector to 20 percent of their total credit investment by the forthcoming decade. With a view to extending credit in prescribed areas, including agriculture, the scope for re-lending offered to banks and financial institutions with a good debt rating was extended to a maximum of six months and in the third year the re-lending rate was lowered to a uniform 6 percent from 6.5 percent for the agricultural and hydropower sectors and 7 percent for other prescribed productive sectors.

Women entrepreneurs and returnees from foreign employment are seen as key beneficiaries of this provision.

In order to create employment and income-generation opportunities for both landless and land-owning rural residents, the re-lending facility was extended to animal husbandry and fisheries, thereby promoting the dairy and meat trades.

The special re-lending rate for sick industries, cottage and small industries, export-oriented businesses and foreign employment was fixed at 1.5 percent and procedures to get such a loan were simplified.

In order to create employment and income-generation opportunities by increasing access to credit among disadvantaged populations, a new monetary policy was adopted in the second year of the TYP, stating that commercial and development BFIs would have to invest credit ratios of 3.5, 3.0 and 2.5 percent respectively for disadvantaged populations and to increase those ratios by 0.5 percent each year for the next 10 years. The TYP period saw a rigorous enforcement of a provision stating that microfinance companies cannot use borrowed money meant to be loaned to disadvantaged populations to earn interest from banks and financial institutions. The credit offered to microfinance companies by BFIs at certain prescribed limits in the following sectors is considered to be credit for the disadvantaged: technical and vocational education up to the higher-secondary level, microenterprises run by women, micro hydropower projects with a capacity under 500 KW and an investment of at least 50 percent by a community users' group or the private sector, irrigation systems built by users' groups or cooperative bodies in rural areas, purchase of designated agro-tools in rural areas, community hospitals functioning in rural areas which meet the prescribed criteria, cold stores established by farmers to protect food grains, and others. These provisions will be continued during the TP period as well.

The credit ceiling offered by BFIs to a group of borrowers on their collective guarantee in the interest of running a micro-business was increased to Rs. 100,000 per group member, or, if security was deemed acceptable, up to Rs. 300,000 may be lent. 'D' class financial institutions were allowed to lend this type of micro-credit by accepting security up to one-third of the total credit.

The TYP period gave special priority to establishing 'D' class financial institutions in places with little access to financial services and adopted a policy encouraging all BFIs to offer mobile and branchless banking and other banking services with modern technology with low operational costs in order to increase access in rural areas. It is now a government policy that a BFI is entitled to open a branch in Kathmandu Valley if it has one branch in a prescribed district where commercial banks and national level development banks are scantily present and one branch elsewhere. Another policy provision allows 'D' class financial institutions established in nine prescribed districts with low access to financial services as their catchment areas to collect deposits up to five times the amount of their primary capital.

Various programmes relating to financial literacy and public awareness were also implemented.

2. Objective

2.1 To increase access to financial services in rural areas, focusing on inclusiveness.

3. Strategies

3.1 Continue the disadvantaged population's credit programme in remote and backward areas with necessary modifications.

3.2 Increase the scope of the transactions of microfinance institutions in a planned manner, and

3.3 Involve cooperatives and non-government organizations in the business of agriculture, rural credit and microfinance in a more intensive manner.

4. Operating Policies

4.1 The scope of the disadvantaged populations credit programme will be widened and its ratio will be reviewed as required. (1)

4.2 The opening of rural savings and credit cooperative agencies will be incentivised. (1)

4.3 The scope of the mobilisation and use of microfinance will be widened and existing policy provisions will be revised to allow for its use in productive sectors. (2)

4.4 The establishment of bank branches in rural and remote regions will be incentivised. (2)

4.5 A microfinance fund which will coordinate with other funds to increase access to wholesale and retail credit flow at soft interest rates will be established. (2)

4.6 In order to tackle the dearth of financial resources among microfinance provider agencies, the Rural Self-Reliance Fund will be developed as a separate fund for managing the supply of wholesale credit, (3) and

4.7 A microfinance programme targeting youths seeking foreign employment will be established. (3)

5. Expected Outcomes

Credit for and investment in agriculture and other productive sectors will have increased to the desired proportions and in rural areas, employment and income-generation opportunities, standards of living, and access to financial services, especially for women, Dalits and the people from disadvantaged populations, will have increased.

2.6 Insurance

1. Background

Because of globalisation and economic liberalisation, an insurance sector has begun to evolve. However, it was unable to develop to the desired level because of the civil conflict and ongoing political transition and instability. The insurance business gained momentum during the TYP period and several indicators are encouraging there are more insurers (life and non-life insurance companies), more insured (recipients of insurance services), more insurance agents, more surveyors, and more insurance premiums, and the sector has increased its investments, its contributions to the national economy, and creation of direct and indirect employment opportunities. The role of the Nepal Insurance Board in regional and international insurance organisations has increased, but this organisation will need to improve its standards in order to increase access to insurance in remote rural areas and among low-income groups and also adhere to international norms.

2. Objectives

- 2.1 To raise the standard of insurance service to meet national requirements and uphold international norms.
- 2.2 To provide access to insurance services in remote rural areas and among all groups of people, particularly low-income groups, and
- 2.3 To increase the credibility of the insurance business by setting up the bases needed to protect the interests of the insured.

3. Strategies

- 3.1 Develop insurance services suitable for all sections of society, particularly those living in remote rural areas and low-income groups.
- 3.2 Develop credible mechanisms to protect the interests of the insured, and
- 3.3 Extended the scope of insurance to productive areas such as agriculture and livestock development.

4. Operating Policies

- 4.1 Appropriate micro-insurance services will be introduced to meet the identified needs of remote rural areas and low-income groups. (1)
- 4.2 After assessing the Nepali insurance sector using international norms and developing a detailed action plan based on this assessment, mechanisms for upgrading insurance provisions will be introduced. (2)
- 4.3 The existing services in the insurance sector will be revised and new sectors will be identified and proliferated. (2)
- 4.4 The agro-insurance policy will be expanded and drugs to treat common agro-diseases will be made easily available. (2)
- 4.5 An effective alternative mechanism will be introduced to simplify the existing

- process of making insurance claims. (3)
- 4.6 A formidable, transparent and credible re-insurance regime will be developed. (3)
 - 4.7 A system for ensuring the interests of the insured, staff, mediators and investors will be put in place even in instances of the merger, transfer of ownership or liquidation of insurers. (3)
 - 4.8 Solvency margins and other matters will be regulated by procedures that uphold the financial and professional capacities of insurers, (3) and
 - 4.9 The government will also make some contribution toward the payment of premiums for health, crop, livestock and micro-credit insurance. (3)

5. Expected Outcomes

The standard of insurance services will have been improved to meet international norms and national requirements; access to insurance, including micro-insurance, will have been penetrated even remote rural areas and service rendered to all populations, including low-income groups; and the insurance industry will have generated employment opportunities for approximately 110,000 staff, insurance agents and surveyors.

2.7 Capital Market

1. Background

Encouragingly, the TYP witnessed the establishment of infrastructure necessary for a securities market, including a central depository system (CDS) for securities, a collective investment fund (CIF), and a credit-rating company as well as the development of relevant regulatory provisions.

Rules for the Central Depository System for Securities (2010), Rules for a Collective Investment Fund (2010), and Credit-Rating Rules (2011) were enacted and are being enforced. The four CIFs registered have already framed plans funds. Iera Nepal Ltd. obtained permission from the Nepal Securities Board (NSB) to provide credit-rating services, and has begun operations. CDS and Clearing Ltd. was incorporated to run CDS services and initiated clearance services too. The TYP period saw the development of an effective regulatory regime for the securities market and the drafting as well as enforcement of a five-year Securities Market Development Plan by NSB for the contemporary development and stabilisation of that market. The number of security brokers increased to 50, thereby increasing competition and ensuring that investors can easily avail good-quality services.

2. Objective

- 2.1 To increase access to and trust in capital markets among investors through investment diversification.

3. Strategies

- 3.1 Increase the awareness of investors about capital markets and encourage investment in securities.
- 3.2 Increase the entry of institutional investors and the non-financial sector in capital markets and increase capital mobilisation.
- 3.3 Increase the credibility of capital market by enhancing the capacity of market traders and enforcing effective regulations, and
- 3.4 Extend secondary securities market services nationwide.

4. Operating Policies

- 4.1 Training programmes for raising awareness and encouraging investment in securities will be conducted in various parts of the country. (1)
- 4.2 The participation of the private sector will be encouraged so that the trading system in the securities exchange market is fully automated and an online trading system is put in place. (1)
- 4.3 Provisions will be made to allow non-resident Nepalis to invest in securities. (1)
- 4.4 Measures to establish a training institution for imparting investment education about capital markets will be taken. (1)
- 4.5 In order to increase the entry of general public and institutional investors in collective investment schemes, the implementation of the plans of CIFs will be encouraged and awareness raised. (2)
- 4.6 Laws will be framed and infrastructure set up in order to regulate the commodities market. (3)
- 4.7 In order to increase the credibility of credit-rating services, agencies concerned will be regulated effectively. (3)
- 4.8 The functions of CDS will be made more efficient in order to make the tasks of making securities transparent and clearing and transferring tasks effective. (3)
- 4.9 The scope of action of security traders will be expanded and their regulation will be made efficient, (4) and
- 4.10 Capital markets will be decentralised and made accessible to the general public. (4)

5. Expected Outcomes

By the end of the TP period, the securities market will have provided fully automated service, online transactions will have run in various parts of the country, the market will have been expanded, the credit-rating service will have been fully activated, the credibility of securities market will have increased, capital mobilisation in the securities market will have increased following the expansion of collective investment schemes, investors will have received competent investment services, the level of good governance and information flow in the enlisted companies will have been improved, securities will have been transferred in an intangible manner, and the trade regime will have been simple and credible.

2.8 Public Enterprises

1. Background

Except for those enterprises which the government has to run for public service delivery and market regulation, public investment has to be reduced in areas in which the private sector demonstrates professional competence and the financial resources thus saved transferred to sectors where inclusive economic growth can be achieved. A Public Enterprises Direction Board was constituted to oversee policy formulation and the restructuring, monitoring and evaluation of public sector enterprises to enhance their competitiveness and professional abilities and to run them in a coordinated manner. Since the Board has already begun its tasks, public enterprises are expected to function responsibly and competently following a commercial plan and under an efficient management system.

At the end of the FY 2010/11, the total fixed assets of 37 public enterprises running under full government ownership were worth Rs. 118.2765 billion and the total shareholder funds in those enterprises had reached Rs. 100.993 billion. According to statistics from the Office of the Comptroller General, the total share and loan investments of the Government in these enterprises at the end of the FY 2010/11 were Rs. 92.1916 billion and Rs. 95.1692 billion respectively.

In the FY 2010/11, a total of 21 out of the 37 public enterprises ran at a net profit; the other 14 were in a state of net loss and the Nepal Engineering Consultancy Service Centre Ltd. and Hydropower Investment and Development Company Ltd. had yet to enter into business. The net profit of the enterprises fell from Rs. 10.5586 billion in the FY 2009/10 to Rs. 6.0065 billion in the FY 2010/11. In the FY 2010/11, Nepal Telecommunication Company Ltd. (NTC) earned an impressive net profit of Rs. 12.12 billion, but that was offset by the substantial losses incurred by the Nepal Electricity Authority (NEA) and Nepal Oil Corporation (NOC), amounting to Rs 6.09 billion and Rs 5.11 billion respectively. The Government earned dividends of Rs. 5.4972 billion from the 37 public enterprises in the FY 2010/11. Of that amount, the NTC alone accounted for Rs. 5.4896 billion. Out of the total revenue of Rs 199.82 billion collected by the Government in the FY 2010/11, the contribution of dividends from public enterprises amounted to 2.75 percent. The contribution to the GDP of the net operational incomes of the 37 public enterprises in the same FY was 11.09 percent.

The persistent problems prevalent in this sector include the absence of uniform criteria for all public enterprises because they fall under different ministries, weak manpower management, the lack of a long-term commercial plan, and mounting liabilities due to limited financial competence.

The challenges for this sector include increasing performance efficiency by harmonising operational processes with objectives, drafting and successfully

implementing a long-term commercial plan, lessening the fiscal and managerial load the enterprises exert on the government, formulating and successfully enforcing a clear national policy to reduce the role of the government and increasing that of the private sector in the commercial activities and operations of public enterprises.

2. Objectives

- 2.1 To meet the goals of service delivery by developing public enterprises in a coordinated and systematic manner, and
- 2.2 To run public enterprises only in those sectors for which the state itself must assume responsibility and in which the private sector is not competent.

3. Strategies

- 3.1 Government spending will be concentrated only on important public enterprises in sectors the state is compelled to assume responsibility and will be directed at increasing their professionalism and management efficiency.
- 3.2 All public enterprises will be run as stipulated in the PEDB (Formation and Operation) Order, 2011 and uniformity will be maintained in the facilities and perks offered by the enterprises to their employees.
- 3.3 The management will be accountable for the financial transactions of public enterprises and a strategy to maintain financial discipline therein will be adopted, and
- 3.4 The government will gradually divest from commercial and professional enterprises which are run in sectors in which the private sector is competent and for which the government is not required to assume responsibility.

4. Operating Policies

- 4.1 The appointment of employees to public enterprises and development boards (PEDB), commissions and institutions will be made only upon the recommendation of the Public Service Commission. (1)
- 4.2 No public enterprise will be able to incur any liability without naming the source of its funding. (1)
- 4.3 In order to assist in raising the competence and professionalism of public enterprises, the appointments of their executive heads and directors will be made exclusively by the PEDB on the basis of merit and professional competence through open competition. (2)
- 4.4 General Managers and executive heads of the public enterprises will be appointed only at the recommendation of the PEDB's Executive Head Appointment Recommendation Committee and on the basis of a job performance contract. (2)
- 4.5 The management will be held accountable for the financial liabilities of any given public enterprise, there will be uniformity in the facilities and

perks offered to employees, and financial discipline will be maintained by conducting audits within the stipulated periods. (3)

- 4.6 In order to make the public enterprises self-reliant, money will be provided on the basis of job performance. (3)
- 4.7 Bonuses and other perks will be provided on the basis of profits and job performance and in a manner that strengthens the operation of the public enterprise in question, (4) and
- 4.8 After studying the current scenario and impact of disinvestment on privatized enterprises, effective procedures for disinvestment will be formulated and the disinvestment process will begin in those enterprises deemed unfit for state management. (4)

5. Expected Outcomes

By the end of the TP period, political interference in the appointment of top brass to enterprises will have ceased; recruitment will have been made on the basis of merit, ability and competence through open competition; the productivity of public enterprises will have been enhanced and their fiscal liability reduced; government liability for enterprises will have decreased, and disinvestment from and the privatisation of public enterprises identified as not needing to be run by the government will have been underway.

2.9 Price Policy

1. Background

Prices are influenced primarily by demand, supply and costs as well as by factors such as changes in the prices of the means of production, the availability of raw materials, the government's fiscal policy, price rises in foreign countries, the status of competitive markets, natural calamities and so on. Moreover, as changes in monetary variables influence aggregate demand, the price scenario is altered. Prices in Nepal are more heavily affected by supply-side and structural factors, especially ups and downs in the international price of petroleum products and prices in India, than by demand-side factors, making it difficult to use monetary policy to maintain price stability.

The TYP aimed to limit the annual average inflation rate to 7 percent, but that rate was 9.6 in the first year, 8.3 percent in the second, and will be around 9 percent in the third. In the second year, the considerable rise in the production of major food crops resulted in a decline in prices and an improvement in the overall price level. However, due to the increase in the prices of petroleum products and the depreciation of the Nepali rupee against the US dollar, the prices of non-food goods and services were high. Other stresses on the overall price level were the increase in wages and salaries, the creation of cartels, price fixing, and disturbances in distribution systems. As a result, while single-digit inflation prevailed in the first two years, in the

third, it reached double digit figures.

2. Objective

- 2.1 To improve the purchasing power of the general public by controlling price increases and to enhance the competitiveness of goods and services exported from Nepal.

3. Strategies

- 3.1 Confine demand-induced inflation within desired limits through the formulation and enforcement of appropriate monetary and fiscal policies, and
- 3.2 Maintain price stability through measures such as the use of bank credit in the productive sector, availability of capital, development of competitive market mechanisms, market monitoring and supply management.

4. Operating Policies

- 4.1 Monetary expansion will be confined within desired limits. (1)
- 4.2 Monetary policy will be revised from time to time to take into account the prevailing market prices and liquidity situation. (1)
- 4.3 Impacts on prices will be taken into account while framing fiscal and foreign exchange policies. (1)
- 4.4 The price index will be revised and the price scenario will be monitored regularly. (1)
- 4.5 Inflation will be controlled by reforms in supply management, checking unwarranted activities through market regulation and monitoring, and maintaining balance in and coordination between fiscal and monetary policies. (2)
- 4.6 In order to confine inflation within desired limits, the influence of middlemen, especially in agriculture, will be ended; instead, a direct relationship between producers and consumers will be established through cooperative and direct markets and competitiveness sustained. (2)
- 4.7 Provisions will be made to clearly demarcate wholesale and retail shops in the market. (2)
- 4.8 The formation of market cartels and transport syndicates and the practice of hoarding will be discouraged through regulation. (2)
- 4.9 The market information system will be strengthened and publicised widely. Market information centres will be established in various places to provide information on the prices of agro-products and other commodities. (2)
- 4.10 Consumer awareness programmes will be launched. (2)
- 4.11 The prices of petroleum products will be adjusted to reflect international market prices. (2)
- 4.12 The capacity to store essential commodities will be enhanced and their supply managed. (2)
- 4.13 The public distribution system will be strengthened, (2) and

4.14 Wage rates will be harmonised with productivity. (2)

5. Expected Outcome

The annual average inflation will have been limited to below 7 percent.

2.10 Foreign Exchange and Balance of Payments

1. Background

Though the rate of growth in the export of goods is satisfactory, its base is low. In contrast, the import base is high and its growth rate staggering. In consequence, the trade deficit is on the rise. Because it has not identified, developed, or promoted new exportable products, Nepal has not been able to benefit from international trade as expected. On the one hand, the export of traditional goods is on the wane, while, on the other, the import of commodities such as petroleum products, gold and luxury items, is growing by leaps and bounds. The balance-of-payments deficit with India is also mounting. To manage the resultant demand for Indian currency, the country increasingly has had to sell US dollars in the international market and purchase Indian currency from the proceeds. Though a policy of expanding imports through trade liberalisation has been adopted, it has not yet had the desired returns. It is becoming more and more challenging to make the balance of payments situation of the country sustainable because of its heavy dependence on imports and remittance.

The first and second years of the TYP saw balance-of-payments surpluses of Rs. 218 billion and Rs. 127.70 billion respectively. In the first five months of the current FY, 2012/13, the balance-of-payments surplus was Rs. 160 billion and is expected to reach Rs. 30 billion by the end of the year. The TYP aimed to keep the balance-of-payments surplus to within 1 percent of the GDP, but while it was 0.2 percent in the first year, it reached 8.2 in the second. Because remittance inflows increased only modestly and net service income fell, the current account was at a loss of Rs. 12.94 billion in the first year of the TYP. In the second year, however, remittance and net service income increased considerably and the current account was at a surplus of Rs. 75.98 billion. As remittance has been satisfactory during the first five months of the FY 2012/13, the current account is at a profit of Rs. 1.64 billion. The current account loss was 0.9 percent in the first year of the TYP and 4.9 percent in the second. The growth rate of remittance, which is the primary source of foreign income, were 9.4 and 41.8 percent in the FYs 2010/11 and 2011/12 respectively, with total inflows of Rs. 253.55 billion and Rs. 359.55 billion in those years. In the first five months of the current FY, remittance had increased 22.7 percent and stood at Rs. 163.49 billion.

As compared to mid-July 2011, when the Nepali rupee had appreciated 4.9 percent from mid-July 2010, the currency depreciated by 19.9 percent against the US dollar by mid-July 2012. In mid-July 2012,

the total foreign exchange reserve had grown by 61.5 percent from mid-July 2011 and totalled Rs. 439.46 billion. In mid-July 2011, this reserve was Rs. 272.15 billion, only 1.2 percent more than it had been in mid-July 2010. By mid-December 2012, the foreign exchange increased nominally, just 1.4 percent, to Rs. 445.59 billion. The share of convertible currency in the foreign reserves was 78 percent in mid-July 2012, a slight decrease from 81.1 percent in mid-July 2011. The shares of non-convertible currency in those years were, by simple subtraction, 18.9 and 22 percent respectively.

In mid-July 2011, the foreign exchange reserve was sufficient to sustain the imports of goods and of services for 8.4 months and 7.3 months respectively. By mid-July 2012, those figures had risen to 11.6 months and 10.3 months respectively. In order to manage Indian currency, the Nepal Rastra Bank has adopted a policy of increasing the number of goods which can be imported by paying US dollars in India and of selling US dollars to purchase the needed amount of Indian currency. In the FY 2010/11, the bank sold USD 2.74 billion to buy IRs. 123.85 billion, and in the FY 2011/12, it sold USD 2.66 billion to buy IRs. 133.72 billion.

2. Objective

2.1 To diversify and promote total exports from the country as a whole as well as individual items, make external costs efficient and return-oriented, make the balance of payments sustainable by increasing remittance and other income, and maintain the foreign exchange reserve at a level that can sustain the import of goods and services for at least six months.

3. Strategies

- 3.1 Enhance exports by diversifying the offerings of the country as a whole as well as of individual items and increasing the production of goods and services with high comparative benefits.
- 3.2 Substitute imports by increasing domestic production and gradually reduce the rising trade deficit.
- 3.3 Increase the management of the inflow of remittances from India and other countries through formal channels.
- 3.4 Encourage the investment of remittances in productive sectors.
- 3.5 Economise the service costs applied to foreign currencies, and
- 3.6 Raise the productivity of tourism and other service sectors in order to increase foreign exchange earnings.

4. Operating Policies

4.1 Domestic and foreign investment in the production of goods and services with competitive advantages will be encouraged, as is stipulated in the National Trade

- Integrated Strategy Paper (2010). (1)
- 4.2 Imports will be substituted by increasing the domestic production of goods and services with high comparative advantages. (1)
 - 4.3 By reviewing the initiatives of neighbours India and China in attracting foreign investment and the practices of institutions such as WTO, BIMSTEC, and SAFTA, the Foreign Investment and Technology Transfer Act and the Foreign Investment and One-Window Policy will be revised. (1)
 - 4.4 Export-substituting industries will be incentivised. (2)
 - 4.5 Keeping in mind the rising demand for Indian currency, imports from India through banking channels will be encouraged and the export of goods in high demand in India will be promoted once they have been identified. (2)
 - 4.6 The use of institutional rather than informal routes for sending remittances from the neighbouring India and other countries will be encouraged. (3)
 - 4.7 Policies, rules and programmes motivating the investment of remittance income in productive areas will be devised. (4)
 - 4.8 Non-resident Nepalis will be encouraged to invest even more in Nepal. (4)
 - 4.9 Economy will be practiced in expending foreign currency in areas such as education, tourism and insurance. (5)
 - 4.10 Money being siphoned off to purchase education and healthcare services abroad will be retained by providing good-quality education and healthcare services within the country itself and promoting their usage. (5)
 - 4.11 Efforts will be undertaken to ensure that the current account maintains a surplus. (5)
 - 4.12 The exchange rate with India will be revisited, (6) and
 - 4.13 The tourism industry will be made more competent and developed as a reliable source of foreign exchange earnings. (6)

5. Expected Outcomes

The foreign exchange reserve will have been maintained at a level capable of ensuring that at least six months of goods and services could be imported and there will have been a balance-of-payments surplus of at least 1 percent of the GDP.

2.11 Private Sector

1. Background

After Nepal became a member of the WTO in 2004, the private sector failed to grow strong enough to compete in the international market by increasing local production of top-quality products. As a result, the foreign trade deficit continues to swell and Nepal is experiencing huge losses. The biggest challenges in the private sector are overcoming the practice of seeking political patronage and increasing professionalism. The economic growth achieved by both India and China and their growing markets should be taken as an opportunity. It is necessary to remove

hindrances to the development of the private sector.

2. Objective

2.1 To increase private sector investment and private-public partnerships in order to promote national economic development and generate employment.

3. Strategies

3.1 Promote private-sector investment by creating an investment-friendly environment.

3.2 Maintain flexible industrial relations.

3.3 Create an environment providing industrial security.

3.4 Gradually increase the involvement of the private sector in the development of physical infrastructure identified as a national priority, and

3.5 Promote corporate social responsibility.

4. Operating Policies

4.1 Supportive fiscal and monetary policies for promoting private sector investment will be enacted. (1)

4.2 The roles and accountability of the private sector in the economy will be made explicit.(1)

4.3 Local-level cooperatives and financial institutions will be efficiently mobilised in order to increase private-sector investment. (1)

4.4 A policy will be devised to promote labour security. (2)

4.5 An industrial security force will be formed and a contributory security system installed in industrial sectors. (3)

4.6 The effective implementation of the Industrial Policy will be emphasised. (4)

4.7 A private-sector regulatory body will be developed. (4)

4.8 A year-round supply of power and other amenities will be provided to those geographical areas identified as being conducive to industrial development. (4)

4.9 Infrastructural capacity will be extended as required in order to encourage investment, (4) and

4.10 The functions of the Investment Board will be advanced effectively. (4)

5. Expected Outcomes

The investment, capacity and liability of the private sector will have been enhanced and its role in economy amplified.

2.12 Cooperative Sector

1. Background

As a result of efforts made to expand the cooperative sector, nearly 26,500

primary-level cooperatives, 66 district cooperative associations, 157 thematic district cooperative associations, 17 thematic central associations, one cooperative bank with 29 branches and the central-level National Cooperative Association have been established to serve more than 4 million members, 42 percent of whom are women. Among managers, 22 percent are women. There are currently 2600 women-only cooperatives. It is estimated that the contribution of cooperatives to the GDP has reached 3 percent and that sector provides direct and indirect employment opportunities to more than 50,000 and 700,000 people respectively. Cooperatives are concentrated in urban areas but have propagated to all districts. The Department of Cooperatives has initiated criteria-based monitoring and regulations for cooperative associations and institutions. The Ministry of Cooperatives and Poverty Alleviation has been formed to oversee the development, expansion and promotion of the cooperatives sector. Efforts to develop this sector are multidimensional and dynamic, as provided for in the National Cooperatives Policy (2012).

Problems existing in this sector are the lack of timely amendments to laws and regulations regarding cooperatives, lack of a supportive policy for encouraging cooperative-run businesses in various economic sectors, inadequate information among the general citizenry about the uses and usefulness of cooperatives, the inability to increase the contributions of cooperatives to productive areas, and poor governance. In addition, the Department of Cooperatives needs institutional strengthening and 37 districts lack cooperative offices and thereby services. There is no effective structure for monitoring cooperatives or clear legal provisions governing cooperatives which deal in the savings-and-credit business. As a result, financial transactions carried out by cooperatives are not always systematic and reliable.

2. Objectives

- 2.1 To develop and expand industries and businesses using the cooperatives model and thus to contribute to the sustainable and equitable economic development of the nation, and
- 2.2 To promote the principles and values of cooperatives and to establish good governance by reforming the methods and processes by which cooperatives are managed.

3. Strategies

- 3.1 Support awareness-raising programmes relating to the institutional development of cooperative agencies and cooperatives.
- 3.2 Activate the cooperatives model in other businesses also based on production and services.
- 3.3 Increase access to businesses run under the cooperative model in order to improve the living standards of women, labourers and poor, marginalized, the differently

- abled, landless and backward populations.
- 3.4 Establish good governance in cooperatives by making monitoring and regulation effective.
 - 3.5 Mobilise local bodies and development partners to support cooperatives, and
 - 3.6 Build appropriate organisational structures, formulate a long-term strategy and enact necessary legal provisions to advance the cooperatives sector.

4. Operating Policies

- 4.1 Formal and informal education pertaining to cooperatives will be promoted. (1)
- 4.2 Training will gradually be made mandatory in order to increase competence in the management of cooperatives. (1)
- 4.3 A cooperatives information system will be made effective by exploiting information technology. (1)
- 4.4 Sectoral policies, laws and structures will be amended to promote the establishment of industries and businesses of all types and levels through cooperatives. (2)
- 4.5 Cooperative-run industries and businesses established with the participation of farmers for agricultural production, storage, processing, marketisation and the supply of agro- equipment will be encouraged. (2)
- 4.6 Women, labourers and poor, marginalized, differently abled, landless and backward populations will have the opportunity to participate in training designed to build the skills and capital they need to establish self-employment- oriented industries and businesses. (3)
- 4.7 Provisions will be made to grant rebates and concessions to rural production and consumer cooperatives in the payment of various charges.(3)
- 4.8 Concessionary credit and grants will be provided from the Cooperatives Development Fund so that all have capital for the development and expansion of cooperative-run industries and businesses. (3)
- 4.9 A Deposit Security Fund will be established with the contributions of members and the security of deposits will be ensured. Stabilisation funds will be arranged by the concerned central associations in order to make the management of financial cooperatives efficient and well regulated. (4)
- 4.10 Unhealthy competition will be reduced through a “one person, one cooperative” policy on the basis of the subject/sector and geographical proximity. The merger of cooperative agencies will be encouraged to take advantage of the benefits of consolidated management. (4)
- 4.11 An effective mechanism for promoting cooperation and coordination among the government, local bodies, and cooperative agencies in carrying out local-level activities promoting cooperatives will be developed. (5)
- 4.12 A long-term strategic plan will be formulated for the development, expansion and promotion of the cooperatives sector. (6)

- 4.13 Market centres for cooperatives will be developed in various parts of the nation to facilitate the marketisation of the agricultural produce of cooperatives. (6)
- 4.14 Assistance will be rendered in the mobilisation of small amounts capital through Small Farmers' Development Bank (SFDB) under the aegis of the agro cooperative institution for providing soft credit to the farmers affiliated to cooperatives. (6)
- 4.15 Acts and rules will be formulated so that cooperatives engaged in the savings-and-credit business operate in an organised and systematic manner. (6)
- 4.16 A cooperatives-friendly tax system will be developed, (6) and
- 4.17 A regulatory body for cooperative institutions will be established and its role clarified. (6)

5. Expected Outcomes

By the end of the TP period, public awareness of the usefulness of cooperatives will have increased, as will have the number of trained individuals in the cooperatives sector. Good governance will have been introduced following reforms in management and effective regulation, direct and self employment in the cooperatives sector will have increased, and the living standards of women, Dalits, the poor and people of disadvantaged communities will have improved.

CHAPTER 3

SECTORAL DEVELOPMENT POLICIES

3.1 Agriculture, Irrigation, Land Reform, and Forest

3.1.1 Agriculture

1. Background

Past efforts in the agricultural sector have had some success. The annual production of cereal crops in the FY 2011/12 was 9,458,000 MT but declined to 8,738,000 MT in the FY 2012/13. Fruit production, on the other hand, increased during the same period, from 886,000 MT to 1,087,000. Annual milk and meat production was 1,681,000 MT and 295,000 thousand MT respectively in the FY 2012/13. The drafting of the Twenty-Year Agricultural Development Strategy is in the final stage.

The main challenges to attaining the Expected Outcome in the agricultural sector are price hikes and the inadequate supply of food and foodstuffs in international markets; the shortage of agricultural labour due to the rise in the emigration of the economically active population, youths in particular; the use of fertile agricultural land for non-agricultural purposes; and the adverse impact of climate change. Other problems include the inadequate supply of agricultural inputs; the insufficiency of rural and physical infrastructure; small, fragmented plots; unscientific land use, the lack of readily available technical knowhow; the lack of markets; the low price of products, limited product diversification; inability to compete; the absence of a market-oriented vision; insufficient knowledge about the safe use of pesticides and veterinary medicines; inadequate adoption of technologies developed from research; and weak tripartite relationships among research, education and extension.

2. Objectives

- 2.1 To increase the production and productivity of crops and livestock products.
- 2.2 To make crops and livestock products competitive and commercial.
- 2.3 To develop and disseminate environment-friendly agro-technologies to minimize the adverse impacts of climate change, and
- 2.4 To conserve, promote and utilise agro-biodiversity.

3. Strategies

- 3.1 Ensure food security by producing crops and livestock products through the commercialisation of agriculture, diversification and quality enhancement of products, development of rural infrastructure, and mechanisation of agricultural processes.

- 3.2 Increase the competitiveness of agricultural and livestock products by reducing the costs of their production.
- 3.3 Set standards for agricultural and livestock products in order to make them competitive in international markets.
- 3.4 Encourage farmers to produce low-volume, high-value commodities in areas with potentialities and foster the development of crop and livestock industries based on value-added processing.
- 3.5 Promote marketing and increase the access of local people to markets by developing efficient mechanisms for running quality tests, processing, monitoring and regulation.
- 3.6 Develop and expand research-based and environment-friendly agro-technologies which reduce the adverse impacts of climate change by protecting, promoting and using agro-biodiversity.
- 3.7 Encourage youths to take up commercial farming by turning farming into an attractive and prestigious profession, and
- 3.8 Foster inter-agency coordination and collaboration among all government, non-government and educational institutions involved in agricultural research in order to promote the results-oriented application of technologies developed by research.

4. Operating Policies

- 4.1 The capacity of farmers, youths, entrepreneurs and specialists to use appropriate technology in fields such as the commercialization of agriculture, quality testing, and monitoring will be enhanced. (1)
- 4.2 High-value, low-volume commodities will be selected for areas with potentialities and increasing their production will be encouraged. (1)
- 4.3 Commercial production will be accelerated by using youth-friendly modern technology. (1)
- 4.4 In order to address the shortage of agricultural labour, a policy on mechanisation will be formulated and implemented. (1)
- 4.5 An enabling and investment-friendly environment complete with knowhow, skill and capital will be created in order to encourage youths and agro-entrepreneurs to develop rural agro-tourism. (1)
- 4.6 The process for providing year-round irrigation facilities will be initiated by using surface and underground irrigation, rainwater harvesting and other appropriate techniques of irrigation. (1)
- 4.7 The infrastructure needed to increase agricultural and livestock production in rural areas, including wholesale markets, agro-roads, electricity, communications, warehouses, cold storage, collection centers, and animal fairs will be introduced. (1)
- 4.8 In food-deficit and food-and-nutrition-insecure areas, the focus will be on the

promotion and use of agricultural and livestock products which can be produced locally by using local resources, including materials, labour, and technology. Awareness programmes designed to promote food-and-nutrition security will be conducted. (1)

- 4.9 While framing programs for agricultural and livestock development, emphasis will be placed on schemes which increase production by fully exploiting the available cultivable land in the spirit of the Land-Use Policy. (1)
- 4.10 The Twenty-Year Agricultural Development Strategy currently in the final stage of drafting will be implemented gradually. (1)
- 4.11 Livestock-promoting campaigns regarding artificial insemination and fodder and forage plantation and the like will be expanded. (2)
- 4.12 The production and certification of good-quality seeds and high-yielding breeds will be prioritised by strengthening the government and private farms centers which produce them. (2)
- 4.13 Agriculture will be made competitive by providing tax rebates, managing the timely supply of agricultural inputs, and by providing agricultural and livestock insurance, concessional agricultural loans, and subsidies for tools and equipment. (2)
- 4.14 In order to reduce the cost of livestock production by minimising the losses associated with communicable animal diseases, the nation will produce and disseminate vaccines during vaccination campaigns. (2)
- 4.15 An Agriculture Market Act will be formulated and implemented. (2)
- 4.16 Credit facilities will be provided to small and marginalised farmers and forest entrepreneurs and traders under simplified, easy-to-grasp conditions. (2)
- 4.17 Emphasis will be placed on functions which promote the common interests of consumers, farmers and concerned intermediaries in order to harmonise between the demand for and supply of agricultural and livestock products by adopting the concept of value-added chain. (2)
- 4.18 On the basis of past experiences, clear quality standards for agricultural and livestock products will be set.(3)
- 4.19 Promotional activities will be designed to publicise exportable crops and commodities identified by the National Trade Integration Strategy (2010). (3)
- 4.20 High-value agricultural products with a comparative advantage will be selected for intensive production and made competitive by securing patent rights to them. (4)
- 4.21 Brand promotion and certification will be used to encourage the organic farming of high-value commodities and crops that have a good international market. (4)
- 4.22 Bio-pesticide technologies will be developed to treat plants and animals using nationally available herbs (4)
- 4.23 Contract and cooperative farming will be promoted with the involvement of private entrepreneurs and the cooperative sector. (4)
- 4.24 Study of and research into food-processing industries will be carried out in

- order to solve technical problems and improve quality. (4)
- 4.25 Fisheries programme will be expanded in the Mid-Hills region and a cooperative-based fisheries programme will be run in the reservoirs, ponds, and wetlands of the Terai. Both will target small, landless and marginalised farmers. (4)
- 4.26 Agro-roads, electricity, communications, warehouses, cold storage, collection centers, wholesale markets, and market networks will be developed and expanded in remote areas. (5)
- 4.27 Access to information about crops and livestock markets will be extended to the local level by developing a network of modern information technology. (5)
- 4.28 All the farmers living in a unified pocket area which has been declared the site for the commercial production of a particular agricultural good or goods will be provided with readily-accessible integrated services. (5)
- 4.29 National- and central-level laboratories for food, animal diseases, seeds, soil-testing and crop-protection will be strengthened. (5)
- 4.30 The quality of the regulations governing agricultural and livestock products and services will be revised and improved on a timely basis in line with international acts, rules, conventions and treaties. (5)
- 4.31 The correct use of pesticides, insecticides, veterinary medicines, antibiotics and chemical hormones will be ensured. (5)
- 4.32 An integrated pest management system will be adopted and the use of chemical pesticides shall be gradually reduced in order to minimise their negative long term impact on human health. (5)
- 4.33 Mitigative and adaptive techniques and practices will be promoted to minimise the adverse impacts of climate change. (6)
- 4.34 Agro-biodiversity will be conserved, promoted and used. (6)
- 4.35 Appropriate technology and infrastructure will be developed to preserve and use indigenous knowledge and genetic and natural resources. (6)
- 4.36 Agro-business will be made dignified and attractive to youths by providing technology, skill and capital to this sector. (7)
- 4.37 Capital grants and soft loans will be provided for running agro-businesses and needs-based entrepreneurship-development and skill-based training will be arranged. (7)
- 4.38 Emphasis will be placed on enhancing the capacity of technicians, farmers and agro-entrepreneurs, and other stakeholders. (7)
- 4.39 A land-leasing bank will be established to promote the use of uncultivated land and fragmented land plots for commercial agriculture. (7)
- 4.40 Needs-based, practical and adoptable study of and research into agriculture related issues will be prioritised. (8)
- 4.41 Research into and production of hybrid seeds within the country will be prioritised. (8)
- 4.42 Agricultural research programmes will focus on maximizing benefits from the opportunities created by the WTO and other regional trade agreements. (8)

- 4.43 Agriculture extension programs at the local level will be operated in a coordinated manner on the basis of the results-based recommendation made by the Agriculture Research Council and its satellites. (8)
- 4.44 Agriculture and livestock extension centers will be established in each VDC under local government bodies and agriculture and livestock technicians deployed to them. (8)
- 4.45 Coordination and cooperation among national and international non-government organisations, universities, and local bodies involved in the programmes related to agricultural and livestock services will be strengthened, (8) and
- 4.46 A Food Sovereignty Act will be enacted and implemented. (8)

5. Expected Outcomes

With an increase in coordinated effort and of the widespread application of agricultural research and provision of extension services, technology and equipment, in the final year of the TP period, per capita annual production will have reached 389 kg of cereal crops, 16.5 kg of pulses, 34 kg of fruits, 123 kg of vegetables, 86.6 kg of potatoes, 2.7 kg of fish, 72.1 L of milk, and 11.8 kg of meat.

3.1.2 Irrigation

1. Background

Out of the total land area of 14,718,100 ha, only 2,641,000 hectares (18 percent) is arable. Because of the difficult geographical terrain and topography, irrigation services may be expanded only up to 1,766,000 ha (67 percent) of that. Currently, irrigation facilities serve only 1,311,000 ha (50 percent) of agricultural land. Of that area, only 36 percent is served year-round irrigation. During the TYP period, irrigation facilities expanded to serve an additional 83,543 ha, 15,616 ha by surface irrigation, 42,680 by groundwater irrigation, 1,188 ha by new technology and 24,059 ha by farmer-managed canals.

The problems which persist in this sector include deficiencies in resources, regular repair and maintenance of infrastructures, management of irrigation charges, and reinforcement of institutional capacity.

2. Objective

- 2.1 To support the development of the agricultural sector through the multipurpose and sustainable development of the irrigation sector by the proper use of the water resources available in the country.

3. Strategies

- 3.1 Prioritise the implementation of small and medium surface and groundwater irrigation projects which can provide immediate returns and generate

- employment opportunities.
- 3.2 Provide year-round irrigation facilities through multipurpose reservoir and irrigation programmes run under inter-watershed, water transfer, and water resource projects.
 - 3.3 Foster coordination among stakeholder agencies and interrelated programmes while running irrigation programmes.
 - 3.4 Enable users' committees to render management and operation sustainable, efficient and effective and to regularly and periodically repair and maintain systems.
 - 3.5 While developing and running irrigation structures, ensure that studies, research, design and execution are environment-friendly, adaptive to climate change, and participatory and that they generate employment.
 - 3.6 Make irrigation services sustainable and reliable by requiring that the costs of repairs and operation be borne by the concerned water users.
 - 3.7 When implementing irrigation schemes, ensure that local environment-friendly ponds, lakes, wetlands and fountains are protected and promoted by forging consensus with other concerned agencies.

4. Operating Policies

- 4.1 Groundwater irrigation projects and programmes and surface water irrigation projects which can be completed in a short period of time will be prioritised. (1)
- 4.2 An Irrigation Master Plan will be framed for areas without irrigation facilities and programs will be launched on the basis of their priority. (1)
- 4.3 The Bheri Babai Diversion Multipurpose Project which was initiated to develop year-round irrigation facilities will be completed on time and further studies of other feasible and appropriate diversion projects will be carried out (2)
- 4.4 Investment plans will be formulated in order to promote the development of mega and medium irrigation projects, including multipurpose ones. (2)
- 4.5 Irrigation projects will be implemented in conjunction with the construction of access roads. (3)
- 4.6 Irrigation schemes will be developed in coordination with meteorology, agriculture and watershed conservation agencies. (3)
- 4.7 The use of heavy equipment will be discouraged while implementing projects through users' groups. (3)
- 4.8 Projects will be made sustainable by mobilising users to carry out essential repairs and maintenance. (4)
- 4.9 Reasonable service charges will be collected regularly from users of projects that deliver reliable irrigation facilities. Mechanisms for doing so will be made more effective. (4)
- 4.10 To improve development and management, the Department of Irrigation and water user institutions will participate in institutional development and

- consolidation activities. (4)
- 4.11 An Irrigation Act will be formulated and implemented. It will promote the development, management and regulation of irrigation and be revised timely. (4)
 - 4.12 To promote inclusiveness, backward sectors and communities will be given priority in the selection of irrigation projects. (5)
 - 4.13 In the case of projects implemented with people's participation, land will be acquired from the users of irrigation projects as provided for in the existing irrigation policy. (5)
 - 4.14 While planning, implementing and operating irrigation projects, considerations of environment protection, climate change and disaster management will be mainstreamed.
 - 4.15 An Irrigation Development Fund (IDF) will be established to promote the development of irrigation. (5)
 - 4.16 Legal provisions will be made to make the management of irrigation service charges effective. (6)
 - 4.17 The Irrigation Development Fund will come into operation only after operating procedures for irrigation projects have been finalised. (6)
 - 4.18 The design and implementation of irrigation projects will promote the use of local labour, skill and construction materials. (6)
 - 4.19 The private sector will be encouraged to increase its investment in the development of small irrigation schemes. (6)
 - 4.20 Irrigation programmes will ensure that local environment-friendly ponds, lakes, wetlands and water source are protected in coordination with other concerned agencies. (7)

5. Expected Outcome

During the TP period an additional 1,487,275 ha of land will be serviced by new irrigation projects

3.1.3 Land Reform and Management

1. Background

In order to systematise land management, a cadastral survey of all but a few village blocks was carried out, topographical base maps prepared, and a digital database created. Maps of all VDCs and municipalities now exist and in some places, a digital cadastral system has been initiated. Records of public lands were published by 65 land revenue offices and land-use maps and data exists for all 75 districts. In addition, 24,170 families of freed *kamaiya* (bonded laborers) were given plots of land and 13,744 *kamaiya* were given the opportunity to participate in capacity development and entrepreneurship trainings. Another 19,059 *haliya* (bonded labourers) were also freed and identity cards were distributed to the members of 5045 of 9530 *haliya* families.

The lack of development and efficient management of human resources, the fact that office buildings and land records destroyed during conflict have not been restored, and the ineffectiveness of the implementation of Nepal's Land-Use Policy are major problems. Needs include formulating an integrated land law; developing an information technology-enabled central land information system; preparing good-quality and reliable maps, databases and land information using advanced technology; the rehabilitation of the remaining freed *kamaiya* and *haliya* families, the determination of the actual price of lands and buildings by revising the valuation system, and making the land registration process scientific and trustworthy.

2. Objectives

- 2.1 To create an environment conducive to the optimal use of land and land resources.
- 2.2 To increase the access of socially and economically backward groups to land.
- 2.3 To make land administration services simple, easy, transparent and effective, and
- 2.4 To ensure the easy availability of the maps, land services and geographical information essential for infrastructure construction and development.

3. Strategies

- 3.1 Formulate a National Land Policy and implement the National Land-Use Policy (2012).
- 3.2 Protect and promote the use of government and public lands.
- 3.3 Implement a scientific land-reform programme in a systematic, effective and coordinated manner and increase access to the land among socially and economically backward classes, including the poor and landless.
- 3.4 Transform the existing land administration technology into a computer-based land information system.
- 3.5 Establish maps and records of all village blocks and re-establish land records destroyed during the conflict, and
- 3.6 Develop the infrastructure and human resources needed to make geographical information easily available.

4. Operating Policies

- 4.1 A National Land Policy will be formulated and executed. (1)
- 4.2 The Land-Use Policy will be implemented after revising existing acts and rules. (1)
- 4.3 Unauthorised, uncontrolled and unorganised urbanisation and settlement development will be restricted (1)
- 4.4 The current system of minimal land valuation will be reformed and a pragmatic price policy adopted. (1)
- 4.5 A central record of government, public and trust land will be prepared and

- maintained. (2)
- 4.6 The government, public and trust land will be conserved in coordination with local bodies. (2)
 - 4.7 The dual land ownership regime will be eliminated. (3)
 - 4.8 Those who purchase land in the names of women, Dalits, endangered tribes, martyrs' families, senior citizens and people with disabilities will be exempted from paying registration fees. (3)
 - 4.9 Freed *kamaiya* and *haliya* will be rehabilitated. (3)
 - 4.10 Survey and land revenue offices will be networked in order to develop an integrated central land information system. (4)
 - 4.11 Computer-based services will be offered by survey and land revenue offices. (4)
 - 4.12 The land records of survey and land revenue offices destroyed during the conflict will be re-established. (5)
 - 4.13 A cadastral survey of the remaining village blocks will be accomplished. (5)
 - 4.14 Maps and geographical information will be prepared and updated using the latest technology, (6) and
 - 4.15 Adequate human resources will be recruited and their capacity enhanced in the areas of survey and mapping and land management (6)

5. Expected Outcomes

The dual ownership of landlords and tenants will have been eliminated, an integrated central land information system will have been developed, the remaining freed *kamaiya* and *haliya* will have been rehabilitated, and the survey and mapping of the remaining 9000 or so hectares of village blocks will have been carried out.

3.1.4 Food Security and Nutrition

1. Background

Several past policy and other measures have had positive outcomes in the area of food security and nutrition, but in order to achieve the expected results in the four pillars of food security--availability, access, utilisation and stability--contextual reforms are needed.

The fact that the majority of Nepal's 75 districts are reeling under food deficiency conditions and that nearly 41 percent of the population consume less than the minimum dietary requirements is a cause for alarm.

2. Objectives

- 2.1 To improve the consumption of food in sufficient quantity and nutrient value, and
- 2.2 To identify areas and communities vulnerable to food insecurity and increase their access to nutritious foodstuffs.

3. Strategies

- 3.1 Make necessary arrangements in food-and-nutrition-insecure areas and communities for solving the food crisis in the short and the long term.
- 3.2 Implement targeted programmes for raising the production of suitable high-value commodities in those areas most vulnerable to food insecurity.
- 3.3 Ensure food security (food availability, stability in use, and continuity) through the protection, promotion and efficient use of agro-biodiversity and the development and expansion of climate change-adaptive technologies, and
- 3.4 Create an efficient regulatory mechanism to ensure that foodstuff is clean and healthy.

4. Operating Policies

- 4.1 Food and Nutrition Security Policy, Food Sovereignty Act, and National Food and Nutrition Security Action Plan will be formulated and implemented. (1)
- 4.2 Access to nutritious foodstuff will be enhanced by providing special facilities for increasing livestock production and productivity. (1)
- 4.3 Nepal Food Security Monitoring System will be institutionalised. (1)
- 4.4 Provisions for storing in each district a reserve of foodstuff equal to a to-be-determined proportion of the total food requirement of that district. (1)
- 4.5 Measures calculated to increase production and construct a productive structure and market infrastructure will be put in place so that the food crisis can be managed sustainably and effectively. (1)
- 4.6 Emphasis will be placed on the production and use of locally suitable crops in food-and-nutrition-vulnerable areas. (1)
- 4.7 Marginalised farmers and food-insecure households will be encouraged to engage in contract farming by organising them into groups and cooperatives. (1)
- 4.8 In food-insecure areas, programmes designed to increase income by boosting the local-level production of high-value agricultural and livestock commodities, including herbs, with a comparative advantage will receive priority.(2)
- 4.9 Crop cultivation, horticulture, animal husbandry, herb farming, and other suitable agro-forestry alternatives will be operated on a commercial scale in Karnali and other mountainous regions. Programmes which grant special privileges for the establishment of agro-processing and value-addition industries will be launched.(2)
- 4.10 In food-deficit areas, programmes to increase production and productivity will be operated by protecting and promoting local indigenous foodstuff. (3)
- 4.11 Crops resilient to climate change will be developed and scaled up in food-insecure areas. (3)
- 4.12 The development of agro-friendly infrastructure in rural areas and the

production of nutritious vegetables and high-value agricultural commodities in urban and semi-urban areas will be encouraged. (3)

4.13 Local-level awareness programmes will be conducted to highlight the importance of foodstuff. (3)

4.14 The food-and-nutrition situation in each district will be monitored by the Agriculture and Food Security Coordination Committee and the concerned district food-security network, (4) and

4.15 In collaboration with consumer rights protection organisations, laboratory services, including the quality test, certification, and regulation of foodstuff, will be expanded. (4)

5. Expected Outcomes

The status of food-and-nutrition security in vulnerable areas will have improved, market infrastructures such as storage facilities and collection centers will have been enhanced, modern technology and equipment will be used in food-related research, standards for the import and export of foodstuff will have been established.

3.1.5 Forests and Soil Conservation

1. Background

The total area covered by forests is about 39.6 percent of total land area of Nepal. About 1,664,918 ha of forest has been handed over to 17,808 community forest users' groups for protection, management and utilisation. A total of 2,194,350 households have directly benefited from community forests. About 6,712 leasehold forest groups have been formed and 53,572 ha of forest has been handed over to them. A scientific forest management system has been started in 17 collaborative forests in the Tarai. Altogether 23.23 percent of the total area of Nepal has been designated conservation areas for the purpose of conserving ecosystems and biodiversity.

Imbalances between the demand for and supply of forest products; the lack of encouraging involvement of the private sector in forest development; little support from the forestry sector for efforts in income generation, employment and poverty reduction; few employment opportunities in rural areas; inadequate infrastructure and resources; and too little competent manpower are the major problems faced by the forestry sector of Nepal.

2. Objective

2.1 To support economic development through the conservation, sustainable management and appropriate use of forests, flora and fauna, and other biodiversity.

3. Strategies

- 3.1 Maintain the proportions of forests at atleast 40 percent of the total area of the nation.
- 3.2 Conserve, sustainably manage and optimally use forest resources.
- 3.3 Provide for the easy availability of forest products, employment generation, and livelihood improvement through the commercialisation and proper use of the forest products and ecosystem services gained from sustainable management of forestry resources.
- 3.4 Create a supportive environment for the conservation and development of the forestry sector, and
- 3.5 Maintain good governance in the forestry sector.

4. Operating Policies

- 4.1 Adopt protective, security and promotional measures needed to ensure that 40 percent of the total area of the nation remains covered by forests. (1)
- 4.2 Afforestation efforts will be proportional to the area of forested land lost due to the development and construction of national-priority infrastructures. (1)
- 4.3 Forest encroachment, illegal felling, poaching and wildfires will be controlled through the formulation of a participatory and coordinative mechanism.(1)
- 4.4 Extensive afforestation will be done in public, community and private lands, including forest areas. (1)
- 4.5 The practices of establishing community forests and promoting community-based forest management will be continued.(1)
- 4.6 A long-term policy to address human-wildlife conflicts will be framed and implemented.(1)
- 4.7 A coordination mechanism will be developed to ensure the free and easy movement of rare wildlife by conserving corridors located in the border areas in the north and south.(1)
- 4.8 Forests will be managed according to the principles of sustainable forest management. (2)
- 4.9 Watersheds will be managed through the basin approach.(2)
- 4.10 Different landscapes and corridor will be identified, classified, and managed in order to address the issues of biodiversity, ecosystem services and climate change.(2)
- 4.11 Forests and other natural resources will be conserved and managed at the landscape level. (2)
- 4.12 Information collection and technology development regarding forest resources will be carried depending upon local needs and economic opportunities. (2)
- 4.13 The productivity of lands in the Tarai will be increased through the conservation and sustainable management of ecosystems in the Churia region as is provided

for in the Land-Use Policy.

- 4.14 The identification, management, in-situ and ex-situ conservation, study, research, and documentation of the flora of the country will continue. (2)
- 4.15 Special programmes for the protection of rare and endangered species of flora and fauna will be run. (2)
- 4.16 The capability of laboratories to carry out bio-security checks, the analysis of herbs with commercial viability, and phyto-sanitary verification, and to support various trade functions appropriately will be strengthened. (2)
- 4.17 Investment in the development and expansion of forest product- and resource-based industries and businesses will be promoted through public-community-private-cooperative partnerships. (3)
- 4.18 To maintain a healthy balance between environment conservation and sustainable development, the management of forests and conservation areas will be gradually made more participatory. (3)
- 4.19 Programmes promoting capacity-building, empowerment and green employment will be initiated to improve the living standards of women and poor, disadvantaged, Dalit, indigenous ethnic communities which rely on forest resources. (3)
- 4.20 Employment will be generated in rural areas through special programmes such as herb farming, 'one-community-forest-one-enterprise' schemes, and the development of forest enterprises. (3)
- 4.21 At least 35 percent of the income generated by all community-based forest management systems will be invested in the social and economic empowerment of disadvantaged groups. (3)
- 4.22 Communities and the private sector will be encouraged in the identification, sustainable collection, technological development, commercialisation and market development of high-value plants. (3)
- 4.23 To reduce the risk from climate change, programmes to assess risk and to promote adaptation based on those assessments will be implemented. (3)
- 4.24 Provisions will be made to distribute the income generated by ecosystem services to all stakeholders who contribute to the management of forests. (3)
- 4.25 A strategic framework for sustainable forest management will be developed and implemented. (4)
- 4.26 To mitigate and adapt to the negative effects of climate change on the environment, Nepal will capitalise on the contributions made by its forest sector through photosynthesis and serving as a carbon sink, and develop mechanisms to garner additional economic resources through the United Nations' Reducing Emissions from Deforestation and Forest Degradation scheme. (4)
- 4.27 The private sector will also be encouraged to set up a Forest Development Bank for raising investment in the forest sector. (4)
- 4.28 A coordination mechanism will be developed to conserve forests and other environments and biodiversity as well to reduce the negative effect of climate

- change when constructing physical infrastructure.(4)
- 4.29 Programmes will be implemented in a transparent and participatory manner and those in charge will be held to account. (5)
- 4.30 Services that government forest structures have to deliver to local communities will be provided through partnerships with those communities and the private sector and via service contracts. (5)
- 4.31 By a parliamentary act, structures to establish a Forest Products Authority will be prepared and arrangements for the easy availability of forest products made, (5) and
- 4.32 The ongoing forest survey Forest Resource Assessment-Nepal will be completed. (5)

5. Expected Outcomes

By the end of the TP period, forests will have constituted 40 percent of the total land area, 30,000 ha of encroached forest will have been reforested; and the ongoing forest survey, mapping and assessment of forest resources will have been completed. Scientific forest management will have been started in 50,000 ha of forest, including in 20 collaborative and community forests. Five hundred community forest users' groups will have prepared and implemented forest management plans which consider climate change mitigation and adaptation. The watersheds of Koshi, Karnali and Gandaki rivers will have been managed using the basin approach. Investment in the forestry sector will have increased through public-community-private partnerships. Income generation will have risen by cultivating herbs on at least 100 additional hectares of land.

3.2 Industry, Commerce, Supplies and Tourism

3.2.1 Industry

1. Background

Industrialisation plays a crucial role in decreasing dependence on the agricultural sector by reducing unemployment, under-employment, and poverty. Investment in industry helps increase industrial production and productivity, generate employment, use local skills and resources, create substitutes for imports, and promote exports. The TP will prioritise the construction of industrial infrastructure that will attract domestic as well as foreign private investment in the industrial sector and promote the effective use of the existing industrial infrastructure. It will construct and operate special economic zones to increase exports and reduce poverty through the promotion of micro, cottage and small industries.

The Nepal Business Forum was established to promote public-private partnership, and has begun to fulfill its objective of resolving industrial problems. Preparations to

support sick industries are taking place. An Industrial Security Force has been formed to provide permanent security in the industrial sector. The Micro-Enterprise Development Programme designed to alleviate poverty has been extended and institutionalised. The construction of the infrastructure is in completion stage and has begun in Special Economic Zone in Bhairahawa, Simara and 12 other places. The construction of link roads and expansion of power transmission lines linking possible sites for the cement industry is being carried out under the Industrial Infrastructure Development Programme.

2. Objectives

- 2.1 To support the economy through the development of entrepreneurship.
- 2.2 To increase exports of industrial products through the promotion of good-quality and competitive industrial output.
- 2.3 To attract domestic and foreign investments in the industrial sector, and
- 2.4 To increase the contribution of the industrial sector to balanced regional development.

3. Strategies

- 3.1 Emphasise the formulation and implementation of policies designed to ensure that industries have access to energy, physical infrastructure and other resources they need to flourish.
- 3.2 Establish and operate micro, cottage, small, medium, and large industries
- 3.3 effectively and extend their linkages to markets in order to promote balanced regional development which utilises local skills and resources.
- 3.4 Formulate, implement and amend policies and acts needed to create a conducive environment for investment in industry.
- 3.5 Encourage non-resident Nepalis to invest in Nepal.
- 3.6 Make a systematic arrangement for the protection of intellectual property rights, and
- 3.7 Emphasise the generation of advantageous self-employment through the promotion of entrepreneurship among the poor and backward communities.

4. Operating Policies

- 4.1 Special economic zones will be established and operated. (1)
- 4.2 The management of industrial estates will be improved. (1)
- 4.3 The National Productivity and Economic Development Centre will be strengthened as an institution. (1)
- 4.4 A one-window service centre will be established.(1)
- 4.5 The construction of access roads and expansion of electricity transmission lines to the sites of cement industries will be continued.(1)
- 4.6 A contract, contract-farming and agro-based industrial network among

- production-oriented industries will be created in order to make backward and forward linkages in the production process more effective. Management alternatives will be adopted in the transactions of interrelated industries. (1)
- 4.7 Programmes related to research into and the exploration and excavation of minerals, including petroleum, will be implemented. (1)
 - 4.8 Sick industries will be operated with the aid of special incentives. (1)
 - 4.9 Industrial development centres will be developed by establishing micro-enterprises as well as cottage and small industrial-villages through the initiatives of communities and cooperative agencies. (2)
 - 4.10 The coordination and capacity of implementing and supporting agencies will be strengthened in order to expand the Micro-Enterprise Development Programme for the poor across the country. (2)
 - 4.11 Micro-enterprises for targeted groups will be scaled up by increasing access to appropriate technology and developing a value-chain system. (2)
 - 4.12 The services of the fund for supporting micro-enterprises and cottage and small industries will be expanded and made more effective. (2)
 - 4.13 The One Village, One Product Programme will be implemented. (2)
 - 4.14 All workers will be provided access to social security in order to harmonise their relations with employers. (3)
 - 4.15 Technical and financial support will be rendered to industries which install environment-friendly and energy-saving technology on their own initiative. (3)
 - 4.16 The Investment Promotion Fund, Technology Development Fund, Micro-Enterprise Development Fund, Sick Industries Restoration Fund, and Women Entrepreneurs Development Fund will be established and operated with the participation of the private and cooperative sectors. The Industrial Investment Protection Fund will provide compensation for non-business and non-commercial risks. (3)
 - 4.17 Investments in Nepal made by non-resident Nepalis and foreigners of Nepali origin will be treated as foreign investment and extended facilities accordingly. (4)
 - 4.18 An Industrial Intellectual Property Rights Office will be established and operated to protect, promote, and document intellectual property. (5)
 - 4.19 The Micro-Enterprise Development Programme will be expanded in order to alleviate poverty. (6)
 - 4.20 A special fund will be established to provide financial support and training to backward, poor and targeted groups so that they can engage in productive self-employment, (6) and
 - 4.21 The laboratory of the Standards and Metrology Department will be upgraded so that it can guarantee the quality of exportable goods. (6)

5. Expected Outcomes

By the end of the TP period, industries and their market linkages will have been established and extended; 150,000 employment opportunities, 50,000 each year, will have been generated in the industrial sector; and the trade deficit will have been reduced by increasing exports through the production of good-quality goods using modern technology.

3.2.2 Commerce

1. Background

Nepal is a member of international and regional trade associations including the WTO, SAFTA and BIMSTEC. Efforts have been made to maintain a positive trade balance, diversify goods and markets, increase domestic production, and explore competitive and comparative advantages through the facilitation and expansion of bilateral trade. These included the formulation and implementation of the Trade Policy (2008) and Nepal Trade Integrated Strategy (NTIS) (2010). Programmes for increasing production, adding value, and promoting exports of goods identified by the NTIS are being operated through the coordinated efforts of the public and private sectors. Initiatives such as registering collective trademarks for pashmina, tea, coffee and commodities of Nepali origin; upgrading of existing laboratories to test and verify the quality test of exportable goods; and simplifying cash incentives to promote exports have all boosted trade. Even so, the increasing trade deficit is a major challenge.

The nation was unable to create the expected investment and trade friendly environment because of various factors, including poor industrial security, uneasy labour relations, unstable political situation, and inadequate supply of electricity. Other persistent problems in the trade sector include the inability to integrate industries with other productive economic areas such as agriculture, forests, and tourism; the reliance of most exportable goods on imported raw materials; the lack of adequate physical infrastructure to cater to exports; not fully operational existing infrastructures; the inability of major exportable commodities to meet and maintain international standards of quality; the absence of institutional capacity to certify the quality of exports; and the limited number of products and markets. The lack of regulation of intellectual property rights and inadequacies in the policies governing and institutions involved in trade are other problems,

2. Objectives

- 2.1 To promote domestic and foreign trade.
- 2.2 To reduce trade deficit by ensuring that goods and services which have a comparative advantage are competitive in price and quality, and
- 2.3 To expand the benefits of trade to rural areas by promoting the export of goods produced using local raw materials, resources, and skills.

3. Strategies

- 3.1 Coordinate work designed to develop trade by formulating and implementing sectoral policies that mainstream trade in the process of national development.
- 3.2 Promote the participation of the public, cooperative and private sectors in the development of trade.
- 3.3 Develop and promote goods and services which have absolute, comparative and competitive advantages.
- 3.4 Promote exports by managing value addition and value chains and by increasing the production and productivity of the exportable goods and services identified in the Trade Policy and Nepal Trade Integrated Strategy, and
- 3.5 Facilitate trade, strengthen trade infrastructure, and enhance trade capacity by mobilising aid-for-trade through economic diplomacy.

4. Operating Policies

- 4.1 Inter-ministerial coordination will be strengthened to maximise benefits from enhancing export capacity and promoting trade in services. (1)
- 4.2 Special emphasis will be given to reduce the transaction costs of trade by simplifying processes and carrying out institutional reforms. (1)
- 4.3 The Trade and Export Promotion Centre will be developed as an independent Trade Promotion Academy responsible for study, research, export promotion, product development, and human resource development. (1)
- 4.4 An exhibition centre of international standard will be set up with the participation of the private sector for promoting industry and foreign trade. (2)
- 4.5 Provisions will be made to transport imported and exported goods in sealed containers. (2)
- 4.6 Research and development will be undertaken in the field of contemporary trade issues through effective coordination among various agencies concerned with trade. (2)
- 4.7 The production of goods and services using traditional arts and skills will be protected and promoted. (3)
- 4.8 The domestic trade and supply system will be made easier and more effective by enforcing and monitoring legal provisions regarding the promotion of competition. (3)
- 4.9 Special emphasis will be placed on the production and export of herbal medicines and other processed herbal products in order to reap the maximum advantage possible from the many invaluable herbs available in the country. (3)
- 4.10 Trade in services will be extended and made an integral part of the commercial sector by developing and expanding certain identified service sectors. (4)
- 4.11 To increase exports, incentives and concessions will be extended to exportable goods and services with absolute, comparative and competitive advantages. (4)

- 4.12 The state will implement programmes designed to increase the prices and productivity of goods and services identified by the Trade Policy and the Nepal Trade Integrated Strategy in order to make them competitive in the international market and enhance their export. (4)
- 4.13 Additional programmes designed to extend and promote markets and enhance product quality will be undertaken to achieve maximum benefit possible from Nepali goods and services which have already established a niche in international markets. (4)
- 4.14 Trade flow, both exports and imports, will be facilitated at international trade points by developing new and renovating existing physical and institutional infrastructures at international border.(4)
- 4.15 Nepali diplomatic missions abroad will be made more effective in promoting trade, (4) and
- 4.16 A sector-wide approach to the development of trade will be studied and implemented in order to ensure that the mobilisation and utilisation of aid-for-trade is effective. (4)

5. Expected Outcomes

The export volume will have reached Rs. 100 billion by the final year of the plan, the export of each item identified by Nepal Trade Integrated Strategy will have increased to at least Rs. 1 billion, and the trade deficit will have been reduced to 20 percent or less of the GDP.

3.2.3 Supplies

1. Background

Essential goods and services are transported through market mechanisms in districts which are well connected by roads, but in mountainous, hilly and remote districts where there is no or only a sparse road network, the Government subsidizes the cost of transporting essential commodities such as salt and other foodstuff. In order to make supply arrangements effective, the Supplies Policy (2012) was implemented. Nepal Food Corporation and the Salt Trading Corporation have assumed responsibility for supplying foodstuff and salt respectively for a long time. In order to prevent the artificial scarcity of goods and services in the market, unreasonable pricing, and the development of cartels, market monitoring activities are being conducted through coordinated efforts of the Department of Commerce and Supply Management and district monitoring committees.

Despite the efforts of the government, the cooperative and the private sectors, the supply system of consumable goods and services is not as robust and effective as the TYP intended and problems such as the lack of control over cartels and unreasonable

price increases persist. Moreover, the government is not able to monitor the management of the quality and prices of goods and services regularly or effectively. While foodstuff is supplied to Karnali and other remote regions with a transport subsidy, supplies have failed to reach all deprived regions and people. Though the World Food Programme and other multilateral as well as regional development partners have raised concern about the security of such food-supply programs, Nepal still lacks an integrated supply and distribution system. Other major challenges facing this sector include the fact that transport subsidies are not periodically adjusted and that the supply of petroleum is neither regular nor easily accessible.

2. Objectives

- 2.1 To arrange for the regular and sufficient supply of daily consumable goods and services and to protect the interests of general consumers, and
- 2.2 To control artificial scarcity, black marketing, and unreasonable price increases.

3. Strategies

- 3.1 Monitor markets regularly and intervene as required to control artificial scarcity, black marketing, and unreasonable price increases
- 3.2 Build an effective network and coordination among various agencies in order to establish fair price shops and carry out other activities needed to supply essential goods and services to remote, mountainous, and hilly regions.
- 3.3 Coordinate with concerned agencies to raise food supplies at the local level by expanding programmes designed to increase production and promote commercial farming, and
- 3.4 Move forward efforts to carry out institutional reforms, enhance food storage facilities, and increase production in order to ensure food security.

4. Operating Policies

- 4.1 An action plan to put into practice the Supplies Policy (2012) will be formulated and enforced to ensure that the supply of daily consumable goods and services is regular and easy. A Domestic Trade Policy will also be formulated and implemented. (1)
- 4.2 Joint market monitoring and inspection will be rigorously executed. (1)
- 4.3 The process for establishing consumer courts to secure the interests of consumers will be carried forward. (1)
- 4.4 In special cases, steps will be taken to control unreasonable increases in the prices of essential consumable goods without clashing with market principles. (1)
- 4.5 A price list of major consumable goods will be published regularly as per the instructions of the Department of Commerce and Supply Management. (1)
- 4.6 A campaign of consumer awareness programmes will be launched nationwide.

- (1)
- 4.7 Special emphasis will be put on making the supply of essential consumables such as rice, pulses, wheat, flour, oil, salt and so on both regular and easy. (2)
 - 4.8 To ensure the supply of good-quality iodised salt across the nation, including in remote areas, arrangements will be made for its regular transport, storage, and distribution and for monitoring these efforts. (2)
 - 4.9 Government subsidies will be centered only on genuinely remote areas after reviewing the classification of remote districts and regions on the basis of access to roads, electricity, and communications service as well as the availability of other infrastructures. (2)
 - 4.10 Foodstuffs will be made available to people living below the national poverty line in remote food-deficit districts at the prescribed subsidised rates. (2)
 - 4.11 The Ministry of Agriculture Development will coordinate special cooperative agro-products programmes in remote areas to reduce dependency on imported foodstuff by promoting local food production. (3)
 - 4.12 With the involvement of the public and private sectors, awareness and food exchange programmes will be launched in remote areas in order to change food habits and promote the consumption of local foods. (3)
 - 4.13 Special emphasis will be placed on expanding food storage capacities and food security by building new modern and maintaining existing storehouses. Cold storage facilities will be established for perishable items through the coordinated efforts of the Ministry of Agricultural Development and the private sector, (4) and
 - 4.14 An automatic price adjustment mechanism to take into account fluctuations in the purchase prices of petroleum products in the international market will be developed and implemented. (4)

5. Expected Outcomes

At least 45,000 MT of foodstuff (15,000 MT per year) and at least 150,000 quintals of iodised salt (50,000 quintals per year) will have been transported to remote areas; the districts entitled to foodstuff transport subsidies will have been reviewed; 25,000 MT and 8,000 MT of foodstuffs will have been deposited in the national and the SAARC buffer stocks as committed; the Action Plan of Trade Policy will have been implemented; and the Domestic Trade Policy and National Consumers Policy will have been formulated and implemented.

3.2.4 Tourism

1. Background

Nepal must take advantage of the global tourism market through the protection, promotion and sustainable management of its natural, historical, religious, cultural, and archaeological heritages located throughout the country with the participation of

local bodies, communities and the private sector. To develop and expand the tourism sector, Nepal's unique biodiversity and natural heritage originating in specific topography and historic, religious and cultural heritages should be identified, protected and promoted. This sector should be diversified and expanded in order to transfer its benefits to rural areas. The tourism industry should be considered to be one of the most important foundations of national economic development and developed accordingly. New tourism sites and products should be identified and new infrastructures developed with the ultimate goal of improving living standards by increasing employment and income-generation opportunities.

2. Objectives

- 2.1 To contribute to the national economy by developing Nepal as one of the most attractive, scenic, and safe tourism destinations in the world, and
- 2.2 To increase the flow of tourists both in quality and quantity through the promotion of tourism at the national and international levels and to distribute the benefits they bring justly.

3. Strategies

- 3.1 Work with the private sector to develop and promote tourism.
- 3.2 Develop infrastructure in new tourism destinations in an integrated and coordinated manner.
- 3.3 Create employment opportunities in rural tourism, thereby diversifying and expanding tourist destinations and products.
- 3.4 Encourage domestic tourism so that tourism activities operate in all seasons across the country.
- 3.5 Campaign and promote tourism rigorously, especially in neighboring countries and new source countries, and
- 3.6 Ensure sustained tourism development by providing adequate and good-quality services and facilities to tourists.

4. Operating Policies

- 4.1 Private-sector investment will be encouraged in order to develop and expand services and facilities for tourists. (1)
- 4.2 The management of the national airlines, Nepal Airlines Corporation, will be improved and it will provide direct connections to key points of origin of international tourists. (1)
- 4.3 Private sector-investment in the construction and operation of cable cars as well as in tourism-cum-entertainment sites will be encouraged in order to promote easy access to a wide variety of major tourism destinations. (1)
- 4.4 Local government bodies, communities and the private sector will be encouraged to participate effectively and even take a leading role in the development of tourism infrastructure. To this end, at least 30 percent of the total revenue which

- accrues from the development of touristic infrastructure will be invested in the area from which it is collected. (1)
- 4.5 Mountainous areas will be developed as a key tourism destination by making mountaineering systematic and environment-friendly. (2)
 - 4.6 The tourism industry will be developed in and expanded to rural areas as a major sector for green growth. (2)
 - 4.7 The government will develop the necessary legal foundation for the systematic and decent operation and promotion of tourism products and activities, including adventure and entertainment activities, traditional and natural therapies, spa treatments, eco-tourism, casinos and gaming club and integrated entertainment spots. (2)
 - 4.8 Support will be provided to rural communities to develop infrastructure, including community buildings and trekking trails, in order to operate community home-stays in potential rural tourism spots. (3)
 - 4.9 The tourism sector will be diversified and focused on specific tourism products.(3)
 - 4.10 Acts, rules and regulations regarding tourism, travel management and the like will be developed to support domestic tourists. (4)
 - 4.11 An action plan for a campaign of promotional programmes focusing on China and India will be prepared and executed in collaboration with the private sector . (5)
 - 4.12 Promotional programmes will be undertaken to attract tourists through international and regional organisations as well as from newly economically emerging countries.(5)
 - 4.13 Economic diplomacy and the Nepali diasporas will be mobilised to establish Nepal as an attractive destination for tourists. (5)
 - 4.14 An investment-friendly environment will be created to attract domestic and foreign investment in tourism infrastructure, including entertainment spots and hotels. (6)
 - 4.15 Per-tourist expenditures will be increased by expanding the average length of stay, identifying new destinations, investing in services and facilities and ensuring security.(6)
 - 4.16 Monitoring of the tourism industry will be made effective in order to ensure that tourism entrepreneurs provide good-quality services. (6)
 - 4.17 Tourism industries established throughout the country, including hotels, travel and trekking agencies, and houses offering home-stays will be encouraged to enhance their capacities, (6) and
 - 4.18 Special incentives and concessions will be awarded to airlines flying to remote areas on the basis of the number of flights to those regions. (6)

5. Expected Outcomes

By the end of the TP, tourism areas will have been made accessible by expanding tourism facilities through the construction and improvement of infrastructure. The tourism sector will have been diversified and integrated tourism service centre will

have been constructed and will have been in operation in all tourism areas. The total number of tourists, the length of stay, and the per capita expenditure of tourists will have increased significantly.

3.3 Social Development

3.3.1 Population

1. Background

According to the National Population Census of 2011, the population of Nepal was 26,494,504, and the annual growth rate, 1.35 percent. If this rate continues, the population will double in 52 years. In order to maximise the benefits of having a large active (aged 15-59) population and ensure adequate care for children and senior citizens, a population management programme which aims to promote socio-economic development should be instated.

Human capital has not been developed well for several reasons, among them are the rapid increases in urbanisation and migration, lack of coordination between related institutions and integration of human resource development initiatives into population management programmes, inadequate employment generation with respect to the population growth rate, the increasing size of the dependent population, and low literacy rates.

2. Objective

2.1 To use population management efforts to create an environment in which people can lead productive and good-quality lives.

3. Strategies

3.1 Establish reproductive rights as fundamental human rights by increasing public awareness.

3.2 Implement programmes for targeted communities, thereby ensuring that population management programme effectively promote gender equality and social inclusion, and

3.3 Promote coordination between development programmes and the population structure.

4. Operating Policies

4.1 Population growth will be managed by family planning, population-education, and awareness-raising interventions. (1)

4.2 Intensive awareness, reproductive, maternal and child health, and family planning services will be provided to identified target groups in order to promote a good quality of life and small families. (1)

- 4.3 Equal participation of men and women in population management programmes will be enhanced. (2)
- 4.4 National Population Policy will be developed. (2)
- 4.5 A maximum of two children per family will be encouraged in order to control and manage population. (2)
- 4.6 Capitalising on the demographic dividend, the power of youths will be mobilised in national development. (3)
- 4.7 Immigration trend will be regulated on the basis of the domiciles, number and characteristics of immigrants. (3)
- 4.8 The regional distribution of population will be balanced by developing integrated settlements for rural and marginalised areas and endangered groups like the Kusunda and the Raute. (3)
- 4.9 A national migration survey will be conducted to identify the nature, intensity and reasons for various trends in national and international migration, (3) and
- 4.10 Geriatric wards will be expanded from central to zonal hospitals. (3)

5. Expected Outcomes

By the end of the TP, the proportion of users of family planning methods will have reached 67 percent, the total fertility rate of women aged 15-49 years will be 2.4 and life expectancy at birth, 71 years.

3.3.2 Education

1. Background

Investment in the education sector has been increased significantly over the years in order to eradicate illiteracy and improving access to good-quality education. Policy, legal, and institutional reform measures have been adopted to enhance equitable access to education at all levels. As a result of these efforts, the ratio of children enrolling in the first grade with early childhood development experience has reached 54 percent; literacy, 66 percent; and the net enrollment rate at the primary level, 95.3 percent. The ratio of girls and boys in basic education (grades 1-8) has just about reached parity, and the NER at the basic and secondary (grades 9-12) levels stand at 87 and 31 percent respectively. The gross enrollment rate in higher education is 13 percent. Similarly, the access of targeted groups to technical education and vocational training has also increased. Nearly 2.3 million students receive scholarships each year. Teaching-learning materials for primary level students have been developed in 22 different native languages.

Despite these improvements, there are major problems in the education sector. These include the high dropout and repetition rates at all levels of education; low pass rates; inadequate access to education among children from the poor and marginalised communities; weak management of teachers; low-quality education in community

(public) schools; ineffective regulation of institutional (private) schools; poor access to and quality of technical education and vocational training; and lack of a clear policy framework for higher education.

2. Objectives

- 2.1 To expand equal access to education of all levels and types, general, vocational, and technical.
- 2.2 To improve the quality and relevance of education at all levels, ensuring that it promotes life skills and is employment-oriented, and
- 2.3 To make the education system creative, pragmatic, inclusive, and equitable.
- 2.4 To enhance the efficiency, effectiveness, and accountability of the education system as a whole.

3. Strategies

- 3.1 Expand early childhood development in a coordinated manner.
- 3.2 Provide free and compulsory basic education as well as an integrated secondary education system.
- 3.3 Expand investment and opportunities in the technical education and vocational training sectors.
- 3.4 Diversify opportunities and develop a regulative infrastructure by improving research-oriented higher education.
- 3.5 Implement a literacy campaign linked with productivity.
- 3.6 Conduct targeted programmes to ensure that the poor, marginalised communities and persons with disabilities have access to education.
- 3.7 Improve the quality of education at all levels, and
- 3.8 Develop an accountability system to ensure returns on investments.

4. Operating Policies

- 4.1 After mapping the existing situation, early childhood development centres will be expanded, upholding minimum standards for their infrastructure. (1)
- 4.2 Collaboration with local bodies, communities, and non-government organisations in the establishment, operation, and regular monitoring of early childhood development centres will be improved. (1)
- 4.3 Alternative education programmes designed to enhance access to free and compulsory basic education will be executed in systematic and coordinated ways. (2)
- 4.4 The implementation of the School Sector Reform Programme for Grades 1-12 will be made effective by allocating sufficient resources for securing key results. (2)
- 4.5 To ensure equitable access to secondary-level education, schools will be expanded based on mapping and gradually made free. Access of students from

- all classes, communities and regions to science education will be enhanced. (2)
- 4.6 The 'digital divide' will be reduced by including information and communication technology as an inalienable component of the overall education system. (2)
 - 4.7 Teachers will be redeployed in order to re-adjust student-teacher ratios. (2)
 - 4.8 Opportunities for demand-based multilingual education will be expanded by developing the capacity of teachers and producing teaching-learning materials in mother tongues. (2)
 - 4.9 Opportunities for technical education and vocational training will be expanded by improving effective collaboration among the private and non-government sector and development partners. (3)
 - 4.10 The existing two-stream secondary education, which sees technical education and vocational training commence in the ninth grade, will be expanded based on the results of ongoing experiment. (3)
 - 4.11 Procedures and mechanisms for the documentation, testing, and certification of informal sector skills will be strengthened and provisions for the skill testing and certification of workers seeking foreign employment made. (3)
 - 4.12 Students of various levels and trades will be given the opportunity to get higher education by preparing a National Vocational Qualification Framework.
 - 4.13 The diversity, quality and effective regulation of higher education will be ensured by formulating and enacting an Integrated Higher Education Policy and a Higher Education Act. (4)
 - 4.14 Educational institutions affiliated with foreign-based educational institutions will be regulated. (4)
 - 4.15 The concepts of a “deemed university and an “open university” will be encouraged and implemented through the addition and reform of legal provisions. (4)
 - 4.16 Research will be made as an integral part of higher education. (4)
 - 4.17 All stakeholders will be mobilised to make the Literate Nepal Campaign more effective. (5)
 - 4.18 At least all persons under 60 years of age will be made literate through literacy and post-literacy programmes. (5)
 - 4.19 An integrated policy provision will be made for the operation, capacity-building and management of libraries. (5)
 - 4.20 Alternative programmes, reservations, and scholarships will be expanded to women, indigenous and ethnic communities, Madhesis, Dalits, and people with special needs to ensure access to education at all levels. (6)
 - 4.21 Soft credit will be provided for higher studies in various disciplines such as medicine, engineering, agriculture, and science and technology as long as certain criteria are met. (6)
 - 4.22 The criteria and infrastructure for integrating the educational programmes of religious schools (*gurukul*, *gumba*, and *madarsa*) into the national system will be improved. (6)

- 4.23 The school education completion rate of children of marginalized and endangered communities, who are out of schools, will be increased by expanding mobile education program. (6)
- 4.24 Discrimination on any grounds, including but not limited to caste, language, gender, religion, and HIV status, will be totally prohibited. (6)
- 4.25 Efforts will be made to increase enrollment and pass rates and to reduce dropout and repetition rates by creating child-friendly school environment. (7)
- 4.26 Minimum standards for educational environments will be implemented in order to improve the quality of education at all levels by focusing on student-centered learning and teaching methods. (7)
- 4.27 The learning achievement in community schools and equity in learning achievement across schools will be improved by encouraging inter-school partnerships. (7)
- 4.28 Training opportunities will be provided to enhance the capacities of teachers at all levels. (7)
- 4.29 Outstanding academic achievers will be motivated to join the teaching profession. (7)
- 4.30 Codes of conduct will be enforced for teachers' associations and school management committees. (8)
- 4.31 Programmes to build capacity and improve the efficiency and effectiveness of the education system will be linked with results. (8)
- 4.32 Monitoring at all levels, from the centre to the community and even to the school level will be made result-oriented, and job performance will be linked with incentives and disincentives. (8)
- 4.33 Procedures for the establishment and affiliation of private sector schools, technical institutes, research centres, and deemed and open universities will be developed and implemented. (8)
- 4.34 Asset-management and infrastructure standards will be developed and implemented. Good financial governance will be maintained by using a public expenditure-tracking survey and other participatory tools. (8)
- 4.35 Adjustment and reform programmes will be conducted as required by reviewing the existing system of educational administration, (8) and
- 4.36 The Educational Management Information System will be strengthened and made effective and functional. (8)

5. Expected Outcomes

By the end of the TP, the literacy rates of adults over 15 years and of youths aged 15-24 will have reached to 75 and 95 percent respectively. The rate of enrolment in the first grade with early childhood development experience will have reached 64 percent and net enrolment in primary education, 100 percent. The net enrolment rates in basic and secondary level education will be 90 and 40 percent respectively. Clear policies

and an over-arching Higher Education Act will have been introduced. The percentage of students at community schools who pass the School Leaving Certificate examination will have been increased.

3.3.3 Health and Nutrition

1. Background

With the increased access of citizens to health services, the infant, child, and maternal mortality rates have declined and life expectancy at birth and other indicators have improved. Under the Aama Suraksha Programme (called the Maternity Incentive Scheme in 2005 and the Safe Delivery Incentive Scheme in 2006), the maternity and child delivery services provided at all health institutions; all health services provided at health posts and sub-health posts; and basic health services provided by district hospitals for targeted groups were made free. Even at other hospitals, the poor get special discounts.

Despite these improvements, there are many challenges and problems in the health sector which work against providing access to good-quality health services. Primary among them are the fact that the health situation of marginalised people and people living below poverty line did not improve as expected and that both human and physical resources as well as medicine and equipment are inadequate.

2. Objective

2.1 To ensure that all citizens have equitable access to basic and good-quality health services.

3. Strategies

- 3.1 Improve access to and the quality of free and basic health services.
- 3.2 Include preventive, curative, promotional and rehabilitative health services among primary health services.
- 3.3 Manage human resources, physical infrastructure, institutional capacity development, and the supply of medicine and equipment effectively and appropriately given the level of health institution in question.
- 3.4 Expand treatment services for communicable and non-communicable diseases.
- 3.5 Enhance collaboration among government, private, cooperative, community, and development partner agencies in improving health services, and
- 3.6 Improve the nutritional status of vulnerable citizens by implementing multi-sectoral nutrition programmes.

4. Operating Policies

- 4.1 A campaign to expand free basic health services will be expanded in all regions and at all levels. (1)
- 4.2 Incentives will be provided to women to access prenatal and postnatal health services by expanding free and safe delivery services. (1)
- 4.3 Outreach health services such as mobile camps with special services, outreach

- clinics, and telemedicine will be made effective. (1)
- 4.4 In collaboration with concerned stakeholders, laws and policies will be improved to make health services more easily available and of better quality. Policies governing the work of female community health volunteers working in rural and urban areas will be developed. (1)
 - 4.5 Institutional capacity to conduct on-the-spot assessments of the standard of medicine will be developed. (1)
 - 4.6 Special incentives will be provided and a system of accountability established to ensure that remote and backward areas have access to the regular services of health staff. (1)
 - 4.7 Health service delivery will be made effective by developing the capacities of health staff and institutions. (1)
 - 4.8 Health services will be made inclusive and equitable by promoting and expanding health services, social security, health insurance and urban health initiatives. (1)
 - 4.9 Taking into account the number of the accidents on highways, the capacity of the emergency services of nearby health institutions will be enhanced. (2)
 - 4.10 A safe motherhood programme which fosters women's rights and includes easily available safe abortion service will be effectively implemented. (2)
 - 4.11 Preventive and promotional health programmes will be expanded to schools. (2)
 - 4.12 Preventive health services will be strengthened in collaboration with the non-government sector. (2)
 - 4.13 Appropriate provisions for addressing the problems of gender-based violence will be made in health-related programmes. (2)
 - 4.14 Complementary and alternative medicine services such as Ayurveda, Unani, Amchi, natural therapy, yoga, meditation, homeopathy, and acupuncture will be made easily available through their integrated development and expansion. (2)
 - 4.15 The cultivation of medicinal herbs will be encouraged and their use and management will be made effective. (2)
 - 4.16 Health institutions will be established and upgraded and provided with the resources they need given the populations they serve, the needs of patients, and their geographical location. (3)
 - 4.17 The management of the human resources, physical facilities, medicine, and equipment required by the health sector will be made effective. (3)
 - 4.18 To ensure that services are regular, special incentives will be provided to health staff who work in remote and marginalised areas. (3)
 - 4.19 Awareness and counseling programmes on the issues of sexual and reproductive health, HIV/AIDS, smoking, alcoholism, and drugs will be widely conducted. (4)
 - 4.20 Mental health-related promotional, preventive and curative services will be expanded. (4)
 - 4.21 To enhance the accountability of the health sector to the public, participatory planning, social auditing, and public hearings will be made effective. (5)

- 4.22 Access to specialised and highly specialised services will be enhanced in collaboration with those medical colleges where such services are not currently available. (5)
- 4.23 Certain criteria for the operation of nursing homes and private and community hospitals will be designed and implemented. (5)
- 4.24 Nutrition rehabilitation centers will be established and nutrition services in central and zonal hospitals will be expanded to improve child and maternal health. (6)
- 4.25 A Multi-Sector Nutrition Plan will be implemented to improve the nutritional statuses of expectant mothers and children. (6)
- 4.26 A policy will be adopted to improve the nutritional behavior of the general public by promoting and expanding nutrition-sensitive services, (6) and
- 4.27 Health research systems will be developed and expanded. (6)

5. Expected Outcomes

The neo-natal, infant, and child mortality rates per 1000 live births will have been reduced to 16, 32, and 38 respectively. The proportion of underweight newborns will be not more than 29 percent and maternal mortality rate will have been reduced to 132 per 100,000 live births. The proportion of women seeking prenatal services at least four times will have increased to 65 percent.

3.3.4 Drinking Water and Sanitation

1. Background

The nation's goal is to achieve universal access to basic drinking water and sanitation by 2017. Currently those rates stand 85 percent and 62 percent respectively. Progress in this sector is satisfactory, but certain groups and geographical areas are lagging behind.

2. Objective

2.1 To provide basic services of drinking water and sanitation to all people.

3. Strategies

- 3.1 Enhance access to and the quality of drinking water and sanitation services as provided for in the National Drinking Water Standards (2005) and Action Plan.
- 3.2 Introduce technologies such as rainwater harvesting, solar and electric pumping, and hydraulic ramps as alternative sources of drinking water in dry areas.
- 3.3 Adopt a sector-wide approach in drinking water and sanitation programmes, and
- 3.4 Adopt environment-friendly and climate-adaptive measures by using local resources in the construction of drinking water and sanitation structures.

4. Operating Policies

- 4.1 Repair and maintenance will be given priority so that the benefits of completed projects are sustained. (1)
- 4.2 Monitoring will be made effective in order to ensure that drinking-water services are regular and good-quality. (1)
- 4.3 A cost-recovery approach will be adopted while building and strengthening urban and semi-urban drinking water systems. (1)
- 4.4 Drinking water services will be expanded in rural areas based on their cost-bearing capacities. (1)
- 4.5 Sanitation programmes will be implemented by integrating the construction of household toilets with drinking water projects. (1)
- 4.6 The drinking water and sanitation hygiene committees of various levels will be activated to conduct a drinking water and sanitation services campaign. (1)
- 4.7 In order to meet national goals for the drinking water and sanitation sector, the Millennium Development Goal Acceleration Framework will be effectively implemented. (1)
- 4.8 The main and the household drinking water distribution systems will be managed separately. (2)
- 4.9 Sanitary sewerage systems will be established in urban and semi-urban settlements so that only treated water is discharged into rivers.
- 4.10 Traditional sources of drinking water will be preserved. (2)
- 4.11 It will be made compulsory for every government and non-government agencies involved in the drinking water and sanitation sector to focus on the programmes mentioned in the master plan of the districts in which they work. (3)
- 4.12 Large-scale drinking water and sanitation projects will be run under a management contract system if users' groups are unable to handle them. (3)
- 4.13 A one-budget-one-programme-and-one-reporting system will be initiated in the formulation and implementation of drinking water and sanitation programmes. (3)
- 4.14 Local resources, including joint investment, will be promoted in the construction and use of drinking water and sanitation structures, (4) and
- 4.15 Environment-friendly and climate-adaptive provisions will be encouraged in the construction and use of drinking water and sanitation schemes. (4)

5. Expected Outcomes

During the TP period, an additional 11.25 and 9 percent of the population will have gained access to basic and medium/high drinking water services respectively and an additional 28.5 percent of the population will have had access to sanitation services.

3.3.5 Culture

1. Background

The nation has continued to carry out protection and promotional interventions including research, study, survey, and excavation to preserve cultural heritages; religious, historical, and archaeological sites; traditional cultural practices; tribal languages; traditional ethnic dress; and traditional art skills. Various programmes have been implemented to protect the Pashupati, Lumbini, and Greater Janakpur Development Areas as well as other religious, historical, archaeological areas, and to preserve, promote, construct and develop such areas in a bid to develop religious and cultural tourism. Many programmes have been implemented to help develop and expand potential archaeological and cultural heritages and have them declared World Heritage sites as well as to manage existing World Heritage sites. Efforts to protect intellectual property and regulate copyright need to be accorded high priority.

2. Objectives

- 2.1 To preserve and promote cultural heritages.
- 2.2 To protect sectors such as language, literature, music, and the performing and fine arts.
- 2.3 To maintain social and cultural respect and harmony.
- 2.4 To promote religious and cultural tourism, and
- 2.5 To protect the economic and moral rights of the creators of works of literature, art, music, cinema, information technology, knowledge, and science.

3. Strategies

- 3.1 Identify, preserve, develop, and promote religious, historical, cultural and archaeological heritages.
- 3.2 Develop an enabling environment for respecting the values and norms of all religions and cultures in order to enhance social, cultural and religious tolerance and national unity.
- 3.3 Create an environment in which people preserve and promote their own religious and cultural heritage and respect the heritages of others.
- 3.4 Organise national and international felicitation programmes and confer awards, and
- 3.5 Increase investment for the effective implementation of the provisions of those international conventions and treaties related to the cultural sector that Nepal has ratified.

4. Operating Policies

- 4.1 Nepal's existing ten World Heritage sites will be properly preserved and promoted and efforts to have other sites similarly designated will continue. (1)

- 4.2 The existing human resources in the cultural and archaeological sectors will be properly utilised and the capacities of more human resources will be developed as required. (1)
- 4.3 A primary-level archaeological laboratory will be established in the country (1)
- 4.4 Tangible and intangible religious and cultural heritages will be listed, classified, and prioritised and gradually handed over to the local level by transferring the responsibility for their management to the concerned agencies and communities. (1)
- 4.5 Local communities will be empowered to initiate measures to preserve, promote, and advance their religious and cultural heritages. (2)
- 4.6 An effective security system for tangible and intangible cultural heritages will be developed. Income-based investment will be explored, and the income generated by this sector will be managed. (3)
- 4.7 Endangered folk cultures and languages will be preserved. (3)
- 4.8 National and international peace prizes and other awards and felicitation programmes will be continued and their institutionalisation and proper management ensured, (4) and
- 4.9 Focus will be placed on publicising and promoting religious tourist sites such as the Pashupatinath, Lumbini and Greater Janakpur development areas in the international arena. (5)

5. Expected Outcomes

By the end of the TP, the cultures of all castes and communities in the country will have been listed in a scientific manner; endangered cultural heritages will have been preserved; local bodies will have assumed ownership for the preservation of archaeological, religious, and cultural heritages; cultural inclusiveness will have been promoted; and sites of archaeological and historical important heritages will have been conserved, rebuilt, and renovated. Diverse languages, religions, cultural heritages, traditions, literatures, arts, and customs will have been preserved and publicised, and copyrights will have been protected.

3.3.6 Social Security and Protection

3.3.6.1 Social Security

1. Background

Though government investment in social protection programmes has increased significantly in recent years, little progress has been made in regulating, integrating, and strengthening them. Their sustainability is dubious because of the lack of a clearly articulated long-term vision, policies, and institutional and financial Strategy. The usefulness, effectiveness and adequacy of these scattered programmes being implemented through multiple mechanisms by multiple sectoral ministries are yet to be assessed.

2. Objectives

- 2.1 To contribute to poverty alleviation, human development, and social justice through social protection, and
- 2.2 To prepare the prerequisites for providing minimum social protection to all citizens.

3. Strategies

- 3.1 Address first the problems that vulnerable groups face.
- 3.2 Integrate and strengthen existing programmes and focus government efforts on establishing a minimum floor of social protection, and
- 3.3 Encourage voluntary and contributory systems.

4. Operating Policies

- 4.1 Endangered and marginalised communities, children affected by HIV/AIDS, and orphans will be gradually brought into the net of social protection programmes. (1)
- 4.2 Emphasis will be placed on improving synergy by linking social protection programmes with those programmes promoting socio-economic empowerment, social justice, and human development. (1)
- 4.3 The National Framework for Social Protection will be finalised and the social protection floor will be defined and implemented on a priority basis. (2)
- 4.4 The system of government pensions., including those for civil servants, the Nepal Army, the Nepal Police, and the Armed Police will be reviewed and reformed. (2)
- 4.5 The existing nutrition programmes will be strengthened to achieve the objectives of the Multi-Sector Nutrition Plan. (2)
- 4.6 A sustainable financial strategy will be developed as part of the proposed National Framework for Social Protection to cope with the rising costs of social security. (2)
- 4.7 Contributory social protection schemes targeting both the formal and informal sectors by strengthening social security fund will be encouraged. (3)
- 4.8 Social health insurance programme will be implemented widely. (3)
- 4.9 Innovative insurance schemes for the agricultural and livestock sectors will be developed and implemented, (3) and
- 4.10 The private sector and cooperatives will be encouraged to initiate social insurance programmes by developing incentive systems and services. (3)

5. Expected Outcomes

The National Framework for Social Protection will have been finalised and a social protection floor implemented. The coverage of social health insurance programmes and number of beneficiaries will have increased.

3.3.6.2 Senior Citizens

1. Background

The Senior Citizens Act (2006) and Regulation (2008) protect the rights of senior citizens to social security, protection, prosperity, and dignity. A central and various district-level senior citizens welfare committees were formed to coordinate among stakeholders.

Despite these positive initiations, there are some major problems in ensuring the rights of senior citizens, primarily the fact that their knowledge, skills and experiences are not used in the national development process and that their rights are not guaranteed.

2. Objective

- 2.1 To expand the services and facilities required to ensure that senior citizens enjoy lives of dignity.

3. Strategies

- 3.1 Enhance the access of senior citizens to economic and social security programmes.
- 3.2 Conduct special programmes for vulnerable senior citizens, and
- 3.3 Maximise the use of the knowledge, skills, and experiences of senior citizens.

4. Operating Policies

- 4.1 A system to provide senior citizens with allowances through banks will be gradually developed. (1)
- 4.2 The government will prioritise the provision of incentives to senior citizens and will encourage the private sector to do the same. (1)
- 4.3 Provisions will be made to provide rebates for charges and to reserve a certain number of hospital beds to enhance the access of senior citizens to health services and facilities. (1)
- 4.4 Special programmes targeting vulnerable senior citizens at risk of abandonment, disability, and violence will be conducted. (2)
- 4.5 Minimum standards for the operation of senior citizens' residences will be developed and implemented. (2)
- 4.6 The non-government sector will be encouraged to run programmes for senior citizens. (2)
- 4.7 Public utilities and physical infrastructures will be made senior citizen-friendly. (2)
- 4.8 Opportunities to use the knowledge, skills, and experiences of senior citizens in the development process will be created, (3) and
- 4.9 Advice and suggestions will be sought from senior citizens in the planning and

implementation of local-level projects and programmes. (3)

5. Expected Outcomes

Senior citizens will find it easier to access services and facilities provided by the government, and the services of senior citizens' residence will have improved.

3.3.6.3 Persons with Disabilities

1. Background

Various programmes are in operation for persons with disabilities such as community-based rehabilitation, special needs education, inclusive education, free assistive devices, awareness-raising audio visual materials, inclusive policies, institutional development grants, and social security allowance, in line with the state's commitments under the Convention on the Rights of Persons with Disabilities and its Optional Protocol, 2003. However, some major problems still persist. Among them are the scarcity of facilities for persons with disabilities; limitations in service delivery; the lack of programmes focusing on persons with hemophilia, leprosy and mental disabilities; and the absence of adequate programmes that promote employment or self-employment for persons with disabilities.

2. Objective

2.1 To increase the access of persons with all types of disabilities to equal opportunities in services and amenities in order to enable them to live a life of self respect and self-reliance in an environment of dignity free from hindrances.

3. Strategies

- 3.1 Highlight the mainstreaming of persons with disabilities through community-based rehabilitation programs, and
- 3.2 Financially empower persons with disabilities and create an environment in which they will have greater access to employment and self-employment opportunities.

4. Operating Policies

- 4.1 The effectiveness of community-based rehabilitation programs will be increased. (1)
- 4.2 Assistive devices used by persons with disabilities will be produced within the country and access to such devices will be ensured. (1)
- 4.3 The rights of persons with disabilities will be protected and promoted. (1)
- 4.4 New and renovated government buildings, public utilities, road transport and other infrastructures and amenities will be made friendly to the differently abled. (1)

- 4.5 To serve persons with disabilities who have no guardians, rehabilitation centres and disability resource centres will be established and expanded in partnership with development partners. (1)
- 4.6 Sports and entertainment programmes will be organised for the mental and physical development of persons with disabilities. (1)
- 4.7 Access of persons with disabilities to employment and self-employment opportunities will be generated by providing skills which take into account the nature of disability, (2) and
- 4.8 Programmes promoting sign language will be conducted. (2)

5. Expected Outcomes

Rehabilitation centers will have been established for persons with disabilities who have no guardians and the availability of assistive devices will have increased.

3.3.6.4 Children and Adolescents

1. Background

Positive outcomes in the overall development of children are being realised with the enforcement of the Children's Act (1991) and Rules (1994). The Ten-Year Children's National Action Plan is being implemented to protect and promote the four key rights of children, survival, protection, development and meaningful participation. Despite the interventions and achievements, some problems persist, primarily the desultory implementation of child-related programmes and lack of notable progress in the areas of child labour eradication and control of trafficking.

2. Objectives

- 2.1 To protect and promote the overall rights of children.
- 2.2 To eradicate all forms of violence and abuse against children and adolescents, and
- 2.3 To eradicate all forms of child labour.

3. Strategies

- 3.1 Ensure the rights of children by controlling all forms of exploitation, abuse, discrimination, and exclusion of children and adolescents.
- 3.2 Ensure that children are provided with antenatal and postnatal care and adequate nutrition, and
- 3.3 Conduct programmes for the physical, mental and emotional development of children.

4. Operating Policies

- 4.1 Child participation will be enhanced by providing opportunities for children and

- adolescents to express their opinions on issues that concern them.
- 4.2 Legal and institutional provisions for ensuring that children will fully enjoy all types of child rights and fundamental freedoms without discrimination will be made effective. (1)
 - 4.3 Programmes of relief, rehabilitation, family reunion, and legal and psychological counseling will be organised for trafficked children and adolescents. (1)
 - 4.4 The birth registration of children will be made compulsory and the early childhood development process will be made systematic. (1)
 - 4.5 Nutrition programmes will be conducted for the protection of pregnant women and infants. (2)
 - 4.6 Basic education will be provided to all children, and programmes will be conducted to retain children in school through effective cooperation with local bodies and communities. (3)
 - 4.7 Counseling about matters of concern to children and adolescents will be initiated in schools. (3)
 - 4.8 Child clubs will be provided with the support they need to mobilise child protection committees and operate child clubs, (3) and
 - 4.9 The government, private and non-government sectors will be encouraged to provide life skills training to adolescents. (3)

5. Expected Outcomes

The rights of children will be better ensured, and all forms of exploitation and abuse of and discrimination against children and adolescents will have been mitigated.

3.4 Youth Development

1. Background

Youths comprise 40.34 percent of the total population. The National Youth Policy (2009) has been implemented. Awareness about HIV/AIDS, gender-based violence, drug abuse and other social malpractices has been increased, and youth-targeted programmes of employment and self-employment, especially micro-enterprises and in the agriculture, tourism and non-timber forest production sectors, have been promoted. Despite these and other interventions and achievements, problems plague this sector, particularly, the rapid brain drain of youths with secondary and higher education; the lack of basic social and economic services for youths and low access to those that do exist; the lack of a positive outlook; inadequate vocational and pragmatic education; and persistent drug abuse, crimes and other antisocial activities.

2. Objective

- 2.1 To contribute to the holistic development of nation by engaging youths in creative and productive activities.

3. Strategies

- 3.1 Enhance the capacity of youths to engage in social and economic entrepreneurship.
- 3.2 Enable youths to participate actively in the self-employment and income-generation opportunities being created in the domestic labour market and the national development process, and
- 3.3 Empower youth to assume leadership roles in national development activities.

4. Operating Policies

- 4.1 Entrepreneurship among youths aged 16-24 years will be promoted through education and capacity-building. (1)
- 4.2 Targeted training in employment, self-employment and entrepreneurship development will be provided to youths aged 26-40 years. (1)
- 4.3 The problems associated with unemployed youth will be addressed gradually by creating employment in the country. (2)
- 4.4 Specific programmes to tackle youth drug abuse and other antisocial activities will be conducted in a coordinated and cooperative effort with concerned agencies and non-government organisations. (2)
- 4.5 Specific programmes to eradicate poverty, illiteracy, untouchability, caste-based discrimination, gender-based violence, and other inhumane acts will be conducted in a coordinated and cooperative effort with concerned agencies and non-government organisations. (2)
- 4.6 The strength of youth will be mobilised in development programmes and disaster management. (2)
- 4.7 A National Youth Council will be established. (3)
- 4.8 The capacity of youth in policymaking and leadership will be enhanced in order to promote youth participation in national development leadership and policy formulation, (3) and
- 4.9 Experience-sharing programmes will be conducted at the local, national, and international levels. (3)

5. Expected Outcome

The number of youth beneficiaries will have reached 40,000 by strengthening 45 youth information centres and youth partnership programmes at the local level.

3.5 Sports Development

1. Background

Under the National Sports Policy (2010), remarkable achievements have been made in the sports sector. Covered halls have been built in 53 districts, 126 national sports

associations have been established, and a sports academy opened. However, certain problems persist: there is no systematic strategy for developing sports under the state's 'Sports for Health, Sports for the Nation' concept; mutual cooperation and coordination among sports-related agencies is lacking; the physical infrastructure needed to organise sports activities on the national and international level is inadequate; and the private sector has not been effectively involved in the development of sports.

2. Objectives

- 2.1 To develop healthy and disciplined citizens by developing and expanding sports as an inalienable part of life, and
- 2.2 To enhance the glory of the state through participation and success in international sports competitions.

3. Strategies

- 3.1 Organise sports competitions and other programmes and increase participation at the national and international levels.
- 3.2 Construct, maintain, and promote physical infrastructure for sports development, and
- 3.3 Expand and manage scouting programmes.

4. Operating Policies

- 4.1 Sports competition will be organised in the spirit of 'Sports for All'. (1)
- 4.2 Various sports activities will be organised to enhance women's participation in every sector and level of sports. (1)
- 4.3 Schools, universities and public organisations will be encouraged to organise sports contests. (1)
- 4.4 Participation in sports programmes and competitions at the international level will be encouraged. (1)
- 4.5 Touristic, mountain-based, traditional, and adventurous sports competitions will be organised. (1)
- 4.6 The existing physical infrastructure will be maintained, promoted, and developed, and additional physical infrastructure will be built. (2)
- 4.7 Physical infrastructure which meets international standards will be built with the assistance of various multilateral donor agencies and bilateral countries. (2)
- 4.8 Sports infrastructure will be constructed at the university level and sports competitions will be conducted among university students (2), and
- 4.9 Volunteerism and scouting will be expanded and managed in order to expand the scouting programme by increasing participation. (3)

5. Expected Outcomes

Participation in national and international sports competitions will have increased as

will the number of child and adolescent in scout activities.

CHAPTER 4

INFRASTRUCTURE DEVELOPMENT

4.1 Energy

4.1.1 Hydropower

1. Background

Despite the fact that various promotional and motivational measures have been adopted to involve the private sector and communities in the generation and distribution of hydropower under the Electricity Act (1992) and various policies and periodic plans, progress in hydropower has been far from satisfactory. By the end of the TYP in the FY 2012/13, the installed capacity of the power generation centres connected in to the national grid was only 705 MW, out of which the Nepal Electricity Authority contributed 473 MW and the private sector, 232 MW. The national grid covered 59 districts. The TYP target for increasing capacity was 184 MW; the actual addition was only 21 MW. While progress in expanding capacity was discouraging, that in increasing distribution lines was satisfactory: nine hundred additional VDCs and 700,000 additional customers benefitted from electricity. Nearly 50 percent of the population now gets electricity from the national transmission grid and the per capita power consumption has reached 108 kwh. By 2011, nearly 67 percent of population had access to electricity.

The supply of power does not meet the demand for it, however, due to a host of problems such as the lack of transmission lines in certain parts of the nation, the poor management of distribution, the fact that the nation's run-of-river-system base-power-production approach means that plants do not run at their installed capacities during the dry season, the inability of the private sector to generate power within the timeframe committed, and the fact that not even the government sector operates any new huge-capacity power generation projects.

2. Objective

2.1 To increase public access to reliable and good-quality electricity services by encouraging hydropower production.

3. Strategies

3.1 Increase the existing capacity for electricity production by increasing public, private, community and cooperative investment through the creation of an investment-friendly environment.

3.2 Expand and strengthen electricity transmission and distribution regimes, and

3.3 Promote foreign investment in and assistance for the development of extensive

and multipurpose hydropower projects that fulfill domestic needs and generate electricity to export.

4. Operating Policies

- 4.1 Projects will be implemented through both private and government investment, transmission lines will be constructed, and power for domestic consumption generated. (1)
- 4.2 Shares will be allocated to local users in both small and large hydropower projects. (1)
- 4.3 Government and national private capital will be mobilised to construct and operate small and medium projects. (1)
- 4.4 People's ideas about and past experiences with hydropower projects will be incorporated into revised plans for new projects. (1)
- 4.5 To increase private investment by Nepali citizens, power purchase rates will be reviewed and incentives and tax concessions on construction materials will be given to those projects which will be completed during the TP period (1)
- 4.6 The efficiency of the power generation, distribution and utilisation systems will be increased. (2)
- 4.7 The private sector will be encouraged to construct transmission lines through public-private partnerships. (2)
- 4.8 A 'Sustainable Energy for All' Action Plan designed to promote easy access on energy, alternative energies, and increased efficiency will be prepared and implemented. (2)
- 4.9 Electricity leakage will be controlled by adopting legal provisions and technical measures. (2)
- 4.10 Programmes to promote the economic and efficient use of energy will be implemented. (2)
- 4.11 Action will be taken to construct underground distribution lines in urban areas in order to mitigate electricity leakage and power-induced accidents. (2)
- 4.12 In the selection of new projects, the development of project with a minimum of 30 percent reservoir capacity will be accorded top priority and a separate power purchase rate will be introduced for them. (3)
- 4.13 Rural electrification will be expanded as called by policy. (3)
- 4.14 Detailed reports on the proposed Pancheshwor and Saptakoshi hydropower projects will be prepared. (3)
- 4.15 It will be made mandatory for big hydropower projects to consider the effects of climate change, (3) and
- 4.16 The watersheds of big rivers will be protected. (3)

5. Expected Outcomes

By the end of the TP, completed hydropower projects will have added 668 MW of power-generating capacity and projects with a total capacity of 584 MW will have been started. In addition, 400 km of new transmission lines will have been constructed, power leakage will have decreased to 21 percent, per capita power

consumption will have increased to 140 kwh, the proportion of the population using electricity from the national grid will have reached 65 percent, and electricity will be available in 3000 VDCs.

4.1.2 Renewable and Other Energy

1. Background

Nearly 12 percent of the population, most of whom live in areas the national grid has not yet reached, receives electricity services through alternative energy sources with a total capacity of 35.03 MW. Of that, 23 MW is from micro-hydro, 12 MW from solar, 20 KW from wind and 11 KW from bio-energy. Many cottage solar electrical system, have been installed, and solar lamps distributed. Other alternative technologies introduced in large numbers include solar drinking water projects; domestic, institutional and community-biogas plants; solar dryers and cookers; improvised water turbines, improved cooking stoves; and bio-brickettes. Energy and environment units have been established and are running in all 75 district development committees. Renewable energy is part of Nepal's commitment to sustainable energy for all. Nepal has been earning revenue through the Clean Development Mechanism.

This sector faces a handful of challenges, including the need to increase access to renewable energy among low-income people residing in remote areas, especially women, the poor, and marginalised groups; increase the economic sustainability of energy-utilising projects for productive uses such as micro and medium industries; make low-interest loans readily available to users, promote jatropa oil as a bio-fuel, and connect micro and small hydropower projects and solar power to the national transmission line.

2. Objective

- 2.1 To reduce dependence on conventional energy and to emphasise the promotion and development of alternative and renewable energies in the areas in which the national transmission line will not be able to reach in the near future.

3. Strategies

- 3.1 Emphasise research into and the development and technology transfer of renewable energy and production of the necessary equipment within the country itself.
- 3.2 Mobilise internal and external sources, including those received through carbon trading, for the promotion and development of renewable energies, and
- 3.3 Undertake research and development activities and manage renewable energies in accordance with the concept of energy efficiency.

4. Operating Policies

- 4.1 Alternative energies such as micro and small hydropower plants, solar power, bio-fuel and wind energy will be promoted, developed and expanded in rural areas. (1)
- 4.2 The capacity of local bodies to handle all aspects of alternative energy projects, from promotion to plan formulation and implementation to monitoring and evaluation, will be increased. (1)
- 4.3 The use of economical bio-fuel technologies such as biogas and improved cooking stoves, gasifire and bio-briquettes will be promoted and extended in order to reduce the use of firewood as a source of energy for domestic purposes.(1)
- 4.4 Where feasible, power will be generated by wind, and wind pumps will be developed and expanded for irrigation in the Tarai.(2)
- 4.5 Community and institutional bio-gas and gasifire systems will be promoted and extended. (2)
- 4.6 The technology and systems for generating energy from the waste produced by various sectors will be promoted and extended. (2)
- 4.7 Exhausted batteries from solar power generation will be collected and recycled or appropriately disposed of. (2)
- 4.8 For the sustainable and proper development of renewable energy, the current Rural Energy Fund will be developed into the Central Renewable Energy Fund and an environment conducive to investment by financial institutions created. (2)
- 4.9 As a partial option to petroleum products, bio-fuel will be promoted with the formulation of policies regarding its production. (3)
- 4.10 To address the prevailing power crisis, major public agencies in urban areas will continue to be supplied by solar power, and provisions will be made to supply urban households with the minimum essential energy using renewable energy sources.(3)
- 4.11 Subsidies will be provided to encourage the generation and use of energy from the bio-waste produced by urban households, (3) and
- 4.12 A good-quality system of standards for importing renewable energy equipment like solar panels will be strengthened. (3)

5. Expected Outcomes

By the end of the TP, an additional 15 MW of energy will have been generated by micro hydropower, 6 MW by solar power, and 1 MW by wind power for use by 7 percent of the rural population. In addition, 11,000 employment opportunities will have been added in the renewable energy and technology sector and renewable energy plans that include considerations of climate change will have been formulated in all 75 districts, and regular income will be received from carbon trading.

4.2 Transport

4.2.1 Roads

1. Background

During the TYP period, remarkable achievements were made in the expansion of roads: a total of 25,133 km of strategic roads were built; of the total, 7,799 km are blacktopped, 6,830 km gravel and 10,504 km dirt. Roads now reach 73 of 75 districts, and an additional 1,609 bridges came into operation. In order to manage and sustain development in the road sector, national highways, feeder roads and strategic city-linking roads have been classified as strategic roads and district, urban and rural roads as local roads. The Ten-Year Primary Investment Plan (2007-2016) is being implemented to ensure that roads and bridges are constructed and repaired as necessary.

2. Objective

- 2.1 To expand a good-quality, reliable, affordable, and safe transport network to contribute to national integration, socio-economic development, and regional balance.

3. Strategies

- 3.1 Expand transport access in order to link district headquarters and districts
- 3.2 Expand transport in order to extend access to agricultural, industrial, hydropower, tourism, education and health services, and
- 3.3 Prioritise repair and maintenance of roads in order to safeguard road networks and ensure safe and effective travel.

4. Operating Policies

- 4.1 The road network will be extended to two district headquarters still not connected. (1)
- 4.2 Roads linking district headquarters and other roads of national significance will be upgraded gradually to make them all-weather roads. (1)
- 4.3 Postal highways will be upgraded and constructed, as will north-south roads linking various points of border trade and major transit points to those highways. (1)
- 4.4 The construction of the Mid-Hills Highway and Kathmandu-Tarai Fast Track will continue. Feeder roads and district routes will also be constructed, expanded and upgraded. (1)
- 4.5 Investment under the public-private partnership model will be encouraged in order to develop commercially important roads. (1)
- 4.6 Roads supporting important hydropower, irrigation, tourism, and industrial

- projects and enhancing access to agricultural, education, and health services will be constructed, and upgraded. (2)
- 4.7 Roads will be developed and extended to support the rising number of vehicles. (2)
 - 4.8 To address the pressure of urbanisation, road networks will be expanded in a manner which contributes to the management of safe, environment-friendly, hindrance-free mass transportation. (2)
 - 4.9 The protection, repair, maintenance, and management of road assets will be made more effective. (3)
 - 4.10 Roads that are constructed or expanded in urban areas will be friendly to pedestrians people with disabilities and shall include bicycle lanes. (3)
 - 4.11 The gross cost of transport operations will be reduced by making road repairs effective. (3)
 - 4.12 The responsibility for the operation and maintenance of local roads will be delegated to local bodies. Resources including human resources, machines and equipment, offices, and residences will also be transferred to the concerned local agencies' infrastructure on the basis of road density. (3)
 - 4.13 In constructing and repairing rural roads, local resources-financial means, materials, and labour will be prioritised. (3)
 - 4.14 The expansion of ring roads taking place in Kathmandu and other major cities will be intensified, (3) and
 - 4.15 To ensure that road construction is sustainable and good-quality, provisions for the contractor itself to repair the roads it constructs for a certain period will be made. (3)

5. Expected Outcomes

During the TP period, 3000 km of new roads will have been constructed, 2100 km of roads will have been upgraded, 310 strategic bridges will have been erected and all 75 the district headquarters will have been connected to the road network. The number of road accidents will have increased and transport management will have been more effective.

4.2.2 Air Transport

1. Background

In order to make air transport safe, regular, widely available, and reliable, as called for in the Air Policy (2006), there is a need for expanding infrastructure, developing and expanding high-traffic airports, and continuous operation and effective regulation of reliable air transport services. To enhance and advance national and international air transport, the development of air transport must be linked with the development of tourism with the participation of the private sector. Air transport must be made safe, good-quality, easy and reliable and civil aviation services must be made sustainable,

strong and competent.

To this end, domestic airports have been constructed and are in regular operation and private-sector participation in the operation of international flights has been encouraged by issuing licenses. The participation of private companies in domestic flights has also increased. The Air Policy envisages constructing airports with good physical infrastructure by attracting private-sector investment and inviting the participation of communities.

2. Objective

- 2.1 To develop civil aviation industry as a significant economic sector which contributes to national development through strengthening air transport, providing good-quality service, and increasing flow and access at the national and international levels.

3. Strategies

- 3.1 Establish and extend national and international access by developing air services as a reliable, safe, widely available, regularly run, comfortable, and fast means of transportation.
- 3.2 Develop and extend essential infrastructure for the advancement of the aviation sector under the partnership of the government, the private sector, local bodies, and communities, and
- 3.3 Ensure the safety of the civil aviation sector through effective monitoring and regulation and the use of ultra-modern technology.

4. Operating Policies

- 4.1 Tourism promotion will be highlighted in the air agreements Nepal makes with various countries. Past agreements will be gradually reviewed in a timely manner. (1)
- 4.2 Necessary planes will be purchased and services will be improved in order to strengthen the management of the Nepal Airlines Corporation. (1)
- 4.3 A Master Plan for Air Transport will be formulated to ensure that air services are operated effectively and efficiently. (1)
- 4.4 Rebates on flight charges will be given to flights to hill areas which originate from Janakpur, Ramechhap, Bhairahawa and Dhangadhi airports. (1)
- 4.5 A study will be done to develop a separate accounting system which takes into account the contribution of the aviation sector to the national economy. (1)
- 4.6 Considering the rising traffic pressure of domestic and international air transport services at the Tribhuvan International Airport, priority will be given to developing and expanding its infrastructure and the airport will be made operable round the clock. (2)
- 4.7 To handle the rising pressure of international air transport services and

- passengers, the construction of a second international airport in Nijgadh, Bara District, will be initiated. (2)
- 4.8 Public-private partnerships will be promoted in order to attract private sector investment in the development and upgrading of airport infrastructure, technology development, and airlines operations. (2)
 - 4.9 Airports which are important for tourism will be upgraded so that they are operable year-round. (2)
 - 4.10 In order to make air transport to remote areas, including the Karnali Zone, regular and accessible to public, airports in remote areas will be upgraded with ultra-modern technology and the number of flights will be increased. (2)
 - 4.11 Financial resources will be allocated towards developing Gautam Buddha Airport of Bhairahawa and Pokhara Airport as international airports at the regional level. (2)
 - 4.12 By developing airports of Biratnagar, Janakpur, Bhairahawa, Nepalgunj, Surkhet and Dhangadhi as hub airports, small planes will be encouraged to fly from these airports, thereby alleviating pressure at the Tribhuvan International Airport. (2)
 - 4.13 To make air services safe, modern aviation equipment will be installed in airports and flight monitoring and plane inspection standards will be made compliant with international norms. (3)
 - 4.14 To make the civil aviation sector safe and reliable, legal and institutional provisions for its effective monitoring and regulation will be made. (3)
 - 4.15 To guarantee security and good-quality service, the capacity of the Civil Aviation Authority of Nepal will be enhanced and structural reforms will be initiated as called for in the guidelines of the International Civil Aviation Organisation, (3) and
 - 4.16 Currently unused airports will be upgraded and utilised as infrastructure for developing tourism. (3)

5. Expected Outcomes

Construction of international-standard airports in Bhairahawa and Pokhara will have been started, the capacity of Tribhuvan International Airport will have been enhanced, and the runways of 22 domestic airports will have been blacktopped, the number of foreign airlines flying to Nepal will have reached 31, and 40 nations will have had bilateral air agreements with Nepal. The number of two-way air tickets will have reached 7.5 million per annum.

4.2.3 Rail and Other Transport

1. Background

In addition to road and air transport, rail and other transport programmes were launched during the TYP period. The extension of Janakpur-Jaynagar railway line by 26 kilometres to Bardibas has been started and the Department of Railways was established. Studies are being undertaken for the advancement of other transport

sectors such as water courses and ropeways.

2. Objective

- 2.1 To carry out the activities necessary for the development and expansion of safe rail and other alternative transport networks.

3. Strategies

- 3.1 Identify, develop, and extend rail and other alternative transport networks.
- 3.2 Identify, develop, and extend east-west and north-south rail routes on the basis of need and feasibility and introduce light rail transit and monorails in major cities.
- 3.3 Promote public-private partnerships in the development and operation of railways, ropeways, waterways and other transport infrastructure, and
- 3.4 Develop a sustainable, safe, and reliable rail network.

4. Operating Policies

- 4.1 A feasibility study for the development of an east-west electric railway will be completed and a detailed project report initiated. (1)
- 4.2 A detailed project report on the operation of metro rail services in Kathmandu Valley will be drafted and investment will be attracted through public-private partnerships. (2)
- 4.3 Feasibility studies for the advancement of alternative transport systems such as ropeways and cable cars will be launched and feasible projects constructed. (3)
- 4.4 Investments in the development of transport systems such as ropeways, cable cars, and waterways in important tourist destination will be attracted through concepts such as public-private partnerships. (3)
- 4.5 The operation of Biratnagar-Katahari Railway currently under construction and Jaynagar-Janakpur-Bardibas Railway, which is being upgraded, will be assigned to local bodies or managed through public-private partnerships, (4) and
- 4.6 A detailed project report on feasible waterways will be drafted and construction works initiated. (4)

5. Expected Outcomes

By the end of the TP period, the detailed project report on all 994 kilometres of Mechi-Mahakali Railway will have been completed and the construction of Simara-Bardibas segment will have commenced. The Biratnagar-Katahari Railway will have been built and the Jaynagar-Janakpur-Bardibas Railway will have been upgraded. The detailed project report for the operation of metro rail services in Kathmandu Valley will have been prepared, as will feasibility studies for the operation of cable car services in 10 different places in the country. The construction of cable car projects in five places will have begun.

4.3 Information and Communication

1. Background

Remarkable achievements were made in the communication sector in the TYP period. Six telephone service-providing companies expanded their services aggressively, reaching all VDCs in the country. Telephone density is now 71.5 percent and there are 18.9 million telephone sets. The number of internet service recipients has reached 5,56,970. Thirty-one television broadcasting service providers, 772 cable TV service providers, and 489 radio stations, including FM stations, are currently operational. Cinema and advertisement business have specialised and expanded and print and electronic media are booming. Reforms are needed in those means of communication, such as post, radio, television, news agency and newspaper where the government is fully or partially involved. The state is committed to implementing the right to information guaranteed by the Constitution.

2. Objective

2.1 To make information, communication and technology services up-to-date, effective, and good-quality and to ensure they are readily available.

3. Strategies

- 3.1 Establish the country's own satellite and draft a detailed project report on expanding the nation's networks of the latest technologies, such as broadband and optical fiber, nationwide.
- 3.2 Make the public mass communications responsible, professional, modern, and autonomous.
- 3.3 Develop all the prerequisites for the provision of secure printing services.
- 3.4 Focus on making original modern movies that promote social and cultural norms and values by constructing an international-standard 'open studio' for shooting, and
- 3.5 Make the postal service professional and competitive.

4. Operating Policies

- 4.1 Preparations will be made for installing the nation's own satellite in the orbital slot provided by the International Telecommunications Union to Nepal. (1)
- 4.2 Broadband and optical fiber networks will be expanded nationwide. (1)
- 4.3 Broadband internet service will be provided in community schools by mobilising the Rural Telecommunications Fund. (1)
- 4.4 Telecommunication service providers will be made accountable for service quality. (1)
- 4.5 Radio Nepal and Nepal Television will be transformed into public broadcasting corporations after digitisation. (2)
- 4.6 Provisions will be made for developing the Department of Information into an

Information Bank by ensuring that all government information flows through this institution. (2)

- 4.7 Radio service providers will be classified and government subsidies will be granted on the basis of their classification. (2)
- 4.8 Rastriya Samachar Samiti, Gorakhapatra Corporation, Radio Nepal, and Nepal Television will be made competitive and professional, and policy measures will be taken to make them self-reliant. (2)
- 4.9 The establishment of a communication equipment industry will be encouraged inside the country. (2)
- 4.10 The Department of Printing will be developed into a security printing press. (3)
- 4.11 A cinema city based on the 'open-studio' approach will be built and equipped with modern facilities, (4) and
- 4.12 The postal service will be made more reliable, professional and competitive and will offer modern and efficient services. (5)

5. Expected Outcomes

By the end of the TP period, telecommunication services will have become better in quality, more reliable, and more accessible to the general public. Postal services will have been more autonomous and consolidated, and Information Bank will have been set up. There will have been a security printing press and public communications media will have been more self-reliant. Radio and television broadcasting will have been digitized and world-class cinematographic facilities will have been constructed.

4.4 Building, Housing and Urban Development

4.4.1 Building and Housing

1. Background

It is estimated that the number of public buildings across the country has reached nearly 150,000. A total of 5,427,000 families live in a total of 4,767,000 residential structures. Altogether 85.26 percent of the families reside in their own houses and 12.81 percent live in rented accommodations. The proportions of families with access to electricity, water and toilets are 67, 47 and 62 percent respectively. Some major programmes were implemented during the TYP period, including the reconstruction of buildings damaged during the conflict, the construction of government buildings, the implementation of a land development program in Kathmandu Valley and in other municipalities, the strengthening of some buildings to meet the standards of the Buildings Code, land-pooling and site development, and the maintenance and repair of monuments and palaces are some of them. Through the People's Housing Programme, residential facilities were extended to backward and disadvantaged families. Though investment in real estate surged, there is still a need to integrate settlements scattered in villages and those of low-income families and to provide comfortable, economy,

safe and accessible housing facilities in secure places.

2. Objectives

- 2.1 To construct and develop public and private buildings which are safe, economical, environment-friendly and earthquake-resilient, and
- 2.2 To promote appropriate, safe and affordable settlements for all income groups.

3. Strategies

- 3.1 Raise awareness about and enforce compliance with the conditions of the Building Code while building new structures, strengthen model buildings, and promote adherence to the Building Code, and
- 3.2 Develop residences which are safe, affordable, environment-friendly and earthquake-resilient; and provide housing facilities to disadvantaged sections of society.

4. Operating Policies

- 4.1 In order to increase the quality, safety, and uniformity of government buildings, the construction and maintenance of buildings will be handled in a coordinated fashion by several concerned agencies until a single agency is made responsible. (1)
- 4.2 The construction of high-rise buildings will be regulated in order to make it up-to-date and effective. (1)
- 4.3 The construction of new residential buildings and the proper maintenance of existing ones will be facilitated by making rational provisions for the required infrastructures and facilities. (2)
- 4.4 The principle of financial self-reliance will be adopted, encouraged, and enforced in the development and promotion of housing through the effective mobilisation of financial means and resources. (2)
- 4.5 In recognition of the fact that housing is a basic need, resources will be mobilised to establish building sites and construct buildings to serve the poor and disadvantaged. (2)
- 4.6 The development of settlements will be intensified in order to provide sufficient services to the general public. (2)
- 4.7 Economical and safe model houses will be built to serve as demonstrations for the public. (3)
- 4.8 The development of residential areas on fertile land will be discouraged, (3) and
- 4.9 The development of settlements will be intensified in order to manage service delivery. (3)

5. Expected Outcomes

The government buildings constructed during the TP period will uphold the Building

Code; procedures, norms and legal bases will have been prepared for the ownership transfer, operation and monitoring of joint housing; 7,000 low-cost residential buildings will have been built under the People's Housing Programme; and temporary residences will have been provided to families displaced by natural disasters.

4.4.2 Urban Development

1. Background

Though the National Population Census of 2011 found that nearly 17 percent of Nepal's population lives in municipalities, the actual proportion of people living in urban areas is estimated to be 24 percent if one considers temporary urban residents and those who live in urban areas not designated as municipalities. The urban population is rising sharply owing to the search for the services and facilities and the educational and employment opportunities available only in cities and towns. Rapid growth has exerted extra pressure on the limited social and physical infrastructures available in Nepal's cities. The nation has faced several challenges in this sector: to keep the population surges in Kathmandu and other big cities and towns within their carrying capacities; to maintain a balance between the natural and cultural environments; to develop clean, safe and prosperous cities through planned urban development; to provide urban services and amenities as demanded; and to raise the living standards of urban dwellers.

2. Objective

2.1 To develop safe, clean and prosperous cities with adequate infrastructure.

3. Strategies

- 3.1 Encourage private-sector investment in the basic social and physical infrastructures of big cities and towns, and
- 3.2 Formulate proper programmes for developing the urban infrastructure needed for the planned development of villages which are emerging as towns as well as for towns which are growing into municipalities.

4. Operating Policies

- 4.1 Sustainable and systematic urban development plans and settlement development programmes will be executed. (1)
- 4.2 The infrastructure of regional megacities and selected small towns will be developed in an integrated fashion. (1)
- 4.3 Model projects will be framed and implemented to make the rivers of Kathmandu Valley clean and green. (1)
- 4.4 Programmes operated by public-private partnerships will be run to develop and advance basic urban services. (1)

- 4.5 Programmes to renovate and preserve important historical, religious, cultural and touristic sites lying in major urban areas will be initiated. (1)
- 4.6 Planned cities and settlements will be developed in the vicinity of both major highways, including the Mid-Hills Highway, and other roads which are important from the perspective of economic development. (2)
- 4.7 Basic urban services will be gradually developed and expanded in emerging towns, (2) and
- 4.8 One city will be selected for development as a model planned city with all the necessary infrastructure. (2)

5. Expected Outcomes

Sixteen municipalities (with populations over 50,000) and nearly 1.2 million people will have benefited from the integrated development of physical infrastructure that takes place during the TP period. In addition, integrated physical infrastructures will have been developed in another 10 cities (with populations over 10,000) so that they can shelter nearly 1 million people. Limited physical infrastructures will have been developed in 30 municipalities.

4.5 Local Infrastructure

1. Background

In terms of local infrastructure, Nepal has a total of 50,944 km of strategic and rural roads, 1,576 km of which are blacktopped. During the TYP period, the construction of 17 road/bridges was completed and more than 5,000 trail/bridges were constructed to ensure easy access to places that are not connected by roads. Vehicles ply the nearly 16,200 km of strategic roads. Altogether 1,500 irrigation projects service a total command area of 22,000 ha and 2,100 drinking water projects were completed during the TYP period to serve an additional 1,550,000 rural inhabitants.

This sector faces certain problems such as the quality and sustainability of the constructed structures, many of which are not properly maintained; the absence of participatory local planning processes in the selection, construction and use of projects; the relative lack of human resources in local bodies in comparison to the size of budgets and the number of programmes they are responsible for; and the lack of sufficient capacity-building among local bodies.

2. Objective

- 2.1 To ensure that people have easy access to basic facilities and to enhance employment and income-generation opportunities by developing local infrastructure.

3. Strategies

- 3.1 Develop good quality, sustainable, and environment-friendly local infrastructure by adopting a sector-wide approach.
- 3.2 Manage and systematise local infrastructure by introducing and enforcing technical specifications, standards norms, and
- 3.3 Use local infrastructure as a supportive development infrastructure.

4. Operating Policies

- 4.1 After clearly classifying physical infrastructures into central and local types, local bodies will construct and manage those that are local level. (1)
- 4.2 Local infrastructure development activities will be selected, constructed and managed on the basis of the nation's periodic and sectoral plans and its priorities. (1)
- 4.3 Local infrastructure development activities will be managed effectively through people's participation and mobilisation of local means, resources and skills. (1)
- 4.4 The programme budget and expenditure management of the seven areas of local infrastructure development will be strengthened as provided for in the sector-wide approach. (1)
- 4.5 The concept of establishing a cooperatives and irrigation development fund shall be promoted to expand irrigation facilities. In areas where it is feasible, a 'One Village, One Pond' campaign will be launched. (1)
- 4.6 The rivers, land and other natural resources of emerging towns will be safeguarded from pollution. (1)
- 4.7 The Accessible Transportation Master Plan will be implemented gradually in municipalities. (1)
- 4.8 Village-level water resource master plans will be prepared and used to decide on what water-based infrastructure (drinking water, irrigation, and small hydropower facilities) to construct. (1)
- 4.9 Provisions will be made to complete all infrastructure development activities within a maximum of two years from their commencement. (2)
- 4.10 A code of minimum standards for the construction of local infrastructures will be drafted and compliance with its provisions ensured. (2)
- 4.11 The existing quality of construction materials and human resources will be assessed, and reforms will be effectuated to improve the overall quality of infrastructure development. (2)
- 4.12 The funds needed to carry out regular and emergency repairs and maintenance will be provided in order to ensure the sustainable operation of projects. (2)
- 4.13 After reviewing the existing construction technologies, new, labour-intensive and machine-based technology will be selected and introduced. (2)
- 4.14 The environmental friendliness of each physical infrastructure will be ensured by beginning construction only after conducting a feasibility study and preparing a

- detailed design and cost estimate. (2)
- 4.15 To ensure that quality standards are met, the technical documents necessary for opening and running quality-testing laboratories will be prepared. (2)
- 4.16 Research into and study of local infrastructure development will be gradually institutionalised. (2)
- 4.17 A balance between constructing and opening new roads and upgrading and maintaining old roads will be maintained.(3)
- 4.18 All-weather local roads will be built and upgraded based on a consideration of the nation's north-south and east-west highways and market centers, (3) and
- 4.19 After updating all district transportation master plans using the Geographical Information System, similar plans for municipality- and village-level roads will be gradually prepared and implemented. (3)

5. Expected Outcomes

By the end of the TP period, a total of 3,250 km of new rural roads will have been constructed, basic drinking water and sanitation services will have reached an additional 500,000 people, and 550,000 people will have had access to irrigation services spread over 35,000 ha of arable land. An additional 25,000 people will have benefited from micro hydropower and 50,000 from basic infrastructure services through 10 development initiatives. Employment opportunities equivalent to 25,000,000 labour-days will have been generated through the construction and maintenance of local infrastructure development activities.

CHAPTER 5

CROSS-SECTORAL DEVELOPMENT POLICIES

5.1 Poverty Alleviation

1. Background

As a result of 15 years of programmes which placed poverty alleviation at the centre stage of development efforts, considerable improvements in the indices of poverty and human development have been recorded. By the end of the FY 2010/11, the ratio of people living below the poverty line had dropped to 25.16 percent, in part because investment in social sectors was increased dramatically and in part because employment and income-generation programmes were implemented. While setting objectives and goals for poverty alleviation, the experiences of past programmes were reviewed in order to improve the targeting of specific groups and regions. Despite this progress, 1,250,000 households, i.e. 7 million Nepalis, are still living below the poverty line; poverty alleviation measures are fragmentary and uncoordinated; and policies and programmes have yet to be made result-oriented and effective. Poverty alleviation is a formidable challenge, especially among women, Dalits, minorities, Madhesis, inhabitants of remote and backward regions including Karnali, persons with disabilities, and persons residing in hazard-prone urban areas, and in areas where all populations exhibit disproportionately high rates of poverty.

2. Objective

2.1 To decrease the proportion of the population living below the poverty line to 18 percent.

3. Strategies

- 3.1 Develop productive employment opportunities.
- 3.2 Emphasize capacity-building, increases in productivity, the judicious distribution of resources, and equitable development.
- 3.3 Foster coordination among the poverty alleviation programmes run by different agencies and organizations, and
- 3.4 Implement demand-based, targeted programmes.

4. Operating Policies

- 4.1 A National Poverty Alleviation Policy focusing on productive employment will be framed. (1)
- 4.2 The use of labour-intensive technologies to run development projects will be incentivised. (1)
- 4.3 A Minimum Employment Guarantee Scheme and Act will be formulated and

- enforced. (1)
- 4.4 Balanced management and utilisation of natural resources for poverty alleviation will be emphasised. (2)
 - 4.5 Programmes to build capacity, promote employment and generate income will be carried out targeting unemployed youth. (2)
 - 4.6 The poverty alleviation programmes undertaken by different agencies will be effectively coordinated. (3)
 - 4.7 The effectiveness of programmes implemented to alleviate poverty will be evaluated. (3)
 - 4.8 Programmes targeting both urban and rural poverty will be launched, (4) and
 - 4.9 After poor households are identified and classified, they will be issued poverty identity cards. (4)

5. Expected Outcome

The proportion of the population living below the poverty line will have been reduced to 18 percent.

5.2 Human Resource Development

1. Background

The literacy rate stands at 65.9 percent and the active population (those aged 15-59 years) comprises 57 percent of the population. In the past few years, brain drain in the form of emigration for foreign employment and education has surged among individuals with technical and managerial skills. The mass exodus of semi-skilled and unskilled youths has had two negative consequences: first, there is a shortage of the human resource required for development efforts within the nation, and, second, the remaining human resource does not have the skills the market demands. Though the government has strived to develop education, health and employment infrastructure in order to develop human resources, these endeavours have been far from sufficient. Development efforts have not penetrated many rural and remote areas or reached many women, Dalits and other marginalised groups. Human development efforts need to focus on those sectors that will result in the qualitative and quantitative development of manpower that can meet the changed needs of the country and compete in the international market.

2. Objective

- 2.1 To maintain a balance between the demand and supply of human resources by developing efficient and skilled human resources that can compete in national and international markets.

3. Strategies

- 3.1 Emphasise technical education and vocational training that can generate employment and self-employment opportunities, and
- 3.2 Carry out integrated programmes for the development of skilled human resources.

4. Operating Policies

- 4.1 The quality of technical and skill-oriented education will be improved and such education will be linked to employment. (1)
- 4.2 The capacities of agencies responsible for human resource development will be enhanced. (1)
- 4.3 An Integrated Strategy of Human Resource Development will be framed and implemented. (1)
- 4.4 Leadership development programmes will be run for youths. (1)
- 4.5 Investments in human resource development will be made result-oriented. (1)
- 4.6 Harmony between the manpower produced by educational institutions and employment available in the market will be maintained. (2)
- 4.7 The capacities of targeted groups will be enhanced by providing scholarships and other support. (2)
- 4.8 Through consultants involved in human resource development programmes and with support from development partners, skills and technology will be transferred to domestic human resource to develop human resources, (2) and
- 4.9 The knowledge, skills, and experiences of retired government employees will be utilised for nation-building. (2)

5. Expected Outcome

Human resources with the capabilities essential for promoting national development will be available.

5.3 Labour and Employment

1. Background

The economically active population (those aged 15-59 years) comprises 56.96 percent of the total population of Nepal. Around 30 percent of the economically active are unemployed or underemployed and more than 450,000 people enter the labour market annually. The lack of adequate employment opportunities within the country has created a high rate of emigration for foreign employment, around 1,500 individuals every day. The major achievements in this sector during the TYP were the restructuring of the Department of Foreign Employment and the implementation of a Reform Action Plan, the fixation of minimum wages, the provision of rescue and relief to migrant workers in need, the formation of the Emigration Information Centre, the provision of Labour Attaches to destination countries, the signing of labour

agreements with various countries, the drafting of the Child Labour Action Plan, the rescue of children from the worst kinds of child labour, and the operation of daycare and informal education centres for children. The main problems this sector faces are the mismatch between the demand for and supply of labour, rising unemployment, low minimum wages, limited efforts in developing skills and entrepreneurship, the lack of clear norms of occupational safety and health, the mismatch between the manpower produced by educational institutions and the employment available in the market, the persistence of the worst forms of child labour, the prevalence of various kinds of deception and fraud in foreign employment, political interference in social dialogue and collective bargaining, and the weakness of the Employment Information Centre.

2. Objectives

- 2.1 To reduce unemployment and underemployment by creating decent employment opportunities within the country, and
- 2.2 To make foreign employment safe, dignified and systematic.

3. Strategies

- 3.1 Formulate a National Employment Policy guaranteeing employment for a certain duration.
- 3.2 Make foreign employment safe, dignified, reliable, and gainful.
- 3.3 Establish harmonious industrial relations by protecting the rights of workers and creating an investment-friendly environment.
- 3.4 Develop a workforce capable of competing at the national and international levels by increasing opportunities to participate in skill and vocational training.
- 3.5 Eliminate all forms of child labour, and
- 3.6 Mobilise the Social Security Fund effectively.

4. Operating Policies

- 4.1 A Guarantee of Employment Act will be enforced to ensure that people in certain areas are guaranteed a minimum period of employment. (1)
- 4.2 Labour-intensive technologies will be encouraged in both the agricultural and non-agricultural sectors. (1)
- 4.3 Programmes will be implemented to strike a balance between the demand for and the supply of labour. (1)
- 4.4 Access to employment will be increased on the basis of skill and ability by developing an effective employment exchange system. (1)
- 4.5 The institutional structure for facilitating foreign employment will be strengthened and expanded. (2)
- 4.6 The foreign labour market will be promoted and expanded and the migrant

- workers will be protected by mobilising Labour Attaches and organisations of non-resident Nepalis in destination countries. (2)
- 4.7 Collaboration with SAARC and other countries to protect labour and develop support systems in destination countries will be explored. (2)
 - 4.8 Labour agreements will be negotiated with additional countries to ensure safe and systematic foreign employment. (2)
 - 4.9 Employment will be increased by ensuring that remittances are made through formal channels and invested in productive areas. (2)
 - 4.10 Foreign employment will be made pro-poor and inclusive by ensuring the access of women; deprived, Dalit, ethnic and indigenous communities; and people in remote and neglected regions in foreign employment training. (2)
 - 4.11 Special packages providing skills and reliable information will be devised for women who are interested in foreign employment. (2)
 - 4.12 In collaboration with financial institutions, loans for domestic and foreign employment will be arranged. (2)
 - 4.13 The system for recording information about Nepalis working abroad will be improved. (2)
 - 4.14 A labour and employment information management system will be developed. (2)
 - 4.15 Various labour and occupational safety standards will be implemented. (3)
 - 4.16 The institutional strengthening needed to make the tripartite labour mechanism of government, employer and worker effective will be carried out. (3)
 - 4.17 The rights of domestic workers will be protected. (3)
 - 4.18 Systematic provisions will be adopted to ensure that only those who have earned test-based certificates of skill will be allowed to seek foreign employment. (4)
 - 4.19 The quality of training will be enhanced by bringing all vocational and skill development training institutions under a single umbrella. (4)
 - 4.20 The rescue and rehabilitation of child labourers will be conducted by implementing programmes for the elimination of the worst forms of child labour. (5)
 - 4.21 Reforms will be undertaken in the policies, laws and programmes pertaining to child labour, (5) and
 - 4.22 Social security will be promoted through the effective implementation of the contributory Social Security Fund Plan. (6)

5. Expected Outcomes

The nation will have produced skilled and competitive human resource that meets domestic and international market demands. The unemployment rate will have been reduced, as will the number of labour disputes. The worst forms of child labour will have been eradicated, and in each of the three years of the TP period 1,00,000 youth will have been provided with employment-oriented skill development training lasting

at least three months.

5.4 Sustainable and Balanced Development

5.4.1 Federalism, Decentralisation and Local Self-Governance

1. Background

Several efforts have been made in the past to institutionalise democracy at the community level, including the establishment, through social mobilisation, of ward-level citizens' forums in all 3,915 VDCs and 58 municipalities of Nepal. About one million affiliates of such forums participated in planning processes and capacity-building exercises. A policy of investing 15 percent of the total unconditional capital grant to each VDC in agriculture is being implemented. After local bodies are assessed on the basis of minimum conditions and job performance, grants are provided on the basis of results. Annual programmes and budget are linked to periodic plans through the framing of periodic district, municipality, and VDC plans. During the TYP period, the periodic plans of all 58 municipalities and 10 district-level road master plans were updated. To promote the accountability of local bodies, methods such as social and public audits and public hearings have been put in place. At the same time, local bodies are reeling under some striking problems, such as the absence of elected officials, the erosion of planning discipline, the inability to provide services locally, the lack of sufficient institutional capacity to handle the growth in resources and responsibilities of local bodies, the shortage of technical and skilled manpower for project implementation, weak internal revenue and financial resource management, and the ineffective devolution of powers.

2. Objective

- 2.1 To ensure that people have easy access to means, resources and opportunities and to provide basic facilities and services for people in an effortless manner through the institutional strengthening of an autonomous, responsible, and accountable local self-governance system.

3. Strategies

- 3.1 Strengthen interrelations among various levels of government; identify respective political, administrative, judicial, and financial rights as well as liabilities; and consolidate local bodies by adhering to the principles of federalism, inclusive democracy, and devolution.
- 3.2 Arrange to address the demands and needs of people in a judicious and timely manner by holding elections to local bodies and engaging in their restructuring, organisational reinforcement and capacity-building.
- 3.3 Contribute to poverty alleviation by intensifying income generation through means such as sustainable socio-economic development, the provision of environment-friendly, good-quality local infrastructure, and efficient service

delivery.

- 3.4 Guarantee that deprived classes, regions, and communities can exercise their economic, social, linguistic, and cultural rights and that they have access to opportunities and social security as is called for under the principle of equitable and inclusive development.
- 3.5 Make local communities, civil society, development partners, non-government organisations and the private sector responsible for local good governance and service delivery and institutionalise coordinated and information-based planning processes.
- 3.6 Promote environment-friendly local governance by increasing people's participation in and coordination of climate change adaptation and disaster management efforts, and
- 3.7 Promote child-friendly local governance.

4. Operating Policies

- 4.1 Preparations will be made to establish local bodies that are empowered politically, financially, administratively and judicially in the federal structure. (1)
- 4.2 To ensure that service delivery is efficient and effective, appropriate structural administrative and financial provisions will be made. (1)
- 4.3 Efficient and technically skilled human resource will be provided, the capacities of existing human resource will be upgraded, and personnel administration will be made systematic and effective. (1)
- 4.4 The capacities of local bodies will be enhanced by equipping them with means, resources, and powers. (1)
- 4.5 The financial resources of local bodies will be managed as provided for in the sectoral approach to decentralisation. (2)
- 4.6 Good local governance will be promoted by emphasising local priorities, financial discipline, transparency, and effectiveness of expenditures and management. (2)
- 4.7 By employing information and communication technology in financial management and service delivery, an e-governance system will be installed to make public service delivery efficient. (2)
- 4.8 A Financial Risks Mitigation Action Plan will be effectively implemented. (2)
- 4.9 Elections to local bodies will be held, and an institution known as Local Bodies Services will be formed and made effective. (2)
- 4.10 By developing their entrepreneurship through social mobilisation, local bodies will be encouraged to adopt policies and conduct poverty alleviation programmes. (3)
- 4.11 The quality of local infrastructure will be maintained by providing technical human resource for its construction and ensuring that technical norms and regulations are complied with. (3)

- 4.12 Through the proper synchronisation of labor-intensive, modern and environment-friendly technologies, local infrastructure will be constructed and social and economic development will be carried out. (3)
- 4.13 The implementation of the Land Use Policy by local bodies will be encouraged. (3)
- 4.14 By empowering geographically, socially and financially backward regions, castes, ethnicities, genders, and communities through inclusiveness and social mobilisation, the access of these sections of the population to the resources available and to decision-making processes will be increased. (4)
- 4.15 A minimum level of social security will be guaranteed to socially and economically backward groups, specific age groups, the disabled, the marginalised, and minority communities and citizens. (4)
- 4.16 To ensure that local bodies effectively implement social security programmes, records of targeted groups will be kept and security allowances will be disbursed through a banking system. (4)
- 4.17 Special development programmes will be launched to promote nationalism in VDCs and municipalities near international boundaries. (4)
- 4.18 The social security programmes scattered across various agencies and the current social security system will both be reviewed in order to develop a single integrated, sustainable and systematic social security system. (4)
- 4.19 Through the capacity-building of local bodies, service providers, community agencies, and stakeholders, tasks of development management, planning, and service delivery will be rendered effective. (5)
- 4.20 By clarifying the roles of government, non-government, community, and consumer agencies as well as stakeholder institutions at the local level, all these bodies will be made accountable to local bodies and their functions will be carried out in a coordinated fashion. (5)
- 4.21 Codes of conduct will be introduced to increase transparency and accountability among consumer committees, cooperatives, non-government organisations, and construction entrepreneurs. (5)
- 4.22 In order to develop local bodies as the initial and authoritative source of information, the registration and verification of vital events will be made effective. (5)
- 4.23 To ensure that local planning processes are information-based, all development agencies will be involved in such processes with local bodies. (5)
- 4.24 Through sectoral and overall information pooling and processing by local bodies, the information coordination process will be made effective. (5)
- 4.25 Provisions will be so made that development partners which execute district-level programmes will have to select needy VDCs and target needy communities. (5)
- 4.26 Framing outlines for environment-friendly local governance will ensure that environment-friendly measures are employed while mobilising local resources.

- (6)
- 4.27 By promoting the participation of every home and family in the management of rural and urban garbage and refuse, the participation of the private and community sectors will be increased. (6)
- 4.28 Local bodies will design and implement programmes to address the issues of climate change adaption and disaster management. (6)
- 4.29 The Building Code will be enforced during the construction of new buildings in cities and emerging towns, (6) and
- 4.30 The Child-Friendly Governance National Action Plan will be implemented at the local level. (6)

5. Expected Outcomes

Reforms to improve the quality and accountability of local service delivery will have been enacted, social security allowances will have been distributed through a banking system, the financial resources of local bodies will have been managed using the sectoral approach to decentralisation, an e-governance system will have been established in local bodies, and the financial management of local bodies will have been carried out electronically. Moreover, environment-friendly models will have been developed in 100,000 households, two municipalities and 100 VDCs.

5.4.2 Regional Balance

1. Background

Though various programmes have been carried out since a policy of regional balance was adopted in the Fourth Plan, the desired balance has not been realised. In an effort to improve situation and to include the remote sections of the country in the development mainstream, the Karnali and Far West Development Commissions were established. The challenges the nation faces include devising a strategy which enables regional development and considers regional integration into national economy by appropriately utilising available human and natural resources.

2. Objective

- 2.1 To maintain regional balance by placing special emphasis on the development of areas lagging behind in terms of economic, social and human development.

3. Strategies

- 3.1 Identify areas of regional comparative advantage and increase investment on the basis of the priorities of those areas, and
- 3.2 Formulate and implement an integrated regional development plan.

4. Operating Policies

- 4.1 While allocating resources, special emphasis will be given to the regions, including Karnali and the Far-West, lagging behind from the point of view of economic, social, human and infrastructure development. (1)
- 4.2 After determining regional comparative advantages and local competitive abilities, production systems utilising local means, resources, and skills will be developed. (1)
- 4.3 Investment in programmes designed to develop the physical infrastructure and the states of social and human development in areas identified as lagging behind will be prioritised. (1)
- 4.4 Programmes exploiting natural resources and having a high comparative advantage will be designed and implemented. (1)
- 4.5 After identifying feasible productive sectors, the private sector, cooperatives and communities will be encouraged to grow and process high-value agro-products, fruits, and herbs. (1)
- 4.6 The Karnali and Far West Development Commissions will be made fully responsible for formulating, implementing, and monitoring programmes to be carried out in the respective regions. (2)
- 4.7 The regional development process will be made effective with the participation of the government, private sector, cooperatives, local bodies, and other stakeholders, (2) and
- 4.8 On the basis of district-wise contributions to the GDP, balanced regional development will be achieved through the proportional allocation of means and resources. (2)

5. Expected Outcomes

Gaps among the political, economic, social, and human development situations of various geographical regions of the country will have been diminished.

5.5 Environment and Climate Change

1. Background

In pursuing national development, Nepal increasingly needs to keep in mind the goals of environmental protection and adaptation to climate change. Nepal has ratified several national and international treaties and conventions regarding these issues and has arranged for the corresponding national policies and legislative and institutional infrastructure to uphold its commitments. To minimise stress on the environment and to mitigate the impacts of climate change, Nepal has adopted the notion of green development. With the participation of the Nepal and other governments and national as well as international non-government agencies, efforts have been made to frame strategic programmes to promote national and local adaption, initiate carbon trading, and internalise and address environment-sensitive issues. The lack of institutional capacity, the absence of inter-agency relationships to handle issues relating to climate

change, and the shortage of adequate means and resources are some of the problems faced by this sector.

2. Objective

- 2.1 Adapt to the adverse impacts of climate change by making human activities and development processes environment-friendly as called for under the principles of green development.

3. Strategies

- 3.1 Make environmental management an integral component of development programmes.
- 3.2 Adapt to climate change and sustainably conserve and manage natural resources by pursuing disaster risk mitigation, poverty alleviation, and environmental protection, and
- 3.3 Make meteorological services reliable, trustworthy, regular and good-quality in order to mobilise them in efforts to mitigate the impacts of climate change.

4. Operating Policies

- 4.1 New laws pertaining to environmental conservation will be drafted, and the environmental policy, existing laws, rules and mechanisms will be strengthened and updated and institutional capacities will be enhanced. (1)
- 4.2 Through the Local Adaption Programme of Action, the National Adaption Programme of Action will be executed at the local level and efforts to alleviate poverty will be expanded. (1)
- 4.3 Programmes for spreading public awareness about protecting and preserving the environment will be carried out. (1)
- 4.4 The Ministry of Science, Technology and Environment will serve as a focal agency to coordinate all the activities related to environmental conservation and climate change. (1)
- 4.5 By enforcing the treaties and conventions to which Nepal is a party, and especially taking advantage of the Clean Development Mechanism under the Kyoto Protocol, the agencies concerned will be mobilised to derive maximum benefits. (1)
- 4.6 Partnerships will be forged among the donor agencies, non-government organisations, local bodies, community institutions and other agencies in order to coordinate activities related to environment and climate change. (2)
- 4.7 The development of environment-friendly, climate change-adaptive infrastructure will be emphasised. (2)
- 4.8 Inter-agency coordination in the planning and implementation of environment-friendly development measures will be strengthened. (2)
- 4.9 The concept of green economy will be integrated into all economic programmes. (2)

- 4.10 Pollution levels in the rivers in Kathmandu and other metropolises will be reduced and air, land, water, and sound pollution will be controlled. (2)
- 4.11 Actions regarding hazardous waste management will be taken in coordination with the agencies concerned. (2)
- 4.12 Additional environmental standards will be framed and implemented in the areas of air, land, water, and sound pollution. (2)
- 4.13 Special programs for reducing various types of pollution will be designed and implemented in order to keep urban pollution within a certain limit and to preserve the beauty of rural areas. (2)
- 4.14 Mechanisms for the enforcement of 'the polluter pays' and 'removing pollution is good' principles will be developed and implemented; the use of low-polluting means of transport and environment-friendly fuel will be promoted. (2)
- 4.15 Advanced technology will be employed to minimise the growing levels of pollution. (2)
- 4.16 To reconcile the sometimes conflicting demands of environmental protection and poverty alleviation, poverty alleviation programmes with an environmental dimension will be effectively implemented. (2)
- 4.17 The existing weather forecasting system will be made more reliable and trustworthy. (3)
- 4.18 Early warning systems for floods will be initiated by utilising appropriate technology. (3)
- 4.19 To improve the collection of data from the currently existing water-and-weather centres, a telemetry system will be developed and expanded, (3) and
- 4.20 Provisions will be made for spending a certain portion of revenue generated from natural resources for the conservation of natural resources and environmental research and development. (3)

5. Expected Outcomes

Through the enforcement of treaties and conventions relating to the environment and climate change, adaptive programmes will have been implemented in the areas designated by the National Adaption Program of Action; criteria and standards regarding air, water and sound pollution will have been enforced; and persistent hazardous chemicals will have been properly managed.

5.6 Disaster Management

1. Background

Nepal is at high risk of disasters because of the nature of its steep geographical terrain and fragile soils; high levels of seismic activity; natural change, including erosion, river meandering and climate change; and disasters induced by human activities like farming steep slopes. In the past, disaster mitigation was not mainstreamed in

development efforts in a substantive manner. As a result, the loss of lives and property has been substantial, and damage to important physical infrastructure more so. The major forms of disaster which occur in the nation are floods, landslides, droughts, glacier lake outburst floods, earthquakes, epidemics, cold waves, and thunder and hail storms. Epidemics, some of them new, like bird and swine influenzas; industrial accidents, explosions, and poisoning are other, less frequent disasters. The haphazard construction of houses and physical infrastructure and the adverse impacts of human activities on the environment have exacerbated risks. To reduce these risks to an acceptable level, it has become expedient to mainstream disaster management in all levels of policies, sectors and programmes. The efforts of government alone will not suffice, so the non-government and private sectors and civil society must join what will be an integrated effort.

2. Objective

- 2.1 To mainstream disaster management into the development process so that the risks and impacts of disasters are mitigated.

3. Strategies

- 3.1 Implement the legal and institutional provisions needed to ensure that the various phases of the disaster management cycle are carried out effectively.
- 3.2 Make information flow and coordination effective by increasing partnerships among the government, non-government, and private sectors, and communities in the tasks of disaster management, and
- 3.3 Enhance the capacity to carry out disaster preparedness and response activities in order to face the exigencies of disaster.

4. Operating Policies

- 4.1 A separate law and guidelines for disaster management will be designed and enforced. (1)
- 4.2 The Disaster Management National Strategy (2009) will be revised and rigorously implemented. (1)
- 4.3 The National Action Network for Disaster Management will be activated. (2)
- 4.4 Activities related to the planned Integrated Information Centre and emergency operations centres, search and rescue, and the mitigation of disaster risks will be made effective by establishing a powerful national disaster management agency with a one-window system. (2)
- 4.5 The National Action Network for Disaster Management will coordinate and cooperate with various national and international organisations as well as the donor agencies in order to run disaster management activities effectively. (3)
- 4.6 Along with establishing an Integrated Information Centre for the management of disaster-related data and information, a system for analysing the physical and

economic costs of disaster in all cycles of planning, implementation and monitoring will be institutionalised. (3)

- 4.7 In order to make disaster management cost-effective, biological and local knowledge and technology will be utilised. (3)
- 4.8 It will be mandatory for mega construction and infrastructure projects to analyse disaster risks and prepare a mitigation plan. (3)
- 4.9 To carry out emergency operations effectively, a network including the disaster management agencies at the centre and in all five development regions and 75 districts will be established, (3) and
- 4.10 A specialised and separate search-and-rescue team will be constituted in all security agencies and their capacities will be enhanced until they meet international standards. (3)

5. Expected Outcomes

By the end of the TP, disaster management will have been mainstreamed in all sectors; cooperation will have been forged among the government, non-government and private sectors; and the nation's capacity to engage in preparedness and response activities will have been enhanced enough to mitigate losses from disaster.

5.7 Water-Induced Disaster Prevention

1. Background

Nepal is at high risk of a wide variety of water-induced disasters, including floods, landslides, sediment deposition, changes in river courses, erosion, riverbank cutting, and inundation. A number of complex reasons are responsible, including the monsoon rains, steep slopes, weak geology, unscientific land use, global warming and climate change. In order to protect and reduce damage to human settlements, arable land and built infrastructure, the latest technology needs to be applied through coordinated partnerships among various stakeholders. It is also expedient to mobilise the limited means and resources available to ensure optimum achievement. The policy provisions made need to be better implemented and the activities being conducted with donor agencies and local stakeholders need to be expanded.

2. Objective

- 2.1 To protect human settlements, arable land and built infrastructures by minimising the impacts of water-induced disasters.

3. Strategies

- 3.1 Increase people's access to services to control water-induced disasters.
- 3.2 Adopt environment-friendly, climate change-adaptive and employment-generating approaches while conducting studies of and research into and

- designing and implementing projects related to water-induced disaster control.
- 3.3 Foster coordination among various stakeholder agencies and interrelated programmes in the implementation of water-induced disaster control programmes.
 - 3.4 Conduct regular and periodic maintenance of completed river control infrastructures.
 - 3.5 Emphasise the identification, development, and expansion of appropriate technology.
 - 3.6 Restructure the Department for the Control of Water-Induced Disasters in a timely manner.
 - 3.7 Consider water-induced disaster management to be an integral component of overall river basin development and management as is provided for in the Integrated Water Resources Development and Management Strategy, and
 - 3.8 Provide adequate means and resources, including foreign assistance and the labour contributions of locals, for water-induced disaster control efforts.

4. Operating Policies

- 4.1 People will be mobilised to participate in programmes of river control and land reclamation. On reclaimed lands, afforestation, olive farming and dual-purpose programmes of livelihood-building and environmental conservation will be implemented. (1)
- 4.2 While selecting projects, the interests of marginalised groups will be accorded high priority as is required under the principle of inclusive development. (1)
- 4.3 In programmes conducted with people's participation, the land required for any given project will be acquired from users free of cost. (1)
- 4.4 The People's Embankment Programme, which relies on high levels of people's participation, will be continued more effectively. (1)
- 4.5 Regional offices concentrating on the major three river basins of the country shall be set up. (1)
- 4.6 A database of information about all the rivers and streams of country will be prepared and a River Control Action Plan framed and implemented on the basis of the major river basins of Nepal. (2)
- 4.7 The resources needed for the regular and periodic maintenance of river control infrastructures will be provided. (2)
- 4.8 While controlling water-induced disasters such as floods and landslides, the productive use of the local and modern means available shall be emphasised. To this end, the Watershed Model Programme will be continued with the most up-to-date structural and bioengineering technologies. (2)
- 4.9 The use of local labour and construction materials will be emphasised in the design and execution of water-induced disasters control projects. (2)
- 4.10 While running river control programmes, the coordination of agencies working

- in the areas of irrigation, meteorology, agriculture, environment, forests, national parks, local bodies and watershed conservation will be ensured. (3)
- 4.11 Emergency resources will be arranged to ensure that embankments function effectively during flood situations. (4)
- 4.12 The tasks of identifying, developing and expanding appropriate technology will be continued through the implementation of model programmes. (5)
- 4.13 The information system pertaining to water-induced disasters will be strengthened by coordinating with internal and external agencies. (6)
- 4.14 The preparation of hazard maps in a manner useful for local communities and planners will be continued. (6)
- 4.15 The dissemination of knowledge about disasters to government and non-government agencies and to communities will be continued through training and field visits. (6)
- 4.16 While framing a Water-Induced Disasters Master Plan, special emphasis will be laid on the identification, determination, and delimiting of river areas, (7) and
- 4.17 The means and resources needed to conduct water-induced disasters control programmes effectively will be provided. (8)

5. Expected Outcomes

By the end of the TP, 350 km of embankments will have been built; 17,500 ha of land reclaimed; arable land, physical infrastructure, and human settlements protected; hazard maps of six watershed areas prepared; 225 landslides and sediment-flow mitigation activities implemented; and 29 dry-land market-protection initiatives accomplished.

5.8 Science and Technology

5.8.1 Science and Technology

1. Background

During the TYP period, several significant accomplishments in the science and technology sector were made, including the testing of DNA within the country itself, establishment of the Science Museum, expansion of forensic science services, consolidation of research labs, inception of tree cycle studies, and minimisation of brain drain. The fundamental role of the state is to develop science and technology to serve as a significant instrument for fulfilling people's basic needs, optimally utilising the nation's natural resources, and assisting in poverty alleviation, but at present investment is so low that even basic activities do not take place, let alone those related to advanced fields such as atomic, space, and biological technology. There is a need to establish policy and legal foundations and to carry out basic research. The challenges that face the sector are the absence of an environment that can stimulate scientists and researchers to fulfill their missions, the fact that research and scientific institutions are not prioritised in the allocation of resources, and that government and academic

agencies do not have the up-to-date equipment they need to face emerging issues.

2. Objective

- 2.1 To contribute to overall national development through the development, expansion, promotion and capacity enhancement of science and technology.

3. Strategies

- 3.1 Contribute to the development of the science and technology sector through the enhancement of and innovation in scientific knowledge, and
- 3.2 Stress building the capacity of scientists and technical experts.

4. Operating Policies

- 4.1 Special programmes will be implemented to check the brain drain of scientists and technicians and to encourage those who have left to return. (1)
- 4.2 By acknowledging the integral role that science and technology play in national security, this field will be accorded prominence in various plans. (1)
- 4.3 The import of technological and research innovations will be made easier and be conducive to advancing national interests. (1)
- 4.4 To increase investment in research and development, research and development units will be formed in industries and a provision made to see that they are allocated a fixed portion of budget annually. (1)
- 4.5 The contribution of research in science and technology to economic development will be expanded. (1)
- 4.6 Timely policies will be framed and revised in order to develop and harness atomic, space, biological and other technologies as required. (2)
- 4.7 To benefit from the use of herbs and other natural resources available in the country, capacities for biological, chemical, and nanotechnology will be enhanced, (2) and
- 4.8 To mitigate the effects of natural disasters and climate change, early warning systems and other mechanisms will be developed, in part using space technology. (2)

5. Expected Outcomes

Efforts to establish centres devoted to atomic, biological, and space technologies will have been initiated and manpower in the science and technology sector will have capacitated from both the qualitative and quantitative perspectives.

5.8.2 Information Technology

1. Background

The rapid development of information technology has created opportunities for sustainable development in economic and social sectors such as education, health, agriculture, tourism and trade. Information technology has also helped to ensure good

governance and to facilitate access to and the delivery of public services. Information technology is a formidable infrastructure in that it can overcome the challenges of development posed by Nepal's difficult geography.

However, challenges abound. An effective regulatory mechanism to ensure the reliability of the growing utilisation of information technology in the private sector is lacking, as is an official structural mechanism to effectively regulate the technology so that evils and potential crimes can be curbed. There is a need to systematically promoting the swelling use of information technology from the central to the local level under the private sector.

2. Objectives

- 2.1 To make access and delivery of government services simple and transparent and to spread information technology to rural populations by implementing the concept of good governance through e-governance, and
- 2.2 To develop the capacity to compete in the international market by promoting the information technology industry.

3. Strategies

- 3.1 Enhance good governance through e-governance.
- 3.2 Spread the utilisation of information technology to rural areas, and
- 3.3 Develop information technology as an industry.

4. Operating Policies

- 4.1 All the services provided by various government agencies will be supplied electronic means through a single national portal. (1)
- 4.2 The electronic data of all government agencies will be transferred to a single Integrated Data System. (1)
- 4.3 An Information Technology Disaster Recovery Centre will be established. (1)
- 4.4 The localisation of information technology will be used to promote local languages and local portals will be built and gradually linked to the national portal. (1)
- 4.5 Access to Internet services in schools will be expanded, e-curriculum content including as e-libraries will be designed and utilised, and e-learning programmes will be used to reduce the disparities between education in urban and rural areas. (2)
- 4.6 Nepal will be established as a software-outsourcing destination. (2)
- 4.7 To minimise and investigate cyber crimes, mechanisms such as a Threat Monitoring Centre and Cyber Forensic Lab will be gradually established, (3) and
- 4.8 Policy and legal provisions will be made for the establishment of an Information Technology Emergency Response Centre. (3)

5. Expected Outcomes

By the end of the TP period, infrastructure and policies necessary for e-good governance will have been established, there will have been a rise in employment and decline in brain drain through the development of an information technology industry, the digital divide will have shrunk, the manpower essential for developing the information technology sector will have been available in the country itself, and information technology will have been reliable and safe of use based on sustainable and modern technology.

5.9 Gender Equality and Inclusion

5.9.1 Gender Equality and Women's Empowerment

1. Background

To achieve the economic and social transformation of women, several laws, rules, and action plans have been promulgated and programmes are being implemented in all 75 districts to promote gender equality and women's empowerment. Some improvements have been observed through initiatives such as equal rights to paternal property, social security, and social justice. In order to implement the commitments made by the state at the international level, laws relating to the control of human trafficking and domestic violence have been enacted and funds have been established, managed, and mobilised for the immediate rescue and assistance of the survivors of human trafficking and gender violence. However, there are also some outstanding problems to deal with, such as the inability to spread women's empowerment campaign to the community level, the fact that women are not represented in all organs of the state, lack of the desired progress in gender mainstreaming in various development dimensions, and the inability to effectively control physical, mental and other forms of violence against women despite its being punishable under the law.

2. Objectives

- 2.1 To strengthen the role that women play in development by advancing the economic, social and political empowerment of women from all social groups, classes, and regions, and
- 2.2 To eradicate violence, discrimination and exclusion based solely on gender.

3. Strategies

- 3.1 Strengthen gender mainstreaming by enhancing the conspicuous and meaningful participation of women in every step and all cycles of the development processes of the governance system, and
- 3.2 Carry out programmes for the eradication of all forms of violence and discrimination against and exclusion of women.

4. Operating Policies

- 4.1 The economic, social and political rights of women will be protected and promoted. (1)
- 4.2 Women's participation in state structures will be increased to a minimum of 33 percent. (1)
- 4.3 Gender-responsive techniques will be adopted during project formulation in order to ensure that projects generate many employment opportunities for women and respond to their particular needs. (1)
- 4.4 A gender-responsive budget system will be institutionalised all the way down to the local level. (1)
- 4.5 Programmes increasing the access, ownership and control of women over financial and other resources will be prioritised. (1)
- 4.6 To assist the prevention and control of all forms of violence and discrimination against and exploitation and exclusion of women, the system of acquiring legal remedy will be made easier for and more accessible to all. (2)
- 4.7 Settling cases of gender-based violence in a coercive fashion will be discouraged. (2)
- 4.8 To empower and build the capacity of all deprived women, targeted programmes will be carried out for the women and girls of the Badi, *kamlari*, *kamaiya*, Chepang, Raute, and Gandharva communities. (2)
- 4.9 Programmes like income generation, empowerment and capacity-building will be identified and implemented to strengthen the economic and social status of single women and widows, (2) and
- 4.10 Violence against women with disabilities will be eradicated and programmes for their employment and self-employment will be launched. (2)

5. Expected Outcomes

Women's participation in state structures will have been increased to a minimum of 33 percent, gender-responsive budget items will have comprised 25 percent of the total budget, and the Women's Development Programme will have been extended to all VDCs.

5.9.2 Inclusion

1. Background

The development plans of the past have introduced efforts to empower and build the capacity of women and social groups, regions, and classes subjected to social and geographical deprivation, to protect and promote their languages and cultures, and to encourage their access to policy-making processes. However, there is a need for further efforts to improve the status of women; Dalits; Madhesis; Muslims; endangered ethnic groups; the inhabitants of the Karnali and remote hills and

mountainous regions; and the poor. Challenges for implementing the principle of inclusion include bigotry and prejudice; illiteracy; limited access to means, resources and services; and the failure to make inclusion and equity integral aspects of plan formulation and implementation.

2. Objective

- 2.1 To promote the economic, social and cultural uplifting of Dalits, ethnic and indigenous communities, Muslims, Madhesis, backward classes, persons with disabilities, and communities subjected to deprivation by protecting and promoting their political, economic, social, human, cultural, and linguistic rights.

3. Strategies

- 3.1 Implement targeted programmes to raise the statuses of women, Dalits, Madhesis, Muslims, endangered ethnic groups, the inhabitants of the Karnali and other remote hilly and mountainous regions, and the poor, as well as individuals subjected to deprivation.
- 3.2 Ensure that targeted groups have the opportunity to participate meaningfully in all sectors of state through positive discrimination and reservation.
- 3.3 Launch social awareness and capacity-building programmes as part of a campaign for empowerment, and
- 3.4 Emphasise the protection, promotion and advancement of traditional skills, languages, and cultures.

4. Operating Policies

- 4.1 By providing them with judicious access to employment opportunities, deprived communities will be mainstreamed into all agencies of the state. (1)
- 4.2 Deprived communities will be represented in all levels and processes of the governance system. (2)
- 4.3 Necessary reforms in policy and structural measures will be made to increase the access of targeted communities to basic services such as food security, health and education and to available resources. (2)
- 4.4 Programmes to uplift the economic and social status of targeted communities will be conducted through the government, non-government, and private sectors. (2)
- 4.5 Capacity-building, employment and awareness programmes will be launched as campaigns designed to empower and provide social security to targeted communities. (3)
- 4.6 For the protection, promotion and advancement of the traditional skills, languages, and cultures of targeted communities, special programmes will be implemented at the initiation of those communities themselves. (4)
- 4.7 Organisations established to uplift targeted communities will be strengthened. (4)

- 4.8 A trilingual policy will be adopted for school-level education, (4) and
- 4.9 To counter the negative impacts of climate change on public life, programmes for sensitising local communities, mainly ethnic and indigenous peoples, will be organised. (4)

5. Expected Outcomes

By protecting and promoting the political, economic, social, human and cultural rights of targeted deprived communities, these communities will attain economic, social and cultural inclusion.

5.10 Community-Based and Non-Governmental Organisations

1. Background

Nepal has mobilised national and international non-government organisations as development partners and actors, channeling their contributions to targeted sections and regions, regulating and facilitating them under a one-window system, and framing and making transparent a code of conduct, and fostering effective coordination. The programmes of national non-government organisations (NGOs) are required to be oriented to local development. The Facilitation Recommendation Committee approves all the programmes of the non-government sector and ensure that the funds of international non-government organisations (INGOs) which do not have offices in Nepal are provided directly to their targets. While the Social Welfare Act (1992) requires that INGOs and NGOs obtain permission for their activities, the coordination, monitoring and evaluation of the nearly 35,000 INGOs and NGOs registered with the Social Welfare Council is not systematic and thousands of NGOs and 250 INGOs have not been registered at all. To address the growth in the number and activities of INGOs and NGOs, effective regulation of their operation and management is warranted. To this end, appropriate and timely legal, administrative and structural provisions will be made to ensure that their roles as development partners are effective.

2. Objective

- 2.1 To make the role that INGOs and NGOs play in local level social and economic development more effective by building the coordination, cooperation, and interrelationships among various programmes run by the government, non-government, and community sectors.

3. Strategies

- 3.1 Promote INGOs and NGOs as development partners by directing their investment towards areas of national priority.
- 3.2 Contribute to socio-economic development by expanding and upgrading the

coordination and cooperation of local NGOs and community organisations with local bodies, and

- 3.3 Make the system for facilitating, mobilising, monitoring, and evaluating NGOs effective.

4. Operating Policies

- 4.1 The investments of NGOs will be directed towards sectors of national priority, such as the empowerment of targeted groups, marginalised communities, backward regions, and rural and disadvantaged areas and communities; livelihood promotion; education; health; drinking water; and environmental conservation. (1)
- 4.2 Provisions will be made to orient the programmes of INGOs and NGOs toward those districts, regions, and communities with low human development indices. (1)
- 4.3 By prioritising the utilisation of local physical and human resources and local technology, making essential changes in existing legal procedures, and formulating and implementing guidelines, programmes aimed at poverty alleviation will be encouraged. (1)
- 4.4 Provisions will be made for the Facilitation Recommendation Committee to approve programmes which operate with sources provided directly by INGOs without offices in Nepal. (1)
- 4.5 NGOs will be encouraged to earn domestic institutional capital in order to reduce their dependence on foreign aid. (1)
- 4.6 A system requiring INGOs to select a local organisation as a development partner to implement their programmes or, if none is available, selecting an organisation working nearby will be implemented (2)
- 4.7 To ensure that the activities of NGOs are transparent and to hold NGOs to account, local bodies and local stakeholders will be encouraged to participate right from plan formulation to implementation. (2)
- 4.8 The process for requiring that INGOs open bank accounts for local transactions in the commercial bank(s) designated by the Office of the Comptroller General will be initiated. (2)
- 4.9 Guidelines for the expenditures of NGOs and INGOs will be drafted. Administrative expenses will be restricted to 20 percent of the total budget. (2)
- 4.10 INGOs will not be allowed to use funds allocated to Nepal under bilateral, multilateral or inter-governmental agreements. (3)
- 4.11 The structure of the Social Welfare Council will be reformed and the provisions of the Social Welfare Act amended in a timely fashion in order to reflect the changed scenario. (3)
- 4.12 Criteria for approving the project agreements of NGOs and INGOs will be set, and programmes with a high proportion of gender-sensitive budget will get

- priority. (3)
- 4.13 The services to be rendered to INGOs in terms of human resource, visas, customs, taxes and so on will be simplified and the terms under which they will be provided will be included in their project agreements. (3)
 - 4.14 Regional-level INGOs which seek permission to open an office in Nepal will be required to launch programmes in Nepal. (3)
 - 4.15 A system of public auditing and of holding public hearings on the programmes and expenditures of NGOs and INGOs will be implemented gradually. (3)
 - 4.16 The system for hiring experts to work in the non-government sector will be improved and priority will be given to employing Nepalis. (3)
 - 4.17 The Ministry and Social Welfare Council will establish an electronic database of information about NGOs and INGOs. (3)
 - 4.18 An electronic system for reporting on financial management will be developed and indicators for financial risks will be framed. Based on a selection system, third-party auditing of NGOs party will be introduced. Capacity-building programmes for the Facilitation Recommendation Committee will be implemented. (3)
 - 4.19 Sectoral ministries will be required to document, coordinate, monitor and evaluate the programmes carried out by NGOs and INGOs under their aegis. (3)
 - 4.20 A regulatory agency with responsibility for overseeing NGOs will be empowered, (3) and
 - 4.21 The system of having NGOs use their own financial resources for evaluating their own projects will be reviewed. (3)

5. Expected Outcomes

Transparency and accountability in the operation of NGOs will have been increased, at least 80 percent of the foreign aid mobilised through such organisations will be allocated to programme costs, and the Social Welfare Act (1992) will have been amended.

CHAPTER 6

PEACE, GOOD GOVERNANCE, AND MAINSTREAMING

6.1 Peace, Reconstruction, and Rehabilitation

1. Background

Following the signing of the Comprehensive Peace Accord, efforts to initiate a peace process to bring Nepal's historic popular movement to a logical conclusion got underway. The crucial agenda that persist include paying tribute to the martyrs of the movement; locating those forcibly disappeared; providing relief to and reintegrating and rehabilitating victims of the conflict; providing transitional justice; and reconstructing structures damaged during the conflict. Major obstacles to these aims include the need to ensuring equality and non-discrimination so that peace will be sustainable to provide equal opportunities for all at all levels and in all sectors of the state.

2. Objectives

- 2.1 To provide relief to conflict-affected people and to reconstruct physical infrastructures damaged during the conflict.
- 2.2 To provide compensation to, and to rehabilitate and reintegrate the victims of conflict in the interest of establishing a sustainable peace, and
- 2.3 To maintain peace and order in society in a sustainable fashion.

3. Strategies

- 3.1 Provide relief to and engage in the rehabilitation and reintegration of the victims of conflict.
- 3.2 Reconstruct physical structures damaged during the conflict.
- 3.3 Enforce the Comprehensive Peace Accord and other agreements and understandings, build peace at the national and local levels, and emphasise transitional justice.
- 3.4 Provide for the effective mobilisation of resources for post-conflict peace initiatives.
- 3.5 Continue to dialogue and engage in negotiation with various groups, and
- 3.6 Timely identify the causes of social conflict and establish sustainable peace.

4. Operating Policies

- 4.1 The relief and rehabilitation and reintegration services provided to conflict-affected people and communities will include needful psycho-social counseling, skills, training and opportunities for employment and self-employment. (1)

- 4.2 Programmes of reconstruction, rehabilitation and reintegration will be specially monitored with third-party involvement. (1)
- 4.3 National action plans framed for the relief and rehabilitation of conflict-affected women and children will be implemented and similar plans for conflict-affected senior citizens will be drafted and implemented. (1)
- 4.4 Victims of conflict will be counseled and reintegrated. (1)
- 4.5 Model settlements as well as parks, memorials and gardens of national and international stature, and other tributes to the martyrs of the conflict will be established in order to promote peace, goodwill and feelings of national unity. (1)
- 4.6 Reconstruction work will be carried out only after formulating a Reconstruction Action Plan. (2)
- 4.7 To extend transitional justice to victims, a search for disappeared persons will be conducted, a Truth and Reconciliation Commission formed, and other necessary provisions will be made (3)
- 4.8 The Peace Fund will be effectively mobilised to implement programmes related to peace, reconstruction, rehabilitation, reintegration, and transitional justice. (4)
- 4.9 The Comprehensive Peace Accord and other subsequent agreements and understandings will be effectively implemented. (5)
- 4.10 The capacity to negotiate at different levels in order to manage conflicts will be enhanced. (5)
- 4.11 Challenges to peace and order will be addressed through multidimensional programmes. (6)
- 4.12 Programmes for the special treatment and living arrangements of persons injured and disabled in various movements and political conflicts will be implemented. (6)
- 4.13 Community mediation programmes to detect and resolve factors which cause conflict in society will be implemented at the local level, (6) and
- 4.14 To promote sustainable peace, infrastructure will be developed for peace programmes. (6)

5. Expected Outcomes

By the end of the TP period, reconstruction of physical structures damaged in the conflict will have been completed, victims of the conflict will have received relief and will have been rehabilitated, and sustainable peace will have prevailed.

6.2 Administrative Good Governance

1. Background

The Interim Constitution of Nepal (2007) has made an effort to mobilize good governance towards attaining an ideal state and the parliament has ratified the UN Convention against Corruption. The Nepal Law Commission currently digitising Nepal's existing laws. To strengthen the electoral process, voter lists have been

prepared with photographs and a biometric information system.

2. Objectives

- 2.1 To promote transparency, accountability, participation, and fairness in the political, administrative, social, economic, and environmental activities of the state, and
- 2.2 To make the drafting, implementation and evaluation of public policy effective by adopting a results-oriented approach.

3. Strategies

- 3.1 Further clarify the roles of politics and administration by defining the relationship between the two.
- 3.2 Ensure that citizens have access to and can obtain information in the public sector.
- 3.3 Ensure the timely delivery of services in a uniform, impartial, and legitimate manner by making public services inclusive, and
- 3.4 Make the performance evaluation of service providers objective and base the provision of rewards and punishment upon it.

4. Operating Policies

- 4.1 The relationship between politics and administration will be clearly defined. (1)
- 4.2 The responsibilities and duties of public officials will be clarified. (1)
- 4.3 Administrative procedures will be simplified and abbreviated. (1)
- 4.4 Integrated service centres will be established and expanded in order to make essential public services more accessible. (1)
- 4.5 Public administration will be made pro-public, results-oriented, and accountable. (2)
- 4.6 The public sector will be made honest, ethical, competitive, transparent, results-oriented, inclusive and accountable. (2)
- 4.7 The management of public grievances will be made more effective. (2)
- 4.8 Pursuant to its commitments made under the UN Convention against Corruption, corrupt activities will be eradicated and a zero-tolerance policy will be strictly enforced. (3)
- 4.9 The rule of law will be maintained by eradicating impunity. (3)
- 4.10 Results-based indicators of the achievements of the annual programmes and regular service delivery of all ministries of the Government of Nepal will be made public and the indicators will be monitored. (4)
- 4.11 Performance contracts with results-based performance indicators will be made with all Secretaries of the Government of Nepal, and a system of performance evaluation implemented, (4) and
- 4.12 A citizens' charter and compensation will be gradually enforced in order to make public service delivery people-oriented. (4)

5. Expected Outcomes

Corruption will have been reduced, a results-based performance system implemented, and good governance in public administration enhanced.

6.3 Judicial System

1. Background

Efforts to institutionalise the rule of law in the country have been underway for years. Despite continuous policy, legal and institutional efforts, challenges remain, including the inability to make the rule of law vigorous enough to provide the desired benefits to the general public, the lack of legal provisions governing several new and emerging issues in the changing world order, and the lack of institutional capacity-building among agencies responsible for ensuring the rule of law.

2. Objective

2.1 To provide the benefits of the rule of law to the public through the effective enforcement of laws.

3. Strategies

3.1 Strengthen the rule of law by ensuring that the general public all have equal access to justice.

3.2 Ensure that all stakeholders participate in law-making, and

3.3 Deliver justice promptly and implement it effectively.

4. Operating Policies

4.1 The legal system of the nation will be modernised through the codification of civil and criminal laws. (1)

4.2 Institutional and legal arrangements will be made for establishing fast-track courts to ensure the speedy hearing of women's and children's cases. (1)

4.3 Existing laws will be made more gender-friendly and inclusive. (1)

4.4 Legal literacy and awareness will be enhanced. (1)

4.5 The institutional capacity for upholding the rule of law will be increased. (2)

4.6 Laws based on a rights-based approach will be framed. (2)

4.7 To effectively implement the international treaties and conventions to which Nepal is a party, existing laws will be reviewed and necessary legal reforms made. (2)

4.8 The capacities of the human resources engaged in law and justice sector will be enhanced, (3) and

4.9 A strategic plan for the judiciary will be gradually implemented effectively. (3)

5. Expected Outcomes

Laws will have been reformed timely, the access of the general public to justice will have increased, and the rule of law will have been strengthened.

6.4 Financial Good Governance

1. Background

To ensure the accountability and transparency of the government, modern accounting standards, reporting and auditing systems have been adopted and the fairness and standard of financial transactions are gauged. The delayed release of the annual budget, lack of adequate budget implementation, skyrocketing current expenditure, low spending of capital budget, rise in the amount of arrears, and low efficiency of expenditures are the major problems of this sector.

2. Objective

2.1 To make the public revenue and expenditure management transparent, accountable, effective and result-oriented.

3. Strategies

- 3.1 To make public expenditure management processes transparent and accountable.
- 3.2 To strengthen the public financial management system so that government income, expenditure, and other financial data is objective, regular, and consistent with international norms, and
- 3.3 To introduce timely reforms in the fund and cash management systems.

4. Operating Policies

- 4.1 By establishing interrelationships among policies, budget and programme and relying on objective criteria, resource projections will be made effective. (1)
- 4.2 Systematic reform initiatives will be introduced in public financial management in order to reflect the sectoral and subjective policies of the annual budget and programmes. (1)
- 4.3 Policies for increasing revenue mobilisation, taking strict action against tax evaders, checking the flow of illegal capital, developing a tax-clearance culture, and managing the tax regime, will be adopted. (1)
- 4.4 After an e-accounting regime, internal audits system will be based on information technology. (2)
- 4.5 Forecasting cash flow on the basis of Procurement Master and Annual Plans and budget programme and procurement implementation and monitoring and evaluation will be made effective.(2)
- 4.6 The tasks of developing a revenue information and data system, classifying

expenditure and financial items, and preparing and implementing account lists as per the accounting system will be continuously carried out by the Office of the Comptroller General, (2) and

- 4.7 The current single-account treasury system will be effectively implemented by refining it, based on experiences gained so far. (3)

5. Expected Outcome

Financial discipline will have been maintained and, as a result, accountability to the public will have increased.

6.5 Corruption Control

1. Background

The Interim Constitution of Nepal (2007) acknowledges that ensuring good governance is the responsibility of the state and has devised legal, structural and policy arrangements to support good governance. During the TYP period, the Parliament endorsed the UN Convention against Corruption on 23 February, 2011; ratified the *Convention* for the Suppression of the Financing of *Terrorism*, as well as the Convention against Organised Crime, and amended the Money Laundering Act (2007). Though a policy of zero tolerance against corruption has been adopted, controlling the negative impacts of corruption on economic and social development remains a challenge.

2. Objective

- 2.1 To curb corrupt activities and contribute to good governance.

3. Strategies

- 3.1 Carry out awareness-raising, preventive, and punitive programmes designed to control corruption.
- 3.2 Implement objective and transparent criteria for checking corruption in public management, and
- 3.3 Bring the private and non-government sectors under the purview of corruption control measures as well.

4. Operating Policies

- 4.1 Moral education will be emphasised to create honest citizens. (1)
- 4.2 After collecting, exchanging and analysing corruption-related information, provisions will be made for their appropriate utilisation. (1)
- 4.3 Anti-corruption agencies will be institutionally strengthened so that they can manage public assets and work in a manner that upholds the rule of law,

- integrity, transparency, and accountability. (1)
- 4.4 To mobilise public opinion against corruption, awareness programmes will be run with the active participation of civil society, NGOs, and community organisations. (1)
 - 4.5 The institutional expansion and capacity-building of anti-corruption agencies will be undertaken. (1)
 - 4.6 Laws will be drafted, revised, and enforced according to the spirit of the UN Convention against Corruption. (1)
 - 4.7 A culture of providing rewards and punishments will be institutionalised to control corrupt practices such as unwanted delays and administrative and financial irregularities at various levels of the public sector. (2)
 - 4.8 Actions against corruption will be carried out in an integrated manner by coordinating with the responsible agencies. (2)
 - 4.9 Based on the principles of transparency, competition, and objectivity, an effective system for the management of public finance and financial discipline and the enhancement of moral ethics will be designed. (2)
 - 4.10 To control economic distortions and corruption brought about by black money, money laundering will be discouraged and its countermeasures made stronger, (2) and
 - 4.11 Irregularities and unwanted activities in the private and non-government sectors will be controlled. (3)

5. Expected Outcomes

Ethics, integrity and accountability will have been enhanced in every section of public life and a corruption-free society will have been established.

6.6 Civic Participation

1. Background

To create a feeling of ownership of the development process and service delivery among the general public, participatory processes must be adopted at various levels of national governance. In doing so, it is desirable to hold periodic elections and promote civic participation in the various stages of the development process. Though efforts have been made to institutionalise the effectiveness of elected institutions at the central and local levels, local bodies have not had elected representatives for the past 12 years. At the central level, too, the dissolution of the Constituent Assembly interrupted the proceedings of the nation's key elected institution. Moreover, though people do participate in decision-making about development efforts, thanks to the social mobilisation efforts of government and non-government agencies, the effective involvement of both genders and all classes and social groups has yet to be ensured and neither the management committees of educational and health institutions nor the consumer committees involved in development work are inclusive and effective.

2. Objective

- 2.1 To ensure the equal participation of all citizens in the social, economic, political, and cultural development processes of the country.

3. Strategies

- 3.1 To select people's representatives at various levels, from the central to the local, through fair elections, and
- 3.2 To promote civic participation in development efforts and the management of service delivery.

4. Operating Policies

- 4.1 On the basis of adult franchise, free and fair election system at various levels of governance will be strengthened. (1)
- 4.2 Awareness about all the rights and duties of citizens will be increased. (1)
- 4.3 To pass on the dividends of democracy to the general masses, the efforts of all government and private agencies will be concentrated. (1)
- 4.4 The institutional strengthening of the Election Commission and the agencies under its aegis will be undertaken and the capacity of its employees enhanced. (1)
- 4.5 Participation, transparency, and accountability will be promoted in all stages of development. (2)
- 4.6 On the basis of the criteria of quality and accountability, projects up to a certain budget limit will be implemented through users' committees, (2) and
- 4.7 The Operating Procedures of Users' Committees formed for development work will be reformed as required. (2)

5. Expected Outcomes

During the TP period, the development process will have been participatory and by the end, the people will have felt a sense of ownership and transparency and accountability will have been promoted.

6.7 Security Management

1. Background

Effective security provisions are imperative for maintaining peace and order inside the country and for contributing to sustainable development as an integral part of sectoral programs. Problems such as brain drain, the closure of manufacturing industries, and the emergence of an adverse climate for investment have surfaced due to insecurities. Difficulties in coordinating among the agencies responsible for security and inadequate means and resources for those agencies to operate are two key problems

facing this sector.

2. Objectives

- 2.1 To ensure the safety of citizens by maintaining peace and order in the country, and
- 2.2 To establish and develop regime for citizen safety which is based on technology and systems.

3. Strategies

- 3.1 Make security agencies modern, professional and resourceful so that they can protect the lives, properties, and liberties of individual citizens as well as public property, and
- 3.2 In the administration of security, accord top priority to rule of law and guarantee good governance.

4. Operating Policies

- 4.1 The Nepal Police, Armed Police Force, and National Intelligence Department will be mobilised in a coordinated manner in order to ensure citizens' safety. (1)
- 4.2 Security arrangements for highly sensitive and important institutions and physical infrastructure will be made. (1)
- 4.3 Special focus will be given to community policing and the police will be made people-friendly and people, police-friendly. (1)
- 4.4 The security information dissemination system will be linked to the central network and the security system will be integrated with technology. (1)
- 4.5 New technologies which assist in crime control will be employed. (1)
- 4.6 The legal provisions needed to build a joint security information coordination mechanism that enables the easy collection, analysis and relay of security information will be put in place. (1)
- 4.7 Human rights units will be established and developed in various levels of security mechanisms. (2)
- 4.8 By bringing human rights violators under the law, human rights will be gradually protected and promoted, (2) and
- 4.9 The illegal production, sale, and trafficking of drugs will be strictly controlled. (2)

5. Expected Outcomes

A sense of security among the people will prevail because the capacities of employees in security agencies will have been enhanced and the agencies themselves strengthened.

6.8 Transport Management

1. Background

By the end of the TYP period, 73 districts had been connected by road networks, the total number of public and private vehicles had reached around 1.35 million, the number of licensed drivers around 1.9 million, and the number of vehicle users had increased drastically. The challenges that face the development and systemisation of this sector include expanding transport infrastructure, addressing the enthusiasm the general public has shown for private vehicles, increasing the number and types of vehicles, and using modern technology in transport management.

2. Objective

- 2.1 To make people's travel and commuting safe and reliable by improving the existing transport system.

3. Strategies

- 3.1 Make drivers more responsible and competent by reforming the existing system of issuing driving licenses.
- 3.2 Increase the role of the private and cooperatives sectors in transport management and make their services effective.
- 3.3 Make public transportation citizen-friendly through the scientific determination of fares and the provision of concessions and rebates.

4. Operating Policies

- 4.1 Modern and electronic technology will be utilised in the services rendered by transport agencies. (1)
- 4.2 Modern technologies, including smart cards and embossed number plates will be employed to promote efficient vehicular management. (2)
- 4.3 An e-payment regime will be introduced by expanding the transport sector's computer system and introducing payment through banking systems. (2)
- 4.4 Driving licenses will be classified into commercial and non-commercial categories and separate criteria will be developed for each category. (2)
- 4.5 To make the development and management of the transport sector effective, competitive, attractive, and responsible, partnerships and cooperation with the private sector will be increased. (2)
- 4.6 Vehicles currently used for public transport which are unsafe and have limited facilities will be gradually replaced. (3)
- 4.7 Seats will be reserved and discounts in travel fares provided to individuals with senior citizen or disability identity cards. Students will also get a discount and women will have seats reserved for them. (3)

- 4.8 By setting travel fares scientifically, the irregularities and syndicate system currently prevalent in the transport sector will be controlled. (3)
- 4.9 Provisions will be made for pedestrians, cyclists, and other non-mechanised means of transport in transport management, (3) and
- 4.10 Roads safety action plans will be implemented in order to reduce the number of mishaps in roads transport. (3)

5. Expected Outcomes

During the TP period, number plates for one million vehicles will have been prepared by utilising embossing technology, the distribution of driving licenses will have been based on a smart card system, transport management will have been improved, and a service regime based on modern technology will have started.

6.9 Volunteer Services

1. Background

Since 1997, when the National Development Volunteer Services was established to promote volunteerism and mobilise volunteers, 8,890 individuals have contributed to national development as volunteers. Over the past 15 years, volunteers have been mobilised through various agencies in sectors such as social mobilisation, income generation, infrastructure construction, awareness-raising, promotion of local technology, education, health, agriculture and livestock. The problems experienced in this sector include the lack of coordination among volunteer organisations and programmes, the lack of certainty about volunteers' scope and duration of activity, the inability to strike a balance between the demand for and supply of volunteers. The challenge lies in establishing the significance of volunteer services at the societal and local levels and advancing volunteerism as a campaign.

2. Objective

- 2.1 To contribute to the attainment of national development goals by mobilising individuals and organisations willing to volunteer.

3. Strategies

- 3.1 Create opportunities to volunteer in facilitating development work and public service delivery for persons involved in various sectors and disciplines, and
- 3.2 Mobilise volunteers at both the central and the local levels in partnership with various organisations.

4. Operating Policies

- 4.1 The principles of merit and inclusion will be adopted while selecting and

- mobilising volunteers. (1)
- 4.2 A roster of persons who could contribute in emergency situations will be prepared so that volunteers can be mobilised as required. (1)
 - 4.3 Opportunities for mobilising volunteers in the sectors of development work, service delivery, and specific technologies will be created on the basis of local demand. (1)
 - 4.4 Clear policy outlines will be framed so that individuals who are able to contribute to various dimensions of development can be mobilised as volunteers. (2)
 - 4.5 Coordination and cooperation with various national and international organisations will be fostered in efforts to mobilise volunteers. (2)
 - 4.6 Publicity and awareness programs will be carried out to promote volunteerism. (2)
 - 4.7 By expanding a network with national and international volunteer organisations, the mobilisation of volunteers and the promotion of volunteerism will be expanded. (2)
 - 4.8 National Development Volunteer Services will be developed as a volunteerism resource centre and a focal agency for volunteer-mobilising agencies, (2) and
 - 4.9 The Government of Nepal will regularly depute volunteers to specified sectors as part of periodic campaigns. (2)

5. Expected Outcomes

Public sector work in different disciplines will have been carried out by volunteers, the spirit of volunteerism will have been promoted at the local level, and partnerships and coordination among national and international volunteer organisations will have been enhanced.

6.10 Human Rights

6.10.1 Human Rights

1. Background

Nepal has extended her commitments to the efforts made by the international community to protect and promote human rights by becoming a party to the Universal Declaration of Human Rights and other international treaties and conventions and by preparing national-level instruments and institution, policy and legal structures to uphold human rights. The challenges that face this sector include developing a culture of human rights; respecting, protecting, and promoting human rights of all citizens irrespective of caste, ethnicity, language, religion, culture, race, sect, gender and region; and developing an equal and just society.

2. Objective

- 2.1 To protect democratic rights by minimising all forms of political, economic, social and cultural discrimination.

3. Strategies

- 3.1 Mobilise state agencies to work towards respect, protection, and promotion of human rights, and
- 3.2 Include human rights in all sectoral matters, development policies, plans and programmes.

4. Operating Policies

- 4.1 Programmes targeting both persons injured, killed, disappeared, and displaced during movements and conflicts of various times and their families will be implemented. (1)
- 4.2 By specially concentrating on the protection, development, and empowerment of minorities and marginalised communities, the participation of these communities in the state system will be enhanced. (1)
- 4.3 By increasing the capacity of the stakeholders concerned in matters relating to human rights, cooperation shall be amplified. (1)
- 4.4 Human rights education will be promoted. (1)
- 4.5 Provisions for compulsory incorporation of human rights as a topic in training accorded to the security personnel and other service providers will be made. (1)
- 4.6 Arrangements will be made for guaranteeing the human rights of prisoners and other individuals in custody. (1)
- 4.7 By expanding the services provided by the state, the rights of citizens to obtain speedy, prompt, and good-quality service will be ensured. (1)
- 4.8 Human rights will be accorded priority in the formulation, implementation, monitoring and evaluation of all sectoral development policies, plans and programmes. (2)
- 4.9 The Human Rights National Action Plan and all necessary timely reforms to it will be enforced. (2)
- 4.10 By eradicating impunity, a policy of realising the rule of law will be adopted, (2) and
- 4.11 By framing new laws as required and by reformulating and revising existing laws, the fundamental rights conferred by the Interim Constitution and international commitments made by Nepal will be guaranteed. (2)

5. Expected Outcomes

Through institutional and policy reforms, the fundamental human rights of general public will have been guaranteed.

6.10.2 Human Smuggling and Trafficking Control

1. Background

To help control human trade and trafficking, the Human Smuggling and Trafficking (Control) Act (2007) and Rules (2008), Action Plan against Human Smuggling and Trafficking (2011), National Minimum Criteria for the Protection and Care of Victims of Human Smuggling and Trafficking (2011), and Rehabilitation Centre Operation Guidelines (2011) were framed. The effective implementation and enforcement of this legislation through the coordination of policy and programmes are among the challenges which remain in this sector.

2. Objectives

- 2.1 To effectively control human smuggling and trafficking by strengthening and enhancing the capacities of the mechanisms and structures designed to do so, and
- 2.2 To increase access to justice among the victims of human rights violations by eradicating impunity.

3. Strategies

- 3.1 Implement the institutional strengthening of those agencies involved in the control of human smuggling and trafficking, and
- 3.2 Adopt measures for mitigating the risks associated with the smuggling and trafficking of children and adolescents.

4. Operating Policies

- 4.1 Mechanisms for ensuring the rights of victims and affected people and for managing their rescue will be developed and strengthened. (1)
- 4.2 Through the consolidation of national and district committees for controlling human smuggling and trafficking, coordination of the design and implementation of actions against human smuggling and trafficking will be enhanced. (1)
- 4.3 Safe migration information centres will be established at the local level to help control human smuggling and trafficking. (1)
- 4.4 After identifying vulnerable groups and communities, community-based social and economic risk-reduction and security-promoting activities will be implemented, (2) and
- 4.5 To eradicate inland human smuggling and trafficking, an effective regulation and monitoring system will be developed. (2)

5. Expected Outcomes

The institutional capacity of organisations engaged in controlling human smuggling and trafficking will have enhanced, and by increasing awareness among vulnerable communities, human smuggling and trafficking will have reduced.

CHAPTER 7

PLANNING PROCESS, STATISTICAL SYSTEM, AND RESEARCH

7.1 Plan Formulation

1. Background

The government has tried to make all of its periodic plans over the last five decades technically and pragmatically sound, but there is still room for making the TP more realistic and pragmatic.

2. Objective

2.1 To make the TP technically sound and practically implementable.

3. Strategies

3.1 Establish a functional relationship among the various levels of the TP planning process, and

3.2 Maintain consistency in the objectives, goals, priorities and working policies of the TP.

4. Operating Policies

4.1 The budgets, programmes and planning units of various agencies involved in the formulation of the TP will be strengthened and made more competent. (1)

4.2 The data and information used to formulate the TP will be made more reliable. (1)

4.3 The system for and practice of setting the goals and policies of the TP will be made more scientific and realistic. (1)

4.4 The meaningful participation of stakeholders in the TP formulation process will be enhanced. (1)

4.5 A system will be strengthened for establishing linkages among the goals, objectives, Strategy, priorities and working policies of the TP. (2)

4.6 The inter-relationships among long-term, TP, annual development, local and sectoral plans will be improved, (2) and

4.7 The existing medium-term expenditure framework of the TP will be made more realistic in order to develop a results-oriented planning system. (2)

5. Expected Outcomes

The formulation of the TP will be more results-oriented and realistic than the TYP was.

7.2 Plan Implementation

1. Background

Despite efforts to establish political stability and draft a constitution, the expected momentum in the development planning process was not achieved during the TYP period. Moreover, some of its good plans, programmes, and projects were not effectively implemented. Many problems hindered the implementation of the TYP, including land acquisition; lengthy and complicated public procurement processes; the lack of accountability for execution of plans, programmes, and projects; weak management of public expenditures; the transfer of project heads and other responsible staff; and weak inter-agency coordination. Other typical problems included delays in developing plans, procedures and guidelines for implementation and the lack of effective monitoring and evaluation.

2. Objectives

- 2.1 To complete the development plans, programmes, and projects laid out in the TP within the stipulated timeframe and budget and at the stipulated standard and to attain the expected results, and
- 2.2 To ensure the proper implementation of the TP by improving the functional relationship between it and annual programmes and budgets.

3. Strategies

- 3.1 Establish an effective interrelationship between the TP and annual programmes and budgets by developing a result-oriented plan and medium-term expenditure framework.
- 3.2 Strengthen mechanisms ensuring accountability for implementation.
- 3.3 Make job performance contracts objective and gradually enforce their provisions, and
- 3.4 Maintain good governance in the public procurement sector by improving policies and procedures.

4. Operating Policies

- 4.1 A sectoral result framework will be included in the TP by focusing on implementation during plan formulation. (1)
- 4.2 A results-oriented medium-term expenditure framework with revised prioritisation criteria will be institutionalised. (1)
- 4.3 Linkages between the TP and annual plans and budgets will be reviewed annually. (1)
- 4.4 An integrated results-based monitoring and evaluation system will be enforced. (2)
- 4.5 A system for making monitoring and evaluation at all levels more functional will

- be developed. (2)
- 4.6 The processes of programme and project development, social and public auditing, and public hearings will be institutionalised in order to enhance accountability for the execution of development plans and programmes. (2)
 - 4.7 A system of performance evaluation will be developed based on performance indicators and the job performance contracts of project and programme heads. (3)
 - 4.8 The Public Procurement Act and Rules and any needful amendments will be enforced, (4) and
 - 4.9 Policies and procedures will be revised to make land acquisition simple and development-friendly. (4)

5. Expected Outcomes

The targeted results of the TP will have been achieved and the officials and agencies responsible for its implementation will have been accountable for its development outcomes.

7.3 Monitoring and Evaluation

1. Background

The National Monitoring and Evaluation Guidelines (2013) were devised to provide for the effective implementation of development programmes and projects through the application of a results-oriented, regular and reliable monitoring and evaluation system. Efforts are underway to develop the capacity of human resources involved in monitoring and evaluation, to revise indicators, and to make institutional mechanisms for resolving problems faced during implementation effective. Efforts to institutionalize the system for evaluating programmes and projects have also begun. Even so, no noticeable progress in increasing the use of information technology in monitoring and evaluation, making the agencies of various levels involved in monitoring and evaluation effective, or institutionalising the results-based monitoring and evaluation system was recorded during the TYP period. Future effort should be concentrated on enhancing public accountability for investments in programmes and projects by making monitoring and evaluation effective.

2. Objective

- 2.1 To make the plan and policy formulation processes evidence-based through strengthening monitoring and evaluation, to raise public accountability, and to make the implementation of development policies, programmes, and projects effective.

3. Strategies

- 3.1 Effectively implement the integrated guidelines framed for making monitoring and evaluation result-oriented.
- 3.2 Strengthen the roles of concerned organisations by bringing about institutional reforms pertaining to monitoring and evaluation.
- 3.3 Institutionalise the evaluation of completed and ongoing policies, programmes and projects and use the recommendations of those evaluations in the policy-making process.
- 3.4 Expand the use of information technology in monitoring and evaluation, and
- 3.5 Promote social accountability and inform the policy- and decision-making processes through monitoring and evaluation.

4. Operating Policies

- 4.1 Monitoring and evaluation guidelines will be widely disseminated, and the capacity of development programmes to use them effectively will be built. (1)
- 4.2 Monitoring and evaluation will also be included in pre-service and in-service training in public services. (1)
- 4.3 Policy-level provisions and reforms will be made to employ experienced and competent human resources in planning, monitoring and evaluation. (1)
- 4.4 The National Development Action Committee and Ministry-level Development Action Committees will be made effective. (2)
- 4.5 The monitoring and evaluation of action plans will be made mandatory for all agencies in order to make monitoring and evaluation effective and systematic. (2)
- 4.6 Regional administration offices and directorates will be mobilised for monitoring and evaluation. (2)
- 4.7 A certain number of completed and ongoing projects and programmes will be evaluated each year engaging third parties, including the National Planning Commission. (3)
- 4.8 The evaluation reports prepared by various agencies will be well documented and their suggestions will be used in the policy and planning processes. (3)
- 4.9 The use of information technology in monitoring and evaluation will be undertaken and the information network will be expanded. (4)
- 4.10 A system of participatory monitoring and evaluation which engages relevant stakeholders will be developed. (5)
- 4.11 Project heads will be made responsible for results through monitoring and evaluation. (5)
- 4.12 Through enhancing the analysis and use of results obtained from monitoring and evaluation, the policy- and decision-making processes will be based on evidence. (5)
- 4.13 The monitoring and evaluation of development programmes will consider the

- reports of auditors as a basis of assessment, (5) and
- 4.14 By institutionalising the social and public audits and public hearings, public accountability will be enhanced. (5)

5. Expected Outcomes

National Monitoring and Evaluation Guidelines (2013) will have been enforced and a result-oriented monitoring and evaluation system will have been institutionalised.

7.4 Statistical System

1. Background

Reliable, speedy and up-to-date data management is imperative to objectively assess all aspects of plan formulation, implementation, monitoring and evaluation. As laid out in the perspective vision of the National Statistical System, the TP will concentrate on collecting, processing and publishing the required data by harmonising statistical activities with the broader goals of nation-building and demand-fulfillment. The results of National Population Census of 2011 have been publicised and the processing of the data for of the National Agricultural Census of 2011 has begun. Results of the latter census are expected to be publicised by the end of this fiscal year (the FY 2013/14). National Data Archives is being developed and preparations for releasing quarterly national accounts are going on. The lack of data and concerns about its authenticity are the major problems in this sector.

2. Objective

- 2.1 To make the required data and information about Nepal reliable, good-quality, and up-to-date and to maximize utilisation of information technology.

3. Strategies

- 3.1 Develop a National Strategy for Statistical Development.
- 3.2 Develop a coordinated national statistical system through the use and expansion of information technology by institutionalising the specified statistical and permit systems.
- 3.3 Supply reliable, up-to-date and internationally compatible information for the monitoring and evaluation of plans, polices and programmes, and
- 3.4 Strengthen bilateral and multilateral assistance for statistical development.

4. Operating Policies

- 4.1 A legal framework for statistics will be framed keeping in mind the concept of federalism. (1)
- 4.2 The responsibilities of various agencies involved in statistical activities will be

- ascertained in institutional systematic manner. (1)
- 4.3 Coordination among the institutions related to statistics will be improved by making the National Statistics Council more active. (1)
 - 4.4 The permit system for statistical activities other than those prescribed will be enhanced. (1)
 - 4.5 Statistical organisations will be restructured to make them compatible with the federal structure adopted. (1)
 - 4.6 Data-producers, -users, -providers and the communications sector will all complement each other. (1)
 - 4.7 Institutional documentation will be made sustainable by keeping official records secure. (1)
 - 4.8 The collection, processing and dissemination of data on the various economic, social, environmental, and other sectors required for decision-making processes will be strengthened. (2)
 - 4.9 Censuses and sampling and information systems will be managed in order to institutionalise indicators. (2)
 - 4.10 Agencies involved in the statistical sector will be strengthened institutionally and their human resources will be developed. (3)
 - 4.11 International norms, methods and classifications will be followed to make data comparable. (3)
 - 4.12 Reforms will be undertaken to make national accounts more reliable and up-to-date, (3) and
 - 4.13 Priority will be given to bilateral and multilateral cooperation to enhance the statistical capacity of agencies affiliated to the national statistical system. (4)

5. Expected Outcomes

A National Policy for Statistical Development will have been formulated, the gap between the demand for and supply of data will have been narrowed, and irregularities in statistical sector will have been minimised.

7.5 Research and Development

1. Background

Investment in research and development needs to be increased to address increasingly technology-intensive production, rapid changes in consumers' interests, frequent product modifications, and the increasingly indispensable role of science and technology in socio-economic life. The main problems in this sector are the gap between research and development and policymaking; the lack of identification and proper management of priorities; and the proliferation of dubious and sub-standard studies and reports.

2. Objective

- 2.1 To strengthen the nation's management systems by increasing investment in the research and development sector in order to develop a culture of productivity, entrepreneurship, and innovation.

3. Strategies

- 3.1 Develop innovative and skilled human resources as well as incentive systems by targeting socio-economic development and physical infrastructure sectors which have the greatest potential for development, and
- 3.2 Expand national and international collaboration and partnership in research and development.

4. Operating Policies

- 4.1 Highly skilled human resources will be developed by assessing current research and development capacities and utilising existing infrastructure and overseas opportunities. (1)
- 4.2 Knowledge based on research will be utilised, expanded, and commercialised with a view toward sustaining research and development functions. (1)
- 4.3 Appropriate policy measures and incentive systems will be put in place to retain researchers and technical human resources within the country and to create an environment conducive to 'brain gain'. (1)
- 4.4 Research will be gradually decentralised. (1)
- 4.5 Talented and creative students of both genders and all social groups and regions will be encouraged to pursue science and technology education in priority areas. (1)
- 4.6 A system of financial incentives will be developed to encourage the private sector in research and development. (1)
- 4.7 Collaboration and partnership among existing higher education institutes, the private sector, industrial enterprises, and the ministries and departments concerned will be intensified. (2)
- 4.8 National and international collaboration and partnerships in the sector of research and development will be expanded. (2)
- 4.9 Activities that are valuable from the perspective of technology transfer as well as research and development will be encouraged. (2)
- 4.10 The existing system of intellectual property rights will be revisited and reformed as required. (2)
- 4.11 Social Science Research Council will be established to promote research and development functions, (2) and
- 4.12 Collaborations between universities, academic institutions, and government and non-government organisations concerned will be enhanced in research projects, and the required costs will be well spelled out. (2)

5. Expected Outcomes

The scientific identification of the possibilities for development in targeted areas will have been carried out; policy, legal and institutional infrastructures for the development of a culture of productivity, entrepreneurship, and innovation will have been prepared; infrastructure for reducing the gap between knowledge, science, technology and innovation in Nepal and that in developed countries will have been put in place; and investment in as well as systems for the research and development sectors will have been made systematic, transparent and robust.