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by

THE GOVERNMENT OF NEPAL

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**NEPAL:
COUNTRY ASSESSMENT AND
PROGRAMME OF ACTION FOR 2001-2010**

**Report Prepared for the
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LEAST DEVELOPED COUNTRIES**

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TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	VI
EXECUTIVE SUMMARY	IX
A. INTRODUCTION	1
B. ASSESSMENT OF DEVELOPMENT PERFORMANCE	2
i. LDCs' Programme of Action 1990	2
ii. Nepal's Performance in the 1990s	3
iii. Assessment of Factors Facilitating/Constraining Development	8
iii. Vulnerability to Shocks	17
iv. Examples of Best Practices/Success Stories	20
C. PROGRAMME OF ACTION FOR 2001-2010	26
i. National Programme of Action	26
III. EXPECTATION FROM THE GLOBAL PROGRAM OF ACTION	39
6. Special facilities for landlocked LDCs	48
iii. Review, Follow-up and Monitoring	49

ABBREVIATIONS AND ACRONYMS

ACAP	Annapurna Conservation Area Project
ADB	Asian Development Bank
APP	Agriculture Perspective Plan
ARV	Anti Retro Virals
BGs	Border Guards
BOT	Build Operate and Transfer
BOOT	Build Operate Own or Transfer
CBOs	Community Based Organisations
CEAPRED	Centre for Environmental and Agricultural Policy Research Extension and Development
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CEEP	Conservation, Education and Extension Project
CIAA	Commission for Investigation of the Abuse of Authority
CRC	Convention on the Rights of the Child
CSD	Centre for Self-help Development
DDCs	District Development Committees
DEPROSC	Development Activities for the Poor
DFID	Department for International Development
EIA	Environmental Impact Assessment
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FHI	Family Health International
FM	Frequency Modulation
FUGs	Forest User Groups
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GEP	Group of Eminent Persons
GNP	Gross National Product
GTZ	German Technical Co-operation
ha	hectares
HDI	Human Development Index
HDR	Human Development Report
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HLFFDP	Hills Leasehold Forestry and Forage Development Project
HMG/N	His Majesty's Government of Nepal
HRC	Human Rights Commission
ICCPR	International Covenant on Civil and Political Rights

ICERD	International Convention on the Elimination of All Forms of Racial Discrimination
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICPD	International Conference on Population and Development
ICT	Information and Communication Technology
IIDS	Institute for Integrated Development Studies
ILO	International Labour Organization
IMF	International Monetary Fund
INGOs	International Non Governmental Organizations
IPP	Independent Power Producers
JICA	Japan International Co-operation Agency
KCAP	Kanchenjunga Conservation Area Project
km	kilometres
KMTNC	King Mahendra Trust for Nature Conservation
kWh	Kilo watt hours
LDCs	Least Developed Countries
MHz	Mega Hertz
MW	Mega Watts
NEA	Nepal Electricity Authority
NGOs	Non Governmental Organizations
NIEO	New International Economic Order
NORAD	Norwegian Agency for Development Co-operation
NPC	National Planning Commission
ODA	Overseas Development Assistance
OPEC	Organization of Petroleum Exporting Countries
PPA	Power Purchase Agreement
RSDC	Rural Self-reliant Development Centre
SAARC	South Asian Association for Regional Co-operation
SACT	STD AIDS Counselling and Training Services
SADP	Special Area Development Programme
SAFTA	South Asian Free Trade Area
SAPTA	South Asian Preferential Trading Arrangement
SNV	Netherlands Development Organization
SRDPP	Self Reliant Development of the Poor by the Poor
SRF	Self Reliant Fund
STD	Sexually Transmitted Diseases
UN	United Nations
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
US	United States
USAID	United States Agency for International Development
VAT	Value Added Tax
VDCs	Village Development Committees
WTO	World Trade Organization

Preface

This report, **Nepal: Country Assessment and Programme of Action**, has been prepared as a background document for the Third United Nations Conference on the Least Developed Countries to be held from 13-20 May 2001 in Brussels, Belgium. This report compares the development efforts, constraints and performance during the 1990s with that of the previous decade and also outlines Nepal's Programme of Action for 2001 to 2010. Expected action and cooperation from the global community including the development partners have also been described in this report. HMGN believes that the implementation of development strategies outlined in the report together with the support of the global community will contribute to a high, equitable and sustainable growth and significantly reduce poverty and regional imbalances.

It is sincerely believed that the document would prove useful for all the concerned development partners and organizations.

The National Planning Commission would like to thank the National Preparatory Committee, UNDP and UNCTAD for their assistance.

Executive Summary

This country report for Nepal is prepared for the Third United Nations Conference (to be held in Brussels from May 13-20, 2001) on the LDCs, in which the Programme of Action for the decade 2001-2010 will be adopted. This report is divided into three main sections. The first section provides the main characteristics and background information about Nepalese economy. The second section compares the developmental efforts, constraints and performance during the nineteen nineties with that of nineteen eighties. This section also briefly examines the vulnerability of the economy to shocks and features some of the examples of best practices/success stories of the socio-economic development of the country.

The third section presents Nepal's Programme of Action for 2001-2010 with the macroeconomic framework and expected action and co-operation from the global community including development partners.

Introduction

Nepal was among the 25 nations identified as the 'least developed countries' (LDCs) by the United Nations (UN) in 1971. The number of LDCs has reached 48 by 2000, of which 13 are in the Asia-Pacific region.

Nepal with the per capita income of US\$ 244 and the population of 22.9 million (an estimation for 2000) is a landlocked country. The number of people languishing below the poverty line was estimated to be 42 percent in 1996. The country is dependent largely on subsistence agriculture. The share of manufacturing in the total economy is less than 10 percent of GDP. The ratios of savings and investment are low and the gap between them is wide.

Despite significant improvements in social indicators over the last few years, the country still falls lowest even among the South Asian countries. Almost one-half of the population is illiterate; about two-fifths of the population do not have access to piped drinking water; average life expectancy is mere 56 years and infant mortality rate is 75 per thousand.

Nepal entered into multi-party democracy that was restored in 1990 as a result of 'People's Movement'. The previous constitution of the Kingdom of Nepal banned political parties. The new constitution in force since 9 November 1990 ensures parliamentary system of government with a constitutional monarchy, an independent judiciary and a free press as well as the provision of universal adult franchise and fundamental rights of citizens.

Assessment of the Development Performance

LDCs Program of Action 1990

The Program of Action 1990 adopted by the Second UN Conference on the least developed countries held in Paris in 1990 emphasized among other things on the establishment of a macro-economic policy framework conducive to sustained growth and development, human resource development, development of productive base, increasing food production, enhancing rural-income and the provision of external support.

However, LDCs in general have made limited progress in overcoming socio-economic challenges. Out of 48 LDCs, 28 countries faced a deceleration in economic growth between the 1980s and the 1990s. Social indicators have improved, but disparities between LDCs and other developing countries have widened. Civil strife and the problems of HIV/AIDS have increased. Instability in exports worsened further and the international support measures for the LDCs have remained weak and inadequate.

Nepal's Performance in the 1990s

Nepal initiated a strong economic reform program in 1991, after the restoration of democracy. The reform measures have since then covered almost all sectors of the economy including trade and investment, fiscal and monetary policies, financial and capital markets and other economic and social sectors. The impacts of economic reform programs have been encouraging, but with various structural and supply side barriers in the economy.

The new decade has seen much improvement than the previous one in many areas. Real GDP grew by an average annual rate of 4.8 percent in the 1992-2000 period compared to 4.6 percent during the 1982-91 period. The non-agricultural sector grew at a higher rate in the 1990s (6.5 percent) as compared to the 1980s (5.0 percent). Manufacturing sector's growth rate increased from 6.6 percent to almost 10 percent, in the review period. However, agricultural growth lagged behind in the later period due to slow growth in irrigation infrastructure and technology and adverse climatic condition. It grew by an average annual rate of 2.5 percent during 1990s compared to 4.0 percent in the 1980s.

The improvement in the external sector was also encouraging in the 1990s. Export-GDP ratio, which virtually remained stagnant during the second half of the 1990s, increased from 5.0 percent in 1991 to 13.2 percent in 2000. Current-account deficit remained around 5 percentage of GDP and foreign exchange reserve at the end of 2000 remained healthy with foreign exchange reserve equivalent to 11 months of merchandised imports. The balance of payment situation showed a slower improvement in the 1990s. However, external outstanding debt has increased by more than 200 percent between 1991 and 2000.

The economic reform process has given high importance to macroeconomic stability. Fiscal deficit was reduced from an average of 7.7 percent of GDP during the pre-liberalisation period to 5.8 percent in 1999. Monetary expansion was at a desired level and inflation rate especially in the second half of 1990s declined significantly. However, the development expenditure as well as foreign assistance in the second half of 1990s declined in real terms.

The government's priority in public investment together with the increasing involvement of the private sector helped to improve the human development indicators of the country. The improvement in the human development index of Nepal was one of the most remarkable among the developing countries in the 1990s. Literacy rate increased from 40 percent in 1991 to 53 percent in 1998. Infant mortality and other social indicators like gross enrolment ratio access to drinking water and sanitation facilities have also been improved during the same period. Efficiency and effectiveness of public expenditure in health and education, however are low and weak.

Development of physical infrastructure has also been observed to be significant in the decade of 1990. The total length of road, and the total supply of electricity was increased each by more than 100 percent in the last decade. Similarly, significant improvement has been seen in the development of communication and other infrastructure facilities.

There are a number of best practices and success stories, which have created positive externalities and have therefore contributed to the development and welfare of the society in Nepal. These modalities could be useful for other LDCs, too. They include (i) self reliant development of the poor by the poor (ii) civil society's role in rehabilitation for HIV/AIDS infected persons and measures to curb human trafficking (iii) community forestry and leasehold forestry (iv) deregulation of media and community radio support centre (v) decentralisation for promotion of good governance (vi) nature conservation and tourism development project (vii) pollution control program and (viii) elimination of the practice of bonded labour.

Factors Facilitating / Constraining Development

The shift of democratic government towards the market oriented economic policies, maintenance of macro-economic stability, expansion in economic and social infrastructure, promotion of trade and industry and increasing role of private sector and NGOs have been the major domestic factors for supporting the development endeavour. Similarly, continued support from development partners, increased foreign direct investment and increased regional Cupertino have also helped Nepalese development efforts.

On the other hand declining share of official development assistance, increasing share of loans compared to grants, increased debt burden, widening trade deficits, vulnerable export situation, slow pace of regional co-operation, dismal FDI inflows and rise in world

oil prices have been the impediments for high and sustainable growth. Internally, political instability, weak governance, limited resource and rise in terrorist activities have been the reasons for slow development pace in the country.

In addition to natural calamities, Nepal is vulnerable to some of the shocks like the Maoist activity, the Bhutanese refugee problem and HIV/AIDS epidemic. The so-called "People's war" initiated by the so-called underground Maoist group entered into fifth unabated year. Armed conflicts have taken a heavy toll in terms of human lives and property. The violence has flared up in many districts of the country and is spreading. Similarly, the Bhutanese refugees deported to Nepal by Bhutanese Government in 1990 have instilled a potential threat to the economy of Nepal.

Although the level of AIDS epidemic is low, it is spreading into the general population and the disease is no longer confined to "high risk" groups. The number of HIV/AIDS infected persons is estimated to be in between 30 to 60 thousand in Nepal. This figure could reach as high as 200,000 in the next ten years. This could create a major social problem in the country resulting in higher health expenditure.

Program of Action for 2001-2010

The overwhelming objective of the development efforts in Nepal will be poverty alleviation for the next decade. The strategy to achieve the objective involves broad-based growth, social sector development, and targeted programs for the vulnerable, marginalised and backward groups and safety nets. Planning and resource allocation will be focused on these areas.

Growth that provides benefits that spread across all income groups including poor segments of society and improves income distribution affects poverty alleviation positively and strongly. In this context, first as 81 percent of the population is engaged in agriculture, agriculture must be targeted to grow by at least 4-5 percent per annum. Second, as the share of non-agriculture sector is about 60 percent in composition of GDP, the factors affecting its growth must be further emphasised.

Agriculture: To increase the agriculture production and productivity the strategy will focus on (i) increased investment (ii) streamlining the public expenditure in line with APP investment Plan and (iii) improved modality of implementation by emphasising polycentric institutional arrangement. In order to implement the APP, high emphasis will be given to the package programs for fertiliser, irrigation, technology, rural agricultural roads, electricity and market access.

Private Sector Development and FDI: In order to develop non-agricultural sector, overall environment for private sector needs to be strengthened especially in the area of legal and regulatory framework, institutions and enforcement capacity. Similarly, the corporate and financial governance including the improvement of auditing and

accounting standards are major concern for sustainable private sector development. Financial sector of Nepal is in a critical stage not only from the perspective of macroeconomic stability but also from the concern of poverty alleviation and unemployment. The future reform agenda in the financial sector involves (i) restructuring and privatising of state owned banks (ii) improving auditing and accounting standards (iii) strengthening monitoring and regulatory functions and capacity of Nepal Rastra Bank (the Central Bank) and (iv) strengthening legislative and institutional framework for loan recovery.

Measures will be taken to attract more foreign investment in the country. They include improved policy and legal framework in line with market economy, efficient administrative mechanism, development of necessary physical infrastructures and human resource development.

Trade, Industry & Tourism: The role of international trade, industry and tourism is increasing rapidly in economic growth and employment generation. The main objective of the Government would be to encourage export-oriented and import-competing industries with high emphasis on their backward and forward linkages. Strategy for international trade will be focused on the expansion and diversification of exports.

Since tourism is one area where Nepal has a strong comparative advantage, the Government aims to develop tourism as an important sector of the national economy. Tourism development will be pursued in a manner that would promote eco-tourism and protect, conserve and regenerate the environment for the benefit of future generations. Infrastructure and product development and promotional activities will also be emphasised.

Water Resources and Infrastructure Development: Transport is considered the most important among the various physical infrastructures. Road density in Nepal is less than 93 km per thousand square km, which is among the lowest in the world. The Government has given high priority in increasing transport facilities especially to consolidate regional integration by linking various parts of the country with the completion of the strategic road network. Through rural road networks the government focuses on farm to market linkages. Similarly, the ongoing development efforts on national communication infrastructure and IT sector will be enhanced and expanded nation-wide.

The Government views the exploitation of hydropower as a major input for economic development as well as a major potential item for export. The Government will encourage private sector for the development of hydro-electricity for both domestic consumption as well as exports. Exports of hydropower will be given high priority in the next decade. Government has already introduced new hydropower and IT policies.

Social Sector Development: The development of human resources is essential for creating employment opportunities, reducing poverty and for accelerating broad-based growth. In education, the investment efficiency is also low. Dropout rates and repetition rates are high. Pass rates of Government schools are much lower than that of the private schools. The public expenditure in health is also skewed. There has been a reduction in the budget share for primary health care.

Health plan and programs in Nepal in coming years will be focused on major diseases, institutional capacity development and reduction of population. In order to use the existing resources efficiently and effectively, the problems of absenteeism, staff shortages and lack of supplies and equipment must be remedied.

In view of the status of the health and education system in the country, the strategy for social sector development will include (i) continued increased allocation of public resources in the social sector (ii) streamlining of resources according to the priority and providing emphasis on basic education, efficiency in education system, literacy, primary health care and demand-oriented skill development programs, (iii) programs to reduce human development inequality arising from weak government programs, (iv) decentralised management and (v) involvement of private sector in the delivery of social services.

Targeted Programmes and Employment Generation: Broad-based economic growth benefits poor, but there are specific groups of people, who if ignored, will either be unable to escape the poverty trap or take an unacceptably long time to do so. Such groups could be hard-core poor, assetless people, disadvantaged groups, indigenous and marginalised people, people living in the remote or isolated areas, female-headed households or women.

The basic objective of the targeted programs is to design and implement it especially to benefit the poor. The strategy of these programs therefore would be to develop modalities of the programs for the selection or targeting of the beneficiary groups. The coverage and outreach will be increased in the case of successful projects. However various income cut-off point, geographical targeting, categorical or self-targeting modalities will be used for various compensatory, market-based, and facilitation programs. These measures will help to administer safety net and targeted programs fairly and equitably.

The main reason behind the existing level of poverty within the country seems to be the pervasive unemployment and underemployment problems. Employment opportunities in the country will be expanded by raising effectiveness and relevance of present training programs, expanded employment creating labour intensive public works and minimum needs programs and by enhancing opportunities for wage and self-employment by training and skill development program.

Government has initiated Poverty Alleviation Fund (PAF) in order to strengthen target-oriented programs. The Government will make this program as an umbrella program for targeted poverty alleviation program.

Gender and Environment: Women's empowerment and gender equality will be emphasised through mainstream women's participation in each and every aspect of national development. Similarly, the main objective of the environment sector will be to protect, promote, and manage resources and to integrate the environmental issues in all sectors of the economy. The government is also committed to the elimination of all forms of child labour in the country.

Governance and Aid Utilisation: One of the major problems in the development efforts in Nepal has been the lack of effective governance. This includes the lack of accountability and mismanagement of resources, weak institutions and procedures, the failure to provide effective delivery of public services, and lack of ownership of development projects and programs.

In order to improve governance the Government is focusing its programs on (i) civil service reforms (ii) decentralisation (iii) the increased role of NGOs in service delivery and (iv) involvement of private sector. The focus of the civil service reform will be to improve its capacity, efficiency, accountability and effectiveness. Decentralisation is being promoted in order to deliver the benefits of development effectively especially in the rural communities. The role of NGOs in development will be further strengthened and the private sector will be encouraged to participate in the development activities including those in service delivery in the rural areas.

In order to improve the efficiency of aid utilisation, the Government will focus resources on priority areas, governance and national ownership of the projects and programs will be promoted through civil service reform and decentralisation. Human-resource development and institution building within the government will also be emphasised.

Maintaining Law and Order: The acceleration of violent activities waged in the name of so called People's war started from the beginning of the second half of 1990 has impacted not only development activities, but also taking precious lives of many. In order to solve problem, the Government has initiated short-term and long-term measures, which include dialogue with Maoist to pursue them to come to peaceful solutions. The Government has already invited them for dialogue. Similarly, packages like "basket funding" and "security and development" for the socio-economic development of the affected areas has been initiated. Security arrangement for the public safety is also being strengthened. International communities must strongly support Nepal's effort to discourage Maoists' violent political bid.

Expectation from the Global Programme of Action

Although the LDCs constituted 10 percent of the world's population in 1997, their share in the world output and exports were only 0.6 percent and 0.4 percent respectively. Poverty remains widespread and most of the 1.2 billion people who live on under \$1 a day live in LDCs. The 1980s have been dubbed "lost decade" and the 1990s have been the decade of marginalisation and social exclusion for LDCs. Following actions are particularly important, if the global community would like to assist in the reduction of poverty and inequality in the LDCs.

Unrestricted Access to Markets in Developed Countries: As the market access provides the basis for stimulating trade and investment and transfer of technology, all exports from LDCs should be allowed bound, duty-free and quota-free entry into developed markets, and all non-tariff barriers should be removed. LDCs export should be exempt from antidumping duties and safeguard actions. There is also a need for simplification and harmonisation of existing rules of origin of all countries giving trade preferences to LDCs. Issues such as labour and environmental standards should not be used as non-tariff barriers on exports of LDCs. Market access for movement of labour into the industrialised countries needs to be liberalised.

Increase in Official Development Assistance: ODA flows to LDCs has declined in relative and even absolute terms in the 1990s. Net ODA from DAC countries declined by more than \$ 5 billion from 1992 level to \$ 10.8 billion in 1998. It was only 0.05 percent of DAC member countries' combined GNP. Net as well as real ODA volume has declined in Nepal especially in the late 1990s. In some years, it has declined in absolute terms, too. The international community is urged to fulfil ODA targets of at least 0.15 percent of their combined GNP to LDCs. In the case of Nepal ODA should be increased in real terms to support the poverty alleviation and infrastructure development of the country.

Debt Relief: Burden of debt is rising in all LDCs including Nepal. The outstanding external-debt has increased by more than 200 percent between 1991 and 2000. The responsibility of debt problem lies with both the donors as well as the recipients. The donors also participated in the process of debt creation through some of the donor driven projects, some of which failed to make any dent in the objective of poverty alleviation. Debt has become severe obstacle to development for many countries. Deeper, faster and broader debt relief schemes should be designed and implemented for LDCs in general and landlocked LDCs in particular. Until this happens, there should be moratorium on debt service payments by LDCs pending full cancellation of their debts, as soon as possible. For countries like Nepal, the relieved debt can be utilised for social sector and infrastructure development of the country, which is crucial component of poverty alleviation.

WTO and Supply Side Constraints: Accession of LDCs that are not yet members of WTO should be put on a simplified fast track to complete the process. In no case, should LDCs be asked to undertake WTO-plus commitments. Developed country Members of the WTO should implement the special and differential (S&D) provisions fully and honestly. It is necessary to exempt all LDCs, including those acceding to WTO, from undertaking commitments on domestic support and export subsidies in the areas of agriculture, and expanding non-actionable categories of industrial subsidies to include those subsidies for development, diversification and upgrading of industries needed by LDCs. Similarly, there is a severe supply side constraints in LDCs to increase industrial production and develop infrastructure. It is sad that the Integrated Framework initiative of technical assistance to the LDCs has not taken-off because of funding constraint. Developed countries should provide high priority to the capacity problems of Nepal and other LDCs in industrial and trade capacity expansion and diversification, improving human resource development, making the country capable of taking the challenges of WTO membership and dispute settlement procedures. The Common Fund for Commodities and the Trust Fund for LDCs must be strengthened to support economic reform and growth process of LDCs.

Bridging of the Digital Divide: The digital divide has widened between developed and developing countries. The progress of LDCs in the information and communication technology and their application has been dismal. Nepal expects developed nations to help LDCs by disseminating technologies and making funds available that are required for infrastructure development in this sector.

Landlocked LDCs: There is a need for addressing the special problems being faced by LDCs that are also landlocked. This includes complete transit rights to a landlocked country through the territory of its maritime neighbours using the most convenient international route and additional assistance for overcoming the constraints posed by landlockedness. International co-operation and assistance should provide adequate attention on these issues.

Financing the Development

The current low level of investment in Nepal underscores the need for increased development financing in order to accelerate the country's economic growth. The two major sources of investment financing are domestic (public and private) and foreign savings (ODA and private external capital).

Incentives for private savings is expected to rise through increased macroeconomic condition, per capita income and outreach of financial institutions and by creating conducive environment for positive rates of return on savings and strengthening financial institutions. Development of capital market will also be encouraged. Government savings will be improved through efficient and effective tax administration and by widening tax

base. Public expenditure system will be made more efficient and effective by allocating resources according to inter-sectoral and intra-sectoral priorities.

However, with a low level of savings estimated around 15 percent of GDP, the country is unable to finance the level of investments necessary to achieve a desired rate of growth of output. Similarly, limited taxable capacity of the country and substantial requirement of foreign exchange for amortisation requirements together with the current account deficits reveals that external assistance requirement at 2010 would be at least about US\$ 736 million, which is about 167 percent higher in comparison to the foreign assistance received in 2000.

Conclusion

The Government believes that the implementation of the development strategies outlined above and the global co-operation and assistance will be helpful in attaining a high and sustainable economic growth of about 7.5 percent, alleviating poverty and reducing regional imbalances significantly. With the achievement of high economic growth and implementation of sectoral and targeted programmes, the population living below poverty line is expected to be reduced from 42 percent in 1996 to 17 percent in 2010. The main factor accelerating the economic growth rate and reducing poverty will be the performance of the agricultural sector. Significant improvements are also expected in other socio-economic indicators of the country during this period.

Nepal realises that the country must effectively mobilise its own human and natural resources and use them efficiently to achieve sustainable development. However, because of resource constraints and structural problems, external co-operation in the form of trade, investment, debt relief and official development assistance is of critical importance mainly in capital formation, the attainment of high economic growth and the alleviation of poverty.

A. INTRODUCTION

Nepal was among the 25 nations identified as the 'least developed countries' (LDCs) by the United Nations (UN) in 1971. The ECOSOC (Economic and Social Council) has defined indicators for LDCs, which include per capita GNP, life expectancy at birth, per capita calorie supplies, combined primary and secondary enrolment ratio, adult literacy rate, share of manufacturing industries in GDP, share of employment in the industry sector, per capita electricity consumption, and their concentration ratio. What is common to all LDCs is that they are particularly ill equipped to develop their domestic economies and to ensure an adequate standard of living for their populations. Their economies are also acutely vulnerable to external shocks or natural disasters. The LDCs thus constitute the weakest segment of the international community and their economic and social development represent a major challenge for themselves as well as for their development partners.

The Kingdom of Nepal is among the 4 LDCs of South Asia (the other three are Bangladesh, Bhutan and the Maldives). Since 1956, Nepal embarked on development planning by undertaking the First Plan (1956-61). The country is currently midway through the Ninth Plan (1997-2002).

The structure of Nepalese economy reveals its underdeveloped characteristics with the predominance of agriculture, both in terms of employment and contribution to national income. Eighty-one percent of the population are dependent in agriculture, which itself is mainly dependent on weather. Latest statistics indicate that the agricultural sector accounts for nearly 40 percent of national output while industry and services contribute 21 and 39 percent respectively. The country's population is estimated to have been reached 22.9 million in 2000 with a Gross Domestic Product (GDP) per capita of \$244. In 1996, the number of people living below the poverty line was estimated to be 42 percent.

In 1990, multi-party democracy was restored in Nepal as a result of the Jan Andolan ('People's Movement') that ended three decades of single party hegemony. The Panchayat regime was based on the old Constitution of the Kingdom of Nepal-1961 that banned political parties. The freedom movement spearheaded by Nepali Congress and the United Leftist Front (a coalition of left parties) restored the multi-party democracy on April 9, 1990. Subsequently, the Constitution of the Kingdom of Nepal 1990 was drafted and enforced from 9th November 1990. The new constitution vests the country's sovereignty on the people of Nepal.

The democratically elected government undertook liberal economic policies since 1991. The new policy focussed on maintaining of macroeconomic stability, curtailing of government activities in the economy and an enhanced role for the market forces and the private sector. Nepal has applied for membership of the World Trade Organisation (WTO), which succeeded the General Agreement on Tariffs and Trade (GATT) on January 1, 1995.

The impacts of economic reform programs have been encouraging, but there are various structural and supply side barriers in the economy. Agricultural growth lagged behind in the 1990s due to slow growth in irrigation infrastructure and technology. High transportation and transit costs, lack of skilled manpower, inefficient financial market and weak legal base have further hampered the goal of alleviating poverty in the country.

Although the rate of growth of Gross Domestic Product (GDP) was slightly higher during the 1990s as compared to the 1980s, the overall performance continued to remain below expectation. The majority of the population does not have access to basic health and education facilities; infant mortality rate is high, human capital formation is low, economic dualism is acute and a large informal sector is present. Unemployment and underemployment are also serious problems. Although investor-friendly policies are present, inflows of foreign direct investment (FDI) have remained unimpressive.

Political instability also eluded growth and development in Nepal for a good part of the last decade. The rising domestic violence due to the insurgency movement in many parts of the country has aggravated the problem. Nepal still has a long way to go before mass poverty is eradicated and a decent standard of living of its population is attained.

During the forthcoming Third United Nations Conference on the Least Developed Countries, the Programme of Action for the decade 2001-2010 will be adopted. It is imperative on the part of LDCs like Nepal to continuously strive to meet its development goals in a holistic manner. The Conference will be an opportunity for the LDCs to elucidate their positions and policies to raise their interests and ask for enhanced assistance. The LDCs should also raise voice for deeper concessions on the part of the developing nations in the areas of trade, aid and technology. The international community in general and the developed countries in particular will have to be more considerate in renewing their commitment for the uplift of the poor nations. Such support would not only make the New International Economic Order (NIEO) more participatory, it would also have an impact in eradicating poverty and laying the basis of a world based on justice, equity and equality.

B. ASSESSMENT OF DEVELOPMENT PERFORMANCE

i. LDCs' Programme of Action 1990

The Second United Nations Conference on the Least Developed Countries, in which 150 Governments participated and which was held in Paris in September 1990 adopted the Programme of Action for 1990s (POA 1990). The POA 1990 provided importance to the following major areas:

- establishment of a macro-economic policy framework conducive to sustained economic growth and development.

- human resource development
- development, expansion and modernisation of productive base
- reversing the trend towards environmental degradations
- promotion of an integrated policy of rural development aimed at increasing food production
- enhancing rural income and enhancing non-agricultural sector activities
- the provision of adequate external support

LDCs as a whole have made limited progress in overcoming structural constraints, infrastructural insufficiencies, debt burden, promoting and diversifying exports, attracting foreign investment and achieving sustainable economic growth. Data shows that out of the 48 LDCs 28 countries faced a deceleration in economic growth between the 1980s and the 1990s. Social indicators have improved, but disparities between LDCs and other developing countries have widened. Civil strife and the problems of HIV/AIDS have increased. Some structural change in the economy has been observed, but both the export concentration index and export instability index in the 1990s in the LDCs was higher than for other developing countries. The international support measures for the LDCs has remained weak and inadequate.

ii. Nepal's Performance in the 1990s

The salient features of the Constitution of the Kingdom of Nepal promulgated in 1990 comprise the following: a parliamentary form of government with a constitutional monarchy, an independent judiciary, and a free press as well as the provision of universal adult franchise and fundamental rights of citizens. Multi-party party democracy has highlighted people's participation in development. The Executive (the government), the Legislature (the parliament) and the Judiciary (the courts) form the backbone of the political system on the basis of division of power.

One of the major impediments of Nepal is its landlocked geographical reality. The nearest port facility is some 500 miles away from the main point of entry into Nepal. The existing transit and transportation system is inefficient and difficult.

The per capita income of Nepal is US\$ 244. The country is dependent largely on subsistence agriculture and the share of manufacturing in the total economy is small, less than 10 percent of GDP.

Nepal initiated a strong economic reform program in 1991* after the restoration of democracy in 1990. The reform measures have since covered almost all sectors of the economy including trade and investment, fiscal and monitoring policies, financial and capital markets and other economic and social sectors. Policy changes have affected the

non-agricultural sector positively, but the reforms didn't have any positive impact on the agricultural sector. High dependence on agriculture and lower than expected growth in this sector in the 1990s adversely affected the target of poverty reduction in the country.

Nepal's economic growth has traditionally been determined largely by agricultural growth and public investment. In recent years, the role of non-agricultural and private sector's investment has been increasingly, influencing economic growth of the country.

Real GDP grew by an average annual rate of 4.8 percent the 1992-2000 period compared to 4.6 percent during the 1982-1991 period (Table 1). The difference is not significant but the trend has two distinct features. First the non-agricultural sector grew at a significantly higher rate during the period immediately after the initiation of economic reform programs (in the first half of the 1990s) in comparison to the second half of the 1990s. Second, contrary to the period of 1980s no negative GDP growth was observed during the post liberalisation period despite of a negative growth in agriculture in 1992, 1993 and 1995.

The 1990s saw higher non-agricultural sector growth that was derived from higher growth in the industrial, trade, tourism, transport, communication, finance and social sectors. The industrial sector's growth was affected positively from liberal and deregulated policy. The manufacturing sector's growth rate increased from an average annual growth rate of 6.6 percent in the pre-liberalisation period to almost 10 percent in the post-liberalisation period. Export-GDP ratio, which virtually remained stagnant during 1986-90, increased from 5.0 percent in 1990 to 13.2 percent in 2000. Similarly, progress in the financial sector resulted from the establishment of numerous new commercial banks and other financial institutions. Growth of these sectors helped to fuel other service activities in the country.

* The period beginning from fiscal year 1991/92 has been considered as the post-liberalization period for the purpose of the analysis in this report.

**Table 1 : Growth Rates of GDP and Inflation
(in Percent)**

	1981/82-1990/91	1991/92-1999/00
GDP	4.6	4.8
Agriculture	4.0	2.5
Non-Agriculture	5.0	6.5
Manufacturing	6.6	9.9
Inflation (CPI)	10.3	9.6

Source: Economic Survey (various issues)

However, the agriculture sector's growth was disappointing in the 1990s. It grew by an average annual rate of 2.5 percent during the 1990s compared to 4.0 percent in 1982-91. Adverse climatic condition, constrained fertiliser supply, slower growth in irrigation facilities and inadequate research and extension services adversely affected the performance of the agriculture sector.

Inflation, in Nepal, measured in terms of CPI, exhibits a declining trend. The average inflation rate declined 10.3 percent in the 1980s to 9.6 percent during the 90s. The high average inflation in the 1990s was mainly due to a steep devaluation of the Nepalese rupee and pegging of the currency with Indian rupee at the rate of 1:1.6, which was required to correct its overvaluation. The annual inflation rate since then has come down. The inflation and price trend in Nepal depends largely on the price movements in India, because of the porous border. Since the Nepalese currency is pegged with Indian currency, Nepal's monetary policy will have limited impact on inflation. The monetary policies, however, could affect the balance of payment situation.

**Table 2 : Major Macroeconomic Indicators
(Percent of GDP)**

	1981/82-1990/91	1991/92-1999/00
Fiscal Deficit	7.7	5.8
Savings	10.3	13.8
Investment	19.7	23.7
Export	5.1	9.5
Current Account Deficit	5.2	5.2

Source: Economic Survey (various issues)

The economic reform process has given high importance to macroeconomic stability. Fiscal deficit was reduced from an average of 7.7 percent of GDP during the pre-liberalisation period to 5.8 percent in 1999. The lower deficit was achieved mainly by tight expenditure policy. Despite prudent fiscal policy, development expenditure rose significantly for the first few years after the initiation of the reform program. It was mainly due to higher revenue mobilisation. In the second half of the 1990s, however, the situation was different. Revenue mobilisation was lower but the fiscal deficit did not abate. During the period the fiscal deficit was tried to control at the cost of development expenditure. Domestic borrowing to finance the fiscal deficit also declined in the 1990s.

During the 1990s, the growth rate of narrow money supply was about 15.4 percent. In some years, domestic credit from the banking sector to the Government by a larger amount became a principal reason for the high monetary expansion; in other years the increase in net foreign assets resulted in higher rate of money supply. Whatever reason there were for the monetary expansion, it was under control and helped to maintain internal and external stability.

Improvements were noted in savings and investment rates too, during the post-liberalisation period. The average savings rate improved from 10.3 percent in the 1980s to 13.8 percent in 1990s. Liberalisation of the financial and capital markets acted as an impetus for the growth of savings. In addition, higher growth rates especially that in the non-agricultural sector contributed to improve the savings rate. Similarly, the average investment-GDP ratio increased, but the savings and investment gap widened slightly during the post-liberalisation period.

Compared to those of other low-income countries, Nepal's trade-GDP ratio is small but has grown rapidly especially during the post-liberalisation period. Merchandise Exports-GDP ratio grew from 5.1 percent in the 1980s to 9.5 percent in the 1990s. The ratio has grown to more than 13 percent in 2000. The trade agreement concluded between Nepal and India in 1996 has helped to increase Nepalese exports to India significantly.

The balance-of-payment situation showed a slower improvement in the 1990s. In addition to exports, the sources of foreign exchange earnings for the country were tourism, remittances and inflows of foreign aid. Foreign exchange reserves in the 1990s stayed in a range that could bear 5 to 11 months' imports of the country.

Human development indicators improved significantly over the last decade (Table 3). Literacy rate increased from 40 percent in 1991 to 53 percent in 1998. Infant mortality declined and average life expectancy increased significantly. Similarly, improvement is also observed in the increased percentage of population served by drinking water and sanitation.

Table 3: Selected Human Development Indicators

	1981	1991	1998
Infant Mortality (per '000 live birth)	123	107	75
Child Mortality (per '000)	NA	197	118
Crude Death Rate (PER '000)	19	15	12
Drinking Water (percentage of people served)	NA	37	61
Net Enrolment in Primary School	-	-	70.5
Literacy Rate (percent)	24	40	52.6

Source: Economic Survey 2000, Ninth Plan 1998.

The Government has given priority for the development of the social sector. The policy initiated with the objectives of universal coverage in basic health, primary education and literacy has increased the government expenditures from 22 percent in 1991 to 36 percent in 1999. The composition of the social sector's expenditure shows that the expenditures on primary education, basic health and non-formal education have risen significantly over the years.

The private sector's involvement in education and health sectors increased rapidly in the 1990s. The share of primary and secondary enrolment in private schools rose to 28 percent and 23 percent, respectively in the late 1990s from almost nothing in the early years of the same decade. Similarly the involvement of the private sector in providing health services has also been increasing rapidly.

The government's priority together with the increasing involvement of the private sector and NGO/INGOs, helped to improve the human development indicators of the country. The improvement in the human development index of Nepal was one of the most remarkable among the developing countries in the 1990s (UNDP 2000).

Significant progress has also been observed in the infrastructure development of the country. The total length of road reached almost 14 thousand km in 1999. Similarly, significant improvements have been made in the communication and electricity sector. However, compared to the progress of road construction and communication, generation of electricity was slower in the 1990s (Table 4)

Despite various efforts, the state of environment has degraded due to higher dependency on natural resources and high population growth. Landslide and land-erosion, flood, deforestation and air pollution and solid waste especially in the cities are some of the continued and emerging environmental problems of the country.

A number of policies and programs have been initiated in improving environmental status of the country. The process of environmental impact assessment has been adopted.

Environment Protection Act, 1997 and Environment Protection Regulations 1998 have been implemented. The Ministry of Population and Environment and Environment Protection Council have been established. Programs have also been initiated to address the issues of air pollution and solid waste in the Kathmandu valley.

Table 4: Development of Transport, Communication & Energy

	1981	1991	1999
Road (cumulative km)	5021	6706	13709
Telephone Lines (number)	13123	57320	221863
Electricity Consumption (million KWH)	168	548	1113

Source: Economic Survey 2000.

In Nepal 42 percent of the population live below the internationally defined absolute poverty line. 23 percent of the urban population were found to be living below the poverty line in 1997. The corresponding figure for the rural population was 44 percent. The Ninth Plan's sole goal is "poverty alleviation" and aims to reduce the level of poverty from the prevailing 42 percent to 32 percent by 2002, the end of the Plan and to 10 percent by 2017. The Agriculture Perspective Plan (APP) is a long-term plan (1995-2015) aimed at improving agricultural productivity and alleviating poverty.

Nepal received an estimated \$279.6 million in foreign aid in the fiscal year (FY) 1999/2000. This amount represented 88.2 percent of the total foreign aid commitment, 58 percent of the total development expenditures, 46 percent of total government revenues and 5.3 percent of the total annual GDP in that fiscal year. Of the total foreign aid in 1999/2000, 71 percent was estimated to be in the form of loans.

Per capita carbon dioxide emissions in 1996 is estimated to be 0.1 metric tons. The annual rate of deforestation during the 1990-95 period was 1.1 percent. Per capita energy use was 57-kilowatt hours (kWh) in 1997. The percentage of the population with access to electricity increased from 9 percent in 1990 to 15 percent in 1999.

iii. Assessment of Factors Facilitating/Constraining Development

Facilitators: Domestic

Democracy

The forces of democratic change that swept across the world in the last decade were experienced in Nepal as well. With the restoration of political freedom and civil liberties, there is now greater awareness among citizens for desirable social and economic changes. Human rights, an independent judiciary and freedom of the press are essential attributes for consolidating democratic values and institutions in a young democracy. The

parliamentary form of government in Nepal is based on universal adult franchise and the government is based on collective accountability to the legislature. The democracy has become a vehicle for the development of the country. Under the free and equitable society the people from every walk of life have opportunity to exploit their talent to come off the limitations of the closed society earlier to the restoration of democracy.

Liberal and Open Economic Policies

Nepal opened up its economy in the early 1990s with the adoption of liberal and market-oriented policies. The reform measures have since covered almost all sectors of the economy including trade and investment, fiscal and monetary policies, financial and capital markets and other economic and social sectors.

The trade policy helped reforms, to promote international trade through the increased participation of its private sector, to diversify its export products and markets and to expand employment-oriented exports.

The import licensing system and quantitative restrictions were eliminated and tariff rates and structure were reduced and rationalised to make the trade sector competitive. The trade weighted nominal rate of protection declined from about 80 percent in the early 1980s to about 31 percent in 1994 (Sharma 1997). Similarly, the average rate of protection has declined from about 111 percent in 1989 to 16.0 percent in 1992. In a similar manner, the number of slabs (categories) subject to protection fell from more than 100 in the 1980s to 5 in 1996. Additional measures initiated to promote international trade includes the introduction of a bonded warehouse, duty-drawback scheme, the initiation of the multi-modal facility (dry port) and an export processing zone.

Nepal's trade reform programme was complemented by a new bilateral trade-treaty signed with India in 1996. The treaty allows Nepal to export manufactured products to India free of customs duty and quantitative restrictions.

Similarly, in order to improve the environment for investment, the Industrial Enterprise Act (1992) and the Transfer of Technology Act (1992) were enacted in line with the open, liberal and market-oriented policy. These acts have further improved investment incentive. No license is required for the establishment, expansion and modernisation of industries except for a few related with defence, public health and environment. In short the environment was made more conducive to greater inflows of foreign direct investment.

Financial sector reforms have also been carried out to support the trade and industrial reforms. Interest rates were deregulated and joint-venture banks were allowed to open-up. Nepal also introduced full convertibility of the Nepalese rupees in the current account. The overvalued Nepalese currency was also corrected to improve export competitiveness of the trade and industrial sectors.

In addition, various sectoral strategies have been introduced to attract investment. For example the Hydropower Policy (1992) has opened up new avenues to develop the hydropower of the country by motivating national and foreign private investors in this sector. The liberalised aviation policy has helped the tourism industry significantly. These policies have made Nepal the most liberal country in South Asia in the area of trade and investment openness. Hydropower policy has been further revised, recently.

Macroeconomic Stability

Partly as a result of the economic reform measures during the 1990s, macroeconomic stability has formed a top priority within HMG/N's economic policies. Other policy priorities include economic liberalisation, structural adjustment, privatisation and government budget rationalisation. Macroeconomic indicators in general were strengthened and internal and external stability was maintained in the 1990s. However, the trade balance situation could not be improved in the same period.

Economic Infrastructure

Important policy improvements were initiated for the development of economic infrastructure of the country in the 1990s. A number of acts and policies were introduced to attract the private sector participation in the power development. A number of power projects have either been completed or are being completed. Similarly, an agreement on power and trade between Nepal and India has been reached for exporting electricity to India. This treaty allows the government, semi-government or private parties of one country to make an agreement on power trade with the counterparts of the country. The government's share in the power sector development was raised from about 13 percent in the earlier part of 1990 to 22 percent in 2000.

Road, airport construction and telecommunication services have also been opened to the private sector to attract more domestic as well as foreign investments and to improve service delivery. Road and airport constructions are being initiated on the BOT and or BOOT basis. Various telecommunication services have been introduced by the private sector. Licenses have been issued to private investors for internet services, V-SAT service provider, and users radio paging, cellular mobile services. Nepal Telecommunications Authority (NTA) has issued the letter of intent to a private group to operate Mobile Communication Services and it is in the process of awarding license to private operator for basic telephone under Wireless in Local Loop (WLL) technology. Also NTA has sought proposals from private operators to operate rural telecom services in the VDCs of Eastern Development Region. An open and liberal sky policy has been adopted in the international and domestic air services. As a result more than 2 dozen new airlines have been permitted for operations. Government is in the process of allowing international operations to 2 airlines, regional operation to one airlines and cargo license to one airlines. On the basis of license provided earlier by the government, one local airlines is flying to a couple of cities in India.

Human Resource Development

Human resource development for higher production and productivity has been one of the priority areas of the Government. Three-pronged strategy has been adopted in strengthening human resource. First the resource allocation in the social sector has been raised and priority has been given to primary education, basic health, rural infrastructure and rural drinking water. Second, the role of the private sector has been enhanced in the delivery of social services like education and health (hospitals, nursing homes and diagnostic centres). Similarly, the number of students enrolled in private primary and secondary schools has increased significantly. Third, the collaboration between the public sector and NGOs has been facilitated for improving the social sector delivery. As a result of the conducive environment created for the greater collaboration with NGOs and INGOs working in Nepal, this sector is now heavily involved in providing maternal and child health services and controlling the spread of infectious diseases. They are also involved in local capacity building activities and training female community health volunteers and traditional birth attendants.

Trade and Investment

New trade and investment policies were formulated and implemented in the beginning of 1990s in order to shift from the import substituting trade regime to the competitive and export-oriented regime. In addition to various reform measures, the previous Nepal-India trade treaty was revised and replaced by a new treaty, which allows Nepalese manufactured (except liquor, perfume, cosmetics, and cigarettes) products to enter India free of customs duty free and without any quantitative restrictions. This has resulted in a high growth of Nepal's exports to India.

In order to reduce its transportation and transit cost disadvantage Nepal has initiated the Nepal Multi-Modal Transit and Trade Facilitation Project. This project has completed three inland container depots in Eastern, Central and Western regions. A broad gauge railway connection has been established in Central region (Birgunj) from India, and introduced an automated system for custom data and advance cargo installation system. The construction of export processing zones have also been started near the inland container depots. The operation of this project, which will commence soon, is expected to reduce the transportation and transit cost of trade by 30-35 percent. Nepal has also applied for the membership of World Trade Organisation.

Role of Non-Government Organisations

NGOs roles were limited till 1991-both in terms of number and their activities. They were also not properly been recognised as development partners by the government. NGOs' activities also were limited only to the welfare considerations. These days particularly after the restoration of multiparty system, the number of NGOs have been increased from 372 in May 1991 to 10500 in November 2000, affiliated with the Social Welfare Council, an organisation created by a separate act to deal with the NGOs on behalf of

the government. The nature and the scope of NGOs activities also have been expanded extensively and they have been recognised as development partners by the government.

The role that the NGOs are playing as a supplementary force to the government is getting important in the senses of organising people, bringing them into the groups, creating awareness and even for delivering goods and services to the marginalised sections of the people. NGOs also are becoming effective instrument in the matters of generating participation of the beneficiaries, developing new models (success stories) and creating atmosphere to make them sustainable. As a result of this government also is giving due importance not only to foster the environment for the growth and expansion of NGOs and their activities but it is also giving priority to streamline the entire sector to make it more responsive, transparent and result-based.

Constraints: Domestic

Political Instability

Despite the popular enthusiasm with which the restoration of multi-party democracy was welcomed in 1991, political stability and more importantly, good governance have remained elusive in the country. None of the governments have completed their full term in office after the first general elections voted the Nepali Congress to power in 1991. Since the mid-term election of November 1994 to the general election of May-June 1999, there have been six coalition governments with an average tenure of 9 months. The last general election in 1999 saw the Nepali Congress return to power with a comfortable majority in the Lower House of Parliament (the Pratinidhi Sabha).

Weak Governance

Despite the fact that the present democratic political system emphasises the increased participation of the people in governance the total picture in governance was a weak one in the 1990s. Although the Commission for Investigating the Abuse of Authority (CIAA) exists, most of the corruption cases have been dismissed for a lack of evidence. Political instability has thus constrained better management of the economy and led to a lack of accountability. Institutional capability administrative system has weakened.

Resource Constraint

Frequent changes in the administration have impaired the decision-making process affecting economic performance. For instance, the implementation of the Value Added Tax (VAT) was delayed for several years and came into effect only in 1997. The absorbing capacity of foreign aid has been considerably ineffective. A host of public utilities like electricity, drinking water and public sanitation are waiting for reforms to foster efficiency.

Domestic resource gaps have persisted in the recent years. In addition to low income growth, the rising private sector consumption due to a high population growth along with

the growth in government's regular expenditure have reduced the level of domestic savings. As a percentage of GDP, GDS were 15.8 percent and GDI was 23.7 percent in FY 1999/2000, resulting in a resource gap of 8.2 percent. This resource gap was even higher in the earlier years. The revenue-GDP ratio was also only about 11 percent and is low compared to other developing countries.

Rise in Terrorist Activities

One of the major development constraints of democratic Nepal is acceleration of violent activities waged in the name of Maoists beginning from the second half of 1990. Since 1996, the underground Maoists are waging a so-called 'People's War' with the aim to turn the country into a communist republic. Initially, violence erupted in a few districts of the mid-western region, but now almost 35 districts (of the total 75 districts) in the country have experienced terrorist acts. More than 1,400 people have been killed since the initial wave of violence began and the toll has been rising steadily. The government is trying to resolve the issue through negotiations with the Maoists but has also made it clear that only the cessation of violence will lead to a favourable atmosphere for the talks. This has seriously hampered tourism, a major source of foreign exchanges in recent years. The new investment activities by government, NGOs and private sector in social sector are also severely affected mainly in mid western hills due to Maoist activities. With the acceleration of violent activities, development activities especially in rebel infected mid western hills coming to a virtual standstill. This has created vicious cycle of further alienation threatening peace and stability. Violent activities has given rise to further deceleration in investment and this lower development activities might trigger to further alienation and rise in violent activities.

Facilitators: External

Role of Development Partners

The sluggish rate of growth of revenue and the low rate of public and private sector savings indicate that foreign aid and investments will continue to be indispensable for its sustained economic growth in the foreseeable future. Nepal has received a total of Rs. 191 billion during the last five decades since 1950/51 when the country first received foreign aid in the form of grants. Of this total external assistance, 67 percent has been in the form of loans and the rest in grants. The total foreign aid receipt during the last five decades has been sufficient to finance 33.1 percent of her total development expenditures. Though Nepal started borrowing foreign loan in FY 1963/64, the share of loans in the total foreign aid was quite insignificant until the end of the 1960s. But this share has gradually increased to account for more than two-thirds of the total foreign aids since the late 1980s. As is customary in other LDCs also, almost all of the foreign grants to Nepal have been bilateral (80.9 percent) and the foreign loans multilateral (85.7 percent) in the 1990s. Donors' support has become vital for the development of Nepal.

Role of FDI and Private Investment

Because of poor infrastructure base and rugged topography investment needs of Nepal in infrastructure development are substantial. At the same time, public funds available for infrastructure investments are limited (Nepal's development budget in 1999/00 is Rs. 37.74 billion). The fiscal resource base is small and is unlikely to grow rapidly. This leaves government highly dependent on outside funding in concession. But, as the aid flows are also declining recently, there is little scope for undertaking additional investment projects.

Hence, FDI can play a crucial role in economic growth by facilitating technology transfers for generating output growth in leading sectors. This is especially true wherein a poor country has vast stores of natural resources but lacks the financial resources to tap them. Nepal has theoretical capacity to generate 83,000 megawatts of electricity, of which 44,000 megawatts is considered to be economically feasible. Nepal's water resources sector is identified as a leading sector in terms of generating backward and forward linkages and contributing to enhance the productive capacity of the economy. Harnessing of the country's water resources could lead to meeting the country's needs of drinking water for rising populations, irrigation for agricultural development and power for industrial growth.

In addition, the government wants to attract private investors into telecommunications, water and transport sectors. Besides these, Nepal has potentials to attract FDI in tourism related industries (e.g., luxury hotels, airlines, etc.), agro-processing, horticulture, forest-based product processing, pharmaceuticals, educational institutions, medical facilities, and computer software.

The Hydropower Development Policy (1992) laid down the provisions of attracting private sector investment. Private investment in hydropower has risen markedly during the 1990s. From 1992 to September 2000, 5 private sector projects with an installed capacity of 118 Mega Watts (MW) were in various stages of operation. In the consumption goods sector, since Nepal already has a favourable treaty with India, Nepal shall not face serious problem to attract FDI both from within and outside the region.

Regional Co-operation

Nepal is a founder member of South Asian Association for Regional Co-operation (SAARC) established in 1985 with its secretariat in Kathmandu. The other members of SAARC are Bangladesh, Bhutan, India, Maldives, Pakistan and Sri Lanka. Besides the enhancement of social and cultural ties, SAARC also aims at economic co-operation and the idea of a free trade area. Since 1993, the South Asian Preferential Trading Arrangement (SAPTA) came into force that has led to trade within the region to be based on preferential market access. The goal is to eventually set up a South Asian Free Trade Area (SAFTA) where barriers to trade do not exist. The Group of Eminent Persons (GEP) set up by SAARC envisages that all non-tariff barriers (including discriminatory practices)

should be identified in the first year of the implementation and phased out over the remaining nine years before 2010. The GEP further envisions that the South Asian Customs Union and the South Asian Economic Union should be established by 2015 and 2020, respectively.

Together, the SAARC countries have a population of 1.2 billion - a large potential market for any industrial enterprise. Working in union, these countries can easily attract a substantial amount of foreign investment in infrastructure and for consumption durable and non-durable production. An energy deficient northern India furnishes an attractive market for Nepal's huge but almost untapped potentials for hydroelectricity generation. Nepal also stand to gain tremendously if can develop its rather primitive software industry as "coattails" of the Indian software industry. India's success in this industry is built on a number of factors, particularly the availability of a huge pool of relatively low-cost technically qualified, English speaking software professionals. Nepal should take cues from this success story to develop its human resources.

Constraints: External

Declining Share of ODA

While the international community has provided resources to supplement Nepal's development efforts, the picture is not encouraging as far as recent financial flows are concerned. The share of Official Development Assistance (ODA) declined to 9 percent of GNP in 1996 from 12 percent in 1990. The available data reveals that development partners' generosity in resource commitments has not led to the same level of generosity in actual disbursements. Excluding the Fiscal Years 1991/92 and 1996/97, the grant commitments have exceeded loan commitments. Nevertheless, the foreign aid (as a percentage of development expenditure) experienced a decline from 57 percent in 1994/95 to 55 percent in 1998/99. However, both net as well as real volume of ODA was in a declining trend in 1990s.

Increasing Share of Loans compared to Grants

As a part of the foreign aid programme, loans were introduced in FY 1963/64. The share of loans in the overall expenditure was very nominal till FY 1969/70, amounting to a total of Rs. 34 million, as compared to total grants of Rs. 1,864 million during the same period. Since then, the loan component has been on a steady rise while the grant component has shown fluctuations. An assessment of the type of aid received by the country shows that loans which comprised 69 percent during the years 1986-90 increased to 72 percent during the years 1991-95. The share of foreign loan as a percentage of the annual budgets during FY 1995/96, FY 1996/97 and FY 1997/98 were 20.3 percent, 20.4 percent and 25 percent respectively. During the same 3 fiscal years the share of grants in the total budget was 10.3 percent, 9.9 percent and 9.7 percent, respectively. During FY 1998/99, 27 percent of ODA flows were in grants and 73 percent in loans. This clearly

indicates that loan component has been on increasing trend at the cost of the grant component.

External Debt Burden

Nepal's total debt grew from \$535 million in FY 1984/85 to \$2481.2 million in FY 1998/99, where the share of external debt to the total debt increased from 61 percent in FY 1984/85 to 77 percent in 1998/99. The external outstanding debt stock to GDP ratio also rose from 21 percent in FY 1984/85 to 54.5 percent in 1998/99. In the later fiscal year (i.e. 1998/99), total exports as a ratio of the external debt stock stood at 21 percent while government revenue, again as a ratio of the external debt stock, at 22 percent. External debt has been above the critical 50 percent level mark throughout the 1990s (except in FY 1996/97 when it was 49 percent) at an average of 52.2 percent. Nepal does not fall into the category of a Highly Indebted Poor Country (HIPC) and has duly met its debt service obligations. However, there is a dire need to keep the external debt burden within manageable limits so as not to hamper a sustainable growth. This requires a concerted effort to allocate foreign aid to productivity-yielding sectors and an effective debt management strategy through consultations with the donors and development partners.

External debt service payments was on average 8.7 percent of regular expenditures and 2.9 percent of total expenditure during the 1980s, but has increased substantially to 16.1 percent of regular and 6.9 percent of total expenditures during the 1990s. Further, these payments that were on average 6.1 percent of the total government revenues during 1980s have increased to reach 12.2 percent of the total government revenues during the 1990s. At this level, external debt service payments place substantial pressure on the government budget in the future. In case of any significant depreciation of the Nepali currency, the resultant increase in these payments is likely to place severe strain on the budget.

Current Account/Trade Deficits and Weak Export Performance

Nepal's merchandise trade deficit gradually increased from \$442 million in 1990/91 to the peak of \$1,257 million in 1996/97 and then steadily declined to \$454 million in FY 1998/99. The merchandise trade deficit has deteriorated to 18.3 percent of GDP in the 1990s as compared to a much favourable average figure of 13 percent in the 1980s. The current account deficit reached 3 percent of GDP in FY 1999/2000. The trade deficit situation has been worsening also because the country has not been able to diversify its exports - consisting mainly of carpets, garments and handicrafts.

Slow Pace of Regional Co-operation

Since the establishment of SAARC, the process of economic co-operation has moved at a slow pace. Hostile economic interests among the countries apart, political hostilities

have also vitiated the atmosphere of peace and security in South Asia. There has been no progress in moving towards SAFTA. The eleventh SAARC Summit scheduled to be held in Kathmandu in November 1999, was postponed indefinitely due to unfavourable political developments in the region.

Low Amount of FDI Inflows

In spite of various policy initiatives to boost FDI inflows, only 565 foreign firms have been approved for foreign investment in and/or transfer of technology to Nepal (Department of Industry, 2000). Total foreign investment from 1986 to 1995 accounted for \$21 million, which increased to \$39 million in FY 1996/97. Political and administrative instability, lack of consistent planning, insufficient institutional capacity, reliance on unsolicited proposals, difficulty of obtaining commercial lending and a lack of government support arrangements are major impediments to greater involvement of the private sector - domestic and foreign - in investment. Nepal presents a difficult investment environment for foreign companies as it is small, remote and poor, and offers only limited market for large-scale infrastructure projects. Hence, attracting substantial investment in the infrastructures and/or other industrial sectors will not be an easy task.

Rise in World Oil Prices

As a net energy importer, Nepal is also vulnerable to oil price rise in the international market where cartels like the Organisation of Petroleum Exporting Countries (OPEC) determine the supply of the basic commodity. The recent rise in world oil prices in September-October 2000 has led HMG/N to hike the retail prices of oil and petroleum products (by 17 to 100 percent). This has affected domestic consumers for whom the expenditure on food forms a high percentage of their household budgets. Transport costs have also experienced an increase. As a result, the costs of production of all the industries could go up.

Weak Bargaining Power vis-à-vis Foreign Investors

There is also growing concern about the weak bargaining power of the government vis-à-vis donors and foreign investors. In August 2000, the Parliament any committee asked the state-owned Nepal Electricity Authority (NEA) to review its Power Purchase Agreements (PPAs) with Independent Power Producers (IPP). According to the PPAs, the NEA would incur huge losses as it would have to buy all the power (per kW) generated from two hydro projects at approximately 7 cents per kW, the highest in the world. While protection of the country's interest is necessary, reopening of negotiations in agreed PPAs could halt the flow of foreign investment in the hydropower sector.

iii. Vulnerability to Shocks

"Shocks" include humanitarian crises due to factors like the occurrences of natural calamities or man-made disasters, macroeconomic disturbances, refugee influx and the

deterioration of law and order, all of which make the challenge of development even more formidable. While the nature of shocks differ, they inadvertently divert scarce resources from a productive use so as to meet the impact caused by the shocks. Nepal faces the Maoist problem, besides the influx of Bhutanese refugees and the AIDS epidemic. The impact of such shocks has been tremendous in LDCs like Nepal.

The Maoist Problem

The so-called 'People's War' organised by the underground Maoists entered its fifth year in early 2000. Armed conflicts have taken a heavy toll in terms of the loss of human lives and property. Around 1,400 people have lost their lives, and many others have also been maimed as a result of the fighting. Violence has flared to many districts of the country. They have resorted to violence to achieve their ends, killing innocent citizens that include cadres of political parties and government officials. Abduction has also been a widely used method of instilling fear. A terror campaign has been launched with the aim of creating a sense of insecurity among the general public.

HMG/N has deployed the police force to deal with the Maoists but the rising casualties in the police have worsened the situation even further. A high-level task force led by former Prime Minister Sher Bahadur Deuba was set in 1999 to identify ways to resolve the Maoist problem in consultation with all the major political parties. The body has submitted its report to the Prime Minister Girija Prasad Koirala with its suggestions for peaceful dealing. In June 2000 the government set up Human Rights Commission (HRC) headed by a former Chief Justice of the Supreme Court. The Commission is also requested to mediate with the Maoists.

Although the Maoists have also declared their intent to hold talks, there has been no breakthrough in the dialogue process. There must be a political will to resolve the crisis before the insurgency gets out of hand. Human rights groups could also play a role in facilitating dialogue, maintaining human rights conduct as well as preventing a further escalation of the conflict. The government recently mobilised the army in some Maoist-affected districts to maintain law and order. This problem could be the potential threat for the overall development of the country.

The Bhutanese Refugee Crisis

The first stream of Bhutanese refugees was deported to Nepal from Bhutan through India in 1990. Belonging to the minority group, the refugees were forced to abandon their homes after the suppression by the Druk regime became unbearable. Discrimination against them includes lack of economic opportunities at par with their counterparts, and the denial of political freedom and civil liberties. The final torture was the confiscation of property and wealth and the eventual expulsion. The refugee influx has added pressure to the already fragile economy in parts of eastern Nepal. Population pressure on the land has exacerbated and resources have been diverted from development works to meet the needs of the refugees.

After the initial denial by Bhutan that the refugees did not belong to that country, the monitoring by human rights groups and UN agencies has made the Bhutanese government concede that some of the refugees are indeed Bhutanese citizens. HMG/N and the government of Bhutan have held several rounds of talks to resolve the crisis. The international community too has steadfastly stood behind Nepal and supported the earliest repatriation of the refugees. However, the hopes raised by the visit to Nepal and Bhutan in early 2000 by the United Nations High Commissioner for Refugees (UNHCR), Sadako Ogata has been faced with a severe blow. Bhutan has rejected a compromise formula to begin repatriation of almost 100,000 Bhutanese refugees languishing in the camps in eastern Nepali districts of Jhapa and Morang. This latest posture by Bhutan has elicited Amnesty International, the London-based human rights group, to criticise the Bhutanese leadership for rejecting the formula. The statement, which was released on October 4, 2000 states:

The future of almost 100,000 refugees living in camps in eastern Nepal was dealt another blow after the Bhutanese government rejected a UN formula by which their eligibility for inclusion in a future voluntary repatriation programme would be determined.

Nepal maintains that the verification ought to be done by the heads of refugee families and that the status of the head would automatically determine the status of the rest of the families. Bhutan insists that individuals over the age of 18 should be verified individually. A formula was subsequently proposed by the UNHCR that aimed at arriving at a compromise of both positions. According to the suggested formula, the unit of the verification would be the nuclear family, including unmarried young people up to the age of 25 and elderly relatives. Although Nepal accepted this suggestion, the Bhutanese government turned it down initially. However, Nepal and Bhutan during the Tenth Round of Talks have agreed on the modalities of verification. The process of verification has been initiated. Nepal has also asked for the help of India in prevailing upon Bhutan, which has used India's territory for deportation.

The HIV/AIDS Epidemic in Nepal

About 35 million people world-wide has contracted HIV. About 25 million of them live in Africa and 5 million people are affected in South Asia alone. The AIDS epidemic in Nepal is spreading into the general population because of unprotected sex and drug use. The disease is no longer confined to "high risk" groups like sex workers, truck drivers and drug users. Latest results from a survey conducted by the STD/AIDS Counselling and Training Services (SACTS) on behalf of Family Health International (FHI) depicts how explosive the growth of the epidemic is. Of the 300 sex workers interviewed in early 2000, 17.3 percent were HIV positive. The sero-prevalence rate among injecting drug users was much higher at 75 percent. Between 30,000 to 60,000 Nepalese are infected and the figure could reach as high as 200,000 in the next ten years. Nepal used to be a "low prevalence" country till recently, today it faces the prospect of a "concentrated epidemic." First detected in Nepal in 1988, around 150 people have already died as a

result of this disease. It has also been found that in Nepal, the disease is concentrated mainly in the 20-40 age group.

The disease is incurable. Although anti-retroviral drugs do not cure AIDS- they do inhibit viral reproduction of HIV, reducing the amount of virus in an infected person's system to undetectable levels. The drugs are not cheap and costs around \$4,000-6,000 a year to provide a year's course of anti-retroviral (ARV) and associate tests and consultations in the developing world. While a standard ARV combination costs \$9,950 a year in the US, \$4,200 in Uganda and \$2,365 in Brazil, whereas the average annual income in developing countries is often less than \$400. Only when the price of anti-retroviral drugs is reduced by 95 percent or more will it become available to all needing them. In the poorest countries, annual health expenditure is frequently under \$20 a person. In LDCs, neither the personnel nor the government budgets has the resource to purchase anti-retroviral drugs. The state of the health infrastructure is also poor in dealing with the epidemic in most LDCs. These include inadequate health facilities, including lack of hospital beds and laboratories, lack of trained medical and laboratory staff and non-existent or incomplete drug systems.

The high cost of treatment has truly made HIV/AIDS a nightmare to citizens in developing countries. The disease affects people in their most productive years. The life expectancy in countries afflicted by AIDS is estimated to fall by alarming proportions. Raising public awareness of the disease requires disseminating information to the vulnerable groups, especially among sex workers. AIDS awareness is also urgent among the youth. Counselling and free discussions about the disease are also required for all people to get rid of the social stigmas associated with HIV/AIDS. There is also a need to prevent trafficking of women and children (potential preys to the disease), across the long and porous Indo-Nepal border, to brothels in Indian towns and cities. Severe punishment to those involved in trafficking is also required.

iv. Examples of Best Practices/Success Stories

Best practices/success stories refer to instances where innovative ideas and solutions have created positive externalities and are therefore, leading to welfare. LDCs and their development partners are searching for examples of what policies or initiatives have worked best in practice. In Nepal, such best practices have arisen from actions of civil society, development partners public private partnership as well as from the government.

NGO Initiated Programs

Best practice/Success story 1:

Grassroots development and mobilisation of the poor

Consistent with the main guidelines of the Independent Commission on Poverty Alleviation in the SAARC countries, Nepal has been experiencing a sort of quiet revolution in every nook and corner of the country in its efforts to mobilise local groups, community based organisations and NGOs in taking the initiative in poverty alleviation

and social mobilisation. In this respect, some NGOs have performed remarkably well in social mobilisation, income generation and generation of social capital.

The experience of NGOs directly show that motivation to the rural poor, both men and women, to organise themselves into groups with the sense of social mobilisation can be instrumental in initiating activities that directly help socio-economic status of the rural poor. Group organisation, social mobilisation, savings and credit components with literacy and some basic skill development are some of the components of the programme. In many areas of rural Nepal, the poor have not only empowered themselves but have also raised their income level through activities within and beyond their villages. A number of NGOs are involved in these activities.

Sections of civil society have come forward to alleviate poverty and promote broad-based development. SRDPP programmes aim at empowering the backward and deprived sections of rural communities. The prime objective is to raise socio-economic condition of the poorest, underprivileged and disadvantaged people in the target through swabalamban (self-reliant) approach.

Best practice/Success story 2:

Civil society's role in rehabilitation for HIV/AIDS infected persons and measures to curb human trafficking

The flesh trade has contributed to the rapid spread of HIV/AIDS in Nepal. Thousands of young girls and women who are lured to work in India end up as prostitutes in the red-light districts of Indian towns and cities. Most of them are infected with the disease and upon returning to Nepal, are ostracised and condemned to spend the rest of their lives in despair. Some civil society organisations have come forward to rehabilitate such victims by providing care and support for the rest of their lives. The women are given work opportunities and to live a decent life without being a burden on their parents, friends and relatives.

The organisations have, in co-ordination with law enforcement agencies, also stepped up efforts to curb trafficking along the major check posts at the Indo-Nepalese border. For example, in the flood plains of Nepal, a concept of Border Guards (BGs) introduced a year ago by Maiti Nepal is becoming effective in stopping the transit of girls to India. Girls are posted as BGs in the entrance into or out of Nepali territory in six districts: Biratnagar, Bhairawa, Birgunj, Nawalparasi, Kakarbhitta and Nepalgunj. International Labour

Public-Private Partnership Programs

Best practice/Success story 3:

Community forestry, leasehold forestry and grassroots development

Community forestry refers to the control, protection and management of forest resources by rural communities for whom trees and forests are integral part of their farming systems. It has been one of the priority theme areas of intervention by government and

Community Based Organisations (CBOs) for managing common property resources in Nepal. Handing over accessible forest areas to local communities is an innovative scheme so that the stakeholders are able and willing to manage forest resources. The community forestry programmes build on local people's participation and technician's knowledge, using participatory approaches to help local communities improve their organisational structures and management of trees and resources. Such strategic approaches have been adopted in Nepal for the last 20 years. Of the 5.5 million hectares of potential forests, 61 percent of forest areas have been identified as potential community forests. Community forestry has involved both organisational aspects of people and management aspect of forest resources. While organising people is political work, managing forests is of technical nature. The political role includes empowerment of the poor, especially women, so as to ensure their active involvement in decision-making and benefit-sharing process within forest user groups (FUG). The technical role includes forest management skills that need to be provided to FUG members for sustainable and effective management of forest resources.²

Several types of poverty alleviation programmes have been implemented in the past and each had its own advantages and disadvantages. For the success of any poverty alleviation scheme, it is evident that the access of the poor to resources is essential. The Leasehold Forestry for the Poor is one such programme also based on common resource management where degraded forestland is given in long-term lease to poor communities in some hill districts to help them raise their incomes. The Hill Leasehold Forestry and Forage Development Project (HLFFDP) has, since it began operation in 1993, spread its operation from 4 to 10 districts. The programme covers 5,553 hectares of degraded forestland and 8,773 poor families organised into 1,306 leasehold groups. The beneficiaries involved in the programme include women, people of different ethnic groups and occupational castes. An analysis of the Leasehold Forestry for the Poor Programme reveals that it has been successful in providing a unique opportunity for increasing the resource base of the poorest households in the community mostly dependent on forest resources for their supplies of fodder and fuelwood.³

There has been some success from income-generating activities like identification and development of forest products helped by agricultural marketing and price incentives from HMG/N. Sound agricultural practices have also ensured a restoration of the ecological balance through re-vegetation and reduction in soil loss. This practice of grassroots development could be replicated in other parts of Nepal where natural resources are abundant but the populace does not have access to capital and technology to develop the local economy.

² Action Aid (1999). *Community Forestry Strategy 1999-2000*. Action Aid, Nepal

³ Yadav, Ram Prakash and Ambika Dhakal (2000). *Leasehold Forestry for Poor: An Innovative Pro-Poor Program in the Hills*. HMG/N. Ministry of Agriculture/Winrock International

Best practice/Success story 4:**Sagarmatha Pollution Control Program**

Sagarmatha Pollution Control Committee (SPCC) is locally formed NGO based in the Solu Khumbu region that seeks to preserve both the natural and cultural heritage of the Sagarmatha (Mt. Everest) region of Nepal. Founded in 1991 with financial and technical support from the World Wildlife Fund Nepal programme, SPCC's initial goal was to remove the large amount of garbage that had accumulated in the Khumbu region and maintain a clean environment. It has expanded its activities into four major objectives: tourism development, community development, culture conservation and environment conservation.

Recognising SPCC's practical approach to conservation through local people's participation, Ministry of Culture, Tourism and Civil Aviation has funded SPCC since 1993. The grant support from ministry is generated from mountaineering Peak Fees that have been rechannelled for local environmental initiatives. SPCC major activities are concentrated on Garbage Collection and Disposal, Expedition Garbage Disposal, Base Camp Monitoring, Empty Bottle Transport, Visitor Information Centres, Kerosene Depot, Cultural Conservation Programme, Signpost Installation, etc. Apart from these activities Committee also implements Agro-Forestry Project, Apple Plantation, and Environmental Education Programmes. Ministry is working in close co-operation for the same.

Decentralisation Efforts**Best practice/Success story 5:****Decentralisation for promotion of good governance**

The Local Self-Governance Act of 1999 and the related regulations provide fundamental framework for expediting the decentralisation process through the increased involvement of people in governance. This Act replaces three separate Acts, which were enacted in 1991, after the restoration of democracy. The Local Self-Governance Act, 1999 is an improvement to the earlier laws and is expected to usher in a new era in Nepal's experience of local government and decentralisation.

A number of principles have been set out on which the development of the local self-governance system should be based. These principles are: i. the devolution of power, responsibilities, means and resources to local institutions; ii. the enhancement of the capacity of local institutions to deliver and implement local projects; iii. the delegation of authorities to local bodies to collect taxes and raise local resources; iv. the collaboration of civil society organisations to carry out similar functions; and v. the partnership of the private sector for service delivery.

To meet the goal of good governance for alleviating poverty, decentralisation needs to be supported with resources. Local bodies can respond effectively to poverty reduction schemes if they are equipped with them. HMG/N has given a high priority to

decentralisation; the Decentralisation Monitoring Committee functions under the chairmanship of the Prime Minister.⁵

Best practice/Success story 6:

Decontrolling of media and community radio support centre

Decentralised as well as universal access to information is vital for grassroots development in an emerging democracy. In 1992, the Communications Policy Task Force recommended to HMG/N the provision to allow private broadcasting on the Frequency Modulation (FM) Band. A new National Communications Act was promulgated accordingly.

Nepal, which leads countries of South Asia in public broadcasting, has some good models of public broadcasting. Public debates on political, social and economic issues are now possible and radio stations have become more vibrant and popular despite the continued growth in TV channels. There are altogether six private FM Channel now in operation within the Kathmandu valley. Similarly, Madanpokhara Village Development Committee in Palpa, Lumbini Co-operative in Rupandehi district and Koshi FM at Biratnagar have started FM channels. Few others have also been provided license to operate FM in other districts. The Government is also in process of issuing license to private operator for nation-wide TV broadcasting.

Best practice/Success story 7:

Annapurna Conservation Area Project (ACAP) and other ecotourism models⁶

The King Mahendra Trust for Nature Conservation (KMTNC) launched the Annapurna Conservation Area Project (ACAP), the first and largest conservation area in Nepal, covering 7,629 sq. km in 1986 as an innovative concept in the protected area management system of the country. The conservation area embraces a multiple land use principle of resource management that combines environmental protection with sustainable community development. Traditional subsistence activities are woven into a framework of sound resource management, supplemented by conservation, development and alternative energy programmes to minimise the negative impacts of tourism and enhance the living standards of the local people.

The biological diversity of the Annapurna region is equally rivalled by its rich cultural diversity. Since the first trekker came to the Annapurna area in 1957, the natural and cultural features of ACAP have made it the most popular tourist destination in Nepal, drawing more than 60 percent of the country's total trekkers. ACAP follows the three grassroots philosophy of maximum people's participation, sustainability and its role as a

⁵ HMG/N. *Nepal's Reform Agenda for Poverty Reduction*. Ministry of Finance. 2000

⁶ from www.kmtnc.org.np

catalyst (facilitator) whereby the local people are involved in all aspects of the conservation and development process, both as principal actors and prime beneficiaries.

ACAP is spread out in 5 districts of the Western Development Region of Nepal and covers 55 VDCs. It is divided into 7 unit conservation offices located in the field - Jomsom, Manang, Lho Manthang in the Northern Programme section and Bhujang, Lwang, Sikles and Ghandruk in the Southern Programme section. While the focus of Jomsom, Manang and Ghandruk - which are also popular areas for trekking - is on integrated tourism management and agro-pastoralism, the programme priorities for Bhujang, Sikles and Lwang are poverty alleviation and integrated agriculture and livestock development, agro-forestry and community development respectively. While the focus in Lho Manthang, Upper Mustang - which came under the jurisdiction of ACAP in 1992 - has been on managing controlled tourism on a sustainable basis and promoting heritage conservation which is the major tourist attraction along with alternative energy, resource conservation and community development programmes. The Conservation, Education and Extension Project (CEEP) is being implemented in the entire Annapurna Conservation Area and forms the backbone of all the conservation efforts in the region. ACAP has completed and is implementing the recommendations of its management plan that emphasises building the capacity of local institutions to carry out ACAP's present activities. The ultimate goal of KMTNC is to see that local people themselves (with minimal intervention by the government and/or other institutions) manage the conservation area. The legal framework for Annapurna Conservation Area is provided by the Conservation Area Management Regulations, 1997; which is approved by His Majesty's Government of Nepal. The Conservation Area Management Committee, which is formed under the Conservation Area Management Regulations in each VDC, is entrusted with the responsibility to manage, utilise and protect all the natural resources within its own respective VDC.

After the successful ACAP, it is now the turn of the Kanchendzonga region to be the next eco-tourism model. In what could be Nepal's most-ambitious conservation project so far, the wet and wild Kanchendzonga region - lying to the northeast - is going to be development as a transboundary reserve containing one of the most biodiversity rich regions in the world. In July 1997, 1,650 sq. km of Taplejung district was declared the Kanchendzonga Conservation Area Project (KCAP). A unique aspect of KCAP is its transnational dimension. The proposed Tri-National Park envisages a joint conservation effort by China, India and Nepal.

Government's Effort

Best practice/Success story 8:

Elimination of the practice of bonded labour⁷

HMG/N abolished the system of virtual slavery known as *kamaiya* (or bonded labour) on July 17, 2000. With the announcement, thousands of bonded labourers concentrated in

⁷ Rai, Hemlata. "Freedom" in *Nepali Times* (26 July - 1 August, 2000)

the western districts of Dang, Banke, Bardiya, Kailali and Kanchanpur were freed. A 1995 government study estimated the *kamaiya* population in these districts to be 25,700 from 16,400 families. Three-quarters of them were bound to their landlords by perpetual debt. Under this system, the burden of debt repayment shifts automatically to the eldest son after the death of the head of the family.

Shortly after the historic announcement, the Land Reforms and Management Ministry introduced a bill in Parliament proposing to outlaw the bonded labour system and ensure the welfare of freed *kamaiyas*. Although the announcement was long awaited, emergency relief for the erstwhile bonded labourers has not been forthcoming. On the other hand, the farmers who had relied on bonded labourers suddenly found themselves without workers in the middle of the farming season. These farmers have neither received the monetary compensation, many of whom had invested in acquiring and retaining *kamaiyas*.

Rehabilitation for *kamaiyas* will prove costly. The government has allocated US\$ 3.5 million to help about *kamaiyas*. They are being given some land for resettlement. It is believed that the labour market has plenty of opportunities but the ease with which the displaced workers will find jobs depend to a great extent on prompt and effective action by the government.

C. PROGRAMME OF ACTION FOR 2001-2010

At the beginning of the new millennium, the challenges of alleviating poverty, accelerating economic growth and furthering sustainable development remain formidable challenges. As the LDCs have structural problems that are unique in their nature and degree, they therefore deserve special international support.

i. National Programme of Action

For Nepal, the forthcoming UN Conference on the LDCs is an opportunity for assessing the implementation of the Programme of Action for the 1990s as well as to commit itself for undertaking renewed efforts for successful implementation of the Programme of Action for the coming decade. The country will also have to enlist the support of development partners for that purpose. Nepal's National Programme of Action are based on the following principles:

- Recognition for development to be human-centred and people-based
- Respect for human rights and observance of the rule of law
- Decentralisation and good governance for delivering essential services
- Reform of bureaucracy for enhancing administrative capability
- Transparency at all levels of decision-making
- Greater role of women as partners in development
- More gender equity in development
- Strengthening of human capital

- Inclusion of civil society and development partners in the development process
- Maintenance of macroeconomic stability in fostering growth
- Private-public partnerships in development

1. Vision and Mission

Nepal's Programme of Action for the coming decade borrows the ideals of the Constitution of the Kingdom of Nepal 1990. The Directive Principles of State Policy states:

promote conditions for welfare on the basis of the principles of an open society, by establishing a just system in all aspects of national life, including social, economic and political, while at the same time protecting the lives, property and liberty of people.

The Constitution sets economic objective emphasising growth with equity and calls for a "wider participation of people" and the "protection and promotion of human rights." Nepal is thus committed to a development process that is broadly shared, participatory and non-discriminatory. Since patterns of inequality, disparity and discriminations were pervasive in many aspects of society till the recent past, the socio-economic and political process ought to serve the rights of all citizens to improved living standards.

2. Strategy

HMG/N is aware of the critical nature of development challenges that Nepal faces. The development experience to date makes the task of promoting a rapid and balanced growth more challenging. The current Ninth Plan explicitly states 'poverty alleviation' in the country as the overriding goal. The Plan aims *at reducing* the number of people living below the poverty line from 42 percent (in 1997) to 32 percent by 2002 and to 10 percent by 2017. However, the attainment of this goal depends on how fast the economy can grow and to what extent the poor can participate in the growth process.⁹

Macroeconomic Stability and Private Sector Development

The importance of macroeconomic stability can be hardly overemphasised for growth, equity and successful integration with the world economy. The recent economic crisis in Asia and Latin America show that an unstable macroeconomic environment can result in a lower economic growth and increase poverty. The economic reform process has given a high importance to macroeconomic stability.

In Nepal macroeconomic stability was improved and maintained in the 1990s. But there are a number of issues that needs to be addressed to strengthen the public resource management. Nepal's tax policies still allow tax officers to exercise discretionary powers.

⁹ HMG/N. *The Ninth Plan 1997-2002*. NPC

The supervision and monitoring of tax collection and administration are weak. The number of the registered taxpayers in Nepal is still small in comparison to its population and economic activities.

The public resource management is weak. The budget is heavily over-programmed and the project and program prioritisation procedure is weak. The institutional process for project appraisal and screening as well as for implementation and monitoring and supervision of projects is weak. The situation of public enterprises in terms of both financial health and efficient delivery of goods and services is far from desirable.

The government is committed to the improvement of the public resource management by re-examining the role of the public sector in the economy. Its limited resource will oblige it to focus on priority areas such as poverty alleviation. While project and program prioritisation and screening have been institutionalised, implementation, monitoring and supervision of projects have to be strengthened.

Monetary instruments used in Nepal are refinance rate, cash reserve ratio and open market operation. As market forces determine the interest rate in Nepal, the protected or state owned banks should be able to generate positive real interest rates and competitive lending rate. This will call for improved financial sector development. Similarly, inflation will be controlled through prudent monetary policy.

A viable and competent private sector is important part of any market economy. The country cannot achieve a high and sustainable economic development without the private sector leadership in economic activities.

A host of support measures is essential to strengthen and sustain the private sector in the areas including institutional, legal, financial, technological and other environments, which are mutually supportive and interdependent in the operation of the market economy.

Nepal has recognised the private sector as the major actor for its socio-economic development. The government has improved the overall environment conducive to the greater participation of the private sector through a competitive system of resource utilisation and allocation.

It is recognised that in Nepal the overall environment for the private sector needs to be strengthened especially in the area of legal and regulatory framework, institutions and enforcement capacity. Similarly, the improvement in corporate and financial governance including auditing and accounting standards and corporate legislation are the major concern for the sustainable private sector development.

Nepal lacks sound accounting and reporting standards, where disclosure requirements for companies are inadequate and information available to lenders are incomplete. Similarly, the legal and regulatory environment is highly fragmented and its judicial system is not fully equipped to implement legislation. The institutional capacity for

regulation and supervision is weak. Many constraints and impediments for private sector investment have to be removed. The reform agenda is huge, but has to be initiated for promoting the active, viable and competent private sector development.

The financial sector of Nepal is in a critical stage not only from the perspective of macro-economic stability but also from the concern of poverty and unemployment. The main problem of its banking system is inefficiency, which has resulted in high spread rates and increasing non-performing assets.

The reform agenda for future in the financial sector involves: (i) restructuring and privatising state owned banks (ii) improving the auditing and accounting standards (iii) strengthening the monitoring and regulatory capacity of the Nepal Rastra Bank (iv) strengthening the legislative and institutional framework for loan recovery.

Measures will be taken to attract more foreign investment in the country. They include improved policy and legal framework in line with market economy, efficient administrative mechanism, and development of necessary physical infrastructures and human resource development.

Agriculture

In spite of high priorities accorded to its development, the agricultural sector has not kept up with the desired speed. Therefore, the government has implemented the twenty-year Agriculture Perspective Plan (APP) during the Ninth Plan period. The APP offers the opportunity to put the Nepalese economy onto a fast growth track that will bring rural prosperity, a rapid decline in poverty, diffused urbanisation, and an improved environment. It envisages to set a small number of priorities in investment, policy into various different packages in the terai, hills and the mountains. It then specifies an implementing mechanism to ensure that shortcomings are diagnosed, necessary adjustments are made, and appropriate models are emulated. Accordingly, the Ninth Plan has incorporated the APP's policy intervention measures for poverty alleviation.

During the 1990s agriculture grew only by about 2.5 percent per annum. In view of the past trend and experience and remedial measures required to boost the agricultural production, the Ninth Plan also envisages an increase of growth rate of agriculture production from 2.5 percent to 5.0 per cent per annum, an increase in the per capita production growth originating agriculture from zero per cent to 3.0 per cent, thereby narrowing regional imbalance and uplifting the living standard of those living in absolute poverty.

The APP aims at poverty alleviation and ultimately at a high economic growth rate on the basis of modernisation, diversification, commercialisation and through stabilising the production and productivity of the agriculture sector. However, basic infrastructural services like agriculture road, appropriate technology, marketing facilities, steady supply of required power for the agriculture farming and agro-related industries are not

forthcoming to the required extent. There is also a need to link the objectives, priorities, strategies envisaged by the annual and periodic plans to the implementation programme of the sector. In order to diversify and commercialise the present agricultural system, the research programme should be made more effective and production oriented. Similarly, emphasis should be given to the commercial of high value added production and more profitable cash crops, livestock products, fruits, and vegetables.

In order to materialise the agriculture growth target, the APP concentrates on four input investment priorities; irrigation, roads and power, technology and fertiliser. Irrigation investment comprises 56 percent of the priority-input investment.

Irrigation is vital to the terai strategy, far more so than in the hills and mountains, and shallow tube-wells are the core of the irrigation strategy. Groundwater potentials are fully adequate to the strategy. Groundwater plays a far larger role in the strategy than its share of investment because the costs of development of shallow tube-wells per hectare are one-seventh as much per hectare as far new terai surface schemes, less than half as much as terai rehabilitation schemes, and only a quarter much as hills rehabilitation schemes. Thus institutional priorities most rest far more on shallow tube-well development than on other aspects of irrigation.

Agriculture road investment constitutes 20 percent of the priority-input investment. This investment aims to fill in the grid of agriculture roads. It also emphasises on the regular maintenance of the roads. Almost all of the agriculture road investment is incremental to current levels and makes up 40 percent of the incremental investment. This investment is essential to the high-value added commodity strategy in hills and mountains and to the shallow tubewell strategy in terai. Thus it must be co-ordinated with these activities in a package. Although the incremental capital output ratios are somewhat less favourable for hills and mountains because of high construction costs, they are still highly favourable and must be pursued.

Rural electrification is also central to the agriculture growth strategy, particularly to the spread of tubewells, as well as to the activities that will generate employment by creating small enterprises. With the completion of that grid, the rural power demands will be more than three times of the current total power generation in Nepal. It is envisaged that in the coming fifteen years, all of the terai and parts of the hills and mountains with agricultural roads are also to receive electricity.

Technology constitutes only 9 percent of the priority input investment in the first five years of the plan, but that calls for a doubling of the expenditure in next five years. The investment is to be allocated first to increasing the resource support for the senior research staff and then to expending staff. It calls for a strong national research system. Priority for the research and extension system is given to fertility (population) research to complement the major increase in fertiliser use and the necessity of seeing that the large increase in fertiliser use is environmentally sustainable and friendly.

Under the APP, growth in fertiliser use will initially be higher than in the past but will be comparable to that of preceding decade, and then will gradually slow down. This will require fertiliser subsidies and the greater involvement of the private sector in fertiliser distribution and the orientation of the technology system for an efficient, profitable use of fertiliser. To support this, 13 percent of the priority input investment in the first five years of the plan is allocated to fertiliser subsidies.

Social Sector

Nepal's rugged physical terrain, low per capita income, weak revenue base and institutional inefficiency constrain equitable access to social services like education, health care and drinking water. However, the Government is committed to improving the access, efficiency and effectiveness of social sector programs.

Health plan and programs in Nepal in coming years will be focused on control and prevention of major communicable diseases with emphasis on malaria, tuberculosis, leprosy, HIV/AIDS, other STDS and Kala-azar. Reproductive health including safe pregnancy and promotion of nutritional status particularly of women and children will receive priority in resource allocation and intervention. Additional focus will also be given to non-communicable diseases like cardiovascular diseases, diabetes and cancer, which are rising in Nepal. The district health systems will be strengthened and public-private partnership in health care will be further promoted. In order to use the existing resources efficiently and effectively, the problems of absenteeism, staff shortages and a lack of supplies and equipment will be addressed with priority.

The education system receives the largest allocation of Government expenditure, but the resource utilisation in this sector is not efficient. Accessibility to education in primary school inadequate. The focus of the future education strategy, therefore must be in the improvement in the efficiency of the education system, in increasing accessibility to primary and secondary education, the expansions of literacy program and extending availability of the technical and vocational education.

Trade, Industry & Tourism

The role of international trade, industry and tourism is increasing rapidly in economic growth and employment generation. The main objective of the government would be to encourage export-oriented and import-competing industries with high emphases on their backward and forward linkages. Strategy for international trade will be focused on the expansion, and diversification of exports.

Tourism is one area where Nepal has a strong comparative advantage. The Government aims at developing tourism as an important sector of the national economy.

Nepal is rich in natural endowments and cultural heritage. Mountaineering, trekking and other adventure activities along with its spectacular Himalayan landscapes, hill resorts

and places of religious importance make the country attractive for tourists. The tourism industry therefore offer high potential in contributing to national economic development.

The Government aims to develop the tourism industry by developing infrastructures related to tourism, developing new tourism products, promoting village and eco-tourism, and undertaking well planned promotional activities. It will continue to encourage the participation of private and foreign investors to improve and develop this industry. To accelerate tourism development and "open sky policy" has been adopted. In line with this the domestic airline industry has been deregulated and private domestic airlines are now allowed to provide international air services as well. Similarly, new mountaineering areas have been opened up and a Tourism Promotion Board has been established to contribute to tourism development.

Water resources and Infrastructure Development

Transport is considered the most important among the various physical infrastructures. Road density in Nepal is less than 93 km per thousand square km, which is among the lowest in the world. The Government gives high priority for increasing transport facilities especially to consolidate regional integration by linking various parts of the country by completing the strategic road network and provide farm to market through rural road networks. Similarly, national communication infrastructure and IT sector will be developed and expanded nation-wide.

The Government views the exploitation of hydropower as a major input for economic development as well as a major potential item for export. The Government will encourage private sector for the development of hydro-electricity for both domestic consumption as well as exports. Exports of hydropower will be given high priority in the next decade.

Employment Opportunities

The main reason behind the existing level of poverty within the country seems to be the pervasive unemployment and underemployment problems. Of the total labour force, 4.9 percent is unemployed and 47 percent is underemployed. Only high economic growth cannot generate enough employment opportunities to address the severe problem of poverty and inequality.

Employment opportunities in the country will be expanded by raising effectiveness and relevance of present training programs, expanded employment creating labour intensive public works and minimum needs programs and by enhancing opportunities for wage and self-employment by training and skill development program.

Targeted Programmes

Broad-based economic growth benefits poor, but there are specific groups of people, who if left on their own, will either be unable to escape the poverty trap or take an

unacceptably long time to do so. These groups could be hard-core poor, asset less people, disadvantaged groups, indigenous people, people living in the remote or isolate areas, female-headed households or women.

Preliminary evaluation of various targeted programs shows that some of the programs have proved quite successful. However, many of the other programs have some shortcomings.

The basic objective of the targeted programs is to design and implement the programs in such a way that they benefit the poor. The strategy, of these programs, therefore will be to develop modalities of the various programs for the selection or targeting of the beneficiary groups. The coverage and outreach will be increased in the case of successful projects. However various income cut-off point, geographical targeting, categorical or self-targeting modalities will be used for various compensatory, market-based, and facilitation programs. These measures will help to administer safety net and targeted programs fairly and equitably.

Government has initiated Poverty Alleviation Fund (PAF) in order to strengthen target-oriented programs. The Government will use this program as an umbrella program. Consultation with the local Government and beneficiaries has been started in order to develop the modality of PAF. Programs of Poverty Alleviation will be widely discussed with the grassroots organisations, local governments and general public in order to strengthen ownership of the programs and successful implementation.

Aid Utilisation : Increased volume of aid may not help LDCs to achieve the goal of poverty alleviation unless the efficiency in the utilisation of aid is improved. In order to overcome the problems of the management of aid, the Government will focus resources on priority areas. Utilisation of aid will be further improved by promoting good governance and national ownership of the projects and programs through civil service reform and decentralisation. Human-resource development and institution building within the government will also be emphasised in enhancing the management of aid.

Governance

One of the major problems in the development efforts in Nepal has been the lack of effective governance. This includes the lack of accountability and mismanagement of resources, weak institutions and procedures, the failure to provide effective delivery of public services, and lack of ownership of development projects and programs.

In order to improve governance the Government is focusing its program (i) civil service reforms (ii) decentralisation (iii) the increased role of NGOs in service delivery and (iv) involvement of private sector. The focus of the civil service reform will be to improve its efficiency, accountability and effectiveness. Decentralisation is being promoted in order to deliver the benefits of development effectively especially in the rural communities. The role of NGOs in development will be further strengthened and the private sector will be

encouraged to participate in the development activities including those in service delivery in the rural areas.

As part of the policy reform packages, civil service reforms which are being implemented include the streamlining of the number of ministries as well as the introduction of an attractive pay package to bureaucrats to motivate and enhance their productivity (the work schedule of 5-day 40-hour per week) has been introduced to increase efficiency as well as saving resources from the public exchequers. Many public enterprises have already been privatised and there are plans to introduce reforms in additional public sector units through full privatisation, management contract and management lease basis. Employees of such privatised enterprises would be adequately compensated through a social safety net. It has become necessary for the government to get out of non-strategic industries and pave the way for the growth of the private sector so that competition can flourish.

Maintaining Law and Order

The progressive acceleration of violent activities waged in the name of so called People's war beginning from the second half of 1990 has impacted not only development activities but also taking precious lives of many. Therefore, this issue needs to be addressed seriously.

To solve this problem, government has initiated short term and long term measures which includes dialogue with Maoists to pursue them to come to peaceful solutions, socio-economic packages to affected and strengthening of law and order situations to boost public security.

The Government has already invited Maoist for dialogue. The stakeholders including political parties have been requested to join hands with the Government to build common approach to deal with Maoists. Nepal requests international support to strongly discourage Maoists to engage in violent activities.

The program of actions which addresses the socio-economic problems will also play deterrent to violence. Special packages for skill training and employment opportunities for the youths, food for work and other acute development needs of the people of the affected areas will be urgently addressed. In this context, the Government has initiated special programmes like 'basket funding' and 'Security and Development' package in the Maoist affected areas. Security arrangement for the public safety has also been strengthened.

Other Areas

There are many strategies for addressing the conditions of the poorest and vulnerable sections of society. Various targeted national programmes like remote area and special area schemes, directed lending programmes in the banking system, special programmes for *Dalits* and other groups, *Jagriti* (empowerment) for women and *Bisheshwar* with the

Poor are in operation. The rationale for these separate programmes is that very disadvantaged women and men require special state support improving their social and economic situation.

The participation of women is indispensable in the development process. Besides having a lower literacy rate for women, the life expectancy of women is also shorter than that of men in Nepal. Priorities and programmes for women's development include the acceleration of women's empowerment by uplifting their social, economic, political and legal status. The protection and promotion of the rights and interests of women and the elimination of violence, exploitation and atrocities committed against them. The existing weak status of women with respect to measures like property entitlement, political representation, income and employment opportunities and entitlements to other resources is attributed to, or is the consequence of, high illiteracy, ill-health, poverty (*specially lack of access to the resources*) and conservative social practices surrounding women in Nepal just as in most LDCs.

Apart from implementing the laws related to eliminating gender discrimination, the government of Nepal will undertake additional measures in accordance with its pledge to ensure the protection and promotion of women's rights. Women's development has been emphasised in the national development policy framework in order to fulfil the commitment made by HMG/N to the resolution of the World Conference on Women held in Beijing in 1995. This is essential to ensure women's equal involvement in the development process on par with the men's counterparts. Nepal is a signatory to various international conventions, which recognise the right of the family, women and children to protection and assistance to and their right to social security. These objectives are in line with the goals of the Universal Declaration of Human Rights, the Beijing Platform of Action, the International Conference on Population and Development (ICPD), the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), the Convention on the Rights of the Child (CRC) and the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD).

During the last five decades, Nepal has received aid worth almost \$4 billion. Despite the huge resource inflow, Nepal's problems with aid are well known. It remains donor-driven, fragmented, inefficient and has led to dependency. The new Foreign Aid Policy, which is under formulation, seeks to analyse aid utilisation and effectiveness by articulating a mission statement for aid in Nepal, i.e. self-sustained high economic growth and self-reliance to mobilise resources needed for its development. HMG/N also has an ambitious plan to create a Poverty Alleviation Fund to direct resources to the most vulnerable groups and areas that require help from the government on a sustained basis.

Nepal recognises that a continuously deteriorating natural environment is a severe obstacle to poverty reduction. The Environment Protection Council is entrusted with the

task of preparing a national environment policy. HMG/N has commenced the process of implementing the Environment Impact Assessment (EIA) in its development programmes. For controlling air pollution, the government has successfully implemented the ban on polluting vehicles that do not comply with Euro-I standards. Various provisions in the Environment Protection Act (1997), Environment Protection Regulation (1998) and Environment Assessment Guidelines (1998) to minimise environmental hazards in the growth process exist. Efforts are underway towards formulating an integrated environment policy and a better co-ordination mechanism among various agencies for effective management of the environment.

Macroeconomic Framework and Development Targets

After two successive years of poor growth performances the Nepalese economy recorded substantial growth of 6.4 percent in 1999/2000 and 5.9 percent in 2000/01. The Nepalese economy is dependent heavily on agriculture. The fair weather conditions witnessed in the recent years became contributory factors for sizeable growth of above 4 percent in the agricultural sector. In the years ahead the economy is postulated to grow gradually and attain a growth of 7 percent in 2004/05. It is also expected that the performance of the economy will be sustainable, consequently it will record growth performance of about 7.5 percent at the end of 2009/10 (Table 5). It has been assumed that the agricultural sector will not suffer adverse weather conditions. Rather it will be supported by government and private sector initiatives in terms of better input availability and irrigation facilities in the food and cash crops sector. Also care will be given in the development of horticulture and livestock sub-sectors of the agriculture sector. These efforts would help attain growth rate of 5 percent in the agricultural sector in the years to come.

Table 5 : Macroeconomic and Development Targets

	2000	2010
GDP growth rate	6.4	7.5
Agricultural	4.9	5.0
Non-Agriculture	6.7	8.8
Saving-GDP Ratio	15.5	22.0
Investment-GDP Ratio	23.7	30.7
Infant Mortality Rate (per '000 births)	74.7*	44
Average Life expectancy (years)	56.1*	65
Maternal Mortality Rate (per '000 live births)	475*	312
Net enrolment in Primary Education (%)	70.4*	100
Literacy	48*	100
Total Fertility Rate (per '000)	4.6*	3.5
Telephone Service (per '000 people)	10*	88
People Living Below Poverty Line (%)	42*	17
Unemployed Population (%)	4.9*	3.4

** Figures for FY 1996/97*

Likewise, non-agriculture sector will perform better than recorded in the recent years. Over the years, the performance of the non-agriculture sector has been quite satisfactory. This trend will not only continue but will witness a significant increase in the following years. The policy reforms initiated in the past and strengthened in the recent years will be contributory factor which will induce the growth of this sector around 9 percent. During the period, infrastructure situation will be gradually improved. It is expected that government will improve the regulatory framework and enhance the environment for private sector development and participation. Their actives will further encourage investment in non-agriculture sector and exports.

Maintaining price stability is a primary policy consideration. In this context efforts would be made to maintain inflation at around 4.5 percent in 2004/05 and reduce it frequently to 4.0 percent by the end of 2009/10. Inflation at 6.1 percent recorded in 2000/01 will come down to that level supported by increase in domestic production as well as by rise in import capacity.

The involvement of the government in the performance of public sector activities is heavily dependent on revenue ratio. In Nepal this is very low. The revenue ratio at 12.0 percent in 2000/01 is a testimony to this fact. Despite continuation of fiscal consolidation

measures, this ratio has not increased substantially as needed. Policies in favour of liberalisation and deregulation to encourage private sector initiatives will naturally limit the increase in revenue from non-agriculture economic activities. The fiscal incentives offered by the government will not be reversed. However, the policy to strengthen tax administration and bringing more taxpayers under tax net will positively contribute to revenue increase. The agricultural sector hitherto exempted from tax will start contributing to some extent. On the whole, these changes will allow revenue ratio to increase marginally to 14.2 percent at the end of 2004/05 and to 16.9 percent at the end of 2009/10.

The Nepalese economy continues to suffer from a high saving-investment gap. The saving-investment gap at 8.3 percent in 1999/2000 further increased to 9.4 percent in 2000/01. No significant improvement is postulated in this variable up to 2004/05. However, the gradual improved in growth performance, thereafter will have positive impact enabling this gap to be reduced at least to 8.7 percent. The situation at the end of 2009/10 will be favourable in terms high saving ratio and high investment ratio. As a result of these developments, the need for aid will be around 5.5 percent of GDP in 2009/10 a level similar to 2000/01. In the years following 2000/01, no substantial improvement in current account balance has been projected from a deficit witnessed at 1.5 percent of GDP in 1999/2000.

In the recent years the government is suffering from continued increase in regular expenditure. Consequent to this phenomenon, the revenue surplus which forms the basis to generate counterpart fund to attract foreign resources has become a weak factor. To get rid of this situation the government is committed to avoid expansionary fiscal policy. The size of the expenditure will not be allowed to exceed revenue and expected inflow of foreign aid. Development expenditure will be financed by sizeable revenue surplus and better utilisation of aid. The projection for 2009/2000 in the fiscal front has been done such that revenue surplus will substantially finance development expenditure leaving comfortable place for other sources of financing. Internal loan will be raised as minimum as possible. In this case also sizeable proportion will be raised from non-bank public to avoid inflationary financing.

The public sector financing of development activities will focus more on economic services in the coming years followed by social sector financing. In the economic sector, public outlay will be earmarked to a large extent to improvement of agriculture, forestry & irrigation sector. The electricity sector and transport and communication sector will be accorded substantial importance. Health, education and drinking water sub-sectors of the social sector will receive high proportion of expenditure outlay.

With the achievement of high economic growth and implementation of sectoral and targeted programmes, the population living below poverty line is expected to be reduced from 42 percent in 1996 to 17 percent in 2010. The main factor accelerating the economic growth rate and reducing poverty will be the performance of the agricultural sector. The agricultural growth rate is expected to increase by 5 percent in 2010.

In addition to the economic growth, it is imperative that other social indicators have to be improved for the improvement in the standard of living of the people. The average life expectancy and infant mortality rate are targeted to rise from 56 years and 74.7 per thousand to 65 years and 44 per thousand respectively. (Table 5). Likewise, the member of children enrolled in primary school and literacy rate will be raised to 100 percent by 2010.

iii. Expectation from the Global Program of Action

It was expected that the globalization and economic liberalization policies followed pursuant to it, through their contribution to economic growth, productivity and consumption, would result in significant growth in and improved distribution of income, and reduced incidence of absolute poverty in the LDCs. However, the overall progress in these areas has been disappointingly slow. The number of LDCs has increased from 25 in 1971 to 48 today. A testimony to the increasing marginalisation of the LDCs is evidenced by the fact that they constituted 10 percent of the world population but shared only 0.6 percent world output and only 0.4 percent world exports in 1997. As they have not been able to diversify their rather primitive production structures, they are quite vulnerable to the international market volatility. Even more disconcerting is the fact that their external dependence on export of few primary goods has hardly changed over the last twenty years of increasing globalization that was supposed to transform the economies all over the world.¹²

All countries, developed or developing, must confront the biggest human tragedy that is poverty afflicting nearly one-third of the world population. The world cannot progress as two nations divided, the rich and the poor. Poverty anywhere is threat to peace and security anywhere else in the world. The United Nations (UN) recognizes eradication of poverty as a number one global priority. The LDCs call on all developed countries to make a serious effort to eradicate poverty, hunger and disease from not only their homes but also homes of poor developing countries. This requires giving poor nations a respectable voice in the global fora like the UN and the WTO. Poor countries can no longer be passive recipients of the global process of integration. Meanwhile, it is imperative that the LDCs step up their efforts to meet the development challenge facing them. The Human Development Report 1999 of the UNDP reaches a conclusion that only “globalization with a human face” that puts people before profit can ensure efficiency and welfare of all human beings.

The Global Program of Action must chart out a clear strategy to narrow the global divide between the rich and the poor. The LDCs need to aggressively press their demand with the developed world in the following areas:

- (i) Universal access to information technology to bridge the digital divide;

¹² CUTS Centre for International Trade, Economics & Environment (2000). *WTO and the Poor Countries* (Briefing Paper, No.3/2000)

- (ii) Unrestricted access to markets of the developed countries;
- (iii) Strengthening of economic and technical cooperation;
- (iv) Implementation of pledged support to LDCs; and
- (v) Debt relief and rescheduling.

1. Universal access to information technology to bridge the digital divide

Information technology (IT) has opened new vistas of economic development by enabling access to resources without any constraint of time or space. IT is bound to play an important role in enhancing productivity growth of the countries that can use it to their best advantage. Notwithstanding the progress made in the IT revolution, the digital divide has widened the chasm between the developed and developing countries. Only one-half of the world population has access to telephone lines and only 5 percent are connected to the Internet. Realizing the potentials of the IT revolution and current problems of reaching this revolution to all, the UN have set up an Information and Communication Taskforce. Although no firm date has yet been set up for its formation, it seems quite reasonable to expect that it will be done in 2001. As all the LDCs lag behind in technological progress, industrialized countries can help the latter tremendously in a preparation to take advantage of the emerging export opportunities in the IT based labor-intensive services and to develop domestic technological capability. For this the developed countries should provide adequate access to technology and make available the funds required for infrastructure development in this sector.

E-commerce shrinks economic distances between producers and consumers and, thus, transforms industry structure to the potential advantage of developing country supplier. Almost 3000 million people were estimated to have had the Internet access in 1999. E-commerce is projected to be valued at \$7 trillion by 2004. It has also been recognised that developing countries and small and medium-sized enterprises could be among the main potential beneficiaries of the opportunities it will generate. Likewise, there is potential for developing distance services like data entry and remote data processing. But, for them to take advantage of these and other potential opportunities in the information and communication technology, the LDCs need access to modern telecommunication infrastructures and networks at low cost. Moreover, e-commerce could provide a means of exporting services that makes intensive use of LDCs' abundant labour input that has very small opportunity cost. The development of a competitive export sector in IT based services has to be complemented by rapid growth in domestic IT applications and use of modern telecommunication infrastructure, and a commensurate development of scientifically and technically qualified computer professionals.

2. Unrestricted access to markets of the developed countries

As weak trading partners, the LDCs have been at a considerably disadvantageous position as participants in a multilateral trading system. For remedying such a situation, the issue of improving market access through preferential arrangements assumes importance. So far only 4 out of 13 Asia-Pacific LDCs have become formal members of the WTO. The LDCs, in general, will benefit from predictable trade environment, transparency of rules and provision, access to new and diversified markets and greater reliance on multilateral approach resulting from the WTO membership. Hence, a quick accession of the remaining LDCs to the WTO based on terms that take into account their stage of development and the basic principle of special and differential treatment should be considered a priority. The principle of special and differential treatment should be given a modern operational meaning so as to enable developing countries to maintain and expand trading opportunities. Otherwise, the LDCs cannot adapt to changing international trading condition to maintain and further expand their trading opportunities, let alone the question of gradually integrating into the multilateral trading system. A fast track accession to the WTO without asking them to assume obligations or commitments that go beyond whatever is applicable to the other WTO member LDCs is an imperative. In no case, should the LDCs be asked to undertake WTO-plus commitments. It is necessary to exempt all LDCs, including those acceding to WTO, from undertaking commitments on domestic support and export subsidies in the areas or agriculture, and expanding non-actionable categories of industrial subsidies to include those subsidies for development, diversification and upgrading of industries needed by LDCs. Developed country Members of the WTO should implement the special and differential provisions fully and honestly. Within the multilateral trading system, free passage of goods and services of landlocked countries through the territories of other countries must be ensured.

With the formation of the WTO, a new international order had emerged. Poorer nations are now beginning to open their economies and are undergoing structural adjustment even at their low level of incomes. However, rich nations are increasingly adopting protectionism, under the pretext of non-tariff barrier, to close their economies. They are also resisting any adjustment in their economies.

A truly multilateral trading system under the WTO requires the full involvement of both development and developing economies in the rule-making process that affects them all. The principle of reciprocity in a multilateral trading system results in a considerable handicap to the LDCs. To be fully credible, such a system needs to accord due recognition to the special needs and conditions of its poorer member states. Though particular interests and concerns of the LDCs were acknowledged in the UR negotiations, but much remains to be done along this direction. As a result of UR most favored nation tariff cuts, the LDCs will suffer erosion of tariff preferences in their export markets; these are provided under GSP schemes and, to some countries, under various regional initiatives. As a corrective measures to deal with the structural weaknesses of

their economies as well as to ensure a balance in the distribution of the benefits of the system, the LDCs should be granted a longer period of transition to implement the WTO agreements. Moreover, the multilateral trade rules governing regional trade arrangements need to be supportive of regional integration efforts and to provide adequate flexibility to the LDCs in adjusting to more liberalized and competitive trade regime under these arrangements. The process of an effective implementation of the integrated framework for trade-related technical assistance for the LDCs needs to be accelerated. The provisions on special and differential treatment in favor of developing countries contained in various UR agreements need to be fully implemented and operationalised.

While trade liberalization has generated growth, there is still scope for further opening in many areas of export interest to the LDCs. The efficient functioning of a nondiscriminatory and competitive market would represent an important contribution to development. An element of the UR, the GATTs, though very limited in scope, is expected to be of greater significance as a basis for future liberalization of trade in services. Labor markets have not been opened to the same extent as capital markets. Liberalization of services is likely to open new opportunities for developing countries to negotiate greater access for movement of skilled professional people and open new avenues for exports in areas like computer software, consultancy, hospitality industry and professional services. Within the framework of the GATTs, particular effort should be made to liberalize sectors and modes of supply of interest to the LDCs, including the supply of services through the temporary movement of natural persons.

Important supportive measures could be provided to the LDC imports by making them free of duty, quota and ceiling, and exempting them from rigid and complex rules of origin and derogation therefrom. The WTO should give special attention to further reduction or possible elimination of some tariff and non-tariff barriers against the LDC exports. Special attention should also be given to the particular situation and problems of the LDCs and the need for positive measures to facilitate expansion of their trade. The LDCs reject the threat of trade sanction by some industrialized countries to force the LDC economies to meeting environment and labor standards at par with the latter.

The High-Level Meeting on Integrated Initiatives for the Least Developed Countries' Trade Development convened by the WTO in 1997 endorsed an integrated framework for trade-related technical assistance, including human and technical capacity building, to support the LDCs in their trade and trade-related activities. Nepal is severely handicapped by lack of requisite expertise to handle multi-lateral trade negotiations. Nepal needs to update, revise or improve its existing laws relating to, among others, investment, patents and copyrights so as to benefit from the opportunities unleashed by globalization. Nepal also needs significant amount of technical assistance from multilateral agencies for institution building to handle trade policy issues. Such technical assistance should be directed towards improvement in the understanding of multilateral trade rules, discipline and their implications, and the capacity to undertake strategic

analysis of these issues and to participate in multilateral trade negotiations. Nepal also needs technical assistance for improving competitiveness of enterprise, increasing investment including FDI and removing bottlenecks to increased production of tradable goods and services in order to strengthen its export supply capabilities. Likewise, it needs technical assistance for strengthening trade support services. Most important among such services are support for improving access to business information and use of information technology. Technical assistance should be made mandatory for the implementation of multilateral trade agreements and an integral part of commitments should be undertaken in future trade agreements. Special facilities should be provided to landlocked the LDCs, especially in terms of overcoming their supply constraints. FDI and other private flows in the LDCs should be seen a complement to domestic investment, and efforts should be made to integrate these flows into a national development strategy that seeks to promote domestic investment, savings and exports, and the development of domestic productive capacities and international competitiveness. Developed countries should therefore promote FDI in the LDCs.

3. Strengthening of economic and technical cooperation

The developed countries, with their enhanced capabilities and technical know-how, should help the LDCs to effectively deal with the problem of providing basic amenities of life, e.g., food, clothing, shelter, health, education and environmental security to their citizen. Strengthened financial and technical cooperation between the LDCs and the developed countries can help accelerate the pace of economic growth and thus make significant strides in alleviating poverty. The developed nations can help the LDCs in expanding and modernizing their economic base in the following areas:

- rural development, modernization of agricultural production and food security;
- development of industries, scientific and technological base;
- infrastructure;
- environment and disaster mitigation, preparedness and prevention;
- coping with special problems of certain groups of the LDCs, e.g., land-locked ones.

Poor physical infrastructure is a major constraint to effective delivery of social services in the LDCs. The international community should therefore pay greater attention to financing of infrastructure development in those countries. Recognizing that private sector participation in infrastructure development in the LDCs, especially in providing access to remote, sparsely populated and mountainous areas would be difficult, the donor community may consider setting up a special fund for infrastructure development.

Sub-regional and regional integration offers a multi-sectoral framework of cooperation that combines the tools of trade expansion with cooperation in respect of investment, services, transport, custom facilitation and other areas that enhance each other's effectiveness. Such cooperation can take full advantage of the falling cost of gathering,

processing and transmitting information and the wider availability of information technology. Producers can benefit from economies of scale. Hence, international community should facilitate, where concerned countries agree, regional cooperation frameworks to link the transport and telecommunication networks of the LDCs with those of neighboring countries. This is particularly vital for landlocked and island countries for them to effectively engage in international trade and tourism. Inefficient procedures, excessive transport costs or non-availability of connections creates a major barrier blocking access to foreign market. Any attempt to increase the competitiveness of export goods in foreign market will thus have to address both the cost and quality of land and ocean transport services available to traders in developing countries, especially the land-locked ones. Hence, the international community should identify areas of action at the national and sub-regional levels and propose programs for land-locked, and structurally weak and vulnerable economies.

The LDCs need assistance in implementing macro economic reforms, particularly in the areas of trade policy reform and financial as well as fiscal reforms, including for the mobilisation of public and private resources. UNCTAD has established a Trust Fund towards this end. The Fund will be used to provide co-operation in the following areas:

- Implementing macro-economic reforms;
- Strengthening export supply capacities to produce tradable goods and services;
- promoting participation of the private sector;
- Providing support for national authorities in the evaluation of existing and new programmes in the areas of trade, investment and services; and
- Providing support to complement national programmes (e.g., debt management, WTO accession).

Developed countries should provide substantial support for this initiative

Financial resource is not the only requirement for the development of infrastructure in the LDCs. Severe structural weaknesses; such as inadequately trained human resources, weak management capacity and institutional development, low level of technological capacity as well as poor and inefficient infrastructure, undermine productive and supply capability of the LDCs. As the world economy is becoming increasingly "knowledge-based," human resource is bound to become the most important source of increases in efficiency and of innovations in production technology. International community and donor agencies should give adequate importance to the issue of providing technology and technical assistance for human resources development.

It is necessary to make commodities a "growth factor" so as to enhance the capacity of the LDCs. The Common Fund for Commodities (CFC) is working in this direction. The CFC needs further support from developed countries in enhancing productive capacities and diversifying the trade in commodities.

SMEs can play a very important role in supporting industrialisation in the LDCs. Application of appropriate technology needs to be promoted in this context. Blending of new and conventional technologies is a further area of work. Also, market promotion should be given priority. The developed countries should provide support in complementing the domestic efforts of the LDCs by supporting programmes to improve access of SMEs as well as in strengthening managerial and technical skills and other business support services.

4. Debt relief and rescheduling

Many LDCs face serious debt problem. The total debt burden of all countries classified as "low income nations" in the Human Development Report 2000 was beyond \$700 billion. This amounts to about 43 percent of their GNP and the associated debt service payments about 15 percent of their goods and service exports. The debt overhang has been a serious obstacle for them to channel resources to human development endeavor. The LDCs urge all donor countries and the development partners like the UN, the IMF, the World Bank and the Asian Development Bank, to seriously consider wiping off all official debts of the HIPC. Though there has been some progress along this direction in the recent past, we are still a far way from making a serious dent in working toward a growth-oriented solution to the debt problem of the HIPC. Greater and serious considerations must be given to a search for a growth-oriented solution for the problems of LDCs with critical debt-servicing problems, taking into account the particular problems faced by the LDCs.

Domestic saving rate that has already shown increasing trend in a number of the Asia-Pacific LDCs needs to be improved. Most LDCs in Asia and the Pacific have also succeeded in achieving higher growth rates than elsewhere and in keeping debt-servicing ratios relatively low. However, they will continue to require significantly higher level of both ODA and private capital. As the rationale for ODA and debt relief is rooted in the structural constraints of the LDCs, the issue of extending debt relief to all the LDCs irrespective of their current growth performance and debt service liability deserves serious consideration. Debt relief should form a part of a comprehensive framework that will address the issue related to the structural causes of indebtedness so as to ensure that debtor countries do not fall back into arrears.

Burden of debt is rising in all LDCs including Nepal. The outstanding external-debt in Nepal has increased by more than 200 percent between 1991 and 2000. The responsibility of debt problem lies with both the donors as well as the recipients. The donors also participated in the process of debt creation through some of the donor driven projects some of which failed to make any dent in the objective of poverty alleviation. Debt has become severe obstacle to development for many countries. Deeper, faster and broader debt relief schemes should be designed and implemented as soon as possible. Until this happens, there should be moratorium debt service payments by LDCs pending full cancellation of their debts, as soon as possible. For countries like Nepal, the

relieved debt can be utilized for social sector and infrastructure development of the country, which are crucial components of poverty alleviation.

5. Implementation of pledged support to LDCs

International community should fulfill the provisions contained in various Declarations and Programs of Action emanating from UN-sponsored global conferences such as the Social Summit and the Second United Nations Conference on the LDCs to provide adequate resources for social development in the LDCs. The Paris Declaration and the Program of Action for the LDCs for the 1990s recognize that economic growth and development cannot proceed in the absence of sufficient domestic and external resources to finance required investment. The availability of such additional finance depends on the effective implementation of national economic policies to encourage domestic savings and foreign investment on one hand, and the provision of adequate development assistance and supportive external economic environment. Those donor countries that were already providing 0.20 percent of their GNP as ODA reaffirmed to continue to do so in the Program of Action for the LDCs. Likewise, the rest of the donor countries had reaffirmed to either reach or continue provide ODA at 0.15 percent level of their GNP. It is encouraging to note that some countries even exceeded these targets, while some others met or reached these targets during the 1991-2000 period. However, the level of ODA support of some developed countries is disappointingly below the target. It is not out of place to note that the rich nations that spend an average of 15 percent of their GNP to their own well deserving one billion poor forced to live below the poverty line of about \$5,000. But, they hesitatingly spend less than 0.3 percent, compared to the target of 0.7 percent, of their GNP to almost 1.5 billion poor of developing countries forced to live below the poverty line of \$300 a year. Although ODA flows increased in the 1980s, there was a decline in the 1990s. Total ODA flows to the Asia-Pacific LDCs fell from U\$3.26 billion in 1998 recording an annual decline of 12.3 percent. Many developed countries failed to meet their ODA commitments.

Capacity of the LDCs to mobilize adequate domestic resources remains seriously constrained by various structural constraints leading to low per capita income. While national efforts to mobilize savings and to create a favorable climate for attracting investment will depend on policies of individual national governments, the essential role of ODA will remain vital in the near future. For example, Nepal's dependence on the external resources to finance its development expenditure has significantly worsened from 48.6 percent during the 1980-85 to 57.1 percent during 1995-2000. In other words, ODA remains a critical resource for LDCs. The decline in the level of ODA is therefore a matter of serious concern. Effective use of ODA can be used to reinforce efforts in the recipient country to create an enabling environment for private sector activity and domestic and foreign investment.

Given the magnitude of the development needs of the LDCs and their limited capacity to generate surplus for investment, the volume, timeliness and terms of external financial

resources will be critical and should correspond to the LDCs' immediate, short-term and long-term needs. Foreign assistance should promote domestic growth and long-term economic development and transformation so that the LDCs will eventually need no more of such assistance. The amount of ODA support should be substantially increased and the bulk of such assistance should be provided in the form of grants or highly concessional loans. Equally important is the need for effective and transparent management of such aid by the LDCs.

International community should provide higher level of financial resources to the LDCs to meet their infrastructure needs. Here again, the need for fulfillment of obligations under the relevant Declarations and Programs of Action emanating from the various global conferences sponsored by the UN during the 1990s needs to be emphasized. Private capital including foreign direct investment, potentially yet another important source of external finance, has not played any significant part in augmenting domestic resources of the LDCs for investment in industry, physical infrastructure and capacity-building. International community can play a catalytic role in increasing FDI to the LDCs by encouraging private sector participation in infrastructure development through co-financing. A favorable and enabling investment climate that mobilizes FDI and domestic savings and channels them into productive investments also require that the suppliers of capital have reliable, transparent and comparable financial information. In many instances, potential investors do not possess adequate information on such opportunities. International community could facilitate the flow of information on the opportunities for profitable investments in the LDCs. A number of home countries as well as multilateral institutions provide some insurance coverage for foreign investors. The scope of such insurance coverage may be expanded with special provisions for investment in the LDCs. International community could also contribute to the increased flow of FDI in the LDCs through such measures as co-financing, enhanced market access for export from the LDCs and strengthening infrastructure facilities in the LDCs. Regional cooperation including the establishment of growth zones could help increase FDI flows in the LDCs. Moreover, international community can provide technical assistance to strengthen negotiating capacity of the LDCs in order to increase the developmental impact of FDI.

International community can also help the LDCs in mobilizing domestic savings by providing need-based, country-specific technical assistance, facilitating access to good practices in other countries and promoting exchange of experiences, particularly among neighboring countries.

Many actions are needed by the international community in the area of ODA. First and foremost, international community should, as already pointed out, fulfill ODA targets embodied in the Program of Action for the LDCs for the 1990s. Second, steps should be taken to establish coherence among donors in areas such as policy conditionalities as well as ODA practices and trade regimes of the donor countries, and thus, ensure recipient countries' ownership of policy conditionalities and of the ODA financed projects. Such ownership can result only from a genuine dialogue and spirit of partnership between

the donors and the recipient countries. Third, the resolution of issues such as grant component, tied purchase, financing of recurrent costs and bring about improvements in these areas to the satisfaction of both the donor and recipient is a must.

The focus of assistance to the LDCs should be on human resource development, trade, technology, energy, food security, and internal and external shocks. External support for long-term development in the LDCs calls for investing in human resources development. What is important in this context is to provide support and enable nationally available expertise, and not to replace it.

The growing gap between the LDCs and other developing countries in terms of technology, including information and communication technologies, biotechnology and environmentally sound technologies will need to be narrowed within the framework of international co-operation. The emergence of niche markets for goods and services in which the LDCs may have a comparative advantage represents an opportunity for the LDCs to diversify their exports. They need to be provided assistance in developing infrastructure for tradable services with comparative advantage.

Lack of adequate energy supply is a critical constraint on the development of supply capacity of the LDCs. Developed countries should therefore provide assistance through providing financial assistance for creating revolving funds for the development natural gas and other clean energy technologies. Transfer of clean energy technologies should be another area of priority. Lack of food security is the most pronounced problem of the LDCs. There is already an international commitment towards advanced implementation of the target of the World Food Summit (1996) to reduce the number of chronically undernourished people by 2015. In order to achieve this objective, the developed countries should facilitate greater flows of ODA and other resources to the LDCs for public investment and also facilitate the access of the LDCs to appropriate agricultural technologies.

The LDCs are structurally more exposed to external shocks than other groups of countries. Many commodities or service sectors are vulnerable to such economic shocks. International efforts should therefore be geared towards co-ordinating efforts to alleviate the risks of fluctuations of commodity prices and exchange rates. Other measures could include providing contingency financial assistance, strengthening institutional capabilities for risk management, and increasing trade efficiency and competitiveness of LDCs.

6. Special facilities for landlocked LDCs

There is a need for addressing the special problems being faced by LDCs that are also land-locked. This includes complete transit rights to a landlocked country through the territory of its maritime neighbours using the most convenient international route and additional assistance for overcoming the constraints posed by landlockedness. International co-operation and assistance should provide adequate attention on these

issues. The draft Programme of Action for LDCs of the UN General Assembly recognises this. International co-operation initiatives should provide adequate attention on these issues.

iii. Review, Follow-up and Monitoring

What is required is a new partnership between the North and the South based on justice, not on charity; based on an equitable sharing of global market opportunities, not on aid; based on two-way compacts, not on unilateral transfers; based on mutual co-operation, not on unilateral conditions or confrontation.

The Programme of Action - national and global - require firm commitment from the government of the LDCs and the international community to the creation of a favourable environment for their implementation. Effective follow-up and monitoring mechanisms to support the development efforts of the LDCs in the first decade of the new millennium will be the key to promoting a rapid growth with equity and furthering sustainable development. At the national level, a strengthened country review process as the principal means of policy dialogue should continue for co-ordinating the aid efforts of the development partners with the development programmes of the LDCs, as well as for mobilising the required resources for their implementation. Mechanisms such as the UNDP Round Table, UNCTAD and World Bank Consultative Groups, organised by the LDCs with the support of the respective institutions, should continue to constitute the backbone of the process to translate the principles and commitments of the Programme of Action into concrete measures at the national level. The leadership of the LDC governments is central in this process, but they must be assisted by the development partners to strengthen their capacity to fulfil this vital role. The leadership of the LDCs also needs the co-operation of civil society representatives, academic and research institutions, grassroots level development activists as well as participation of stakeholders like farmers, agriculturists and representatives of commerce and industry. The Programme of Action requires periodic processes of review, follow-up and it must be carried out as outlined below:¹³

- Consultations as set out in the Programme of Action.
- Linkages between macroeconomic framework and sector strategies must be established.
- The Programme of Action should be review and adapted regularly in the light of the evolution of the domestic and international environment while maintaining the overall long-term objectives and strategy.
- Commitment of adequate financing for the implementation of the plan.
- Co-ordination of aid for maximising the efficiency of external support.
- Avoidance of parallel system of targeting, programming and co-ordinating the allocation of resources.

- All donors should form part of the country review groups that will meet every one or two years to build and maintain sustained momentum of the development progress.
- Support should be enlisted from UN bodies in technical assistance to formulate structurally sound and operationally relevant policies, priorities and programmes, including in the field of macroeconomic planning.
- Linkages with civil society - which work largely at the grassroots level and with the under privileged and vulnerable sections of the population - should be established.

At the regional level, the UN regional associations should also make an appraisal of the implementation of the Programme of Action. Meetings of the LDC members within a region will enhance monitoring while enabling the assessment of performance within two or more countries. Regional commissions must be made more active and capable of periodically monitoring the situation at the regional level and also in identifying regional solutions to the problems. At the global level, arrangements for review, evaluation and monitoring will be an integral part of the overall process, being complementary and supportive to the above-mentioned arrangements at the national and regional levels. Civil society organisations must also be increasingly used to monitor, review and evaluate the performance at the national, regional and global levels. Besides the provision of sufficient capacity and resources to enable the effective implementation of the Programme of Action, mid-term reviews should be carried out. The UN and its agencies should co-ordinate with the LDCs for making the Programme of Action for the decade 2001-2010 a success.

¹³ See *Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s*

Table A1
Illustrative Macroeconomic Scenarios (Projection)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
GDP	379314	426440	475481	530161	591129	659109	734907	819421	913655	1018725	1135878
Regular Expenditure	34272.76	42207.30	45583.88	49230.59	53169.04	59579.05	65239.06	71762.96	78939.26	86833.19	95516.50
Development Expenditure	33291.97	42335.60	50379.36	59951.44	71342.22	81889.75	94992.11	112090.69	132267.02	156075.08	184168.59
Revenue	42582.65	49807.80	57428.39	66214.94	76345.82	90168.91	103694.25	120285.33	141335.26	164655.58	191823.75
Gross National Savings	73246.00	85801	96526.125	108591.89	122165.88	137436.61	158052.10	181759.92	209023.91	240377.49	278837.89
Investment	90078.00	109286	128411.05	145104.49	163387.65	183974.50	208811.05	238044.60	272561.07	312082.42	357334.37
Foreign Aid	19370.73	25705.00	31830.80	36318.41	40843.71	45852.01	50350.90	56877.15	62600.21	70928.83	79964.29
Current Account Balance (excluding grants & transfers)	-28995.60	-32214.11	-35435.52	-38979.08	-42487.19	-45473	-49565	-53283	-57805	-62428	-66815

Table A2
Macroeconomic Indicators (Projection)

	1999/ 2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
GDP Growth	6.4	5.9	6.5	6.7	6.9	7.0	7.2	7.4	7.4	7.5	7.5
Agriculture	4.9	4.3	4.5	4.1	4.6	5.0	4.8	5.1	4.9	5.2	5.0
Non-agriculture	6.7	6.9	7.8	8.2	8.3	8.2	8.5	8.4	8.7	8.6	8.8
Inflation	4.2	6.1	5.0	4.7	4.5	4.5	4.3	4.1	4.1	4.0	4.0
Regular Exp. Ratio*	9.0	9.9	9.6	9.3	9.0	9.0	8.9	8.8	8.6	8.5	8.4
Development Exp.Ratio*	8.8	9.9	10.6	11.3	12.1	12.4	12.9	13.7	14.5	15.3	16.2
Revenue Ratio*	11.2	11.7	12.1	12.5	12.9	13.7	14.1	14.7	15.5	16.2	16.9
National(Saving Ratio*)	19.3	20.1	20.3	20.5	20.7	20.9	21.5	22.2	22.9	23.6	24.5
Investment Ratio*	23.7	25.6	27.0	27.4	27.6	27.9	28.4	29.1	29.8	30.6	31.5
Foreign Aid*	5.1	6.0	6.7	6.9	6.9	7.0	6.9	6.9	6.9	7.0	7.0
Current Account Balance# (exluding grants & transfers)	-7.6	-7.6	-7.5	-7.4	-7.2	-6.9	-6.7	-6.5	-6.3	-6.1	-5.9

* Percentage of GDP.

Current account deficit is met by foreign aid (net loans & grants) and net private foreign investment including FDI.

Table A3
Sources of Financing Government Expenditure
(Rs. in millions)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Total Govt.Expenditure	67564.73	84542.90	98925.46	110773.89	125003.56	141468.80	160231.17	183853.66	211206.28	242908.26	279685.10
Regular Expenditure	34272.76	42207.30	46005.96	49916.46	54408.95	59579.05	65239.06	71762.96	78939.26	86833.19	95516.50
Development Expenditure	33291.97	42335.60	52919.50	60857.43	70594.61	81889.75	94992.11	112090.69	132267.02	156075.08	184168.59
Revenue	42582.65	49807.80	58524.17	68180.65	78407.75	90168.91	103694.25	120285.33	141335.26	164655.58	191823.75
Revenue Surplus	8309.89	7600.50	12518.21	18264.19	23998.81	30589.86	38455.19	48522.37	62396.00	77822.39	96307.25
Foreign Assitance	19370.73	25705.00	31830.80	36318.41	40843.71	45852.01	50350.90	56877.15	62600.21	70928.83	79964.29
Grant	5720.65	8881.20	11305.77	13227.75	15674.88	18417.99	20996.50	24880.86	28364.18	33611.55	39661.63
Loan	13650.08	16823.80	20525.04	23090.67	25168.83	27434.02	29354.40	31996.30	34236.04	37317.28	40302.66
Internal Loan	5500.00	7000.00	8570.49	6274.82	5752.10	5447.88	6186.02	6691.17	7270.80	7323.85	7897.05
Cash Balance (-Surplus)	111.35	2030.10									

Table A4
Sources of Financing Government Expenditure (at Current prices)
(US\$ in million)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Total Govt. Expenditure	979.20	1142.47	1273.17	1361.70	1470.46	1592.40	1729.24	1906.01	2103.44	2326.04	2575.13
Regular Expenditure	496.71	570.37	592.10	613.60	640.03	670.63	704.07	743.97	786.17	831.50	879.44
Development Expenditure	482.49	572.10	681.07	748.09	830.43	921.77	1025.17	1162.04	1317.27	1494.54	1695.69
Revenue	617.14	673.08	753.21	838.11	922.34	1014.96	1119.08	1247.00	1407.58	1576.71	1766.17
Revenue Surplus	120.43	102.71	161.11	224.51	282.31	344.33	415.01	503.03	621.41	745.21	886.73
Foreign Assistance	280.74	347.36	409.66	446.45	480.46	516.12	543.39	589.64	623.45	679.20	736.25
Grant	82.91	120.02	145.51	162.60	184.39	207.32	226.60	257.94	282.48	321.86	365.17
Loan	197.83	227.35	264.16	283.84	296.07	308.80	316.80	331.71	340.96	357.34	371.08
Internal Loan	79.71	94.59	110.30	77.13	67.66	61.32	66.76	69.37	72.41	70.13	72.71
Cash Balance (-Surplus)	1.61	29.42									

Table A5
Detailed Sectoral Breakdown of Development Outlay
(Tentative Projection)

SN	Head	Budget 1999/00	Share (%)	Budget 2000/01	Share (%)	2001/02	Share (%)	2002/03	Share (%)	2003/04	Share (%)	Budget 2004/05	Share (%)	2005/06	Share (%)	2006/07	Share (%)	2007/08	Share (%)	2008/09	Share (%)	Budget 2009/10*	Share (%)
1	Social Services	11688.99	35.11	14867.90	35.12	19315.62	36.50	22334.68	36.70	26261.19	37.20	30708.66	37.50	36144.50	38.05	42650.51	38.05	51055.07	38.60	61337.51	39.30	72746.59	39.50
2	Economic Services	21184.97	63.63	26901.00	63.54	32915.93	62.20	37792.46	62.10	43415.69	61.50	50034.64	61.10	57707.71	60.75	68095.09	60.75	79624.75	60.20	92864.67	59.50	108659.47	59.00
	Agriculture, Forestry, Irrigation	6841.66	20.55	8104.21	19.14	11377.69	21.50	13692.92	22.50	15989.68	22.65	18588.97	22.70	22323.15	23.50	26341.31	23.50	31876.35	24.10	37770.17	24.20	45121.30	24.50
	2.2 Electricity	5688.23	17.09	9726.42	22.97	10160.54	19.20	11258.62	18.50	12354.06	17.50	13921.26	17.00	15246.23	16.05	17990.56	16.05	19840.05	15.00	22630.89	14.50	25783.60	14.00
	2.3 Industry & Mining	934.06	4.00	755.46	1.78	899.63	1.70	912.86	1.50	1094.22	1.55	1310.24	1.60	1424.88	1.50	1681.36	1.50	1984.01	1.50	2341.13	1.50	2762.53	1.50
	2.4 Transport and Communication	5777.96	17.36	6153.99	14.54	7726.25	14.60	8824.33	14.50	10306.81	14.60	12037.79	14.70	13868.85	14.60	16365.24	14.60	19443.25	14.70	22943.04	14.70	26704.45	14.50
	2.5 Other Economic Services	1943.06	5.84	2160.92	5.10	2751.81	5.20	3103.73	5.10	3670.92	5.20	4176.38	5.10	4844.60	5.10	5716.63	5.10	6481.08	4.90	7179.45	4.60	8287.59	4.50
3	Miscellaneous	418.01	1.26	566.70	1.34	687.95	1.30	730.29	1.20	917.73	1.30	1146.46	1.40	1139.91	1.20	1345.09	1.20	1587.20	1.20	1872.90	1.20	2762.53	1.50
	TOTAL	33291.97	100.00	42335.60	100.00	52919.50	100.00	60857.43	100.00	70594.61	100.00	81889.75	100.00	94992.11	100.00	112090.69	100.00	132267.02	100.00	156075.08	100.00	184168.59	100.00

Table A6
Gross Domestic Product

(Rs. in Millions)

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00*
Nominal GDP	116129.15	144931.94	165349.38	191603.6	209973.68	239388	269570	289798	330083	365190
-Real Growth rate	6.4	4.6	3.3	7.9	2.9	5.7	4.8	3.4	4.5	6.4
Agriculture	55368	65156	70090	80589	85569	96896	108785	112495	132373	145597
-Real Growth rate	2.2	-1.1	-0.6	7.6	-0.3	4.4	4.1	1.0	2.7	5.0
Non-Agriculture	60759	79777	95260	111007	124405	142492	160785	177251	195072	217337
-Real Growth rate	10.6	9.8	6.5	8.1	5.3	6.6	5.2	5.0	4.9	6.7
Manufacturing GDP	7894	12822	14618	17861	19555	22466	24816	26987	29599	34366
US \$ in Million										
Real GDP growth rate	6.44	4.62	3.29	7.90	2.87	5.70	4.77	3.37	4.00	6.00
Agriculture	1538.00	1524.12	1631.90	1634.67	1713.44	1760.15	1909.18	1830.97	1938.11	2110.71
Non-Agriculture	1687.75	1866.128655	2217.927823	2251.663286	2491.08931	2588.410536	2821.779572	2884.944661	2856.105417	3150.7248
Manufacturing GDP	219.3	299.9	340.3	362.3	391.6	408.1	435.5	439.2	433.4	498.2

* Preliminary estimates

Table A7
Composition of Gross Domestic Product (%)

Description	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00*
Agriculture, fisheries & forestries	47.68	44.96	42.39	42.06	40.75	40.48	40.36	38.82	40.10	39.10
Mining & quarrying	0.49	0.55	0.56	0.52	0.53	0.56	0.55	0.54	0.49	0.48
Manufacturing	6.80	8.85	8.84	9.32	9.31	9.38	9.21	9.31	9.19	9.69
Electricity, gas & water	0.70	0.86	0.92	1.13	1.36	1.50	1.65	1.51	1.44	1.66
Construction	9.54	10.19	10.47	10.24	11.00	10.90	10.86	10.52	10.08	9.83
Trade, restaurant and hotel	11.11	11.43	11.65	11.74	11.59	11.83	11.33	11.62	11.91	11.80
Transport, communication & storage	5.65	5.90	6.54	6.59	6.67	6.64	7.17	7.80	7.46	8.02
Finance & real estate	9.42	9.14	9.49	9.46	9.78	9.83	10.07	10.28	10.06	10.08
Community & social services	8.60	8.13	9.14	8.94	9.01	8.88	8.80	9.60	9.26	9.33
Nominal GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Preliminary estimates

Table A8
Investment, Savings and Debt

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00*
Rs. in Million										
Total Investment	25074.0	31619.0	39653.0	44644.0	55231.0	68017.0	71084.0	74697.0	68605.0	90078.0
Gross National Savings	13879.0	19404.0	26984.0	33578.0	38101.0	38892.0	44831.0	48589.0	57191.0	73246.0
Debt Outstanding	59505.3	70923.9	87420.8	101966.8	113000.9	128044.4	132086.8	161208.0	169465.9	182346.6
US \$ in Million										
Total Investment	696.5	739.6	923.2	905.6	1105.9	1235.5	1247.5	1215.8	1004.5	1305.8
Gross National Savings	385.5	453.9	628.3	681.1	762.9	706.5	786.8	790.8	837.3	1061.8
Debt Outstanding	1652.9	1659.0	2035.4	2068.3	2262.7	2326.0	2318.1	2623.8	2481.2	2643.5
Per capita debt in US \$	89.390785	87.893231	105.6355	105.15489	112.69647	111.653489	108.658484	120.12215	110.94093	115.415236
As % of GDP										
Total Investment	21.6	21.8	24.0	23.3	26.3	28.4	26.4	25.8	20.8	23.7
Gross National Savings	12.0	13.4	16.3	17.5	18.1	16.2	16.6	16.8	17.3	19.3

* Preliminary

Table A9
Nepal's Export Trend

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00*
Rs.in Million										
Nepal's Export	7387.5	13706.5	17266.5	19293.4	17639.2	19881.1	22636.5	27513.5	35676.3	51623
US \$ in Million										
World Export	3419401	3658855	3649592	4168331	4950812	5208254.2	5385334.8	5299169.4	5484640.3	
Nepal's Export	205.2	320.6	402.0	391.3	353.2	361.1	397.3	447.8	522.3	748.4
Export Share of Nepal	0.006	0.009	0.011	0.009	0.007	0.007	0.007	0.008	0.010	

* Preliminary

Source of Ave. Exchange Rate: CBS

**Table A10
Foreign Aid**

Rs. In Million										
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00*
Ave.Exchange Rate (NRs/US\$)	36	42.75	42.95	49.3	49.94	55.05	56.98	61.44	68.3	68.98
Population('000)	18491	18875.6	19268.2	19669	20078.1	20832	21334.1	21843	22365	22904
Foreign Aid	5990.0	7800.4	9235.6	11557.2	11249.4	14289.0	15031.9	16457.1	16189.0	19370.7
Grant	1630	1531	3273.9	2393.6	3937.1	4825.1	5988.3	5402.6	4336.6	
Loan	4360	6269.4	5961.7	9163.6	7312.3	9463.9	9043.6	11054.5	11852.4	
US \$ In Million										
Foreign Aid	166.4	182.5	215.0	234.4	225.3	259.6	263.8	267.9	237.0	279.6
Grant	45.3	35.8	76.2	48.6	78.8	87.6	105.1	87.9	63.5	
Loan	121.1	146.7	138.8	185.9	146.4	171.9	158.7	179.9	173.5	
Percent of GDP (Total Aid)	5.1	5.4	5.6	6	5.4	6	5.6	5.7	4.9	5.3
Per capita aid flow in US \$	9.00	9.67	11.16	11.92	11.22	12.46	12.37	12.26	10.60	12.2

* Preliminary

Annex II

Conceptualisation of Projects and Programmes for the Plan of Action

PROGRAMME FRAMEWORK

Macroeconomic stability and Incentive

Objective	Strategies	Activities/Programmes	Outcome	
<ul style="list-style-type: none"> • Maintain macroeconomic stability and incentives strengthened 	<ul style="list-style-type: none"> • Reform Fiscal Policy 	<ul style="list-style-type: none"> • Reform in income tax law 	<ul style="list-style-type: none"> • Tax revenue to increase at least by 0.5 of GDP annually 	
		<ul style="list-style-type: none"> • Broaden tax base 	<ul style="list-style-type: none"> • Increase in number of tax payers • Lower fiscal deficit 	
	<ul style="list-style-type: none"> • Improve public resource management 	<ul style="list-style-type: none"> • Strengthening of projects and programmes 	<ul style="list-style-type: none"> • Projects and programmes streamlined broadly in line with development priorities 	
		<ul style="list-style-type: none"> • Project prioritization and screening system institutionalized 	<ul style="list-style-type: none"> • Improved returns on public investment 	
	<ul style="list-style-type: none"> • Prudent Monetary Policy 	<ul style="list-style-type: none"> • Prudent credit policy • Reorganize Agriculture Development Bank for rural credit 	<ul style="list-style-type: none"> • Autonomy to the central bank 	<ul style="list-style-type: none"> • More loan flow to private sector • Greater share of institutional loan in the rural areas
			<ul style="list-style-type: none"> • Competitive financial sector 	<ul style="list-style-type: none"> • Positive real interest rate
			<ul style="list-style-type: none"> • Competitive exchange rate 	<ul style="list-style-type: none"> • Low inflation contained at a desired level
			<ul style="list-style-type: none"> • Monetary instruments for stability 	<ul style="list-style-type: none"> • Greater credit flow to private sector • Higher savings and investment rate
<ul style="list-style-type: none"> • Improvement in the efficiency of financial intermediation for growth and equity 	<ul style="list-style-type: none"> • Reform state owned banks 	<ul style="list-style-type: none"> • Restructure and privatize Nepal Bank and Rashtriya Baniya Bank 	<ul style="list-style-type: none"> • More competitive banking system 	
	<ul style="list-style-type: none"> • Strengthen supervision and regulatory capacity of the central bank 	<ul style="list-style-type: none"> • Improve institutional structure o Nepal Rastra Bank for monitoring banking institutions 	<ul style="list-style-type: none"> • Spread rates narrows down • Enhanced health of banking and non-banking financial institutions 	
	<ul style="list-style-type: none"> • Legal reforms in banking for upgrading auditing and accounting standards of financial institutions 	<ul style="list-style-type: none"> • Introduction of international standards in auditing and monitoring of financial institutions 	<ul style="list-style-type: none"> • NPA of state owned financial institutions declines significantly 	
	<ul style="list-style-type: none"> • Non-banking financial sector to be reformed 	<ul style="list-style-type: none"> • Restructuring of ADB/N and NIDC 	<ul style="list-style-type: none"> • NBL and RBB privatized 	

Private Sector Development

Objective	Strategies	Activities/Programmes	Outcome
<ul style="list-style-type: none"> Conducive Environment for Private Sector Development 	<ul style="list-style-type: none"> Improve corporate governance 	<ul style="list-style-type: none"> Policy reforms for creating level playing field Upgrading company law, securities act etc. 	<ul style="list-style-type: none"> Increase in private sector investment
	<ul style="list-style-type: none"> Improve legal enforcement capacity and infrastructure 	<ul style="list-style-type: none"> Strengthening regulation, supervision and enforcement Stimulate more competitive environment Effective legal enforcement through strengthening regulatory and judicial structure and processes and procedures in the commercial sectors Reduction in the number of laws with qualitative improvement Application and enforcement of improved financial auditing, disclosure and accounting standards Review and streamlining of policy directives in support of competition More PEs to be privatized Securities and stock exchange board to be strengthened 	<ul style="list-style-type: none"> Higher growth rate of non-agricultural sectors

Governance and Decentralization

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> • Civil service reforms 	<ul style="list-style-type: none"> • Right sizing of bureaucracy • Promote performance based career promotion • Link promotion with financial discipline • Increase transparency and accountability • Strengthened reward and punishment system. • Implement HRD programme for enhancing civil service efficiency 	<ul style="list-style-type: none"> • Functional analysis and More objective job descriptions at various levels • Institute local and regional service cadres • Privatization and outsourcing of utility services • Computer based personnel information system • Enhancement of the commission for the investigation of the Abuse of Authority • Introduction of voluntary retirement scheme • Improvement and strengthening of legal system • Strengthen staff college draw programme for overseas experience & training of concerned civil servants 	<ul style="list-style-type: none"> • Efficient service delivery • Fearlessness on the part of people to obtain service from the government offices • Enhance administrative productivity
<ul style="list-style-type: none"> • Strengthen local government institutions • Improving institutions for good governance 	<ul style="list-style-type: none"> • Entrusting greater responsibilities to local level institutions including implementation of poverty alleviation programmes • Introduce action for reward and punishment system • Institution capacity building of local government institutions for resource generation • Strengthen capacities of local government institutions through human resource development • Establishment of Permanent Fiscal Commission • Increase accountability and transparency • Build a strong system for monitoring and evaluation • Ensuring effectiveness of law and order system • Implementation of an effective anti-corruption programme • Focus and pro-poor governance 	<ul style="list-style-type: none"> • Train the staff members • Awareness programmes for elected officials • Equipping the DDCs and VDCs with equipment and other physical facilities • Encourage them in strengthening their administrative capability • Identification of poor and monitoring them by the local institutions • Implementing local level development works by local government agencies • Provide block grants to VDCs for building/operating primary schools, health post, agricultural extension programmes, small irrigation and small drinking water schemes • Entrust DDCs with building/ operating high schools, health post • Strengthening commission 	<ul style="list-style-type: none"> • Effective development works at the local level • More efficient service delivery • Greater participation of local level institutions

environment	<ul style="list-style-type: none"> • overall productivity strategies • Review of labor acts and regulations • Introduction of performance based wage structures 	<ul style="list-style-type: none"> • More economically rational wage determination • Management and organizational reforms for productivity growth 	<ul style="list-style-type: none"> • Higher level of work culture • Higher productivity
<ul style="list-style-type: none"> • Protect women and children from exploitation and abuse 	<ul style="list-style-type: none"> • Protect child from illegal recruitment 	<ul style="list-style-type: none"> • Strengthen inspection mechanism 	<ul style="list-style-type: none"> • Child labour gradually eliminated
	<ul style="list-style-type: none"> • Protect women workers from exploitation and abuse 	<ul style="list-style-type: none"> • Enforce labour act effectively 	
	<ul style="list-style-type: none"> • Reduce girl trafficking 		<ul style="list-style-type: none"> • Exploitation and abuse of women declines
	<ul style="list-style-type: none"> • Rehabilitate exploited women and children 		<ul style="list-style-type: none"> •

Agriculture and Natural Resource Management

Objective	Strategy	Activities/Programmeme	Output
Contribute to broad based sustainable Agricultural Growth	Implement Agriculture Perspective Plan (APP) for Higher Agri - Growth, Commercialization and Rural Transformation.	<p>Facilitate APP input Delivery:</p> <ul style="list-style-type: none"> • Improve Fertilizer Supply • Promote balanced use of chemical fertilizer. • Promote Bio Fertilizer • Increase the supply of chemical fertilizer with private participation. • Privatize AIC. • Provide transport support in fertilizer for remote hill districts. • Launch Integrated agriculture extension in irrigated pockets • Intensify soil and water management. <p>Develop Rural infrastructure:</p> <ul style="list-style-type: none"> • Expand Massively DTW /STW with appropriate subsidy support in pro poor areas and expand minor surface irrigation schemes. • Expansion of Agricultural Roads • Expansion of rural electrification coverage. <p>Prepare suitable Technology Package for:</p> <ul style="list-style-type: none"> • Intensive Agriculture in irrigated pockets. • Priority commodity areas of APP <p>Develop APP Priority output pockets of</p> <ul style="list-style-type: none"> • Intensive Production pockets • High Value Crops. • Improved Animal Stock • Promote Animal Health and Nutrition • Expand Rural Poultry. • Expand Improved Goat producers group. • Expand fisheries programmeme in community water areas for poor. • Expand community forestry group and leasehold forestry group. • Expand Marketing infrastructure and communication network with community participation's. <p>Restructure, refocus and revitalize Agriculture Research and Extension system to be responsive to growth and Intensive Agriculture:</p> <ul style="list-style-type: none"> • Agro industry promotion • Agro business Promotion • Project approach to field programmeme implementation in the community. • Launch programmeme with public private NGO/CBO Partnership approach. • Enhance cropping intensity. 	<ul style="list-style-type: none"> • Intensified Agricultural production system. • Production of marketable surplus • Enhanced productivity and intensity of crops • Increase in per hectare input use <ul style="list-style-type: none"> • Facilitation for input output marketing and cost reduction • Sustainable production system • Enhanced productivity commercialization and income opportunities <ul style="list-style-type: none"> • Expanded diversification, commercialization and household income opportunities in agriculture and agro forestry comminutes. <ul style="list-style-type: none"> • Production of marketable surplus • Enhanced commercilisation of Agri \ Forestry Commodities. • Pro active research and extension services available for modernization of agriculture and forestry programmemes. • Enhanced agro industry base and production of value added products.

	<p>Ensure access to rural credit</p> <p>Adopt policentricity in rural service delivery system</p> <p>Enhanced natural resource management for sustainable production system</p> <p>Gender concerns optimized Project based sharing approach in central grant to local bodies (DDCs/VDCs)</p>	<ul style="list-style-type: none"> • Promote crop diversification/comparative advantageous enterprise • Promote net export in agriculture. • Focus on new based and costs effective Agriculture technology Development • Human resource development. <p>Intensify Rural credit delivery Programme.</p> <ul style="list-style-type: none"> • Agriculture Development Bank Activities • Rural Banking activities • Priority lending under commercial bank • Credit operations through CBO, NGO, saving and credit cooperatives and farmers groups <p>Create conducive atmosphere through:</p> <ul style="list-style-type: none"> • Legal reforms • Capability enhancement • Policy reforms • CBO/NGO development • Utilize polycentric institutions in agriculture extension production system • Appropriate land use policy and plan developed, legal provisions made, implemented and monitored. • Participatory watershed management intensified. • Leasehold and community forestry promoted. • Commercial management of national forest enhanced for off farm employment to poor. • Domestication of Herbs and commercialization of Herbal farming promoted. <p>Gender sensitivity addressed in planning, project formulation, implementation, monitoring and evaluation.</p> <p>Local capability enhancement in planning, projectisation, implementation and monitoring.</p> <p>Support from local bodies in agriculture and forestry sector made attractive.</p> <p>Project based grant and central local sharing system developed and monitored.</p> <p>Special Agricultural Development Programmeme launched:</p> <ul style="list-style-type: none"> • Community pasture improvement 	<ul style="list-style-type: none"> • Improved income and employment opportunities. • Decreased poverty level • Effective and competitive service delivery system • Improved natural resources management base • Sustainable resources uses pattern adopted • Recharging capability of ground water sustained. • Additional rural employment opportunities • Gender concerns in place • Local capability improved • Local support system for agriculture forestry and natural resources expanded • Specific needs of specific targeted areas/groups' addressed
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<p>Expand pro-poor employment opportunities in rural areas</p>	<p>Special treatment in pro-poor programmes:</p> <ul style="list-style-type: none"> • Human approach to service delivery • Pro-poor programme planning monitoring and evaluation • Sustainable use of local and sectoral resources 	<ul style="list-style-type: none"> • Targeted livestock rural poultry programme • Lease hold forestry with Horticultural and others plantation crops • Local food production enhancement • Focused agri-research for propoor activity <p>Propoor programme development and implementation capability enhancement</p> <p>Deprived community development programme:</p> <ul style="list-style-type: none"> • Kamaiya Rehabilitation • Deprived community upliftment • Other targeted poverty reduction package programme <p>Provision of Sectoral fund:</p> <ul style="list-style-type: none"> • Support fund • Credit fund • Local resource mobilization <p>Labour intensive activity through intensive farm/off farm programmes.</p> <p>Buffer stock management.</p> <p>Food status surveillance system</p>	<ul style="list-style-type: none"> • Ensured resource allocation • Reduced incidence of hunger and malnutrition
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Education

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> Ensure higher enrollment of primary school children 	<ul style="list-style-type: none"> Improve access to schools Devise special programmes for socially and economically disadvantaged communities Improve physical facilities 	<ul style="list-style-type: none"> Scholarships and incentive programmes for girl students Parental awareness raising programmes Piloting Inclusive Education Programme for special needs children 	<ul style="list-style-type: none"> Universilization of primary education
<ul style="list-style-type: none"> Improve quality of primary education 	<ul style="list-style-type: none"> Train the teachers, and management staff Review the curriculum, text books and other materials Review and rationalize teaching and learning materials Strengthen school supervision system Ensure equitable distribution of teachers Decentralize school management 	<ul style="list-style-type: none"> Training programmes for teachers Renewal of curriculum, textbooks, and other materials Filling of teachers' vacancies and reduction in teachers' absence Strengthening of monitoring mechanism at the local level 	<ul style="list-style-type: none"> Increase in pass rates Lowering of drop out rates
<ul style="list-style-type: none"> Enhance access and improve quality of lower secondary and higher secondary education 	<ul style="list-style-type: none"> Improve access to schools Improve quality of teaching practices Phasing and proficiency certificate level from Tribhuvan University to Higher Secondary Education Board. Review curriculum, textbooks, and other materials Strengthen school supervision system Decentralize school management Equitable distribution of teachers 	<ul style="list-style-type: none"> Training programme for teachers Review and renewal of curriculum, textbooks, and other materials. Improving examination system. Strengthen monitoring mechanism Provide secondary schools with IT support to education Nation-wide secondary schools IT education campaign Additional incentives to poor students 	<ul style="list-style-type: none"> Increase in pass rates Lowering of drop out rates Increase in the number of students from disadvantaged communities
<ul style="list-style-type: none"> Promote technical and vocational skill for mil-level manpower and for self-employment 	<ul style="list-style-type: none"> Use existing secondary schools for vocational and technical education Strengthen existing ones Encourage polytechnic schools 	<ul style="list-style-type: none"> Attachment of vocational training programmes in the existing secondary schools One polytechnic in each of the Development Regions Establish Vocational Training Community Development Centers Effective monitoring of technical education 	<ul style="list-style-type: none"> Increase in skilled and semi-skilled manpower Increased opportunities for over-aged students
<ul style="list-style-type: none"> Increase literacy rate 	<ul style="list-style-type: none"> Expand adult literacy programmes Expand out of school programmemes 	<ul style="list-style-type: none"> Expand adult literacy programmes particularly to backward communities Initiate school outreach 	<ul style="list-style-type: none"> Increase in literacy rate

	<ul style="list-style-type: none"> • Mobilize NGOs, CBOs • Train facilitators • Ensure greater coordination 	<p>programmeme and flexible schooling programmeme</p> <ul style="list-style-type: none"> • Partnership building programmes • Improve training programmes • Improve monitoring 	
<ul style="list-style-type: none"> • Provide quality pre-primary education 	<ul style="list-style-type: none"> • Ensure access to pre-primary school • Equip with physical facilities • Train the teachers • Educate parents • Equip with training materials 	<ul style="list-style-type: none"> • Parents awareness programmes for the importance of pre-primary education • Training programmes for teachers • Enhanced physical facilities and training materials • Review and revise curriculum of pre-primary 	<ul style="list-style-type: none"> • Increase in pre-primary boy and girl students number (output) • Increase in total no. of pre-primary schools (output) • Quality of primary boy and girl students enhanced (outcome)

Health and Drinking Water

Objective	Strategies	Activities/Programmes	Outcome
Health			
<ul style="list-style-type: none"> Major control and prevent communicable diseases 	<ul style="list-style-type: none"> Create awareness on public health care, and control measures Provide preventive and curative measures 	<ul style="list-style-type: none"> Enhance awareness on general public health care including preventive measures Malaria control JE, TB Programmes Leprosy programme High degree of alert on HIV/AIDS 	<ul style="list-style-type: none"> Decrease in death rate Increase in working days
<ul style="list-style-type: none"> Ensure child survival 	<ul style="list-style-type: none"> Improvement of ante-natal care and expansion of trained birth attendants Provide safe drinking water Provide micro-nutrients Immunization 	<ul style="list-style-type: none"> Community based water supply schemes Rainwater harvesting Vaccination Nutrition programme 	<ul style="list-style-type: none"> Reduction in infant and child mortality rates Decrease in DALY (disability adjusted life years)
<ul style="list-style-type: none"> Safe motherhood 	<ul style="list-style-type: none"> Create awareness on health care Increase maternity and gynecological services Tetanus toxid immunization Ante-natal care delivers and post-natal care Expansion of delivery by trained presonnel 	<ul style="list-style-type: none"> Campaigns on public health care related to maternal health Train the local 'Sudenis' Upgrade district level health units with gynecological services Outreach care 	<ul style="list-style-type: none"> Reduction in Maternal Morbidity, Mortality and Disability Rate Increase in working-days Early recovery
<ul style="list-style-type: none"> General Health Status 	<ul style="list-style-type: none"> Increase access to and quality of general health services Public education programmemes 	<ul style="list-style-type: none"> Open new health posts in backward areas Better equip the health posts Control and prevent priority non-communicable diseases 	<ul style="list-style-type: none"> Increase in labor productivity Increase in working days
<ul style="list-style-type: none"> Reduce Population Growth Rate Regulating cross boundary movement 	<ul style="list-style-type: none"> Family planning measures Advocacy Maximum participation of adolescent and youth in population management programmes 	<ul style="list-style-type: none"> Effective family planning services especially in rural areas Awareness programmes Reproductive health services Adolescent and youth focused programmes Enhance female literacy rate 	<ul style="list-style-type: none"> Lowering of population growth rate Greater use of family planning measures
<ul style="list-style-type: none"> Regulate cross boundary movement 	<ul style="list-style-type: none"> Record keeping mechanism Provide vocational training to youths 	<ul style="list-style-type: none"> Maintain records of each cross border movement Strengthen the national vocational training capacity 	<ul style="list-style-type: none"> Information on daily inflow and outflow through the border Skilled manpower will be produced within the country

Drinking water and Sanitation			
<ul style="list-style-type: none"> • Ensure access to drinking water to all in the rural areas • Expansion of sanitation programmeme. 	<ul style="list-style-type: none"> • To tap surface, spring, and rain water • Reform institutional and legal system • To protect traditional water sources • To utilize maximum of local resources and technology • To encourage involvement of NGOs and CBOs in water supply programmes 	<ul style="list-style-type: none"> • Community based rural water supply • Rain water harvesting • Changes in legal, institutional, and administrative system • Expansion of rural water supply fund • Point source development • Inclusion of sanitation programme as an integrated part of water supply 	<ul style="list-style-type: none"> • Reduce time for fetching water • Higher girl enrollment in the schools • Better sanitation and health status • Revised water act • Reduction in water borne diseases • Reduction in medical expenses • Utilization of saved time in other income generating activities

Tourism

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> To re-orient tourism structure towards pro-poor tourism 	<ul style="list-style-type: none"> Diversification of tourism activities to rural areas 	<ul style="list-style-type: none"> Open closed areas Development of Great Himalayan Trail 	<ul style="list-style-type: none"> Increase in off-farm employment in rural and mountain areas
	<ul style="list-style-type: none"> Decentralizing tourism regulation at local institution level DDC – VDC - Municipality 	<ul style="list-style-type: none"> Prepare inventory of tourism assets 	<ul style="list-style-type: none"> Less hassle resulting increased number of visitors
	<ul style="list-style-type: none"> Building models of multiple partnership: <ul style="list-style-type: none"> Local agency + private sector, local agency + central agency, local private sector + foreign operator 	<ul style="list-style-type: none"> Orientation and training 	<ul style="list-style-type: none"> Resource pooling for product and infrastructure
	<ul style="list-style-type: none"> Expanding client base towards mass tourism including domestic tourism 	<ul style="list-style-type: none"> Organize partnership exploring forums 	<ul style="list-style-type: none"> Economic viability for small scale tourism destination
	<ul style="list-style-type: none"> Encourage community based tourism products 	<ul style="list-style-type: none"> Incentive for domestic movement Publicity along border area Financing com-based product development Support new and enhance existing infrastructure Highlight rural projects in destination publicity Create tourism cell at DDC / VDC / Municipality structure Design partnership guidelines Design partnership models Formulate market publicity programme Identify tourism attractions for com-based products 	<ul style="list-style-type: none"> Increased income to local people

Information Technology

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> To increase awareness and education of rural/poor people about various economic opportunities through IT 	<ul style="list-style-type: none"> Expansion of IT and telecommunication services / facilities to all the VDCs and provide agricultural, business and other important information services 	<ul style="list-style-type: none"> Strengthening human resource capacity of concerned organizations 	<ul style="list-style-type: none"> People in remote areas will be able to communicate anywhere in the world
	<ul style="list-style-type: none"> To provide education in the field of information technology to people in remote areas and also provide scholarship for higher studies 	<ul style="list-style-type: none"> Performance based incentives to private sector through effective monitoring Coordination mechanism Provide telecom services via satellite communication to very remote areas Provide telecommunication services via Wireless Local Loop (WLL) in the hilly and terai VDCs Development of appropriate policy measures / or changes as required Awareness programmes Integrated support services – entrepreneurship, management, technical Policy review Frame new appropriate policies / amend existing ones if required Appropriate institutional set-up to reach rural poor Training and development 	<ul style="list-style-type: none"> Information and tele-education can be provided utilizing these facilities

Water Resources

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> • To provide electricity to rural areas to enhance their physical environment facilities for education and productivity • To increase share/participation of rural / poor in water resources development 	<ul style="list-style-type: none"> • Encourage tube-well irrigation through providing technical supports and credit facilities • Extend rural electrification • Promote use of electricity in irrigation and small scale agriculture industries in off peak hours • Increase irrigation water and efficiency of water utilization • Increase use of local resources in construction or production and transmission of electricity • Increase the load factor of isolated power plants • Emphasize use of local manpower and inputs in watershed management • Conserve environment and minimize loss of agriculture lands due to floods • Emphasize use of local labor and local inputs in river control • Emphasize use of local manpower and inputs in the construction of medium and large irrigation projects 	<ul style="list-style-type: none"> • Massive rural electrification with community participation • Promotion of mini and micro hydel schemes • Promote use of electricity in shallow tubewells in terai in the off peak time • Introduce and promote small scale electricity, agriculture and tourism based industries in rural areas • Restructure electricity tariff to provide cheap and affordable electricity in rural areas • Promote river training and conservation works • Intensification of water management activities • Prioritize labor intensive construction schemes • Subsidize shallow tubewells in identified poverty stricken areas 	<ul style="list-style-type: none"> • Increase in percentage of rural households with access to electricity • Uses of electricity in non-farm small enterprises like carpentry, grain mills, etc. • Longer hours available for education for children • Increased use of spill energy from the generation stations • Increase in rural employment in on-farm and off-farm activities • Increase in agriculture production and marketable surplus • Decrease in losses of agriculture land and crops due to floods • Decrease in percentage of people below poverty line

Trade

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> To increase contribution of trade in economic growth 	<ul style="list-style-type: none"> To increase self and wage employment by expansion / increase present exported goods like carpet, garment, leather, handicrafts, etc. 	<ul style="list-style-type: none"> Provide market information 	
<ul style="list-style-type: none"> To increase participation of poor in trade to increase their income and employment 	<ul style="list-style-type: none"> To increase the income level by enhancing development export of agro-based commodities 	<ul style="list-style-type: none"> Provide skill training on export commodities Provide incentives for increase of employment in such industries 	
<ul style="list-style-type: none"> To increase export by promoting indigenous domestic products 	<ul style="list-style-type: none"> To extend marketing, technical and transportation support 	<ul style="list-style-type: none"> Provide necessary support for the production and development of agro-based commodities 	
	<ul style="list-style-type: none"> To increase governmental technical and market information to enhance the market of cottage and small-scale industries 		
	<ul style="list-style-type: none"> To develop linkage between rural/poor/remote areas and urban and other export market regarding market and transportation facilities 	<ul style="list-style-type: none"> Strengthen Trade promotion Center in the field of trade information and other services 	
		<ul style="list-style-type: none"> Develop mechanism to build coordination and communication between and government and non-government organizations 	
	<ul style="list-style-type: none"> To get accession to WTO 	<ul style="list-style-type: none"> To implement necessary programmes/activities to get membership of WTO 	

Industry

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> To increase industrial production and its contribution to national economic growth 	<ul style="list-style-type: none"> Special emphasis and incentives for the development of indigenous R/M based industries 	<ul style="list-style-type: none"> Develop appropriate institutional set-up 	
<ul style="list-style-type: none"> To increase self and wage employment opportunities in the industrial sector 	<ul style="list-style-type: none"> Encourage local R/M based large industries which provide direct/indirect benefits to larger segment of rural population 	<ul style="list-style-type: none"> Identification of indigenous R/M and their commercial prospects 	
<ul style="list-style-type: none"> To increase participation of rural and poor people in industrial development 	<ul style="list-style-type: none"> Need based entrepreneurship and management development programmes 	<ul style="list-style-type: none"> Appropriate policy measures and support services 	
	<ul style="list-style-type: none"> Need based technical TRG and competency enhancement programmes: encouragement of private sector in this work 	<ul style="list-style-type: none"> Analysis of current situation and identification of new and existing projects especially those having expansion potential 	
	<ul style="list-style-type: none"> Integrated programme for technical, market information and credit facility to the SME sector 	<ul style="list-style-type: none"> Training and awareness programmes 	
	<ul style="list-style-type: none"> Development of micro enterprises 	<ul style="list-style-type: none"> Package programmes of technical know-how, market information, training and credits 	
	<ul style="list-style-type: none"> Special incentives to large-scale national/international industries which help develop small supporting industries 	<ul style="list-style-type: none"> Identify and develop linkages between related large, medium and small scale industries 	
	<ul style="list-style-type: none"> Strengthening institutional set-up for mobilizing financial resources for developing industries 		

Resource Conservation and Utilization

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> • Increase livelihood opportunities to rural poor 	<ul style="list-style-type: none"> • Land use planning • Empowerment of local users for the forest management and utilization • Promote private involvement in forestry development • Promote private forestry • Expand research extension and training programmes 	<ul style="list-style-type: none"> • Community / Leasehold forestry • NTFP Management in the hills/mountains • Promote forest based micro-enterprises and value addition • Buffer zone management • Integrated watershed management • Training to the local people involved in community based organization • Income generating activities 	<ul style="list-style-type: none"> • Increased supply of forest products • Increased productivity of forests • Increased economic opportunities • Increased employment opportunities
<ul style="list-style-type: none"> • Expand eco-tourism and conserve bio-diversity 	<ul style="list-style-type: none"> • Manage protected areas and expand sustainable eco-tourism • Ex-situ and in-situ conservation • Increase public awareness about nature conservation 	<ul style="list-style-type: none"> • Promote herbal production/process • Promote eco-tourism enterprises • National Park and Wildlife reserve management 	<ul style="list-style-type: none"> • Increased forward and backward linkages of eco-tourism • Bio-diversity conserved • Increased productivity • Increased household income
<ul style="list-style-type: none"> • Ensure security and increase production 	<ul style="list-style-type: none"> • Sustainable land use planning • Increase production of goods and services by integrated planning 	<ul style="list-style-type: none"> • Promote people's participation • Promote income generating activities 	<ul style="list-style-type: none"> • Increased flow of goods and services • Sustainable utilization of resources
<ul style="list-style-type: none"> • Conserve land against degradation 	<ul style="list-style-type: none"> • Integrated watershed management utilization • Promote private involvement in land development • Micro watershed management 	<ul style="list-style-type: none"> • Micro watershed management • Integrated watershed management • Degraded land rehabilitation • River banks stabilization 	<ul style="list-style-type: none"> • Increased land productivity • Decreased land degradation • Increased household income

Road Infrastructure

Objective	Strategy	Activities/Programmes	Outcome(s)
<ul style="list-style-type: none"> Providing accessibility nationwide such that Transport services available at least cost. 	<ul style="list-style-type: none"> To extend strategic road transport network and improve level of service to reduce transport cost. 	<ul style="list-style-type: none"> Maximize District Head Quarter Connections and other tourist centers. 	<ul style="list-style-type: none"> District Headquarters and other tourist centers connected by roads.
	<ul style="list-style-type: none"> To improve district level accessibility including agriculture roads. 	<ul style="list-style-type: none"> Restore Strategic roads to maintainable condition 	<ul style="list-style-type: none"> Reduction in vehicle operating cost.
		<ul style="list-style-type: none"> Introduce & extend Planned Road maintenance management System. 	<ul style="list-style-type: none"> Reduction in travel time.
		<ul style="list-style-type: none"> To introduce & Execute District Level Road Master Plan (MLD). 	<ul style="list-style-type: none"> Intra district rural accessibility improved by addition of road mileage.
		<ul style="list-style-type: none"> Execute Agriculture Roads based on the APP. (MLD) 	<ul style="list-style-type: none"> Agriculture product transported to the market/agriculture related supplies (eg. fertilizer etc.) available in the farm/field conveniently.
		<ul style="list-style-type: none"> Execute rural road programmes initiated by donor participation (DFID, SDC, ADB, etc.) in a coordinated manner. 	<ul style="list-style-type: none">
		<ul style="list-style-type: none"> Maximise use of labours in road construction. 	<ul style="list-style-type: none"> Jobs created in rural area.
		<ul style="list-style-type: none"> Use of environment friendly technique in road building. 	<ul style="list-style-type: none"> Least damage to environment.