

Unofficial Translation

Economic Survey

Fiscal Year 2014/15

**Government of Nepal
Ministry of Finance
2015**

Foreword

The government has set a goal for Nepal to graduate from its current status of least developed country to a developing country by the year 2022 A.D. by achieving rapid economic growth through high, sustainable, and inclusive economic growth; promulgation of a new Constitution; and political stability. Achieving overall economic and social development of the country through vibrant economy by delivering quality service to the people in a simple, prompt and effective manner is the major responsibility of the government

Building a self-reliant and competent economy through inclusive and sustainable economic growth with proper mobilization of domestic and foreign investments in recovery, rehabilitation, and reconstruction is a must to mitigate negative impacts rendered to the Nepalese economy by the catastrophic earthquake of April 25, 2015 and subsequent aftershocks resulting in enormous loss of lives and physical properties. Solidarity is much needed to bring the country towards economic prosperity by giving disaster management and socio-economic development issues a top priority even in the hour of natural disaster and political transition.

This Economic Survey for fiscal year 2014/15 is prepared with analytical review of achievements made through implementation of key policies the Government of Nepal has adopted, and programs based on such policy. Impact and trend analyses of programs have been carried out by incorporating those programs that are considered vital from economic and social perspectives. Data obtained from sector agencies have been updated and recorded in digital compact disks.

I am confident that this Economic Survey would serve as an useful source of reference for those who are interested in and have concerns with the economic activities of the country : sectoral agencies of Government of Nepal, communities of entire intellectuals, researchers, employees, teachers, students, industrialists, businessmen, NGOs, people in general and Nepal's development partners, as well as foreign investors.

Last but not the least, I would like to extend my thanks to all personnel engaged in preparation of the Economic Survey especially of Economic Policy Analysis Division and also to Ministries, Departments, and other entities, who have extended their supports to this work by providing data, information and other details.

July, 2015

Dr. Ram Sharan Mahat
Finance Minister

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Abbreviations

AIDs	Acquired Immune Deficiency Syndrome
AIT	Administrator in Training
AMHS	Automatic Message Handling System
AOCR	Air Operation Certificate Regulation
ARV	Anti Rabies Vaccination
ART	Antiretroviral Therapy
ASV	Anti Snake Venom
BCG	Bacillus Calmette Guerin
BDS	Bachelor of Dental Surgery
BOOT	Build, Operate, Own & Transfer
CB	Community Based
CB PMTCT	Community Based Pregnant Mother to Child Transmitted
CBIMCI	Community Based Integrated Management of Childhood Illness
CBR	Crude Birth Rate
CCTV	Close Circuit Television
CDAS	Central Depository Accounting Software
CDMA	Code Division Multiple Access
CEDA	Center for Economic Development and Administration
CNS / ATM	Communication Navigation Surveillance / Air Traffic Movement
CPA	Central Personnel Agency
CT Scan	Computerized Tomography Scan
DACC	District AIDS Coordination Committee
DOTs	Directly Observed Treatment
DPMAS	District Poverty Monitoring & Analysis System
DPT	Diphtheria, Pertussis, Tetanus
EHS	Extended Health Service
E.N.T .	Ear, Nose, Throat (Otolaryngology)
E-DV	Electronic Diversity Visa
EVDO	Enhanced Voice-Data Optimized
GER	Gross Enrolment Ratio
GIS	Geographic Information System
GPI	Gender Perception Indicator
HIV	Human Immune Deficiency Virus
HMIS	Hazardous Materials Identification System
HPS	Hermansky Pudlak syndrome
HTC	HIV Testing & Counselling
ICAO	International Civil Aviation Organisation
ICP	International Custom Point
IED	Improvised Explosive Device
IEE/EIA	Initial Environment Examination/Environmental Impact Assessment
IFAD	International Fund for Agriculture Development
IOM	Institute of Medicine
ISO	International Organization for Standardization

IT	Information Technology
JFPR	Japan Fund for Poverty Reduction
LGCDP	Local Government & Community Development Programme
MBBS	Bachelor of Medicine and Bachelor of Surgery
MCPM	Minimum Conditions and Performance Measures
MDA	Mass Drug Administration
MDAC	Ministerial Development Action Committee
MDG	Millennium Development Goals
MDR	Multi Drug Resistant
MDRTB	Multi Drug Resistant Tuberculosis
MDS	Master of Dental Surgery
MIS	Management Information System
MOU	Memorandum of Understanding
MRI	Magnetic Resonance Imaging
MS	Master of Surgery
NER	Net Enrollment Rate
NITC	National Information Technology Center
NLSS	Nepal Living Standard Survey
NTV	Nepal Television
ODF	Open Defecation Free
OPD	Out Patient Department
O&M	Organization & Management
OTC	Over the Counter
PAN	Permanent Account Number
PDNA	Post Disaster Needs Assessment
PGEC	Post Graduate Eligibility Certificate
PIS	Personnel Information System
PMTCT	Preventing Mother-to-Child Transmission
PTMC	Percutaneous Transvenous Mitral Commissurotomy
PNC	Post Natal Care
SASEC	South Asian Sub-regional Economic Cooperation
SEZ	Special Economy Zone
SLC	School Leaving Certificate
STI	Sexually Transmitted Infections
STOL	Short Take-Off and Landing
TIA	Tribhuvan International Airport
TPS	True Potato Seed
TV	Television
UGEC	Under Graduate Eligibility Certificate
UNFCCC	United Nations Framework Convention on Climate Change
USG	Ultrasonography
VCTS	Vulnerability Compliance Tracking System
VHF/UHF	Very High Frequency / Ultra High Frequency
VOR/DME	Very High Frequency (VHF) Omnidirection Range / Distance Measuring Equipment

Acronyms

B.S.	Bikram Sambat
DDC	District Development Committee
ETC	Education Training Centre
FOB	Free On Board
HSS	Higher Secondary School
KM	Kilometer
KW	Kilowatt
KG	Kilogram
LSS	Lower Secondary School
M ₁	Narrow Money Supply
M ₂	Board Money Supply
PS	Primary School
SI	School Inspector
SS	Secondary School
S. No.	Serial Number
VDC	Village Development Committee

Executive Summary

1. Global production that grew by 3.4 percent in 2014 is estimated to register a marginal growth of 3.5 percent in 2015 according to the World Economic Outlook, published by International Monetary Fund (IMF) in April, 2014. Economies of developed countries that expanded by 1.8 percent in 2014 are estimated to grow by 2.4 percent in 2015, while economies of emerging and developing countries that grew by 4.6 percent in 2014 are estimated to stagnate at 4.3 percent in 2015.
2. Among the South Asian countries, economies of all member states, except that of Bangladesh and Afghanistan recorded higher economic growth in 2014 as compared to 2013. Likewise, economic growth rate of all South Asian countries except Maldives, Nepal and Sri Lanka is expected to rise in 2015 in comparison to 2014. Economies of two giant Asian countries China and India that had grown by 7.2 percent and 7.4 percent respectively in 2014 are estimated to grow by 7.5 percent and 6.8 percent respectively in 2015.
3. As per revised estimate, Nepal's real GDP was estimated to grow by 5.0 percent in FY 2014/15. Such growth rate, however, is estimated to stagnate at 3.0 percent at basic prices against the growth rate of 5.1 percent in the previous fiscal year. Unfavorable climate for agriculture sector and adverse impact on non-agriculture sector's activities due to earthquake of April 25, 2015 are attributable for such low economic growth rate in current fiscal year.
4. Production in Agriculture sector is estimated to grow by 1.9 percent in fiscal year 2014/15 against the previous fiscal year's growth of 2.9%. Similarly, non-agriculture sector is estimated to grow by 3.6 percent in this year against the growth of 6.3 percent in the previous fiscal year. Among the non-agriculture sector, growth rates of industry and services sector are estimated to grow by 2.6 percent and 3.9 percent respectively in current fiscal year while these figures were 6.2 percent and 6.3 percent respectively last year.

5. There has been a gradual change in the structure of Nepalese economy. Contribution of agriculture and industries sectors to GDP has a declining trend while that of services sector is on rise. From sector perspective, in this fiscal year contributions of the primary sector at current prices is estimated at 32.3 percent. Contributions of secondary and tertiary sectors to GDP were 17.0 and 45.1 percent in fiscal year 2001/2002 at prevailing prices. The contribution of secondary sector has come down to 14.5 percent while contribution of tertiary sector has gone up to 53.2 percent in the current fiscal year.
6. While classifying GDP into agriculture and non-agriculture sectors as per industrial classification, the share of agriculture sector to GDP is in declining trend while that of non-agriculture is on the rise. Contribution of agriculture sector to real GDP which was 36.6 percent in FY 2000/01, has dropped to 33.1 percent in current fiscal year while that of non-agriculture sector has gone up from 63.4 percent to 66.9 percent.
7. Total budget allocation for current fiscal year was 618.1 billion. In comparison to first eight months of the previous fiscal year, total expenditure of GoN increased by 46.40 percent in the first eight months of current fiscal year 2014/15 reaching Rs. 296.3 billion. Of this, recurrent expenditure stands at Rs. 213.96 billion, capital expenditure at Rs. 34.69 billion, repayment of principle against foreign and domestic debts at Rs. 34.76 billion, share investment on public enterprises at Rs. 2.39 billion and credit investment at Rs. 9.52 billion.
8. In comparison to foreign grant receipts of Rs. 17.11 billion in the first eight months of FY 2013/14, such receipts totaled Rs. 14.30 billion in the corresponding period of current fiscal year, which is 16.40 percent less than the amount received during previous year. Amount of foreign debt, received was Rs. 13.45 billion in the first eight months of FY 2013/14, has now gone up to Rs. 14.21 billion in the corresponding period of current fiscal year.
9. Of the estimated Rs. 422.90 billion revenue mobilization in the current fiscal year 2014/15, such amount reached Rs. 202.19

billion recording a growth of 5.5 percent in first eight months of the current fiscal year as compared to the achievement made in the corresponding period of the previous fiscal year.

10. Inflation rate, which was 8.9 percent in first eight months of FY 2013/14, has rested at 7.0 percent during the same period of current fiscal year. During the first eight months of the current fiscal year, the growth rate of price index under food and beverage group has stood at 9.5 percent while that of non-food and service group has been 4.9 percent. Price indices of these groups in the first eight months of the previous fiscal year stood at 10.8 percent and 7.1 percent respectively.
11. During the first eight months of the current fiscal year 2014/15, broad money supply and narrow money supply have increased by 8.1 percent and 7.0 percent respectively as against their respective growth figures of 10.8 percent and 10.9 percent during the same period of the previous fiscal year. The lower growth rate of broad money supply in the first eight months of current fiscal year 2014/15 than in the corresponding period of the previous fiscal year is attributable to lower growth rate of net foreign assets of the monetary sector.
12. Net Foreign Assets (profit/loss adjusted foreign exchange valuation) has increased by Rs. 35.07 billion (5.9 percent) during the first eight months of current fiscal year 2014/15 due to increase in imports of goods and services, decline in the growth of remittance inflows and decline in foreign grants. Such asset had increased by Rs. 102.81 billion (22.0 percent) during the same period of the previous fiscal year.
13. Liquidity equivalent to Rs. 271.10 billion has been mopped up through reverse repo auction under the open market operation in the first eight months of current fiscal year 2014/15. Liquidity of Rs. 270.0 billion was mopped during the same period of the previous fiscal year. Deposit Auction, as mentioned in current monetary policy, is being used as a new tool since August 2014 through which liquidity worth Rs. 85 billion has been mopped up at different intervals during eight months period.

14. The weighted average interest rate of 91-day Treasury Bills that stood at 0.06 percent on mid-April, 2014 has reached 0.69 percent on mid-April 2015. Likewise, weighted average interest rate of inter-bank transaction of commercial banks that had stood at 0.19 percent in mid-April, 2014 has climbed to 0.64 percent during the same period of 2015. In addition, weighted average interest rate of inter-bank transaction of other financial institutions that had stood at 2.29 percent in mid-April, 2014 has reached 3.87 percent in the same period of 2015.
15. During the first eight months of the current fiscal year 2014/15, the deposit mobilization of banks and financial institutions has increased by 7.6 percent (Rs. 106.62 billion) compared to its growth of 9.7 percent (Rs. 115.47 billion) in the corresponding period of the previous fiscal year. Likewise, during the review period, the claim on private sector of banks and financial institutions has grown by 11.8 percent (Rs. 132.40 billion) while such claim had grown by 11.0 percent (Rs. 103.81 billion) in the same period of the previous fiscal year.
16. NEPSE Index in the first eight months of the current fiscal year 2014/15 has increased by 24.8 percent and stood at 987.44 percentage points as compared to the corresponding period of the previous fiscal year. Such index had stood at 783.79 points at the end of the first eight months of FY 2013/14. Likewise, the number of total institutional bonds reached 21`by mid-March 2015. The market capitalization that had stood at Rs. 798.09 billion in the first eight months of FY 2013/14 grew by 25.80 percent reaching 1004. 03 billion during the same period of current fiscal year.
17. By the end of FY 2012/13, earnings from premiums of life and non-life insurances had totaled Rs. 25.12 billion. Likewise, a sum of Rs 22.17 billion has been earned by mid-March 2015 through such premiums, which stood at Rs. 30.71 billion in FY 2013/14.
18. Merchandise exports in the first eight months of the current fiscal year 2014/15 totaled Rs. 56.87 with a decrease of 6.6 percent against the growth of 19.4 percent in the same period of

the previous fiscal year. Merchandise imports has increased by 10.5 percent to Rs. 505.92 billion during the first eight months of current fiscal year 2014/15 compared to 27.0 percent rise to Rs. 457.85 billion during the same period of the previous fiscal year. The trade deficit has grown by 13.1 percent to Rs. 449.05 billion during the first eight months of the current fiscal year 2014/15 against 28.2 percent growth to Rs. 396.96 billion during the same period of the previous year.

19. The overall Balance of Payments (BoP) has remained in surplus of Rs. 35.07 billion till the first eight months of current fiscal year 2014/15. Such surplus amounted to Rs. 102.81 billion in the same period of the previous fiscal year. Likewise, the current account remained in surplus by Rs.11.65 billion during this period while it had registered a surplus of Rs. 68.41 billion during the same period of the previous fiscal year. Increased imports of goods and services, declined export income and grants and stunted growth of remittance inflow have attributed to lower surplus of current account.
20. The ratio of remittance to GDP that stood 11.2 percent in FY 2004/05 reached 28.0 percent by FY 2013/14. Remittance income that had registered a growth of 34.1 percent during the first eight months of the previous fiscal year has grown merely by 4.0 percent to Rs. 371.0 billion in the same period of current fiscal year.
21. Total foreign exchange reserve grew by 6.1 percent to Rs. 705.73 billion in mid-March 2015 against its growth of 22.5 percent (Rs. 653.42 billion) in the same period of the previous fiscal year. Based on imports during the first eight months of current fiscal year 2014/15, the current foreign exchange reserve is sufficient to cover the merchandise imports of 11.3 months and merchandise and services imports of 9.7 months. The reserves with banking sector were able to cover the merchandise imports of 11.6 months and merchandise and services imports of 10.1 months in the mid-March 2014.

22. The population living below poverty line in Nepal accounts for 23.8 percent. Though the trend of decline in poverty rate had continued since last few years, the population size below poverty is expected to grow with likelihood of possible adverse impact of the recent catastrophic earthquake on Nepalese economy. The ratio of population with access to foods below the minimum daily requirement stood at 15.7 percent in 2013. Likewise, underweight children of 6 months - 59 months age group, and those with stunted growth remained at 37.0 percent and 30.0 percent respectively.
23. Among the indicators including Gross National Income - GNI Per Capita, Human Asset Index- HAI, Economic Vulnerability Index-EVI as set by the United Nations for least developed countries to graduate to developing counties, indicators other than Gross National Income per capita, have remained satisfactory. Moreover, managing risks that are likely to emerge from damages brought about by the catastrophic earthquake to the lives, properties, and physical, archaeological, and natural resources is critical.
24. Gross food production of Nepal (rice, wheat, maize, millet, barley and buckwheat) is estimated at 9.26 million metric tons with a decline of 3 percent in current fiscal year 2014/15 as compared to previous fiscal year. Likewise, preliminary estimate reveals that rice production is likely to fall by 5.1 percent to 4.78 million metric tons in the same period. Growth rate of agriculture sector has declined due to low production of food crops as a result of adverse climate.
25. Of the Nepal's total land mass, forest occupies 29.0 percent while 10.5 percent comes under shrubs. In order to maintain minimum 40 percent of country's total land mass under forest, the encroached forest land area of 648 ha during FY 2013/14 and 177.72 ha of such land area till mid-March in the current fiscal year have been evacuated and managed.
26. Digitization of Land-use Map and data through both Land Measurement and Land Revenue Offices of all districts has been

completed except that of Achham. Preparation of digitized land records of about 7,000 hectare area is underway upon completion of digital land survey of 17 districts including three districts of Kathmandu valley, and Kavre, Kaski, Kailali, and Palpa among others. Of the total 27,570 freed bonded laborer families, 26,114 have been resettled, while among 19,059 freed land tiller families, 254 such families have been resettled so far.

27. A total of 386,135 industries registered in the first eight months of current fiscal year 2014/15 comprising 758 large-scale, 1,387 medium-scale, 3,808 small-scale, and 380,182 micro industries are estimated to create employment opportunities for 2,771,309 people.
28. A total of 213 foreign investment industries registered in the first eight months of fiscal year 2014/15 are estimated to provide employment to 8,869 people. Based on total project cost of foreign investment industries, the share of energy, services oriented, tourism, production oriented, and other industries is 54.45 percent, 9.03 percent, 5.82 percent, 29.57 percent and 1.13 percent respectively.
29. A total of 790,118 tourists visited Nepal between mid-January 2014 and mid-January 2015. This figure is less by 0.9 percent as compared to the corresponding period of last year. In addition, average length of tourists' stay in Nepal during this period is estimated at 12.4 days. Top five countries with largest number of tourists during such period were India (17%) followed by China (16%), USA (6%), Sri Lanka (4.8%) and United Kingdom (4.7 percent).
30. Process initiated by Civil Aviation Authority to acquire about 4 ha (80 *Ropanis*) of land for constructing Pokhara Regional International Airport is in progress, whereas construction work of Gautam Budhha International Airport has been started. Installations of Terminal Monopoles Secondary Surveillance Radar at Tribhuvan International Airport Office, and En-route Monopoles Secondary Surveillance Radar at Bhattedanda of Lalitpur are underway in order to modernize and make the

Airport more convenient. Similarly, Nepal Airlines Corporation has procured M.A 60 and Y12 aircrafts including two as grants and four on loan subsidy from Chinese Government that are now in operation. Likewise, of the two A320-200 series narrow-body airplanes; first one has already started operating international flights while process for obtaining the next airplane is underway.

31. Country's pace of urbanization has been rapid as a result of geographical, demographic, and economic sector fluctuations. The number of municipalities totaled 191 including 58 the existing municipalities, and 113 declared in the current fiscal year. Nepal's urban population has reached 38.26 percent of the total. Contribution of urban areas to GDP of 58 municipalities stood at 33.1 percent while that of Kathmandu Valley alone is estimated at 23.4 percent. Environment protection, land use management and supply system are necessary to operate in an integrated manner to cope with ever increasing urbanization. In the current fiscal year 2014/15, a total of 28 market centers, 170 community buildings and 10 large buildings/convention halls are under construction to provide organized housings and settlements for squatters and urban poor, and low income group of people in forms of *Janata Awas* (People's Home) for *dalits* and endangered ethnic groups; housing for employees; and for resettling families displaced and at risk of natural disaster.
32. Energy consumption in the first eight months of fiscal year 2014/15 has reached 7,781 Tons of Oil Equivalent (ToE). The ratio of traditional, commercial and renewable energy consumption during the same period has been 77.0 percent, 20.0 percent and 3.0 percent respectively. Such ratio stood at 78.0 percent, 17.0 percent and 2.6 percent respectively in fiscal year 2013/14. High dependency of Nepalese economy on traditional energy remains unchanged.
33. By the end of fiscal year 2013/14, upgrading a total road length of 26,446 Km has been accomplished including 9,163 Km of earthen (fair weather) road, 6,086 Km of graveled road, and 11,197 Km of black topped road. By mid-March of current fiscal

year 2014/15, an additional upgrading of 231 Km of earthen (fair weather), 106 Km of graveled and 152 Km of black topped roads has been completed. With this additional upgrading, the total upgraded road length has reached 26,935 Km including 9,394 Km of earthen (fair weather) road, 6,192 Km of graveled road and 11,349 Km black topped road by the end of FY 2014/15. The number of vehicles registered by the end of FY 2013/14, which stood at 1,755, 821 grew to 1,925,434 with additional registration of 169,613 new vehicles by the end of first eight months current fiscal year 2014/15.

34. Telephone density has reached 99.12 percent with total number of telephone subscribers reaching 2,62, 61,108 by mid-March 2015. The number of newspapers registered in various districts of the country has reached 7,005 by mid-March 2015.
35. Public services are being rendered in two shifts from 6:00 am to 6:00 pm since December 16, 2014 in order to avail such services effectively especially those related to provisions of citizenship; recommendation for passports; birth, marriage and death registrations; land registration; land survey; industry registration; issuance of driving licenses; foreign employment permits; and payment of electricity, drinking water and telephone bills. In addition, Citizens' Charter with provision of compensation has been implemented ensure simple, prompt and efficient service flow by making such services providers accountable to the public. For trade facilitation, service rooms have been established for service seeker at major customs points where public grievances are heard and information disseminated.
36. Truth and Reconciliation Commission, and a Commission to Investigate Enforced Disappearances have been formed and tasks are being carried out to bring the truth before the public on severe cases of human right violations during armed conflict, crimes against humanity and persons involved in such cases by exploring and investigating facts. Similarly, other tasks are to establish sustainable peace through reconciliation in society and

to recommend for legal action against those involved in severe crimes in connection with such cases.

37. Gradual improvements have been witnessed in education sector since last few years. During current academic calendar year 2014, the net enrollment rate at primary education level has reached 96.2 percent while that at basic education has been 87.6 percent and secondary level education is 34.7 percent. Such enrollment rates in previous academic year were 95.6 percent, 86.3 percent and 33.2 percent respectively. During academic year 2014, the number of primary level school students stands at 4,335,355, while that at lower secondary schools is 1,835,313 and secondary school is 900,585. In addition, the number of schools has increased reaching 34,335 schools of primary level, 14,952 schools of lower secondary level, and 8,825 schools of secondary level.
38. Basic Drinking Water Service has benefited 83.59 percent of population till current fiscal year 2014/15. Of this, 15.3 percent populations are availing high quality drinking water. Likewise, 70.28 percent population has access to basic sanitation facilities.
39. By the first eight months of the current fiscal year 2014/15, the number of health institutions has totaled 4,505 including 116 hospitals, 3,790 health posts, 384 *Ayurvedic* hospitals and dispensaries and 215 primary health centers. A total of 87,300 human resource employees including 35,300 technical as well as non-technical staff and about 52,000 women volunteer health workers are working in these institutions.
40. Of the Millennium Development Goal (MDG) targets, encouraging achievements have been made towards reducing maternal mortality rate. In 2013, maternal mortality rate (per 100,000 live births) stood at 170, and infant mortality rate (per thousand) at 46. By 2014, child mortality rate under five years of age (per thousand) has been (brought down to) 54. Likewise, HIV infection rate (15-24 years) stood at 0.03 percent while presence of TB (per 100,000) was 211, and annual malaria infected number (per thousand) remained at 0.15 in 2014. Nepal

has obtained Polio Free Certification from World Health Organization (WHO) in 2014. Moreover, the country has been awarded with Global Bloomberg Award 2015 for increasing the size of awareness raising message picture up to 90 percent in the packets of tobacco products.

41. The number of births registered during FY 2013/14, which stood at 1,029,681 fell to 354,645 by the first eight months of current fiscal year. Likewise, the number of deaths registration that stood at 121,849 in FY 2013/14 also got contained to 51,457 by the first eight months of current fiscal year 2014/15.
42. A total of 2,160,576 persons including 951,419 senior citizens, 648,553 widows and single women of above 60 years, 20,308 nearing to extinction indigenous and ethnic people, 27,203 completely incapable physically challenged people, 6,375 partially incapable physically challenged people, and 506,718 children under the age of 5 years belonging to disadvantaged *dalit* families of Karnali Zone have availed social security allowance in the first eight months of current fiscal year 2014/15. In comparison to the previous fiscal year the number of such facility recipients has declined by 12,019.
43. National Youth Mobilization Program has been in operation since last few years under which youth information centers have been established in all 75 districts. During current fiscal year, upgrading works of such five centers are underway. Works towards sustainable management have been started with a view to providing contribution to financial incomes by promoting tourism through conservation and protection of cultural heritages thereby giving nationwide exposure to the country's cultural identity. During FY 2014/15, about 1,200 academies and institutions have been providing sanctuaries to temples, mosques, churches, *Gurudwars*, monasteries, and *Bihars* including both living and dying heritages.
44. Of the total public enterprises (PEs) that are operational, 18 are operating on net profits while 15 are at net loss. Net profit earned by PEs, which stood at Rs. 11.40 billion in FY2012/13 was

down to Rs. 5.05 billion in FY 2013/14. The Government in FY 2012/13 had earned a dividend of Rs. 6.99 billion through PEs, which down to Rs. 6.61 billion in its succeeding year. It is equivalent to 5.71 percent of total share investment (Rs. 115.81 billion) of GoN. Contribution of (Rs. 6.62 billion) dividend to the total GoN revenue of Rs. 356.85 billion collected in FY 2013/14 accounted for 1.46 percent only.

45. The catastrophic earthquake of April 25, 2015 and subsequent aftershocks has resulted in the huge loss of human, physical infrastructure and natural resources. So far, **8,790** people have been killed, 22,300 injured while about 300 people are estimated to have missing. Similarly, about 17,000 large livestock (quadrupeds) and some 40,000 small ones reared for rural household perished in earthquake. Likewise, 507,017 houses have been completely destroyed while 269,190 are partially damaged. The tremor is estimated to have affected about one-third (8 Million) of the total population.
46. The catastrophic earthquake of April 25, 2015 is estimated to have damaged/destroyed properties equivalent to Rs. 706.5 billion. Of this, properties worth Rs. 517.5 billion have been destroyed while there has been a loss of Rs. 189.0 billion. According to preliminary estimate, Rs. 669.5 billion would be required for recovery and reconstruction of projects. Of this total estimate, social sector may require the highest amount of Rs. 407.7 billion (60.9 percent) followed by the production sector with Rs. 115.6 billion (17.3 percent), infrastructure sector Rs. 74.3 billion (11.1 percent) and other sectors 71.9 billion (10.7 percent). For this, the Government of Nepal has already initiated necessary works upon conducting post-disaster needs assessment.

Macro-Economic Indicators

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Economic Activities													
Real GDP (At Basic Prices)	Annual % Change	4.4	3.2	3.7	2.8	5.8	3.9	4.3	3.9	4.6	3.8	5.1	3.0
Agriculture	Annual % Change	4.7	3.5	1.9	1.0	5.8	3.0	2.0	4.5	4.6	1.1	2.9	1.9
Industry	Annual % Change	1.5	2.9	4.4	4.0	1.6	-0.6	4.0	4.3	3.0	2.7	6.2	2.6
Service	Annual % Change	6.8	3.3	5.6	4.5	7.3	6.0	5.8	3.4	5.0	5.7	6.3	3.9
Real GDP (At Producer's Prices)	Annual % Change	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	4.1	5.4	3.4
Per Capita GDP (At Constant Price)	Annual % Change	2.4	1.2	1.1	6.3	4.6	3.1	3.4	2.5	3.4	2.7	4.0	0.6
Per Capita National Income (At Constant Price)	Annual % Change	2.3	2.1	1.9	6.9	4.6	3.3	3.7	2.1	3.7	3.2	5.3	0.4
GDP (At Current Price)	Annual % Change	9.0	9.8	11.0	11.3	12.1	21.2	20.7	14.6	11.7	11.0	14.5	9.4
Gross National Income (At current Price)	Annual % Change	8.9	10.5	11.5	11.6	12.0	21.4	20.2	14.4	12.0	10.9	15.6	-

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Gross National Disposable Income (At Current Price)	Annual % Change	9.3	11.1	14.0	10.1	16.5	24.2	18.8	13.3	16.6	12.4	18.1	-
Per Capita GDP	US Dollar	293	328	350	410	491	497	610	714	702	708	717	762
Per Capita GNI	US Dollar	292	329	352	414	496	502	614	718	708	714	729	772
Per Capita GNDI	US Dollar	339	383	420	487	606	628	759	879 0	902	921	962	1014
Real GDP (At Basic Prices)	Rs. in Billion	448.7	463.2	480.4	493.7	522.3	542.7	565.8	587.5	614.6	637.8	670.0	690.3
Agriculture	Rs. in Billion	173.7	179.8	183.1	184.8	195.6	201.5	205.5	214.8	224.7	227.2	233.7	238.1
Industry	Rs. in Billion	77.6	79.9	83.5	86.8	88.3	87.8	91.3	95.2	98.1	100.7	106.9	109.7
Service	Rs. in Billion	213.5	220.6	233.0	243.5	261.4	277.1	293.3	303.3	318.5	336.8	358.1	372.0
Real GDP (At Producer's Prices)	Rs. in Billion	481.0	497.7	514.5	532.0	564.5	590.1	618.5	639.7	670.3	697.9	735.5	760.2
Per Capita GDP (In 2000/01 Price)	Rs.	19436.0	19670.0	19884.0	21129.0	22110.0	22793.0	23561.0	24144.0	24962.0	25646	26666	26834
Per Capita Gross National Income (In 2000/01 Price)	Rs.	19401.0	19802.0	20186.0	21569.0	22567.0	23301.0	24152.0	24664.0	25582.0	26397	27798	27916
GDP(At Producer's Current Price)	Rs. in Billion	536.8	589.4	654.1	727.8	815.7	988.3	1192.8	1366.9	1527.3	1695.0	1941.6	2124.6
Gross National Income(In Current Price)	Rs. in Billion	535.1	591.1	659.0	735.3	823.6	1000.0	1201.9	1374.5	1539.6	1708.1	1974.5	-
Gross National Disposable Income(In Current Price)	Rs. in Billion	620.0	688.8	785.2	864.3	1006.4	1249.5	1484.5	1682.4	1962.4	2205.8	2606.0	-

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Per Capita GDP (In Current Price)	Rs.	21689.0	23292.0	25279.0	28905.0	31946.0	38172.0	45435.0	51594.0	56880.0	62283.0	70394.0	74992.0
Per Capita GNI (In Current Price)	Rs.	21620.0	23357.0	25471.0	29200.0	32257.0	38626.0	45782.0	51879.0	57337.0	62764.0	71582.0	76065.0
Per Capita GNDI (In Current Price)	Rs.	25051.0	27218.0	30346.0	34323.0	39417.0	48262.0	56549.0	63499.0	73082.0	81051.0	94477.0	99865.0
Gross Consumption/ GDP	In %	88.3	88.4	91.0	90.2	90.2	90.6	88.6	86.0	89.0	89.4	89.1	88.6
Gross Domestic Saving/GDP	In %	11.8	11.6	9.0	9.8	9.8	9.4	11.4	14.0	11.0	10.6	10.9	11.4
Gross National Saving/GDP	In %	27.3	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.7	45.1	44.6
Gross Fixed Capital Formation/GDP	In %	20.3	19.9	20.7	21.1	21.9	21.3	22.2	21.4	20.8	22.6	23.8	-
Government Investment in Gross Fixed Capital Formation/GDP	In %	2.8	2.9	2.7	3.4	4.0	4.5	4.5	4.7	4.7	4.4	4.9	-
Private Investment in Gross Fixed Capital Formation/GDP	In %	17.5	17.0	18.0	17.7	17.8	16.9	17.7	16.7	16.1	18.1	18.9	-
Gross Capital Formation/GDP	In %	24.5	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	37.3	40.5	-
Gap between Gross Domestic Saving and Gross Investment/GDP	In %	-12.8	-14.9	-17.9	-18.9	-20.5	-22.3	-26.8	-24.0	-23.5	-26.8	-29.6	-
Total Population	10 Million	2.41	2.45	2.48	2.52	2.55	2.59	2.63	2.65	2.69	2.7	2.8	2.8

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Price													
Consumer Price Index ³	Annual % Change	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	9.9	9.1	7.5
GDP Deflator ²	Annual % Change	4.0	5.9	6.9	7.3	5.6	16.1	14.4	11.0	6.6	6.1	8.3	5.7
Primary Sector	Annual % Change	2.8	3.5	4.4	6.1	3.3	21.4	25.1	15.6	1.4	4.6	6.4	4.3
Secondary Sector	Annual % Change	5.4	5.5	3.6	5.7	11.0	14.4	9.2	8.9	8.3	8.2	6.4	6.6
Service Sector	Annual % Change	4.5	7.8	9.9	8.3	5.3	12.9	8.9	8.2	10.1	6.5	10.0	6.3
Whole Sale Price Index ⁴	Annual % Change	4.1	7.3	8.9	9.0	9.1	12.8	12.6	9.8	6.4	9.0	8.3	6.5
Salary and Wages Rate Index ⁵	Annual % Change	-	-	3.9	9.8	9.7	15.3	17.2	18.0	27.4	9.3	13.7	9.0
Salary	Annual % Change	-	-	0.3	6.3	10.9	10.5	20.2	0.0	19.3	0.0	25.4	9.0
Wages	Annual % Change	-	-	5.3	10.9	9.4	16.9	16.3	24.0	29.6	11.5	11.1	9.0
Public Finance***													
Revenues	Annual % Change	10.9	12.5	3.1	21.3	22.7	33.3	27.2	11.4	23.2	21.1	20.5	9.4
Total Government Expenditures	Annual % Change	6.5	14.7	8.1	20.5	20.8	36.1	18.2	13.7	14.8	5.7	21.1	13.7
Recurrent Expenditure	Annual % Change	6.6	11.0	8.6	15.1	18.6	39.7	18.2	12.6	15.8	1.6	22.7	5.2
Capital Expenditure	Annual % Change	3.3	18.4	8.3	34.2	34.7	36.6	23.5	16.8	8.6	6.2	22.1	31.4
Principal Payments	Annual % Change	12.9	25.4	5.4	17.4	-2.2	14.9	-2.1	-6.6	17.1	74.3	19.2	26.1

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Debt Servicing (Principal & Interest)	Annual % Change	7.2	13.9	3.4	12.2	-0.7	18.6	5.3	5.4	17.9	38.4	10.3	-
Revenue/GDP	In %	11.6	11.9	11.1	12.1	13.2	14.5	14.9	14.7	16.0	17.5	18.4	18.4
Tax Revenue/GDP	In %	9.0	9.2	8.8	9.8	10.4	11.8	13.4	13.0	13.9	15.3	16.1	16.5
Non-Tax Revenue/GDP	In %	2.6	2.7	2.3	2.3	2.8	2.7	1.5	1.5	2.1	2.2	2.3	1.9
Total Government Expenditures/GDP	In %	16.7	17.4	17.0	18.4	19.8	22.2	21.8	21.6	22.2	21.2	22.4	23.3
Recurrent Expenditure/GDP	In %	10.3	10.5	10.2	10.6	11.2	12.9	12.7	15.4	15.9	14.6	15.6	15.0
Capital Expenditure/GDP	In %	4.3	4.6	4.5	5.5	6.6	7.4	7.6	3.5	3.4	3.2	3.4	4.1
Principal Payments/GDP	In %	2.0	2.3	2.2	2.3	2.0	1.9	1.5	1.3	1.3	2.1	2.2	2.5
Debt Servicing (Principal & Interest)/GDP	In %	3.2	3.4	3.1	3.1	2.8	2.7	2.4	2.2	2.3	2.9	0.6	-
Foreign Grants/GDP	In %	2.1	2.4	2.1	2.2	2.5	2.7	3.2	3.4	2.7	2.1	1.7	3.5
Budget Deficit/GDP	In %	2.9	3.1	3.8	4.1	4.1	5.0	3.5	3.6	3.4	1.5	2.0	4.8
Foreign Loan/GDP	In %	1.4	1.6	1.3	1.4	1.1	1.0	0.9	0.9	0.7	0.7	1.1	2.3
Domestic Loan/GDP	In %	1.0	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	1.1	1.0	2.5
Foreign Loan and Grants/GDP	In %	3.5	4.0	3.4	3.6	3.6	3.7	3.1	4.2	3.4	2.8	2.8	5.8
Total Outstanding Debt	Rs. in Billion	318.9	314.4	337.7	332.7	375.6	425.1	440.4	443.7	523.2	545.3	553.5	519.5
Outstanding Domestic Debt	Rs. in Billion	84.6	86.1	94.7	103.8	116.0	125.7	148.1	184.2	214.0	211.9	206.7	192.4
Outstanding Foreign Debt	Rs. in Billion	232.8	219.6	233.97	216.6	250.0	277.0	256.2	259.6	309.3	333.4	346.8	327.1

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Per Capita Outstanding Debt	Rs.	13209.0	12839.0	13602.0	13212.0	14711.0	16416.0	16773.0	16749.0	19488.0	20041.0	20068.0	18337.0
Total Outstanding Debt/GDP	In %	59.4	53.3	51.6	45.7	46.1	40.8	33.9	32.5	34.3	32.2	28.5	24.5
Outstanding Domestic Debt/GDP	In %	16.0	16.1	15.9	15.9	15.4	15.0	12.4	13.5	14.0	12.5	10.6	9.1
Outstanding Foreign Debt/GDP	In %	43.4	37.3	35.8	29.8	30.6	27.9	21.5	19.0	20.2	19.7	17.9	15.4
Outstanding Foreign Debt/Revenue	In %	373.5	313.2	323.7	247.0	232.3	197.9	144.0	130.8	126.6	112.6	97.2	77.4
Outstanding Foreign Debt/Export	In %	431.8	374.1	388.4	364.8	421.8	409.2	421.2	403.5	416.5	433.5	377.0	378.1
Debt Service (Principal & Interest payment)/Recurrent Expenditure	In %	31.2	32.0	30.5	29.7	24.9	21.1	15.2	14.3	14.5	19.7	17.8	16.6
Outstanding Foreign Debt/Foreign Exchange Reserve	In %	178.8	169.1	141.8	131.2	117.6	97.4	95.3	95.4	70.4	62.5	53.3	43.8
Money and Banking ##													
Domestic Credit	Annual % Change	9.9	13.8	15.1	11.7	21.3	27.1	17.2	14.6	9.3	17.2	10.6	19.5
Private Sector Credit	Annual % Change	14.3	14.2	23.6	12.3	24.3	29.0	14.2	13.9	11.3	20.2	18.3	16.0
Net Government to Credit	Annual % Change	-1.8	11.3	11.1	10.4	11.2	20.4	26.9	19.7	-0.3	3.0	-30.1	46.6
Share of the Private Sector credit in the Banking Sector Credit	In %	70.1	70.3	75.5	75.8	77.7	78.9	80.2	79.7	81.4	83.5	89.2	86.7

xxx

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Narrow Money Supply (M1)	Annual % Change	12.2	6.6	14.2	12.2	21.6	27.3	11.0	5.2	18.6	14.4	17.7	16.5
Currency	Annual % Change	11.1	8.8	13.1	7.4	19.9	25.5	13.0	1.9	20.1	14.9	16.2	15.0
Current Deposits	Annual % Change	14.5	2.2	12.3	22.8	25.0	30.5	7.6	11.4	15.9	13.4	20.4	19.2
Broad Money Supply (M2)	Annual % Change	12.8	8.3	15.4	14.0	25.2	27.3	14.1	12.3	22.7	16.4	19.1	17.5
Fixed and Saving Deposits	Annual % Change	13.1	9.2	16.7	14.9	27.0	27.3	15.5	14.8	24.0	17.0	19.5	17.8
Total Domestic Credit/GDP	In %	45.9	47.5	49.3	49.5	53.6	56.2	66.8	66.2	64.8	68.5	66.4	72.5
Private Sector Credit/GDP	In %	32.1	33.4	37.2	37.6	41.7	44.4	53.5	52.9	52.7	57.4	59.3	62.8
Net Government Credit/GDP	In %	10.7	10.8	10.9	10.8	10.7	10.6	11.4	11.9	10.6	9.9	6.0	8.1
Narrow Money Supply/GDP	In %	17.5	17.0	17.3	17.4	18.9	19.9	17.8	16.2	17.2	17.7	18.3	19.5
Current Deposits/GDP	In %	5.7	5.3	5.4	6.0	6.6	7.2	6.1	5.9	6.1	6.2	6.6	7.1
Broad Money Supply/GDP	In %	51.7	51.0	53.0	54.3	60.7	63.8	68.8	67.1	73.6	77.6	80.7	86.6
Fixed and Saving Deposits/GDP	In %	34.2	34.0	35.7	36.9	41.8	43.9	51.0	50.8	56.4	59.6	62.4	67.1
External Sector													
Export (Goods)	Annual % Change	8.0	8.9	2.6	-1.4	-0.2	14.2	-10.2	5.8	15.4	3.6	17.4	-6.0
Import (Goods)	Annual % Change	9.6	9.7	16.3	12.0	14.0	28.2	31.6	5.8	16.5	20.6	27.3	12.2
Export/Import Ratio	In %	39.6	39.3	34.7	30.5	26.7	23.8	16.2	16.2	16.1	13.8	12.7	10.7

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Trade Deficit	Annual % Change	10.7	10.2	25.1	19.2	20.2	33.3	44.6	5.8	16.7	23.9	28.9	14.9
Income from Tourism	Annual % Change	54.5	-42.3	-8.7	6.0	84.2	49.9	0.6	-12.5	24.8	11.4	35.6	2.0
Expenditure on Tourism	Annual % Change	62.4	-3.3	23.4	32.0	32.2	50.5	2.8	-14.4	93.2	153.7	6.5	26.0
Remittance Income	Rs. in Billion	58.6	65.5	97.7	100.1	142.7	209.7	231.7	253.6	359.6	434.6	543.3	589.5
Remittance Income	Annual % Change	8.1	11.9	49.0	2.5	42.5	47.0	10.5	9.4	41.8	20.9	25.0	8.5
Current Account Balance	Rs. in Billion	14.6	11.5	14.2	-0.9	23.7	41.4	-28.1	-12.9	76.0	57.1	89.7	47.6
Export/GDP	In %	10.0	10.0	9.2	8.2	7.3	6.9	5.1	4.7	4.9	4.5	4.7	4.0
Import/GDP	In %	25.4	25.4	26.6	26.8	27.2	28.8	31.4	29.0	30.2	32.8	36.8	37.4
Total Trade/GDP	In %	35.4	35.3	35.8	34.9	34.5	35.6	36.5	33.7	35.1	37.4	41.5	41.9
Trade Deficit/GDP	In %	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-26.3	-24.3	-25.4	-28.3	-32.1	-33.4
Income from Tourism/GDP	In %	3.4	1.8	1.5	1.4	2.3	2.8	2.4	1.8	2.0	2.0	2.4	2.2
Expenditure on Tourism/GDP	In %	1.9	1.6	1.8	2.2	2.6	3.2	2.7	2.0	1.7	2.3	2.2	2.5
Remittance Income/GDP	In %	10.9	11.1	14.9	13.8	17.5	21.2	19.4	18.5	23.5	25.6	28.0	27.7
Current Account Balance/GDP	In %	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	5.0	3.4	4.6	2.3
Balance of Payments	Rs. in Billion	16.0	5.7	25.6	5.9	29.7	44.8	-3.3	4.1	131.6	68.9	127.1	70.6
Foreign Exchange Reserve	Rs. in Billion	130.2	129.9	165.0	165.1	212.6	286.5	268.9	272.2	439.5	533.3	665.4	746.3
Foreign Exchange	Annual % change	20.3	-0.2	27.0	0.1	28.8	34.8	-5.4	1.2	61.5	21.4	24.8	12.2

Fiscal Year		03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15*
Capacity of Reserves to cover Import of Goods	Months	11.8	10.7	11.5	10.6	11.7	12.2	8.7	8.4	11.6	10.2	11.5	11.4
Capacity of Reserves to cover Import of Goods and Services	Months	9.9	9.0	9.7	8.7	9.4	10.0	7.4	7.3	10.3	8.7	10.0	9.9
Exchange Rate ⁶	Per US Dollar =Rs.	73.80	72.10	72.30	70.50	65.00	76.90	74.50	72.30	81.00	88.0	98.2	98.7

¹Annual Preliminary Estimates²Base Year 2000/00=100, ³Base Year 2005/06=100⁴Base Year 1999/2000=100, ⁵Base Year 2004/05=100, ⁶Annual Average of Buying and Selling Rates

* Based on Data for the first 8 months of the current fiscal year

##Including the data of Development Banks and finance companies since July 2010.

@Prior to reduced Bank Service Charge of March/April, 2012

***Capital grants that used to be accounted for capital expenditures in the past have been included in current expenditures from FY 2011/12 following IMF's GFS 2001 reclassification. Similarly, share and loan investment in public enterprises has also been removed from the capital grant budget head.

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

Major Challenges of the Economy

Real Sector

1. It is necessary to achieve higher and sustainable economic growth rate for the country to graduate from its current status of a least developed country to developing country by 2022. In a situation where average annual growth rate for the past 10 years has been mere 4.1 percent, it poses a tough challenge to the country to achieve annual growth rate of 7 - 8 percent for graduating to a developing country.
2. Agriculture sector contributed one third space in GDP. Agriculture GDP has been mainly affected by favorable/unfavorable climatic conditions, thus affecting overall economic growth rate. It is a tough task to raise economic growth rate by raising agriculture GDP in a situation where average growth rate of this sector in the last 10 years has just been 2.9 percent.
3. Sectors including tourism, infrastructure, real estate, agriculture and finance have received serious impact from the recent devastating earthquake. This earthquake is estimated to have caused damage / loss equivalent to Rs. 706.5 billion, with cost for reconstruction estimated at Rs. 669.5 billion. It is a challenging task to make economic activities more vibrant by making these sectors regarded as the basic pillar of the economy much stronger through their reconstruction.
4. The situation of production oriented industry sector could not achieve the desired growth as a result of unending political transition, uneasy trade relation, persistent energy crisis, weak infrastructure, failure to improve investment environment as expected. The task of increasing contribution of manufacturing sector to GDP by enhancing investment environment is getting more complex.
5. Though people living below absolute poverty line have continued to decline as a result of the government's poverty centered development effort, the gaps between urban and rural, and between various geographical regions, and rich and poor are still very wide. Hence, reducing disparity between rich and poor by reducing poverty has been a challenging task.

Government Sector

6. Expansion of government's capital expenditure is a must to meet the target of achieving country's development and higher economic growth rate. The average ratio of capital expenditure to GDP in the last ten years has remained merely at 3.4 percent. Hence, improving policy-wide, structural, administrative aspects in order to achieve high economic growth rate through expansion of capital expenditure is a daunting task.
7. The share of recurrent expenditure to total expenditure has averaged 70.7 percent in last five years. During the same period, the share of recurrent expenditure to GDP stands at 15.4 percent on an average. Likewise, recurrent expenditure has grown by 14.2 percent on an average in the same period. Hence, challenge lies ahead to mobilization of resources optimally in productive activities by economizing recurrent expenditure.
8. There has been a big gap between foreign aid commitments and utilization. Not even 50 percent of the commitment could be utilized in recent years. Failure to receive amount as committed is attributable to weak utilization capacity. Hence, to receive the committed foreign aid and make its optimum utilization amid other existing institutional, structural, and managerial problems has been a challenging task.
9. Though high priority accorded national pride projects were selected and budget allocated accordingly, their performance has not been satisfactory. Delays in procuring land and removing trees, loose monitoring and evaluation processes, lack of technical staff, contractors' low performance prevail while allocated budget could not be spent as expected. Hence, achieving the desired result through timely completion of those projects has been a challenge.

Monetary Sector

10. Inflation rate in Nepal is getting higher in recent years owing to the growing problems in supply side and structural barriers than those in demand side. As a result, average inflation rate in last five years has been 9.3 percent. Several steps were taken to bring inflation rate under control through monetary and fiscal policies, macroeconomic variables

like savings, investments, and economic growth have been adversely affected, and therefore maintaining inflation rate within desired limit has been another challenge.

11. Despite growing number and types of banks and financial institutions along the financial liberalization, the large chunk of population has still been far from access to institutional finance. Percentage of the people availing institutional financial services has reached to about 40 percent as a result of efforts made to extend services of bank and financial institutions to remote and rural areas. Hence, task of enhancing financial access and inclusion is still a complex task to accomplish.
12. Deposit volume increases with expansion of net foreign assets, but the banking sector is having excessive liquidity due to its inability to extend loans with increase in deposits. Achieving the government's target of high economic growth by utilizing such existing liquidity in the productive sector through monetary transmission mechanism is getting tougher.
13. Maintaining financial stability by raising the people's confidence on banks and financial institutions still remains a challenge. Additionally, maintaining financial stability through appropriate regulations is very much necessary so as to avoid a situation with possibility of the rise in non performing loan, which could adversely affect the stability of the financial sector arising from the effect of recent devastating earthquake on banks and financial institutions financed hydropower, tourism, real estate, and education sectors etc. is another daunting challenge.
14. Shadow banking activities in the country has been expanding. Absence of appropriate regulation, supervision, and monitoring can further aggravate the situation thereby creating possibility of imminent risk to financial stability. Hence, reforms in legal, institutional, and structural aspects for managing the shadow banking through appropriate regulatory, institutional and supervision systems in place is another challenging task.
15. Nationwide expansion of secondary securities market by making it business principle based competitive and trustworthy with the removal of government's ownership over Nepal Stock Exchange Ltd. engaging an appropriate foreign strategic partner instead is a challenging task.

External Sector

16. A task of managing escalating trade deficit through the export expansion and import substitution is getting more complex. Trade deficit has been growing annually owing to the import's higher bases and growth rates as compared to those of exports. The trade deficit has remained at 32.1 percent of GDP in FY 2013/14. Tasks for removing obstacles on imports through increased production and productivity by enhancing investment climate, expanding export's competitiveness, encouraging domestic industries gearing toward import substitution, containing the trade deficit at desirable limit through import substitution have been very challenging.
17. Providing continuity to the sustainability of current account to contain it in surplus as in last few years has been a challenge. The situation of current account has relied more on import volume and remittance inflows. Task of providing sustainability to the current account through the export expansion of goods and services, increased tourism income by increasing the number of tourist arrival and import substitution has been a challenge.
18. Every year, about 500,000 labor forces are entering in to the labor market. Failure to provide adequate employment opportunities within the country has led to the increased outbound trend of migrant workers for foreign employment. As a result, the growth rate of worker's remittance has continued to swell in recent years. Though labor remittance inflow has played significant role at both macro and micro levels, its utilization in unproductive sector has been an issue of discussion. Major chunk of remittance is being spent on consumption and those are usually met through imported items thus leading import volume to rise. Hence, boosting the use remittance in productive sectors by preparing appropriate remittance policy has been a difficult task

1. Overall Economic Status

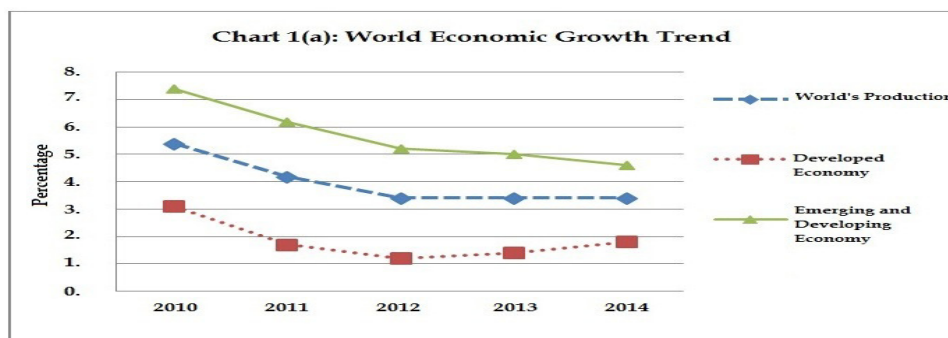
- 1.1. Global production recorded a modest growth in 2014. Economic growth rates of emerging and developing economies have declined amidst improvement observed in economic activities of the developed economies. Global inflation rate remained low in 2014 owing to down sliding oil price coupled with weak demand. Nepalese economy also saw below average growth in FY 2014/15. Less than satisfactory performances of agriculture, industry, and services sectors are attributable for such a modest economic growth rate. Current status and trend of the global and national macroeconomic variables are discussed in this section.

World Economy

Economic Growth Rate

- 1.2. Modest progresses in global economic growth rate are expected in 2015 in comparison to 2014. Factors behind this optimism is growth observed in the U. S. economy resulting from increased employment opportunities, expansion of domestic demand, decreased oil prices, accommodative monetary policy and soared consumer confidence. Likewise, economic activities expanded also in the Euro zone due to decrease in oil prices, low interest rate and weak Euro currency. According to the World Economic Outlook published by International Monetary Fund (IMF) in April, 2015, global production that rose by 3.4 percent in 2014 is projected to grow by 3.5 percent in 2015. Global production could not expand as expected as a result of unsatisfactory growth rate of emerging and developing economies that make three fourth contributions to the global economic growth.
- 1.3. According to IMF projection, economic growth rate of developed countries that grew by 1.8 percent in 2014 will grow by 2.4 percent in 2015. The Fund has also projected that among the developed countries, the American economy, which grew by 2.4 percent in 2014 is expected to improve little and grow by 3.1 percent in 2015. American economy has been gradually improving as a result of expansion in employment opportunities, accommodative monetary policy, decreased oil price and enhanced consumers' confidence. Likewise, Euro zone is projected to grow by 1.5 percent in 2015 against the growth of 0.9 percent in 2014. Japan, which recorded a negative growth rate of 0.1 percent in 2014

due to weak consumption and decreased real estate investment is expected to improve and grow by 1.0 percent in 2015. European Central Bank and Japan have brought forward Asset Purchase Program due to decreasing price and weak economic growth.



- 1.4. The economy of emerging and developing countries that was estimated to have grown by 4.6 percent in 2014 is projected to decline marginally and rest at 4.3 percent in 2015. A marginal decrease in economic growth rate of emerging and developing countries is expected due to weak performances of larger emerging economies and oil exporting countries. Among the largest Asian countries, economies that of India and China estimated to have grown by 7.2 percent and 7.4 percent respectively in 2014 are projected to grow by 7.5 percent and 6.8 percent respectively in 2015. The global trend of economic growth is presented in the Table below:

Table 1(a): Global Economic Growth Rate

(Annual Percentage Change)

Regions	2012	2013	2014	Projection		
				2015	2016	2020
World Output	3.4	3.4	3.4	3.5	3.8	4.0
Developed Economies	1.2	1.4	1.8	2.4	2.4	1.9
Emerging and Developing Economies	5.2	5.0	4.6	4.3	4.7	5.3
Emerging and Developing Asia	6.8	7.0	6.8	6.6	6.4	6.6
Middle East and North African Countries	4.9	2.3	2.4	2.7	3.7	4.0
Emerging and Developing Europe	1.3	2.9	2.8	2.9	3.2	3.4
EU Member Countries	-0.8	-0.5	0.9	1.5	1.6	1.5

Source: International Monetary Fund, April, 2015

- 1.5 All South Asian countries other than Bangladesh and Afghanistan have recorded higher economic growth rates in 2014 compared to 2013. Likewise, IMF has projected higher economic growth rates of other south Asian countries expect Maldives, Nepal, and Sri Lanka in 2015 as compared to 2014. Economic growth rate of Afghanistan, which was 3.7 percent in 2013, fell to 1.5 percent in 2014. Indian economy is estimated grow further as a result of investment expansion due to recent policy reforms and fall in prices of POL products. On the contrary, growth rate of the Chinese economy has continued to decline in recent years due to structural and other problems. Table below depicts the growth trend of neighboring countries.

Table 1 (b) Economic Growth Rate of Neighboring Countries

Countries	2012	2013	2014	(Annual percentage change)		
				Projection		
				2015	2016	2020
Bangladesh	6.3	6.1	6.1	6.3	6.8	6.7
Bhutan	6.5	5.0	6.4	7.6	8.2	6.9
India	5.1	6.9	7.2	7.5	7.5	7.8
Maldives	1.3	4.7	5.0	5.0	3.9	5.0
Nepal	4.8	3.9	5.5	5.0	5.0	4.5
Sri Lanka	6.3	7.3	7.4	6.5	6.5	6.5
Pakistan	3.8	3.7	4.1	4.3	4.7	5.0
Afganistan	14.0	3.7	1.5	3.5	4.9	5.3
China	7.8	7.8	7.4	6.8	6.3	6.3

Source: International Monetary Fund, April, 2015

Price Situation:

- 1.6 Developed economies recorded price rise of 1.4 percent in both years of 2013 and 2014. In year 2015, however, price in developed economies is projected to rise only by 0.4 percent. The reason behind projection of such modest price rise for 2015 is declining price of oil and weak demand. Likewise, price rise in emerging and developing economies that stood at 5.1 percent in 2014 is projected at 5.4 percent for 2015. However, Middle East and North African countries including Egypt, Sudan, and Iran experienced double digit consumer inflation in 2014 due to disturbed peace and internal conflicts. As per IMF's projection, prices in developed countries including United States of America, Euro zone and Japan will decline in 2015 as compared to 2014. Inflation remained at the lower level as a result of higher output gap in Euro zone. The trend of CPI-based global inflation is given in the Table below:

Table 1 (c): CPI Based Global Inflation Rate

Regions	2012	2013	2014	Projection		
				2015	2016	2020
Developed Economies	2.0	1.4	1.4	0.4	1.4	2.0
Emerging and Developing Economies	6.1	5.9	5.1	5.4	4.8	4.5
Emerging and Developing Asia	4.7	4.8	3.5	3.0	3.1	3.7
Middle East and North African Countries	9.7	9.3	6.5	6.2	6.4	5.7
Emerging and Developing Europe	6.0	4.3	3.8	2.7	3.7	4.0
EU Member Countries	2.5	1.3	0.4	0.1	1.0	1.7

Source: International Monetary Fund, April, 2015

- 1.7 Inflation rate in South Asian countries is being influenced owing to ever increasing interdependency of these countries on other countries of the world. Though some countries of this region, that had recorded double digit inflation in 2013, has been able to contain it within single digit in 2014. As compared to 2013, except that of Pakistan, inflation rate of all South Asian countries has declined in 2014. Among South Asian countries, Nepal and Pakistan recorded highest inflation rate while Maldives and Sri Lanka had recorded the lowest in 2014. China, which had inflation rate of 2.6 percent in 2013, was able to contain it at 2.0 percent in 2014. Inflation rate of China is getting lower along with the slower economic activities. Likewise, India has successfully contained its inflation rate from 10.0 percent recorded in 2013 to 6.0 percent in 2014. Inflation rates of South Asian Countries except India are projected to decline in 2015 as compared to 2014. CPI-based inflationary trend of neighboring countries is given in the Table 1 (d) below:

Table 1 (d): CPI-based inflationary Trend of Neighboring Countries

Countries	2012	2013	2014	Projection		
				2014	2015	2020
Bangladesh	6.2	7.5	7.0	6.4	6.4	5.9
Bhutan	10.1	8.7	7.7	6.3	6.1	5.6
India	10.2	10.0	6.0	6.1	5.7	5.0
Maldives	10.9	4.0	2.5	0.3	2.1	4.0
Nepal	8.3	9.9	9.0	7.1	6.3	5.7
Sri Lanka	7.5	6.9	3.3	1.7	3.4	5.0
Afghanistan	6.4	7.4	4.6	3.7	5.5	5.0
Pakistan	11.0	7.4	8.6	4.7	4.5	5.0
China	2.6	2.6	2.0	1.2	1.5	3.0

Source: International Monetary Fund, April, 2015

Total Domestic Demand

- 1.8 The real total domestic demand of developed countries has increased by 1.8 percent in 2014 as compared to 1.0 percent growth of 2013 due to expanded economic activities in these countries. Such demand of the United States of America that had increased by 1.9 percent in 2013 has surged by 2.5 percent in 2014. But, Euro Zone that recorded negative real total domestic demand by 0.9 percent in 2013 has been able to improve and attain growth of 0.8 percent in 2014. Such demand in developed countries is projected to grow by 2.3 percent in 2015. This clearly indicates that the global economy has started to rise above global recession. Table below shows the trend of real total domestic demand of developed countries.

Table 1 (e) Real Total Domestic Demand

Regions	2012	2013	2014	(Annual Percentage change) Projection		
				2015	2016	2020
Developed Economies	0.8	1.0	1.8	2.3	2.4	2.0
United States of America	2.2	1.9	2.5	3.4	3.4	2.2
European Countries	-2.3	0.9	0.8	1.2	1.5	1.5
United Kingdom	1.4	1.8	2.9	2.7	2.4	2.2
Japan	2.6	1.9	0.1	0.1	0.7	0.5
Canada	2.2	1.8	1.4	1.2	1.9	1.7

Source: International Monetary Fund, April 2015

- 1.9 Expansion in real total domestic demand in developed countries lead to expansion of exports of those countries having trade relation with these countries thereby positively affecting their production and economic activities. Similarly such expansion raises demands for overseas labors in those countries that ultimately increases tendency of migrant workers' flow to foreign employment thereby positively affecting remittance inflows. Expansion of domestic demand in developed and industrialized countries may have positive effects on production, exports, and employment of least developed countries like Nepal.

World Trade

- 1.10 The volume of world trade in goods and services that had recorded a negative growth of 10.6 percent in 2009, registered a notable growth in its two subsequent years, however grew merely by 2.8 percent in 2012. Global trade volume of goods and services that had grown by 3.5

percent in 2013 grew just by 3.4 percent in 2014. Exports of developed economies rose by 3.3 percent while that of emerging and developing economies grew by 3.4 percent in 2014. Likewise, the imports of developed, emerging and developing economies grew by 3.3 percent and 3.7 percent respectively in 2014. The trade balance of developed economies in 2014 expanded by 0.3 percent while that of emerging and developing economies shrank by 0.6 percent. IMF has made a forecast that world trade volume will expand by 3.7 in 2015. The trend in the world trade is depicted in the Table below.

Table 1 (f): World Trade of Goods and Services

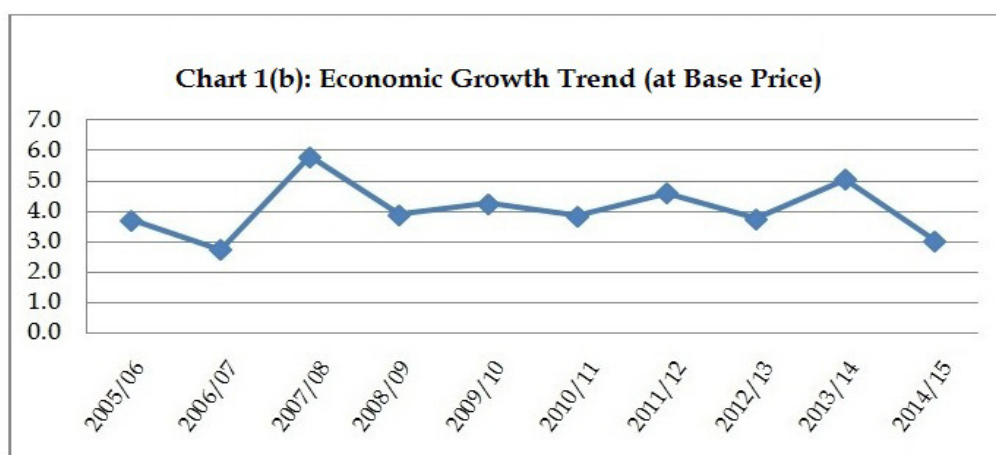
(Annual Percentage Change)

Trade/Year		2012	2013	2014	Projection	
					2015	2016
Total Trade Volume	Global	2.8	3.5	3.4	3.7	4.7
Export	Developed Economies	2.0	3.1	3.3	3.2	4.1
	Emerging and Developing Economies	4.4	4.6	3.4	5.3	5.7
Import	Developed Economies	0.9	2.1	3.3	3.3	4.3
	Emerging and Developing Economies	6.0	5.5	3.7	3.5	5.5
Trade Balance	Developed Economies	-0.6	0.7	0.3	1.0	-0.4
	Emerging and Developing Economies	0.7	-0.3	-0.6	-3.7	0.1

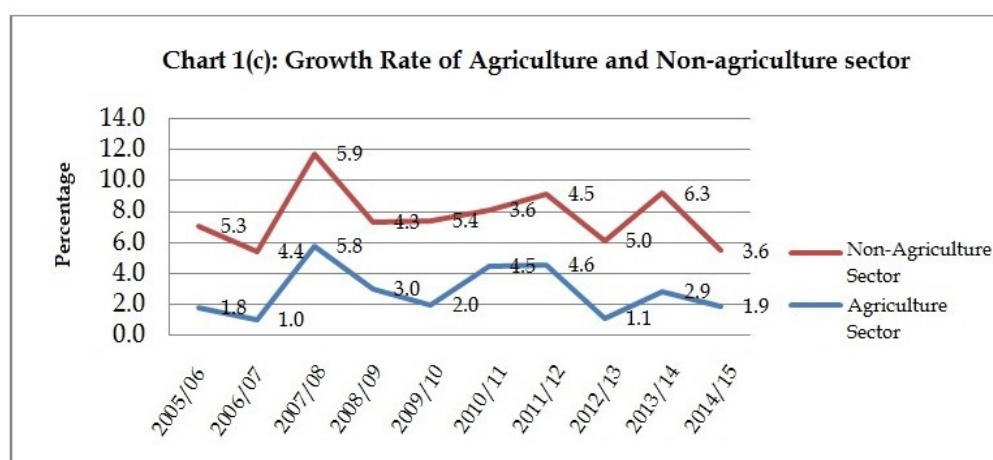
Source: International Monetary Fund, April 2015

National Economy

- 1.11 Of the revised target of country's GDP growth by 5.0 percent in fiscal year 2014/15, such growth rate at the basic prices is estimated to remain at 3.0 percent. Such growth rate stood at 5.1 percent last year. The estimated growth rate for the current year is the lowest in eight years. The growth rate of current fiscal year has remained low as compared to that of previous fiscal year mainly as a result of adverse climatic condition on agriculture sector and activities of non-agriculture sector's got badly affected by devastating earthquake of April 25, 2015. As per preliminary estimate prior to the earthquake, country's GDP was estimated to grow by 4.6 percent at basic prices. GDP is likely to fall by Rs. 36.5 billion thereby containing economic growth to 3.0 percent since mining and quarrying, manufacturing, construction, whole sale and retail trade, hotel and restaurant, financial intermediaries, real estate and business service sectors have been badly affected by earthquake of April 25, 2015.



- 1.12 Nepal's economic growth over the last decade has not been satisfactory. Although the growth rate recorded over 5.0 percent in fiscal years 2007/08 and 2013/14, growth in other fiscal years hovered around 3 to 4 percent. The country's economic growth rate in last decade averaged just 4.1 percent at basic prices. Likewise, the average growth rates of agriculture and non-agriculture sectors in last 10 years remained at 2.9 percent and 4.8 percent respectively. The average growth rates of industry and service sectors under non-agriculture sector in the same period stood at 3.2 percent and 5.4 percent respectively.



- 1.13 Analysis of sector-wise trend of economic growth for the last decade reveals that though the growth rate of the services sector remained satisfactory, industry sector's growth rate could not record as such. Except for three fiscal years, services sector recorded a growth of over

5.0 percent in the other fiscal years. During this period, the growth rate of agriculture sector was much more influenced mainly by the climate factor and supply of seeds and fertilizers, while the industry sector under the non-agriculture sector was greatly affected by the investment environment, labor problems, energy crisis, and prolonged political transition among others.

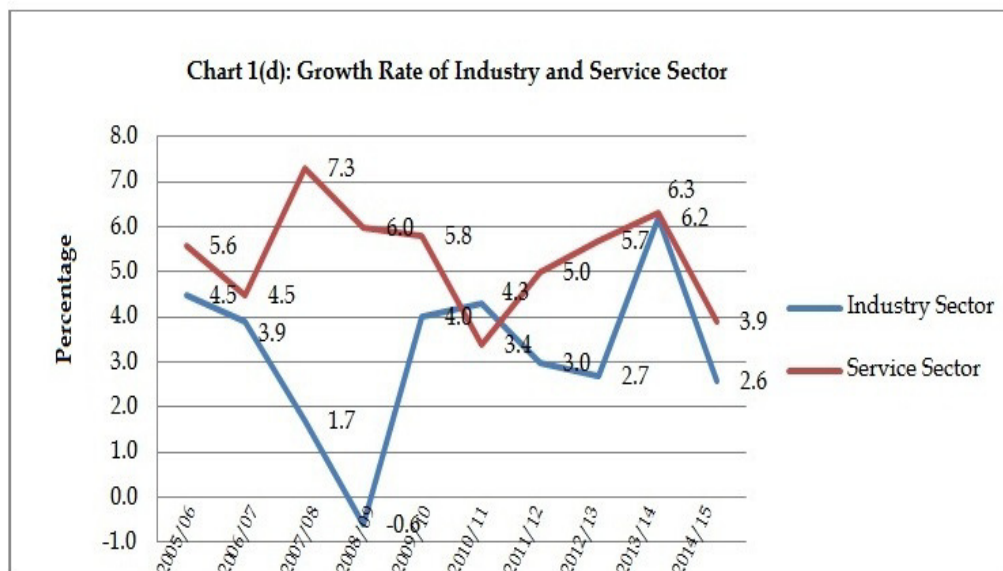


Table 1 (g): Economic Growth in last Decade (Percent)

Fiscal Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Average
Agriculture	1.8	1.0	5.8	3.0	2.0	4.5	4.6	1.1	2.9	1.9	2.9
Non Agriculture	5.3	4.4	5.9	4.3	5.4	3.6	4.5	5.0	6.3	3.6	4.8
Industry	4.5	3.9	1.7	-0.6	4.0	4.3	3.0	2.7	6.2	2.6	3.2
Service	5.6	4.5	7.3	6.0	5.8	3.4	5.0	5.7	6.3	3.9	5.4
Economic Growth(Basic Prices)	3.7	2.8	5.8	3.9	4.3	3.8	4.6	3.8	5.1	3.0	4.1

Source: Central Bureau of Statistics

- 1.14 Growth rate of GDP can be described on sectoral basis. Though the System of National Accounts 1993 has classified overall economic activities into 17 sectors, Nepal's aggregate economic growth report is published based details available of 15 sectors only. The Status of various sectors and sub-sectors, which is based on update data, has been discussed in the following section.

Agriculture Sector

Agriculture and Forestry

- 1.15 In this year, production of paddy (rice), which contributes 21 percent to agriculture GDP has declined by 5.1 percent owing to adverse climate. Likewise, production of maize (corn) among the major crops is estimated to have declined by 6.0 percent as well. In FY 2014/15, the production of agriculture and forestry sectors is estimated to grow by just 1.8 percent due to modest growth in production of other agricultural crops and livestock. This sector had witnessed 2.8 percent growth in previous fiscal year. Growth rate of this sector averaged 3.0 during last five years. This sector is estimated to contribute 32.5 percent to GDP of the current fiscal year.

Fishery

- 1.16 The fishery sector is estimated to grow by 6.3 percent in the current fiscal year 2014/15 as compared to 4.9 percent growth in the previous fiscal year. The average growth rate of this sector remained at 5.5 percent during last five years. The growth rate of this sector has been satisfactory attributed mainly to the increased attraction of farmers towards this farming.

Non-Agriculture Sector

- 1.17 Industry and service sectors fall under the non-agriculture sector. This sector is estimated to grow by 3.6 percent in the current fiscal year against the growth of 6.3 percent in the previous fiscal year. Of this sector, the growth rates of industry and service sectors is estimated to remain at 2.6 percent and 3.9 percent respectively in the current fiscal year. Growth rate of these sectors had remained at 6.2 percent and 6.3 percent respectively in the previous fiscal year. Non-agriculture sector recorded an average growth of 4.6 percent in last five years.

Industry Sector

Mining and Quarrying

- 1.18 Production of mining and quarrying sector is estimated to grow by 0.9 percent in the current fiscal year. This sector recorded a growth of 5.4 percent last year. The growth rate of this sector remained low in this fiscal year as compared to the previous fiscal year due to massive earthquake that occurred in April 25, 2015 causing sharp fall in the

exploration of boulders, concretes, sand and soil and ban imposed by the government on the construction of new building for some time. The growth rate of this sector in the preceding five years averaged 3.1 percent.

Manufacturing

- 1.19 Performance of manufacturing sector has not been satisfactory during the last decade. This sector saw a minimum growth rate in this period despite recording positive growth in all fiscal years except for 2007/08 and 2008/09. Growth rate of this sector that stood at 6.3 percent in FY 2013/14 is estimated to stagnate at only 2.4 percent in FY 2014/15. Production of this sector has been affected by the earthquake of April 25 that physically damaged some industries causing failure to operate them. Besides, labor shortage even in operational industries and reduced demand of produced goods has resulted in the lower growth rate of this sector. The average growth rate of this sector has remained at 4.0 percent in last five years.
- 1.20 Manufacturing sector has been adversely affected for long due to lack of improvement in the investment environment; persistent energy crisis; uneasy labor relations; ever extending political transition; inability to develop industrial infrastructure; failure to reform laws and regulations as required; and inability to convince investors to invest. A mere 2.6 percent average growth rate in the last ten years clearly shows disappointing state of this sector. Contribution of this sector to RGDP, which was 10 percent in the past, has been gradually declining over the years. Contribution of this sector to GDP, which was 8.5 percent in FY 2001/02, continued to decline in the later years and estimated to be contained at 6.8 in the current fiscal year.

Electricity, Gas and Water

- 1.21 Production of electricity, gas and water sector is estimated to rise by 1.2 percent in FY 2014/15. Production of this sector had recorded a growth of 3.5 percent in the last year. Growth rate of this sector in last five years has averaged at 3.5 percent. Contribution of this sector to RGDP is estimated to remain at 2.1 percent in the current fiscal year.

Construction

- 1.22 This sector, which grew by 7.1 percent in the previous fiscal year, is estimated to grow by 3.6 percent in the current fiscal year. Construction sector recorded a lower growth rate as compared to the

previous fiscal year as the government put immediate ban on construction of new homes after the earthquake of April 25, which resulted in short supply of supply of construction materials together with reduction in production of such materials except Zinc sheets. Average growth rate of this sector has been 3.6 percent for the past five years. Contribution of this sector to RGDP stood at 5.9 percent in the current fiscal year.

Services Sector

Wholesale and Retail Trades

- 1.23 Production of this sector, which registered a higher growth rate of 9.0 percent in FY 2013/14, is estimated to grow only by 3.4 percent in current fiscal year. Factors like low production of agriculture sector, decrease in the imports of tradable goods and decline in industrial production in the aftermath of earthquake have attributed to stunted growth rate of this sector in current fiscal year as compared to that of the previous fiscal year. The average growth rate of this sector in the last five years has been 4.9 percent. Being the largest contributor to GDP among various sub-sectors of the non-agriculture sector, this sector is estimated to contribute 13.3 percent to RGDP in the current fiscal year.

Hotel and Restaurant

- 1.24 Production of hotel and restaurant sector is estimated to have grown by 4.0 percent in current fiscal year 2014/15. Production of this sector had recorded a growth of 6.8 percent in the last fiscal year. Decreased tourist arrivals; physical damages caused to hotels and restaurants by the earthquake; and fall in domestic tourism activities have resulted in low growth of this sector in the current fiscal year as compared to that of the previous fiscal year. Growth rate of this sector in the last five years has averaged 6.0 percent. Likewise, contribution of this sector to RGDP is estimated at 1.8 percent in current fiscal year.

Transport, Storage and Communication

- 1.25 Production of this sector that grew by 8.3 percent in last year is estimated to grow by 5.2 percent in current fiscal year. Average growth rate of this sector has been 6.9 percent in last five years. Contribution of this sector to RGDP is estimated to remain at 10.6 percent in current fiscal year.

Financial Intermediation

- 1.26 Transactions of Nepal Rastra Bank, commercial banks, development banks, financial institutions, micro finance institutions and cooperatives come under the banking group of this sector. Likewise, transactions of the Insurance Board (*BeemaSamiti*) with that of life and non-life insurance companies come under the insurance group of this sector. Similarly, transactions of Security Board of Nepal, Employees Provident Fund, Citizens Investment Trust, etc come under social security contribution group. Growth rate of this sector that stood at 3.7 percent in the last fiscal year is estimated to grow by 1.4 percent in the current fiscal year. Growth of this sector is likely to fall in current fiscal year as compared to that of previous fiscal year owing to negative impact caused by the earthquake on loan investment made towards sectors including tourism, construction, agriculture, and increased volume of insurance claims. Average growth rate of this sector during the last five years has been 2.2 percent. Contribution of this sector to RGDP is estimated to remain at 3.9 in the current fiscal year.

Real Estate, Renting and Business Activities

- 1.27 Output of this sector in current fiscal year is estimated to grow by 0.8 percent. Such output growth was recorded at 3.6 percent last year. Production of this sector is estimated to grow marginally in the current fiscal year due to devastating earthquake that wrecked damage to the housing business causing recession in real estate business. This sector averaged annual growth rate of 3.0 percent in the past five years. Contribution of this sector to RGDP is estimated to remain at 7.7 percent in current fiscal year.

Public Administration and Defense

- 1.28 Based on budgetary allocation and expenditure on public administration and defense of the central government in the current fiscal year, output of this sector is estimated to increase by 5.8 percent against this sector's growth of 5.0 percent in the previous fiscal year. Average growth rate of this sector in the preceding five years has been 4.8 percent. This sector is estimated to contribute 1.8 percent to RGDP in the current fiscal year.

Education

- 1.29 Due to expansion of government budget and expenditure in the education sector together with expansion of educational activities in

the private and non government sectors, output of this sector is estimated to grow marginally in FY 2014/15 as compared to previous fiscal year and remain at 5.0 percent. Output of this sector had increased by 4.8 percent last year. This sector's output growth has averaged 4.9 percent during the preceding five years. Contribution of this sector to current year RGDP is estimated to remain at 6.8 percent in the current fiscal year.

Health and Social Work

- 1.30 Output of this sector is expected to grow at a higher rate of 10.0 percent in this fiscal year as a result of increased budgetary allocation and expenditure by the government together with increased transactions of the government and non-government, and the private sector in the health sector following the earthquake. Such growth in the previous year stood at 4.5 percent. Annual average output of this sector for the preceding five years has increased by 6.1 percent. Contribution of this sector to RGDP is estimated to stand at 1.6 percent in the current fiscal year.

Other Community, Social and Personal Services

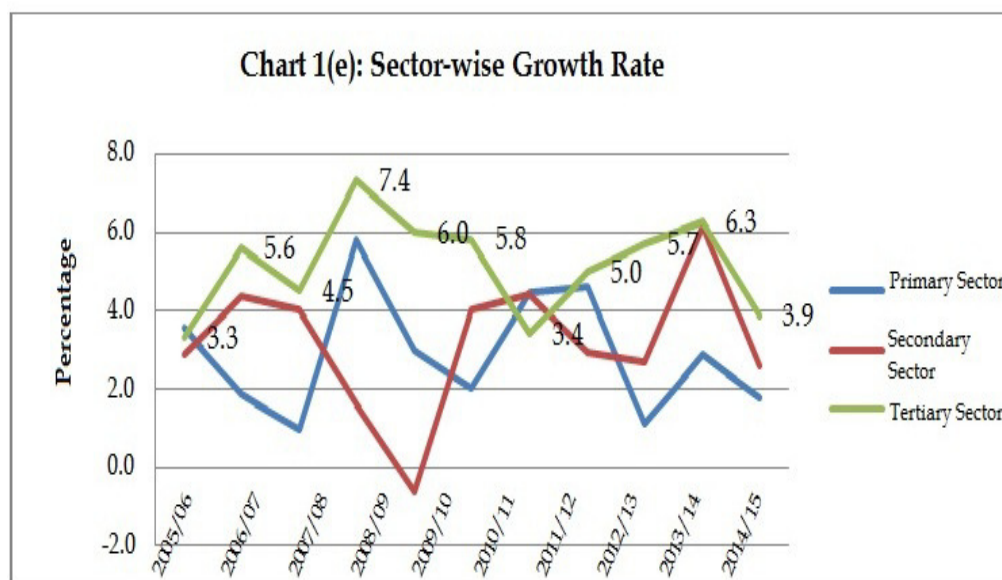
- 1.31 This sector comprises social services and personal services excluding education and health services provided through the government sector. Output of this sector is estimated to rise by 5.3 percent in the current fiscal year. In the previous year, output of this sector had increased by 4.8 percent. This sector in the preceding five years averaged 5.7 percent growth. Contribution of this sector to current year RGDP is estimated to remain at 4.2 percent.

Sector-wise Detail

- 1.32 GDP can be analyzed by classifying it into three main sectors namely, primary, secondary, and tertiary. Primary sector includes agriculture and forestry, fishery and mining. The output of the primary sector in FY 2014/15 is estimated to grow by 1.8 percent. This sector had recorded a growth of 2.9 percent in the previous year. Annual growth rate of this sector averaged 3.0 percent in the last five years.
- 1.33 The secondary sector encompasses outputs of manufacturing, electricity, gas and water, and construction sub-sectors. Output of the secondary sector in FY 2014/15 is estimated to increase by 2.7 percent. This sector had recorded a growth of 6.2 percent in the previous year. Output of this sector in this year recorded a stunted growth as

compared to that of the previous year due to marginal output growths in all its sub-sectors of this group. Average growth rate of this sector in the preceding five years has remained at 3.2 percent.

- 1.34 The tertiary sector comprises wholesale and retail trade; hotel and restaurant; transport, storage and communication; financial intermediation; real estate and business activities; public administration and defense; education, health and social work, other community, social and personal services. Output of this sector that registered a growth of 6.3 percent in the previous year is expected to grow just by 3.9 percent in the current fiscal year. Such diminished growth of this sector in the current fiscal year is due to low output of sub-sectors other than public administration and defense, education, health and other community services. Average growth rate of this sector in the preceding five years has remained at 5.4 percent.

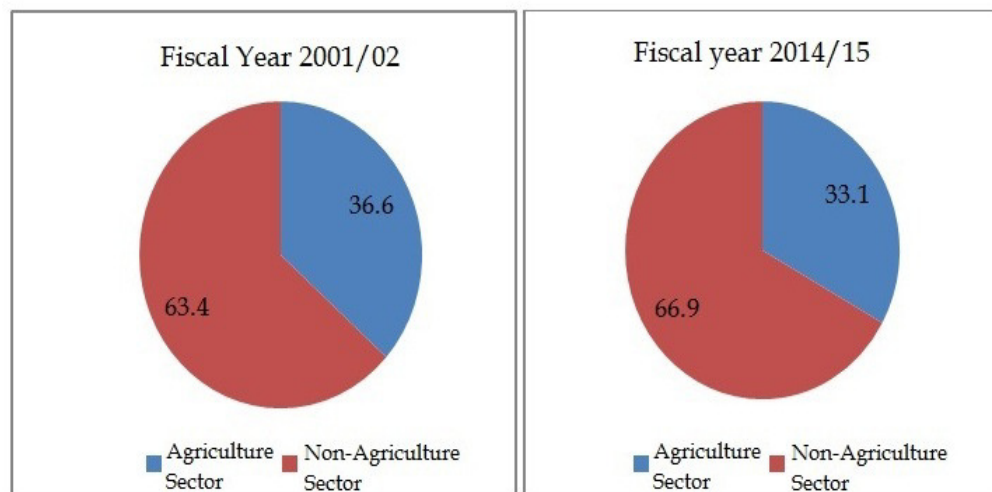


Structure of Gross Domestic Product

- 1.35 Nepalese economy is passing through structural changes. Contribution of agriculture and industry sectors to GDP has continued to decline while that of services sector is increasing. For example, sector-wise observation reveals that the contribution of primary sector to GDP, which was 37.9 percent FY 2001/02, is estimated at 32.3

percent in current fiscal year at current prices. This sector's contribution to GDP in the last five years has averaged 34.6 percent.

Chart 1(g): Contribution in Gross Domestic Product (Percent)



- 1.36 Contribution of the secondary sector to GDP has continued to fall. Contribution of this sector to GDP at current prices that stood at 17.0 percent in FY 2001/02, has dropped to 14.5 percent in the current fiscal year. Average contribution of this sector in last five year has remained at 14.5 percent.
- 1.37 Contribution of the tertiary sector to GDP has been on gradual rise. Contribution of this sector to NGDP that stood at 45.1 percent in FY 2001/02 has gone up to 53.2 percent in the current fiscal year. Contribution of this sector to GDP has averaged 50.9 percent in preceding five years.
- 1.38 On classification of GDP into agriculture and non-agriculture sectors following industrial classification criteria, contribution of agriculture sector to GDP has been gradually declining while that of non-agriculture sector has continued to rise. Contribution of the agriculture sector to real GDP in FY 2000/01, which stood at 36.6 has come down to 33.1 percent in the current fiscal year. Likewise, contribution of the non-agriculture sector has grown from 63.4 percent to 66.9 percent during the same period.

Per Capita Income

- 1.39 Per capita GDP at current prices has reached Rs. 74,992 in FY 2014/15. Such GDP at constant prices of the same year, however, comes out to Rs. 26,834. Per capita GDP at constant prices, which registered a growth of 4.0 percent in the previous fiscal year is expected to grow marginally by just by 0.6 percent in this year. This growth rate is very low in comparison to population growth rate. Per capita GDP (at constant prices) has averaged 3.2 percent in last ten years. Likewise, in USD terms, per capita GDP (at current prices) has reached at US \$ 762 in current fiscal year 2014/15.

Chart 1 (h): Per Capita GDP Growth Rate at Constant Price



Issues and Challenges

- 1.40 Macroeconomic stability is influenced by both internal and external factors. Along globalization, economic growth, inflation, and trade like macroeconomic variables get influenced by external happenings and incidences. In the context of globalization, external sector has been posing numerous challenges against maintaining macroeconomic stability.
- 1.41 Agriculture sector has occupied one third share in GDP. Fluctuations in agriculture GDP has been affecting overall economic growth rate. In the context of Nepal's vulnerability of agricultural production on favorable/unfavorable climatic conditions, achieving higher growth rate through sustainable development of this sector has been a

persistent challenge. Likewise, non-agriculture sector has also been affected as a result of failure to expand domestic and foreign investments to desirable extent owing to factors like political instability, labor problem, energy crisis, weak infrastructure and failure to achieve desired progress in investment environment. Hence, it has been a daunting task to improve investment environment and achieve higher economic growth rate by bringing ever extending political crisis to an end.

- 1.42 High and sustainable economic growth is a must criterion for Nepal to graduate from a least developed country to developing country by 2022. It is difficult for the country to graduate to the status of developing country unless it achieves a consistent annual economic growth rate of 7-8 percent. Amidst country's average economic growth rate of just 4.1 percent in last five years, achieving the target with the attainment of higher economic growth by boosting investment remains a challenge.

2. Public Finance

Public Finance and its Structure

- 2.1. Government of Nepal had made the budget for fiscal year 2014/15 public on 13th of July 2014 with budgetary allocation of Rs. 618.10 billion with programs and sources of financing.
- 2.2. Expenditure estimates for FY 2014/15 is higher by 42 percent than actual expenditures of fiscal year 2013/14. In fiscal year 2013/14, only Rs. 435.05 billion could be spent against budgetary allocation of Rs. 517.24 billion made for that year, which was higher by 21.30 percent as compared to its preceding fiscal year. As compared to FY 2011/12, actual government expenditure in fiscal year 2012/13 was higher by 5.7 percent totaling Rs. 358.63 billion.
- 2.3. Government income (Revenue and Grants) is estimated to reach Rs.514.82 billion in FY 2014/15 with 28.6 percent growth in comparison to the actual income of FY 2013/14. Such income had grown by 18.95 percent to Rs. 396.31 billion in FY 2013/14 in comparison to 15.9 percent growth achieved totaling Rs 332.92 billion in fiscal year 2012/13. Government's income/expenditure, budget deficit and their ratio to GDP of last five fiscal years are depicted in Table 2(a).

Table 2 (a): Public Finance and GDP with their Ratios (In Percent)

(In Rs.10 Million)

Descriptions	Fiscal Year				
	2010/11	2011/12	2012/13	2013/14	2014/15*
GDP	136,695.4	152,734.4	169,264.3	194,162.4	212465.0
Expenditure	29536.1	33916.8	35863.8	43505	61810
Government Income	24574.1	28798.4	33392.7	39631	51482
Budget Surplus(+)/ Deficiency(-)	-4962.1	-5118.4	-2471.1	-3895	-10328
Ratio to GDP (In Percent)					
Expenditure	21.6	22.2	21.2	22.5	29.09
Government Income	18.0	18.9	19.7	20.55	24.23
Budget Deficit	3.6	3.4	1.5	2.0	4.86

* Estimated

Source: Central Bureau of Statistics and Financial Comptrollers General Office

- 2.4. Budget deficit of Nepal Government is estimated to account for Rs. 103.28 billion in FY 2014/15. Such deficit in FY 2013/14 stood at 38.15 billion only against the estimated Rs. 87.70 billion for that year. Budget deficit of the Government in fiscal year 2012/13 had decreased by 51.7 percent to Rs. 24.71 billion. Should entire estimated budget for the current fiscal year is spent, such deficit is likely to soar up by 170.60 percent.
- 2.5. Government income in the fiscal year 2012/13 and 2013/14 had grown by 15.9 and 18.7 percent respectively, while expenditure grew by 5.7 and 21.14 percent respectively in those years resulting in higher budget deficit in fiscal year 2013/14 than fiscal year 2012/13.
- 2.6. The ratio of Government expenditure to GDP in fiscal year 2012/13 stood at 21.2 percent while such ratio increased to 22.5 percent in fiscal year 2013/14. The ratio of Government revenue that remained 19.7 percent in fiscal year 2012/13 has reached 20.55 percent in fiscal year 2013/14. The gap between Government's revenue and expenditure was 3.3 percent of GDP in fiscal year 2011/12, which rested at 1.5 percent in fiscal year 2012/13 due to lower growth rate of expenditure, but it grew to 2.0 percent in fiscal year 2013/14. As per the government's income and expenditure estimates for current fiscal year, percentages of income, expenditure, and budget deficit to GDP are likely to be 24.23 percent, 29.09 percent and 4.86 percent respectively if income and expenditure targets are fully met.

Government Expenditure

- 2.7. Of the total budgetary allocation of Nepal Government amounting to Rs. 618.10 billion for fiscal year 2014/15, estimates for recurrent and capital expenditures has been 64.5 percent and 18.9 percent respectively, with the remaining 16.6 percent allocated for repayment of principal, and credits and investments under the financial arrangement heading. Government's actual expenditure in fiscal year 2013/14 stood at 435.05 billion. Of this amount, 69 percent accounted for recurrent, 15.2 percent for capital expenditures, 9.8 percent for repayment of principal, and the rest for share investments and loans. Expenditure trend and its structural analysis for past few years shows that the share of recurrent expenditure to the total expenditure is on declining trend while capital expenditure has recorded growth, but not to a significant level. Recurrent expenditure that hovered around 72 percent of the total expenditure in FY 2009/10 declined in its

succeeding years and got confined to 64.5 percent in the current fiscal year. In FY 2011/12, about 6 percent of the total expenditure was spent on principal repayment against domestic and foreign loans, which grew to about 10 percent in FY 2012/13. Such expenditure accounted for 11 percent in fiscal year 2013/14. Its share in total expenditure increased due to 25 percent increment in principal repayment of domestic borrowing in comparison to that of previous fiscal year. Aggregate expenditure in fiscal year 2013/14 grew by 22 percent as compared to that of fiscal year 2012/13 while it is estimated to grow by another 25.2 percent in current fiscal year.

- 2.8. In fiscal year 2011/12, recurrent and capital expenditures had grown by 16.4 percent and 8.6 percent respectively in comparison to the actual expenditure of its previous fiscal year. But, such expenditures had grown nominally by 1.6 percent and 6.2 percent in fiscal year 2012/13, while share investment had declined by 26.4 percent and that of loan investment had risen by 4.0 percent. Amounts allocated for recurrent and capital expenditures for the current fiscal year are higher by 42.8 percent and 55.9 percent respectively than actual expenditure of the previous fiscal year. Likewise, Government's expenditure on principal repayment of domestic and foreign loans that had increased by 216.0 percent and 4.9 percent respectively in fiscal year 2012/13, is likely to grow further by 20.3 percent and 17.8 percent respectively in the current fiscal year 2013/14. Such expenditure is anticipated to be 29.38 and 21.23 percent respectively.
- 2.9. The flow of credits to Public Enterprises and different projects that was 3.5 percent of total government expenditure in fiscal year 2012/13 stood at 3.0 percent in fiscal year 2013/14. Domestic loan investment is estimated to soar up by 168.0 percent to Rs. 34.68 billion as compared to actual credit investment of fiscal year 2013/14, if total amount allocated for domestic loan investment is fully disbursed. Government's domestic share investments, which had decreased by 26.4 percent in fiscal year 2012/13 as compared to its preceding fiscal year, reached Rs. 9.41 billion with an increment of 5.74 percent. The amount allocated for share investment in the current fiscal year is higher by 47.6 percent than the actual share investment of the previous fiscal year.

Table 2 (b): Details of Government Expenditure*(In Rs. 10 million)*

Expenditure Head	Fiscal Year									
	2010/11		2011/12		2012/13		2013/14		2014/15*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Recurrent Expenditure	21016.8	71.2	24346.0	71.8	24745.5	69.0	30353	69.82	39895	64.5
Capital Expenditure	4732.8	16.0	5139.1	15.2	5459.8	15.2	6669	15.94	11675	18.9
Share Investment	994.4	3.4	1209.4	3.6	890.2	2.5	945	2.16	1389	2.25
Domestic Loan Investment	1070.4	3.6	1206.4	3.6	1255.2	3.5	1351	3.0	3468	5.61
Principle Repayment of Domestic Debt	600.2	2.03	662.7	2.0	2094.0	5.8	2515	5.8	3255	5.24
Principle Repayment of Foreign Debt	1121.8	3.8	1353.2	4.0	1419.0	4.0	1672	3.8	2028	3.18
Total Expenditure	29536.3	100.0	33916.7	100.0	35863.8	100.0	43505	100.0	61710	100.0

EstimatedSource: Financial Comptrollers General Office*

2.10 Government's total expenditure in the first eight months of fiscal year 2013/14 had totaled Rs. 202.49 billion with 37.8 percent increment in comparison to its previous fiscal year. Expenditure in the first eight months of the current fiscal year 2014/15 totaled Rs. 296.30 billion with a rise of 46.40 percent in comparison to the previous fiscal year 2013/14. Of the total expenditure in the first eight months of fiscal year 2014/15, recurrent expenditure totaled Rs. 213.96 billion, capital expenditure Rs.34.69 billion, repayment of principle against domestic and foreign debts Rs. 239 billion, share investment in enterprises Rs. 2.39 billion, and loan investment Rs. 9.52 billion. Expenditure on all headings has significantly increased in the first eight months of current fiscal year 2014/15 as compared to the corresponding period of the previous fiscal year. In comparison of the expenditure of the first eight months of the current fiscal year with the corresponding period of previous fiscal year, recurrent expenditure has risen by 20 percent, capital expenditure by 76.90 percent, share investment by 33 percent, credit investment by 181.0 percent and principle repayment against domestic borrowing by a massive 1300.0 percent.

Status of Service and Function-wise Capital Expenditures

- 2.11 Of the capital expenditure of Rs. 116.75 billion allocated for FY 2014/15, economic affair is expected to occupy the topmost position with Rs. 73.17 billion (62.7 percent). The amount allocated to economic affair for the current fiscal year has been marginally lower to the amount that used to be two third of the total capital expenditure between fiscal year 2010/11 and 2013/14. Housing and community amenities have been occupying the second largest position of capital expenditure. Shares of these sectors that were 10.6 percent in capital expenditure of fiscal year 2013/14 is estimated to remain at 14.72 percent in current fiscal year, but still with the second largest share. General public services that shared 2.4 percent to the total capital expenditure in fiscal year 2012/13 totaled Rs.1.51 billion in fiscal year 2013/14 with a decline in its share. This amount is 2.6 percent of the total capital expenditure, while 27.8 percent less than the capital expenditure allocated to general public services in the previous year. The amount earmarked for this sector in the current fiscal year is 490.0 percent higher than the actual expenditure of the previous fiscal year.
- 2.12 The share of capital expenditure on public law and order, which was about 3.1 percent in FY 2009/10, has gradually increased in subsequent years reaching 7.9 percent in FY 2013/14. However, Rs. 3.01 billion is set aside for this sector, which is 2.9 percent of total capital expenditure ear marked for fiscal year 2014/15. The share of capital expenditure on health service was 6.6 percent in the previous fiscal years remained at 5.4 percent in FY 2012/13 and 4.72 in fiscal year 2013/14. A sum of Rs. 4.67 billion has been earmarked for current fiscal year, which is 4 percent of the total capital expenditure and higher by 48 percent than that in the previous fiscal year. The share of capital expenditure on environment protection, education, social security and entertainment, culture and religion remained below one percent in FY 2013/14, which except for environmental conservation remains almost the same (less than one percent) for these sectors in the current fiscal year also.

Table 2 (c): Service and Function-Wise details of Capital Expenditure*(In Rs. 10 million)*

Expenditure Head	Fiscal Year								Fiscal year	
	2010/11		2011/12		2012/13		2013/14		2014/15*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	120.5	2.5	125.4	2.4	721.7	8.5	151.86	2.26	891.42	7.6
Defense	144.6	3.1	187.8	3.7	224.1	2.6	526.36	7.9	301.95	2.58
Public Law & Order	354.8	7.5	319.0	6.2	618.5	7.3	511.42	7.66	501.63	4.3
Economic Affair	3141.7	66.4	3387.9	65.9	5347.9	62.8	4343.62	65.12	7397.55	62.7
Environmental Protection	46.0	1.0	45.2	0.9	233.9	2.7	48	0.7	364.71	3.12
Housing and Community Amenities	558.3	11.8	678.4	13.2	705.0	8.6	703.30	10.6	1718.41	14.72
Health	314.3	6.6	337.5	6.6	535.8	6.3	315.64	4.72	467.64	4.00
Recreation, Culture & Religion	14.3	0.3	20.2	0.4	42.3	0.5	30.59	.45	58.78	0.50
Education	17.1	0.4	13.9	0.3	21.3	0.3	12.64	0.18	17.39	0.15
Social Security	21.1	0.4	23.7	0.5	33.5	0.4	23.65	0.35	36.02	0.30
Total	4732.6	100.0	5139.1	100.0	5459.8	100.0	6669.17	100.0	11675.50	100.0

*Estimated

Source: Financial Comptrollers General Office

2.13 Capital expenditure on defense in fiscal year 2013/14, as compared to fiscal year 2012/13 soared up by 134.0 percent while capital expenditures in other sectors except for economic affair, health, entertainment and culture, social security, education grew negatively. In the current fiscal year, however, capital expenditures on all other sectors except for defense and public law and order have registered positive growths. Capital expenditure in the environment sector has gained highest growth of 658.0 percent in the current fiscal year as compared to actual expenditure of FY 2013/14. Likewise, capital expenditures on general public service, public law and order, recreation, culture and religion, economic affair, social security, health and education have increased by 490 percent, 93 percent, 68.48 percent, 56.52 percent, 48.25 percent and 41.66 percent respectively as compared to those of previous fiscal year.

- 2.14 Capital expenditure in first eight months of fiscal year 2014/15 has gone up by 76.9 percent to Rs. 34.69 billion in comparison to the corresponding period of fiscal year 2013/14. During first eight months of previous fiscal year 2012/13, capital expenditure had totaled Rs. 19.61 billion with 44.9 percent increment from its preceding fiscal year.

Status of Service and Function-wise Recurrent Expenditures

- 2.15 Of the estimated recurrent expenditure of Rs. 398.95 billion in FY 2014/15, general public service is expected to occupy topmost position with Rs. 134.77 billion (34.4 percent) expenditure. In FY 2013/14 also, general public service had the highest share in recurrent expenditure with the allocation of Rs.89.97 billion of which Rs. 62.68 billion was actually spent. This is the second highest sector in terms of expenditure volume. In fiscal year 2013/14, education service sector occupied the topmost position totaling Rs. 77.70 billion (25.60 percent of actual recurrent expenditure). While in the current fiscal year, 21.5 percent of recurrent expenditure i.e. Rs. 85.86 billion has been earmarked to the education sector, which is 10 percent higher than the actual recurrent expenditure of previous fiscal year. The health services sector, which shared about 8 percent of the recurrent expenditure in previous fiscal years, got confined to 7.7 percent in FY 2013/14. In the current fiscal year, 8.3 percent of recurrent expenditure has been allocated to this sector which is still 41 percent higher than that expenditure in the previous fiscal year. Sectors that have been allocated less than one percent of the total estimated recurrent expenditure are environmental protection and recreation, culture and religion, housing and community services. The amount spent on these sectors in its preceding years was also less than one percent of the total recurrent expenditure. In FY 2012/13, expenditure on the defense sector stood at 7.5 percent of the total recurrent expenditure, while such expenditure increased to 8.5 percent in FY 2013/14. The amount allocated to this sector in the current fiscal year is 6.47 percent of the total recurrent expenditure, which is almost at the same level of expenditure incurred in previous fiscal year.

Table 2 (d): Service and Function-Wise details of Recurrent Expenditure*(In Rs. 10 million)*

Expenditure Head	Fiscal Year									
	2010/11		2011/12		2012/13		2013/14		2014/15*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	4626.7	22.0	5455.0	22.4	8997.3	25.5	6268	20.6	13777	34.5
Defense	1754.7	8.3	2078.0	8.5	2530.2	7.2	2578	8.5	2581	6.47
Public Law & Order	2558.9	12.2	3607.5	14.8	3852.6	10.9	3985	13.13	2945	6.63
Economic Affair	3465.2	16.5	3473.7	14.3	6197.8	17.5	5068	16.7	6059	15.18
Environmental Protection	63.7	0.3	46.5	0.2	330.6	0.9	152	0.5	382.55	0.9
Housing & Community amenities	289.8	1.4	323.4	1.3	861.7	2.4	604.6	2.0	322.18	0.8
Health	1673.2	8.0	1949.5	8.0	2834.2	8.0	2336	7.7	3309	8.3
Recreation, Culture & Religion	127.9	0.6	186.4	0.8	286.2	0.8	360.64	0.12	339.38	0.8
Education	5481.6	26.1	6191.4	25.4	8074.5	22.8	7770	25.60	8586	21.5
Social Security	974.9	4.6	1034.5	4.2	1376.7	3.9	1230	4.0	1592	4.0
Total	21016.6	100.0	24348.0	100.0	24745.5	100.0	30353	100.0	39895	100.0

* Estimated

Source: Finance Comptroller General Office

- 2.16 Public law and order, economic affair and social security services sectors in fiscal year respectively shared 13.13, percent 16.7 percent and 4.0 percent of the total recurrent expenditure for the year. The amount allocated in this current fiscal year to recurrent expenditure in these respective sectors constitute 6.63 percent, 15.18 percent and 4.0 percent respectively. In the current year, shares of recurrent expenditure on economic affair and public law and order sector have increased than in previous year, while its share on social security sectors has hovered around as that of previous fiscal year.
- 2.17 In current fiscal year, recurrent expenditure on environment protection is estimated to grow by 100 percent and general public service by 119 percent. Similarly, as compared to fiscal year 2013/14, expenditure on public law and order is estimated to be lower by 26 percent (based on allocated figure) in current fiscal year and expenditure on education sector that stood 25.60 percent in previous fiscal year has earmarked 21.5 percent in current fiscal year.
- 2.18 The recurrent expenditure which was Rs. 177.30 billion in first eight month of FY 2013/14 grew by 20.68 percent as compared to previous

fiscal year reaching Rs. 213.96 billion in the same period of fiscal year 2014/15. Recurrent expenditure in first eight months of FY 2013/14 had increased by 34.7 percent as compared to the corresponding period of previous fiscal year.

Government Income

2.19 Government income is estimated to grow by 29.9 percent in current fiscal year reaching Rs. 514.82 billion. In comparison to FY 2012/13, such income in FY 2013/14 had grown by 19 percent totaling Rs. 396.31 billion. Details on source of estimated government income for fiscal year 2014/15 and actual income of the Government from FY 2010/11 to FY 2013/14 are presented in Table 2 (e). Revenue and foreign grants are the major sources of government income. Contribution of revenue and foreign grant in total income which stood at 88.7 and 10.6 percent respectively in fiscal year 2012/13, reached to 89.83 percent and 8.55 percent respectively in fiscal year 2013/14. Contribution of foreign grants to the government income is expected to grow and reach 14.22 percent while that of revenue is estimated to decline to 82 percent in the current fiscal year. Government revenue that recorded an average annual growth rate of 20 percent from FY 2009/10 to FY 2013/14 is estimated to grow only by 18.6 percent in the current fiscal year.

Table 2 (e): Details of Government Income

(In Rs. 10 Million)

Description	2010/11		2011/12		2012/13		2013/14		2014/15*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Tax Revenue	17719.7	72.1	21172.3	73.5	25921.5	77.6	31244	78.7	37470	72.64
Non-Tax Revenue	2114.8	8.6	3265.2	11.3	3680.6	11.0	4418	11.13	4819	9.34
Total Revenue	19834.6	80.7	24437.4	84.9	29602.1	88.7	35662	89.83	42290	81.98
Foreign Grants	4592.2	18.7	4081.2	14.2	3522.9	10.6	3396	8.55	7338	14.22
Principle Repayment Receipt	144.3	0.6	18.7	0.9	75.5	0.2	57	0.14	100	0.19
Irregularities Recovery			261.2	0.9	192.1	0.6	573	1.44	1853	3.6
Total Government Income	24571.1	100.00	28798.4	100.00	33392.7	100.00	39688	100.00	51482	100.00

*Estimated

Source: Finance Comptroller General Office

2.20 Grant receipts in fiscal year 2013/14 totaled only Rs. 33.96 billion. Receipt of foreign grants in fiscal year 2011/12, which was 13.7 percent lower than receipts in its preceding fiscal year, further decreased by 3.6

percent in FY 2013/14. Grant income in the current fiscal year, however, is estimated to grow by 116 percent reaching Rs. 73.38 billion. Government income from principal repayment on an average has been less than 0.5 percent between FY 2010/11 and FY 2013/14. Such income is estimated to remain at 0.19 percent of total income i.e. 1 billion in fiscal year 2014/15.

- 2.21 Of the Government's income sources, tax revenue has registered an average annual growth rate of 22.0 percent between FY 2010/11 and 2013/14. Collection of tax revenue in the current fiscal year is estimated at Rs. 374.70 billion. Though estimated tax revenue collection has met its target, its growth rate (19.9 percent) is still likely to remain lower than the average growth rate of last four years. Non-tax revenue, which grew by 54.4 percent in FY 2011/12 than in its preceding fiscal year, increased merely by 12.7 percent in FY 2012/13 and by 20 percent in FY 2013/14. It is estimated to grow by 9.0 percent totaling Rs. 48.19 billion in the current fiscal year.
- 2.22 Government income had covered 88.7 percent of total expenditure in FY 2012/13 while such coverage accounted for 89.83 percent in FY 2013/14. This coverage is estimated to come down to 81.92 percent in current fiscal year. Analyzing the sources of financing Government expenditure, contribution of revenue, which stood at 88.7 percent in FY 2012/13 grew to 89.83 percent in FY 2013/14. Likewise, share of foreign grants to the Government revenue remained at 15.6 percent in FY 2010/11, which started declining gradually in its succeeding years getting confined to 9.83 percent by fiscal year 2014/15. Of the total Government expenditure of Rs. 435.05 billion in FY 2013/14, revenue and domestic borrowing covered 86.06 percent, foreign grants 9.80 percent, and foreign borrowings 4.14 percent. In the current fiscal year, revenue and domestic borrowings put together are estimated to contribute 80 percent, to the total expenditure, while remaining 20 percent to be shared by foreign grant of 11.9 percent and foreign borrowings of 8.1 percent.

Revenue Mobilization

- 2.23 Revenue mobilization in FY 2013/14 grew by 20.5 percent reaching Rs. 356.62 billion as compared to that of FY 2012/13. Revenue collection in FY 2014/15 is estimated to reach Rs. 422.90 billion with a growth of 18.6 percent reaching as compared to the previous fiscal year. Contribution of tax revenue to the total revenue stood at 89.34 percent in FY 2010/11 while its contribution declined gradually to 87.6 percent in FY 2013/14. Its contribution to total revenue, however, is estimated

to reach 88.60 percent in the current fiscal year. Contribution of non-tax revenue recorded a growth to some extent just because of decline in share of tax revenue to the total revenue. In the current fiscal year, contribution of non-tax revenue to the Government's total revenue that stood at 12.4 percent in the previous fiscal year is likely to rest at 11.4 percent.

- 2.24 In comparison to FY 2012/13, tax revenue in FY 2013/14 grew by 20.54 percent reaching Rs. 312.44 billion. This category of revenue in the current fiscal year is estimated to grow by 19.93 percent than in the previous fiscal year reaching Rs. 374.70 billion. Contribution of goods and services based tax that was 52.2 percent of the tax revenue in FY 2011/12 decreased to 50.45 percent in FY 2013/14. Value Added Tax (VAT) is accounted for two third of goods and services based tax receipts. In comparison to previous fiscal year collection of this source of revenue is estimated to reach Rs. 192.02 billion in the current fiscal year with a rise of 21.75 percent. This amount is 51.25 percent of the total revenue collection target, and over and above 0.77 percent collected in the previous fiscal year.
- 2.25 Contribution of tax levied on income, profit and capital gains that stood at 21 percent to total revenue collection in FY 2011/12 reached 24.2 percent in FY 2013/14. During this period, tax levied on income, profit and capital gains reached Rs. 75.61 billion with a growth of 17.8 percent. Such tax amount is estimated to grow further by 20.4 percent and reach Rs. 91.01 billion in the current fiscal year 2014/15. Contribution of the tax levied on income, profit and capital gains, which stood at 24.2 percent in FY 2011/12 did not change in fiscal year 2013/14 either. Among taxes levied on income profit, and capital gains, institutions occupied highest share with 60 percent contribution in FY 2013/14, is estimated slide and rest at 56.0 percent with collection of Rs. 50.90 billion in the current fiscal year.
- 2.26 Non-tax revenue in fiscal year 2013/14 reached Rs. 44.17 billion with a growth of 20 percent. It is estimated to grow by 9.10 percent and reach Rs. 48.19 billion in the current fiscal year. Contribution of income received from assets to non-tax revenue has been the highest though, its contribution is gradually slowing down while that from sale of goods and services has continued to grow. Contribution of income earned from assets among the non-tax revenue that stood at 61.30 percent in FY 2010/11 has dropped to 46.80 percent by FY 2013/14, while the share of income derived from sale of goods and services climbed from 11.54 percent to 31.62 percent in the same period. In current fiscal year, income received from assets is expected to reach

47.8 percent totaling Rs. 14.17 billion, while that from the sales of goods and services is estimated to reach 30.54 percent totaling Rs. 14.17 billion. Shares of dividend, rent, and royalty on income from properties accounted for 62.84 percent and 29.12 percent respectively in FY 2013/14 while such shares are expected to remain 61.50 percent and 35.5 percent respectively in the current fiscal year. In fiscal year 2013/14, income from assets rose by 17.44 percent, income from the sales of goods and services by 3.6 percent, amount received from penalties, fines and confiscation by 36.36 percent and miscellaneous revenue by 50 percent while income from properties and sale of goods and services is estimated to rise by 2.2 percent, 11.46 percent and 26.46 percent respectively whereas that of fine penalties, draft and miscellaneous income to decline by 2.2 percent and 12.5 percent respectively.

Table 2 (f) : Detail of Revenue Income

(In Rs.10 million)

Revenue Head	2010/11		2011/12		2012/13		2013/14		2014/15*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Tax on Income, Profit and Capital Gains	4135.0	20.8	5130.3	21.0	6418.7	21.7	7561.36	21.20	9101.83	21.52
Tax based on Remuneration	71.0	0.4	155.5	0.6	188.1	0.6	244.99	0.68	299.91	0.7
Property Tax	357.2	1.8	358.8	1.5	534.0	1.8	666.11	1.87	542.25	1.28
Tax based on Goods and Services	9479.3	47.8	11056.1	45.2	12927.0	43.7	15771.84	44.22	19202.82	45.40
Tax based on Foreign Trade	3571.4	18.0	4339.1	17.8	5693.2	19.2	6798	19.0	8066.93	19.7
Other Taxes	108.8	0.5	132.4	0.5	160.5	0.5	200.77	0.56	256.87	0.60
Net Tax Revenue	17722.7	89.3	21172.3	86.6	25921.5	87.6	31244.31	87.60	37470.60	88.60
Income from Assets	1296.4	6.5	1765.3	7.2	1760.8	5.9	2067.52	5.8	2304.95	5.48
Income from the sales of Goods and Services	244.8	1.2	691.3	2.8	1124.7	3.8	1164.53	3.26	1472.34	3.5
Penalties, Fines and Confiscations	13.4	0.1	31.6	0.1	33.8	0.1	45.22	0.12	44.34	0.10
Voluntary Handover except Grants	0.2	0.0	0.1	0.0	0.5	0.0	0.24	0.0	0.2	0.0
Miscellaneous Revenue	560.1	2.8	776.9	3.2	760.7	2.6	1140	3.19	997.53	11.4
Net Non-Tax Revenue	2114.9	10.7	3265.1	13.4	3680.6	12.4	4417.25	12.4	4819.40	11.4
Net Revenue	19837.5	100.0	24437.4	100.0	29602.0	100.0	35662.3	100.0	42290	100.0

* Estimated

Source: Finance Comptroller General Office

- 2.27 Revenue collection in the first eight months of fiscal year 2013/14 reached Rs. 191.71 billion with a growth of 7.3 percent as compared to the corresponding period of its preceding fiscal year. Total revenue collection registered a growth of 5.5 percent reaching Rs. 202.19 billion during the corresponding period of current fiscal year. Shares of tax revenue and non-tax revenue collection in the first eight months of this fiscal year stood at 91.57 percent and 8.43 percent respectively. Collection of tax revenue recorded a growth of 8.7 percent while that of non-tax revenue dropped by 20.23 percent in the first eight months of the current fiscal year as compared to the same period of previous fiscal year. In FY 2013/14, tax revenue had increased by 8.8 percent while non-tax revenue had dropped by 3.4 percent than that of its previous fiscal year.

Foreign Grants

- 2.28 In fiscal year 2012/13, foreign grant receipts, which totaled Rs. 40.81 billion slid down to Rs. 35.22 billion in fiscal year 2013/14, and totaled Rs. 33.96 billion in fiscal year 2013/14. Such grant income had increased by 19.4 percent in fiscal year 2010/11 as compared to its preceding fiscal year 2009/10 while it dropped by 11.3 percent in its subsequent fiscal year 2011/12. Grant income continued to slide down also in fiscal year 2012/13 with 13.7 percent decline as compared to FY 2011/12. However, such grant amount is expected to rise by 116 percent in the current fiscal year reaching a total of Rs. 73.38 billion. The share of multilateral grants in the total grant receipt of government that stood at 70.6 percent in fiscal year 2011/12 dropped to 66.5 percent in fiscal year 2012/13, but climbed back to 76.51 percent in fiscal year 2013/14. Bilateral grants receipts, which had decreased by 18.7 percent in FY 2012/13 as compared to previous fiscal year totaling Rs. 26 billion in fiscal year increased by 11.65 percent to Rs. 26.16 billion in FY 2013/14. Multilateral grant amount had declined by 1.5 percent in fiscal year 2012/13, but rose by 36 percent in fiscal 2013/14 fiscal year as compared to its preceding fiscal year. Receipt of foreign grants that totaled 17.11 billion in first eight months of fiscal year 2013/14 amounted to Rs. 14.30 billion in the same period of current fiscal year, which is lower by 16.40 percent than the amount received during the same period of previous fiscal year.

Fiscal Deficit and Deficit Financing

- 2.29 A situation of fiscal deficit or deficit financing refers to a state wherein revenue collection of government including tax and foreign grants

together with other receipts is less than government expenditure. As expenditure of Nepal government is higher than its income, it has been facing the situation of budget deficit or deficit financing for quite a long time. In such a situation, the government manages funds to meet its expenditure either through the change in cash reserves or through domestic borrowings or loans from foreign countries and donor agencies, or any of these measures. Due to inability of Nepal Government to meet its expenditure from receipts of taxes, grants and principal repayment receipt, necessary amount for expenditure is garnered by using various instruments of financing including external and domestic borrowings. The detail of Nepal government's fiscal deficit and its sources of financing from fiscal year 2010/11 to 2014/15 are presented in Table 2(g).

Table 2 (g): Detail of Fiscal Deficit and Sources of Deficit Financing

(In Rs. 10 million)

Description	Fiscal Year				
	2010/11	2011/12	2012/13	2013/14	2014/15*
Fiscal Deficit	4962.0	5118.4	2471.0	3815	10328
Sources of Fiscal Deficit Financing					
Foreign Debts	1207.6	1108.3	1196.9	2113	4952
Domestic Borrowing	4251.6	3641.9	1904.3	1998	5275
Change in Cash Reserves(-) Surplus(+)	497.1	-368.2	630.2	192	

*Estimated

Source: Financial Comptroller General Office

- 2.30 In fiscal year 2011/12, government budget deficit reached the figure of Rs. 51.18 billion with an increase of 3.2 percent. However, such deficit dropped by 51.7 percent to Rs. 24.71 billion in fiscal year 2012/13. As compared to its preceding fiscal year, such deficit in fiscal year 2013/14 totaled Rs. 38.15 billion with a growth of 54.39 percent. Fiscal deficit is anticipated to soar up by 170.7 percent reaching Rs. 103.28 billion if all budgetary allocation estimated for the current fiscal year gets spent. The share of fiscal deficit to GDP, which stood at 3.4 percent in fiscal year 2011/12 had dropped to 1.5 percent in fiscal year 2012/13 and stood at 2.0 percent 2013/14, whereas this is expected to rise thereby reaching 4.86 percent in the current fiscal 2014/15.
- 2.31 Government of Nepal has been financing its budget deficit through domestic and external debt mobilization. In a situation where expenditure could not be met by raising debts, shortfall amount is

funded through change in cash reserve. The net budget deficit which stood at Rs. 51.18 billion in fiscal year 2011/12 was borne through foreign debt of Rs. 11.08 billion, domestic borrowings of Rs. 36.41 billion and rest Rs. 3.68 billion through change in cash reserve. Though the budget deficit in fiscal year 2012/13 was Rs. 24.71 billion, government mobilized Rs. 31.01 billion through foreign and domestic borrowings. In fiscal year 2013/14, a sum of Rs. 41.11 billion was mobilized through foreign and domestic borrowings. Despite mobilization of foreign and domestic borrowings in fiscal year 2011/12 decreased by 8.2 and 14.3 percent respectively as compared to preceding fiscal year, foreign debt mobilization rose by 8 percent while domestic borrowings mobilization rose by 76.7 percent and 4.94 percent in fiscal year 2012/13. To meet the budget deficit of current fiscal year, government has aimed at raising Rs. 49.52 billion of foreign debt and Rs. 52.75 billion from domestic borrowing. This amount is higher by 148.5 percent than total debt raised in fiscal year 2013/14, 134.35 percent higher than foreign debt and 164 percent more than domestic borrowings.

- 2.32 In recent years, volume of foreign loan receipt of the government has not increased though the volume of domestic borrowing is on the rise. The government was mobilizing about 25 percent foreign resource towards meeting its financing resource gap until fiscal year 2011/12, which it went up to 38.6 percent in FY 2012/13. Foreign loan receipt in first eight months of current fiscal year stood at Rs. 14.21 billion as compared to the receipt of Rs. 13.45 billion in the corresponding period of the previous fiscal year. Contribution of foreign debt for financing the budget deficit in current fiscal year is expected to rise further reaching nearly 50 percent.

Total Public Debt and Repayment

- 2.33 Outstanding debt of Nepal in the form of foreign and domestic debts that stood at Rs. 545.31 billion by fiscal year 2012/13 had increased by 1.5 percent to Rs. 553.50 billion in fiscal year 2013/14. Total outstanding debt liability had grown by 4.2 percent in fiscal year 2012/13 as compared to its preceding fiscal year. The share of foreign loan in total outstanding debt which stood at 61.1 percent in fiscal year 2012/13 has reached to 62.7 percent in fiscal year 2013/14. The outstanding public debt has reached Rs. 519.50 billion by the end of first eight months of the current fiscal year 2014/15, which is lower by 6.1 percent as compared to that of Mid-July 2014. The share of foreign

debt to total outstanding debt has remained at 63 percent during this period.

- 2.34 The outstanding foreign debt had grown by 7.8 percent reaching Rs. 333.44 billion by the end of fiscal year 2012/13. Such outstanding debt totaled Rs. 346.81 billion in fiscal year 2013/14 with an increase of 4.1 percent. The outstanding foreign debt of government has remained Rs. 327.11 billion by the end of first eight months of current fiscal year 2013/14 which is lower by 5.7 percent than that of Mid-July 2014.

Table 2(h) : Outstanding Stock of Public Debt and Principle Repayment and Interest Expenditure

(In Rs. 10 million)

Description	Fiscal Year				
	2009/10	2010/11	2011/12	2012/13	2013/14
Detail of Outstanding stock of debt					
Domestic Debt	14805.9	18419.9	21392.1	21187.30	20668.90
Foreign Debt	25624.3	25950.1	30928.7	33344.2	34681.90
Total Debt	40430.3	44370.0	52327.8	54531.50	55340.80
Detail of Principle Repayment Expenditure					
Domestic Debt	768.9	600.2	662.68	2094.0	2515.24
Foreign Debt	1074.3	1121.8	1353.2	1419.0	1672.46
Total Principle Repayment Expenditure	1843.2	1722.1	2015.9	3513.0	4187.70
Detail of Interest Expenditure					
Domestic Debt	752.3	1041.5	1233.0	1073.4	867.27
Foreign Debt	245.8	232.2	283.1	300.3	336.52
Total Interest Expenditure	998.1	1273.7	1516.1	1373.7	1203.89
Total Debt Payment Expenditure	2841.4	2995.8	3532.0	4886.7	4511.49
Total Debt Payment Expenditure to Government Expenditure(In Percent)	10.9	10.1	10.4	12.32	9.4
Public Debt Share to GDP (In Percent)	33.9	32.5	34.3	32.2	28.70

Source: Financial Comptroller General Office and Nepal Restr Bank

- 2.35 Outstanding domestic borrowings that stood at Rs. 213.99 billion in fiscal year 2011/12 amounted to 211.87 billion with 2.9 percent fall by the end of fiscal year 2012/13. In fiscal year 2012/13, outstanding domestic borrowings of government had grown by 2.4 percent as compared to its preceding fiscal year reaching 206.68 billion. Such borrowing has not collected in first eight months of current fiscal year.
- 2.36 Treasury bill has been as one of the major sources of Nepal government's domestic borrowing. Of the total domestic borrowings as of Mid-July 2013, share of Treasury bill stood at 64 percent, Development Bonds at 24 percent, National Saving Certificates at 8 percent, Citizen Saving Certificates at 2 percent and IMF Valuation adjustment bonds at 2 percent. Minor change was witnessed in the structure of loan outstanding by the end of Mid-July 2014. The share of Treasury bills to domestic borrowing by the end of Mid-July 2014 stood at 66 percent, Development Bonds at 23.0 percent, National Saving Certificates at 8 percent, Citizen Saving Certificates at 1.0 percent and IMF Valuation adjustment bond at 2 percent. The higher share of Treasury bills to domestic borrowing denotes higher short-term (one year or less) liability of the government. Availability of the amount for development and construction works shrinks if the gap between the government's income and its short-term liability narrows down within a fiscal year. In addition, the government either will not be able to renew such loan or interest rate is likely to go higher even if renewed if the volume of short term liability remains high. Hence, it is imperative to make timely efforts so as to avoid such risk.
- 2.37 Of the government's total outstanding domestic borrowing, share of Nepal Rastra Bank has been declining, while that of commercial banks and other private institutions has continued to rise in recent years. The share of Nepal Rastra Bank to its total outstanding domestic borrowing stood at 7.6 percent and that of commercial banks at 71.1 percent and other institutions and private sector at 21.3 percent until mid-July 2013 against the respective figures of 11.6 percent, 67.6 percent, and 20.8 percent by mid-July of fiscal year 2014. The declining trend in the share of Nepal Rastra Bank to domestic borrowing and increasing trend in commercial banks and private sector have indicated that the government is committed towards complying with financial discipline.

Government reliance on domestic capital market to cope with budget deficit will ensure security of the government bond market, minimize risk of foreign exchange loss by reducing share of external debt in public debt and also help in the development of overall capital market of the country. The government relying more on capital market than on Nepal Rastra Bank while financing its fiscal deficit can be regarded as the strength of public financial management.

- 2.38 Public debt is decreasing mainly due to principal repayment of domestic borrowings without accepting additional domestic borrowings and falls in exchange rate as it occupies majority share in foreign borrowings. Exchange rate of S.D.R. that stood Rs. 148.299 in mid-July 2014 has dropped to Rs. 137.104 by mid-March 2015. As a result of falls in exchange rate, foreign loan liability which was nearly Rs. 2 billion in SDR denomination has decreased by more than Rs. 20 billion.
- 2.39 In fiscal year 2012/13, expenditure on repayment of principle and interest had increased by 38.3 percent as compared to preceding fiscal year reaching Rs. 48.87 billion, while such expenditure had declined by 7.6 percent totaling Rs. 45.11 billion in fiscal year 2013/14. The repayment of principle and interest on public debt that accounted for approximately 10 percent of total government expenditure in last two fiscal years has reached to 9.45 percent in fiscal year 2013/14. Expenditure on repayment of principle against foreign debt and domestic borrowing had stood at Rs. 35.32 billion in fiscal year 2012/13 with rise of 17.93 percent as compared to that of its preceding fiscal year. However, expenditure against interest on foreign debt and domestic borrowing that had stood at Rs. 13.73 billion in preceding year dropped by 12.37 percent in fiscal year 2013/14. Of the total expenditure made towards repayment of principle in fiscal year 2012/13, foreign debt shared 40.4 percent of total expenditure while such expenditure remained at 39.9 percent in fiscal year 2013/14. Likewise, interest expenditure on domestic borrowings shared 78.1 percent and 72.02 percent of total expenditure on interest payment made in fiscal year 2012/13 and 2013/14 respectively.
- 2.40 The share of public debt to GDP seemed to have declined in recent years. It had remained at 40.7 percent in fiscal year 2008/09 which

continued to fall in its succeeding years and arrived at 32.5 percent in fiscal year 2010/11. Such share that had marginally increased to 34.3 percent in fiscal year 2011/12 came down to 28.7 percent in fiscal year 2013/14. The ratios of net outstanding foreign debt and domestic borrowing to GDP that stood at 19.7 percent and 12.5 percent respectively in fiscal year 2012/13, has dropped to 18.0 percent and 10.7 percent respectively in fiscal year 2013/14. The ratio of net outstanding foreign debt to GDP remained at 19 percent by the end of fiscal year 2010/11. The share of outstanding public debt to GDP seemed to have remained away from worrying state as per international standard.

- 2.41 The role of public debt is not only limited to financing fiscal deficit of the government. It has also played vital role in the construction of physical infrastructures and in public service delivery required for overall economic development of the country. Nonetheless, foreign and domestic debts that are accepted every year to finance fiscal deficit have further increased country's liability of outstanding domestic as well as foreign debt principal and interest payable thereon. There are several examples that most of the countries in the world have been facing a number of predicaments due to their inability to payback their loans on time. In this context, it is necessary to think for Nepal towards assessing risks inherent in public debts and managing them accordingly thereby assessing and containing the costs within a desirable limit.

Financial Position of Local Bodies

Income and Expenditure Status of Local Bodies

- 2.42 Government of Nepal has been providing conditional as well as unconditional grants on all in a single installment to local bodies that work closely with the public so as to create opportunities for the people to ensure their maximum participation in governance system through decentralization process. Grants awarded to local bodies like District Development Committees (DDCs), Municipalities and Village Development Committees (VDCs) that have limited internal income source, have been helping them to narrow down their big income and expenditure gap. Such government grants have not only helped in

running local bodies' offices but also helped in carrying out infrastructure development works (roads, bridges, buildings etc.) towards meeting the peoples' needs and aspirations as well as increasing people's access to social services like education, health, drinking water and sanitation.

- 2.43 Local Bodies Fiscal Commission has been carrying out works related to providing unconditional grants to local bodies and the grants to be distributed among them. Based on conditions recommended by commission, unconditional grant amount being provided to local bodies has been linked with work performance. Though the commission has been evaluating work performance of DDC and municipalities based on Minimum Conditions and Performance Measures since long ago, it has started evaluating work performance of VDCs on the same basis since fiscal year 2013/14. Indicators of minimum condition have been set at 7 for VDC, 10 for municipality and 9 for DDC. Apart from these, work performance evaluation are carried out based on work performance indicators 13, 40 and 46 for VDC, municipality and DDC respectively.
- 2.44 The Commission has made Amendments in Minimum Condition and Performance Measurement Evaluation Indicators of DDCs and Municipalities in May 2014 and brought into implementation as it was felt necessary to revise and improve them so as to make them time relevant. In FY 2013/14, Minimum Condition and Work Performance Measure has been fully implemented in some VDCs for the first time with addition of some indicators by conducting pilot test of work performance indicators in some VDCs in FY 2012/13. In this current fiscal year, critical appraisal of Performance Measurement-based Grant System (Minimum Condition and Performance Measurement) Indicators has also been carried out.
- 2.45 Minimum condition and performance measure (MCPM) and its cycle linked with grants completes in every three years. A total of 68 DDCs, 57 municipalities and 3,079 VDCs have passed the minimum condition criteria of work performance evaluation of local bodies conducted in fiscal year 2012/13. Numbers of unsuccessful DDCs, Municipalities, and VDCs unable to meet target of various indicators are 8, 1, and 836 respectively.

Table 2(i): Income and Expenditure Details of Local Bodies

(In Rs. 10 million)

Grants	Fiscal Year			
	2010/11	2011/12	2012/13	2013/14
1. District Development Committee (DDC)				
Grant received from GoN	3022.22	2985.33	2084.31	2671.00
Net Income	295.96	312.99	275.60	357.46
A) Internal Resources	148.38	178.04	136.94	186.40
B) Revenue Disbursement	147.58	143.95	138.66	171.06
Actual Gross Expenditure	2969.53	2970.00	1795.82	2678.00
2. Municipality				
Grant received from GoN	495.25	504.92	428.42	334.52
Total Amount including Internal Resources and Revenue Distribution	222.81	274.30	336.56	378.25
Total Amount allocated for Expenditure	718.06	779.22	764.98	712.77
Actual Total Expenditure	624.81	683.80	676.87	617.49
3. Village Development Committee (VDC)				
Grant received from GoN	783.00	925.80	669.20	821.00
Total Amount including Internal Resources and Revenue Allocation	90.40	97.64	117.13	130.22
Total Amount allocated for Expenditure	873.40	1023.44	786.33	951.22
Actual Gross Expenditure	855.56	765.87	764.91	934.04

Summary

Description	Fiscal Year			
	2010/11	2011/12	2012/13	2013/14
Total Internal Income of Local Bodies	609.17	693.93	729.29	865.93
Total Receipt of Grant in Local Bodies	4300.47	4416.05	3181.93	3826.52
Total Income of Local Bodies	4909.64	4109.98	3911.22	4692.45
Share of Internal Income in Total Income (%)	12.41	13.58	18.65	18.45

Source: Ministry of Federal Affair and Local Development and Secretariat of Local Bodies Fiscal Commission

- 2.46 DDCs were able to cover 15 percent of their total expenditure for the fiscal year 2012/13 from their own income source. Likewise, DDCs

were able to spend only 76.90 percent of the allocated budget whereas Municipalities had spent only 47.45 percent of the allocated budget.

Government Grant to Local Bodies

- 2.47 Government of Nepal has been providing both conditional and unconditional grants to local bodies. Status of grant to DDC, VDC and Municipality (Local Development Tax Fund) is as under.

Grant to District Development Committee

- 2.48 A number of projects and programs like human resource development, administrative system reform that directly benefit target groups encompassing the women groups, children and economically and socially backward senior citizens, *dalits*, ethnic groups, differently abled people, *madheshis*, muslims as well as backward groups from all castes and ethnicities have been completed through the use of Capital grants provided to DDCs. On rural infrastructure side, programs like construction of rural roads, suspension bridges, road-bridges, irrigation, micro hydroelectricity, drinking water and sanitation, and community buildings have been undertaken and accomplished through such capital grants. Arrangement has been made for distributing DDC grant (unconditional) made available through budgetary allocation for all 75 DDCs by segregating it into recurrent and capital expenditure headings, and a sum of minimum Rs. 4 million will be distributed to each DDC proportionately from such allocations. Rest of the amount will be distributed on the basis of population, geographical area, cost, poverty including MCPM indicators.

Grant to Village Development Committee

- 2.49 A number of projects and programs directly benefiting the target groups incorporating women groups, children and economically and socially backward senior citizens, *dalits*, ethnic groups, differently abled people, *madheshis*, muslims as well as backward groups from all castes and races and also those projects including rural roads, suspension bridges, road-bridges, irrigation, micro hydroelectricity, drinking water and sanitation, and community buildings being implemented through capital grants offered to VDCs have been accomplished. A provision has been made for providing grant sum of Rs. 1.5 million to Rs. 4.6million to the maximum to each VDC from the capital grants budgetary allocation segregating it into recurrent and

capital expenditures on the basis of population, geographical area and cost and area like indicators.

Grant to Municipalities and Local Development Tax

- 2.50 Arrangement has been made for providing grant from government of Nepal to municipality in two sources namely local development tax fund and municipality grant.

(A) Grant to Municipality

Municipal grant is being provided with the objective of ensuring equality in the mobilization of local resources and development outputs through enhanced people's participation for the institutional development of accountable local bodies together with providing additional support to public works and their maintenance and social activities. Municipalities have been authorized a total of Rs. 1.15 billion in terms of capital grant and based on conditions (50 percent population of municipality area, poverty 25 percent, revenue effort 15 percent and area 10 percent) as well as on result of MCPM in fiscal year 2013/14.

(B) Local Development Tax Fund

Of Rs. 2.60 billion earmarked as grant to Municipalities from the Local Development Fee fund for fiscal year 2013/14, Municipalities were issued authority to spend Rs. 1.84 billion and a total of Rs. 757.5 million was allocated for Local Development Fee Fund (Reserve Fund) Program. Of the approved total 375 physical infrastructure development programs including black topped road, drainage, drinking water, landfill site construction, fire brigade, purchase, vehicle purchase for waste management in all municipalities from allocated reserve fund, 273 projects had been completed. A budget of Rs. 850.6 million was released for aforementioned projects. A minimum limit of Rs. 5 million has been fixed for projects operating in cost participation after amending Reserve fund Operation Procedure, 2004 third time. Also, total cost received by municipality and number of project have been fixed. As per this, provision has been for carrying out maximum 10 projects to the annual limit of Rs. 50 million by metropolitan city, 8 projects with annual limit of Rs. 4 million by Sub-metropolitan city and 6 projects with annual limit of Rs. 3 million. Budget allocation for carrying out projects from reserve fund could not be made available for new constituted 72 and 61 municipalities.

Demand for carrying out projects from reserve fund in cost participation by newly constituted municipalities exists.

Table 2 (j): Government Grants Provided to Local Bodies

(In Rs. Thousand)

Grants	Fiscal Year					Percentage of Total Budget
	2010/11	2011/12	2012/13	2013/14	2014/15	
DDC Capital Grants	1130000	2300000	1336865	1370000	1273000	2.22
DDC Recurrent Grants	2430000	3610000	3097976	1950000	2074000	3.61
Total	3560000	5910000	4434841	3320000	3347000	5.83
VDC Capital Grants	6264000	7692000	5126500	6644000	5794000	10.09
VDC Recurrent Grants	1566000	1566000	1566000	1566000	1566000	2.73
Total	7830000	9258000	6692500	8210000	7360000	12.81
Municipality Capital Grants	589000	600000	941406	1160000	3788000	6.59
Municipality Recurrent Grants	111000	110000	110000	0	360000	0.63
Total	700000	710000	1051406	1150000	4148000	7.22
Local Development Fee Fund (Capital)	1764000	1900000	1237052	1956800	2004335	3.49
Local Development Fee Fund (Recurrent)	400000	400000	399750	643200	611212	1.06
Total	2164000	2300000	1636802	2600000	2615547	4.55
Grand Total	11390000	15168000	11127341	11530000	11707000	20.38

* Estimated

Source: Ministry of Federal Affairs and Local Development

Grant to DDC in fiscal 2011/12 year had increased by 66.01 percent as compared to fiscal year 2010/11 whereas grant amount of 24.96 percent in fiscal 2012/13 as compared to 2011/12 and 25.31 percent in fiscal year 2013/14 as compared to fiscal year 2012/13 has decreased. Likewise, grant amount has increased by 30.93 percent in fiscal year 2014/15 as compared to that of fiscal year 2013/14.

Grant to VDC in fiscal 2011/12 year had increased by 18.23 percent as compared to fiscal year 2010/11 whereas grant amount of 24.96 percent in fiscal 2012/13 as compared to 2011/12 has decreased and 25.31 percent in fiscal year 2013/14 as compared to fiscal year 2012/13 has

increased. Likewise, grant amount has decreased by 10.35 percent in fiscal year 2014/15 as compared to that of fiscal year 2013/14.

- 2.51 Authorization has been forwarded in municipalities after allocating Rs. 1.15 billion under municipality grant heading for old 58 municipalities in fiscal year 2014/15 towards capital grant based on criteria and minimum condition as well as result of work performance evaluation. A sum of Rs. 360 million towards recurrent grant and Rs. 2,638 million towards capital grant totaling Rs. 2,998 million for newly constituted 72 municipalities from this heading. As compared to fiscal year 2010/11, 1.43 percent budget increased in fiscal year 2011/12. Budget increased by 48.08 percent in fiscal year 2012/13 as compared to fiscal year 2011/12 while budget has grown by 9.37 percent in fiscal year 2013/14 as compared to 2012/13. Likewise, budget has increased by 260.70 percent in fiscal year 2014/15 as compared to fiscal year 2013/14. The reason behind such high budget increment in fiscal year 2014/15 as compared to fiscal year 2013/14 is due to inclusion of budget for newly constituted 72 municipalities.
- 2.52 Out of Rs. 2615.5 million earmarked as grant to Municipalities from the Local Development Tax Fund for fiscal year 2013/14, Municipalities were issued authority to spend Rs. 1606.7 million directly by themselves. Of the total Rs. 1008.8 million allocated for Reserve Fund Program, Rs. 351.8 million has already been released to municipalities with approval of 301 projects in the first eight months. As compared to fiscal year 2010/11, budget amount has deducted by 6.28 percent in fiscal year 2011/12. Budget amount in fiscal year 2012/13 has reduced by 28.83 percent compared to fiscal year 2011/12 while 58.84 percent increment registered in fiscal year 2013/14 as compared to fiscal year 2012/13. Likewise, budget has increased by merely 0.60 percent in fiscal year 2014/15 as compared to fiscal year 2013/14.

3. Price and Supply

Inflation Structure and Trend

- 3.1 Inflation rate is the prime indicator of macroeconomic stability. Inflationary fluctuations adversely affect savings, investment, and economic growth. Therefore, price stability is a pre condition for achieving higher and stable of economic growth rate. Hence, macroeconomic policy tends to focus on maintaining price stability.
- 3.2 Nepal's inflation rate for past 10 years has averaged 8.4 percent. During this period, average inflation rate of food and beverage group stood at 10.4 percent, while that of non-food and services group remained at 6.7 percent. Likewise, average inflation rate of last five years stood at 9.3 percent. During this period, average inflation rate of food and beverage group stood at 11.8 percent and that of non-food and services group was 7.2 percent. Food and beverage group has contributed more to higher inflation rate than non-food in past few years. Historical observation also reveals that price of food and beverage group has remained higher and volatile as compared to non-food and services group.
- 3.3 Inflation is generated from demand and supply side. Monetary policy mainly focuses on containing inflation that is generated through aggregate demand side. For this, containing money supply within the desired level becomes necessary. However, price stability could not be maintained just by containing money supply as inflation rate tend to be higher even when Nepal is successful in maintaining monetary expansion at the desired level.
- 3.4 Supply and structural factors are more responsible than demand side for Nepal's higher inflation rate since past few years. Inflation is the product of low supply in comparison to demand due to market imperfections and structural rigidness. Effect on agricultural production due to adverse climatic condition; frequent closures, strikes, load-shedding and political instability negatively affecting production oriented activities, and supply situation; rise in costs of goods and services due to persistent transporters' cartels; steady rise in laborers' wage rate; volatility in prices of petroleum products; Nepalese currency depreciating against US Dollar; increasing trend of hoarding due to inadequate market monitoring; increase in price of agricultural produces due to middlemen's growing influence; and emergence of uneasy situation in the distribution system are among the major reasons for higher inflation. Likewise, Nepal's open border with

India, pegging of Nepalese currency with Indian currency, and trade with India occupying two third of Nepal's total trade volume have been the factors that have direct influence of inflation in India over inflation in Nepal.

Overall Consumer Price Situation

- 3.5 Consumer Price Index (CPI) based annual inflation rate that stood at 8.9 percent in the first eight months of FY 2013/14 slid a little resting at 7.0 percent in corresponding period of the current fiscal year. During the review period, price index of food and beverage group on annual point-to-point basis stood at 9.5 percent while such price index of non-food and services group remained at 4.9 percent. The price indices of these groups were 10.8 percent and 7.1 percent respectively in the same period of the previous fiscal year.

**Table 3(a): Consumer Price Index based Annual Point to Point Inflation Rate
(Base Year 2005/06)**

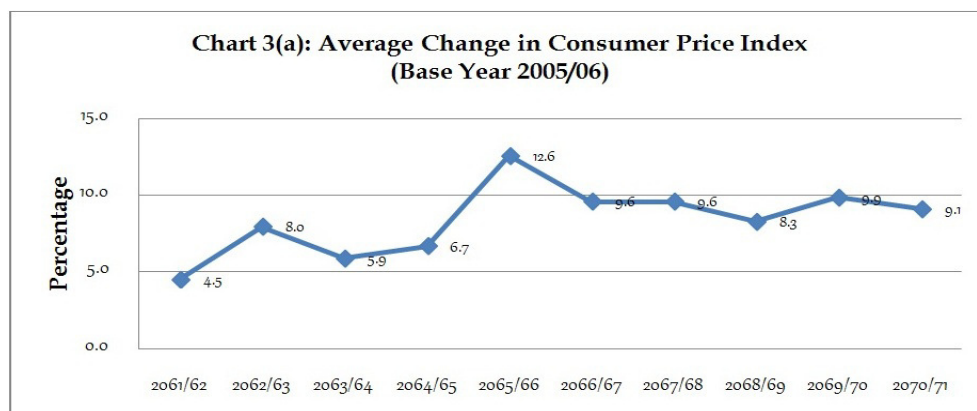
(Percentage Change)

Month	Fiscal Year							
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Mid-Aug.	5.6	11.9	10.1	9.5	7.7	11.9	7.9	7.5
Mid-Sep.	6.1	12.5	9.2	8.6	8.5	11.2	8.0	7.6
Mid-Oct.	5.4	13.3	8.6	8.9	8.9	10.5	8.4	7.5
Mid-Nov.	5.3	13.7	9.1	8.4	8.5	10.5	10.0	7.2
Mid-Dec.	4.6	13.4	10.3	9.6	7.5	10.4	10.3	7.0
Mid-Jan.	4.8	13.8	10.7	11.3	6.8	9.8	9.7	6.8
Mid-Feb.	5.2	13.2	11.0	10.2	7.0	10.1	8.8	7.0
Mid-Mar.	6.0	12.8	10.0	10.7	7.0	10.2	8.9	7.0
Mid-Apr.	8.0	11.6	9.8	10.6	7.5	9.5	9.4	
Mid-May	8.3	12.4	8.9	9.5	8.7	8.7	9.7	
Mid-June	10.1	12.0	8.2	8.8	9.9	8.2	9.5	
Mid-July	10.6	11.1	9.0	9.6	11.5	7.8	8.1	
Average	6.7	12.6	9.6	9.6	8.3	9.9	9.1	7.2

Source: Nepal Rastra Bank

- 3.6 Average consumer inflation rate in first eight months of the current fiscal year has been 7.2 percent. It was 9.0 percent in the corresponding period of the previous fiscal year. The average consumer inflation rate of the first eight month of current fiscal year has been lower than 8.0 percent as targeted by the monetary policy made public by Nepal Rastra Bank and by its mid-term review. CPI based inflation rate in the

review period stood lower than the set target owing to reduction in the price of petroleum products in international market, stability observed in foreign exchange rate, attempt to contain monetary aggregates within the desired limit, steps taken for managing liquidity, and decline in consumer inflation rate in India.



Source: Nepal Rastra Bank

- 3.7 By geographical regions, price indices of Kathmandu valley and hills recorded an increase of 7.1 percent during review period of current fiscal year. Likewise, consumer price index of Terai has increased by 6.9 percent during the same period. These figures were 8.7 percent, 7.9 percent and 9.5 percent during the same period of previous fiscal year.
- 3.8 Group-wise analysis of CPI shows that price of food and beverage group, which carries 46.8 percent weight in CPI, increased by 9.5 percent by mid-March 2015 on annual point-to-point basis. Such growth rate had remained at 10.8 percent in the same period of the previous fiscal year. Increase in the price index of tobacco products, liquors, dairy products and eggs and pulses (lentils) played major role for the increment in the price of food and beverage group. As a result, price indices of goods by sub-group namely, tobacco products rose by 26.6 percent, liquors by 21.1 percent, dairy products and egg by 16.8 percent and pulses by 16.7 percent.
- 3.9 The price of non-food and services group that carries 53.2 percent weight in CPI has increased by 4.9 percent in mid-March 2015. This index had increased by 7.1 percent during the same period of the previous fiscal year. Due to the lower growth rate of price indices of all sub-groups except that of communication sub-group under this group, the growth rate of price index of this group has been low as compared to that of previous fiscal year. Price index of clothing and foot-wears

sub-group among non-food and services group recorded the highest growth of 10.0 percent while price index of communication sub-group has registered the least growth of 0.3 percent.

**Table 3 (b): Point to Point Changes in National CPI
(Base Year 2006/07 = 100)**

(Percent Change)

Consumer Items	Weight Percent	Fiscal Year (Mid-March)							
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total (A+B)	100.0	6.1	12.8	9.9	10.7	7.0	10.2	8.9	7.0
A. Food and Beverages	46.8	8.5	18.1	14.8	17.3	4.2	11.3	10.8	9.5
Cereals and Cereal made Items	14.8	15.3	13.1	12.1	13.4	-2.4	12.9	11.7	7.8
Lentils	2.0	12.8	24.2	30.0	-8.1	-1.8	12.6	6.8	16.7
Vegetables	5.7	0.2	21.1	2.3	73.1	5.1	9.4	13.9	4.8
Meat and Fish	5.7	5.5	24.9	24.5	7.7	5.8	17.1	13.5	9.9
Dairy products and Eggs	5.0	7.8	16.5	13.4	10.5	17.4	7.3	6.7	16.8
Ghee and Oil	2.7	27.5	6.4	-3.1	3.1	13.3	13.9	0.3	-0.4
Fruits	2.2	-4.7	19.7	21.3	33.4	9.8	5.2	14.1	10.4
Sugar and Sweets	1.4	-8.3	53.3	60.7	7.0	5.9	12.0	-3.5	-0.1
Spices (Condiments)	1.5	-0.4	11.0	34.0	22.1	-12.1	5.5	10.5	12.0
Soft Drinks	1.0	4.5	21.9	15.3	8.9	6.0	12.0	2.4	4.2
Liquors	1.7	2.1	13.0	12.4	2.1	9.2	4.4	22.5	21.1
Tobacco Products	0.9	10.0	17.5	11.4	17.1	9.0	11.4	25.3	26.6
Restaurant and Hotel	2.4	7.6	24.5	20.7	15.5	11.4	12.2	9.5	11.3
B. Non-Food Items and Services	53.2	3.9	8.3	5.9	5.3	9.4	9.3	7.1	4.9
Clothing and footwear	8.5	3.3	8.8	6.8	13.7	15.2	11.5	12.2	10.0
Housing and Utilities	10.9	4.8	6.8	6.7	6.4	6.3	9.7	5.1	0.9
Furnishing and Household Equipment	4.9	5.2	14.0	5.3	7.3	13.4	12.7	9.4	8.9
Health	3.3	7.2	4.4	2.4	2.9	6.4	6.5	9.1	4.3
Transport	6.0	1.1	13.9	-0.7	11.3	17.0	8.4	4.9	0.5
Communication	3.6	0.0	0.1	0.0	-10.4	-8.2	-2.1	0.1	0.3
Recreation and Culture	5.4	5.2	6.6	6.8	-2.0	8.8	6.2	7.5	6.2
Education	8.5	4.9	8.2	11.8	4.7	8.9	12.5	7.8	5.5
Other goods and services	2.2	1.0	12.5	8.4	5.4	9.9	10.8	6.5	8.3

Source: Nepal Rastra Bank

Region-wise Consumer Price Situation

- 3.10 From regional perspective, CPI of Kathmandu Valley increased by 7.1 percent on point-to-point basis by mid March 2015. Such index had increased by 8.7 percent during the same period of 2014. During review period, price index of food and beverage group has increased by 10.3 percent and that of non-food and services group by 4.1 percent in the Kathmandu Valley. On food and beverage group, price index of liquor recorded the highest ie. 21.8 percent growth rate followed by dairy products and egg at 16.9 percent and pulses at 15.0 percent. On the non-food and services group, the price index of clothing and foot wear rose by 8.2 percent, furnishing and household equipment by 7.6 percent and health by 5.5 percent, while that of transport sub-group declined by 3.5 percent.
- 3.11 Likewise, CPI of Terai has increased by 6.9 percent in mid-March 2015. Such index had increased by 9.5 percent during the same period of 2014. On food and beverage group, the price index of tobacco products has registered highest growth of 31.5 percent. Similarly, the price indices of dairy products and eggs, liquor and pulses sub-groups have increased by 21.2 percent, 18.3 percent and 17.7 percent respectively. Likewise, under the non-food and services group, price indices of clothing and foot-wear, other goods and services and housing and utilities sub-groups have increased by 10.7 percent, 9.8 percent and 9.0 percent respectively.
- 3.12 Likewise, price index of Hills has increased by 7.1 percent in mid-March 2015. This index had increased by 7.9 percent in the same period of 2015. Of food and beverages group, the price of tobacco products sub-group registered highest increase of 33.7 percent. Likewise, the prices of liquor, pulses, and spices sub-group have increased by 24.9 percent, 17.2 percent and 15.0 percent respectively. Under the non-food and service group, price index of clothing and foot-wear has increased by 11.1 percent, furnishing and household equipment by 10.3 percent and other goods and services by 8.0 leading an average increment of 6.4 percent in this group.

Wholesale Price Index

- 3.13 National Wholesale Price Index (1999/2000=100) on year-on-year basis increased by 5.5 percent in mid-March 2015 that had increased by 8.3 percent in the same period of the previous year. The Index of agricultural products among the National wholesale Price Index rose

by 8.4 percent, domestic manufactured commodities by 6.0 percent. However, price index of imported goods has dropped by 0.8 percent. The price indices of such groups had increased by 11.3 percent, 6.7 percent and 3.7 percent respectively during the same period of the previous fiscal year.

**Table 3 (c): Annual Point to Point Changes of National Wholesale Price Index
(Base Year 1999/2000 = 100)**

(Percent Change)

Group	Weight Percent	Fiscal Year (Mid-March)							
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total	100.0	6.6	12.3	12.2	12.4	6.3	9.0	8.3	5.5
Agricultural Products	49.6	4.9	15.3	19.2	15.4	1.7	12.3	11.4	8.4
Domestically Produced Industrial Goods	20.4	9.0	8.8	12.1	8.2	9.5	3.5	6.8	6.0
Imported Goods	30.0	7.8	10.0	0.2	9.7	13.0	6.6	3.7	-0.8

Source: Nepal Rastra Bank

- 3.14 Under the agro-products group, the price of fruits and vegetables sub-group has registered significant rise of 17.9 percent. Likewise, the price of cash crops has increased by 12.8 percent and that of pulses by 12.6 percent. Under the domestic manufactured commodities group, prices of beverage and tobacco products have registered highest rise of 11.4 percent while under the imported commodities group, the prices of medicines and textile related products have increased by 10.5 percent and 8.4 percent respectively. However, prices of petroleum products and coal and electric and electronics goods have declined by 11.7 percent and 0.2 percent respectively.

National Salary and Wage Rate Index

- 3.15 The annual point-to-point salary and wage rate index (2004/05=100) increased by 6.8 percent by mid-March 2015 against 16.9 percent increase in the corresponding period of previous fiscal year. During review period, salary index has increased by 7.6 percent and wage rate index by 6.6 percent. On the salary index, salaries of civil servants have registered highest growth of 9.7 percent during review period. Likewise, on wage-rate index, wage rate of construction labourers has the highest increment of 10.4 percent. During the same period of previous fiscal year, salary index had increased by 26.4 percent and wage rate index by 14.8 percent.

Table 3 (d): Annual Point to Point Change of National Salary and Wage Rate Index

(2004/05 = 100)

(Percent change)

Consumable Goods	Weight Percent	Fiscal Year (Mid-March)						
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Overall Index	100.0	19.3	13.7	19.1	27.6	7.8	16.3	6.8
1. Salary Index	27.0	16.8	13.8	0.0	19.3	0.0	26.4	7.6
1.1 Civil Service	2.8	28.1	14.6	0.0	18.7	0.0	31.5	9.7
1.2 Public Enterprises	1.1	21.9	11.1	0.0	28.0	0.0	27.6	7.5
1.3 Banks and Financial Institutions	0.6	18.2	1.3	0.0	42.4	0.0	47.7	4.3
1.4 Army and Police Force	4.0	30.9	13.0	0.0	26.5	0.0	34.5	8.5
1.5 Education	10.6	16.1	22.4	0.0	19.1	0.0	30.5	9.1
1.6 Private Institutions	7.9	2.7	0.0	0.0	8.6	0.0	0.0	0.0
2. Wage Index	73.0	20.1	13.6	25.5	29.8	9.6	14.1	6.6
2.1 Agriculture Labor	39.5	26.9	17.0	34.6	27.1	12.5	10.2	7.9
2.2 Industry Labour	25.2	10.6	8.8	10.4	34.3	4.7	24.8	2.7
2.3 Construction Labour	8.3	18.1	10.6	20.4	34.1	6.3	9.4	10.4

Source: Nepal Rastra Bank

Average Retail Price of Major Commodities

- 3.16 Review of average retail prices of 10 major agricultural commodities among daily consumable items (rice, wheat flour, black gram, pigeon peas/red gram, mustard oil, clarified butter, mutton, potato, dried onion and ginger), prices of wheat flour, black gram, potato and onion have increased by 4.6 percent, 12.2 percent, 4.8 percent and 52.1 percent respectively in mid-March 2015 as compared to that of mid-March 2014, while those of rice, pigeon peas/red gram, mustard oil, clarified butter, mutton and ginger have declined by 0.2 percent, 3.3 percent, 0.3 percent, 19.0 percent, 4.1 percent and 30.0 percent respectively.

Table 3 (e): Average Retail Price of Some Major Commodities

(Rs.)

S. N.	Item	Unit	2013/14		2014/15*	
			Mid-July	Mid-March	Mid-July	Mid-March
1	Coarse Rice	Kg	43.9	39.2	28.1	39.1
2	Wheat Flour	Kg	38.8	41.2	28.4	43.1
3	Black Lentil	Kg	115.7	114.1	80.4	128.0
4	Pigeon Peas	Kg	131.6	133.1	63.9	128.7
5	Mustard Oil	Liter	173.3	167.0	113.8	166.5
6	Clarified Butter	Kg	702.9	731.3	365.4	592.3
7	Mutton	Kg	544.3	591.8	369.2	567.3
8	Potato	Kg	32.7	27.6	27.9	28.9
9	Dry Onion	Kg	65.1	39.1	37.1	59.5
10	Ginger	Kg	169.6	129.5	121.3	90.7

*Preliminary

Source: Department of Agriculture, Directorate of Agriculture Promotion and Market Development, Hariharbhawan

The price of crude Oil and Gold in International Market

- 3.17 The price of oil (Crude Oil Brent) in the international market that was US\$ 108.1 per barrel in mid-March 2014 dropped sharply by 49.3 percent to US\$ 54.8 per barrel by mid-March 2015. Price of oil in the international; market has dropped sharply due to the slowdown in the economy of China, Japan and Euro, increase production in the US and Saudai Arabia, the decision take by the OPEC to maintain the existing production quota, among others. Likewise, the price of gold, which stood at US \$ 1385.0 per ounce in mid March 2014, dropped by 16.8 percent to at US \$ 1152.0 per ounce in mid-March 2015.

Table 3(f): Prices of oil and gold in International market

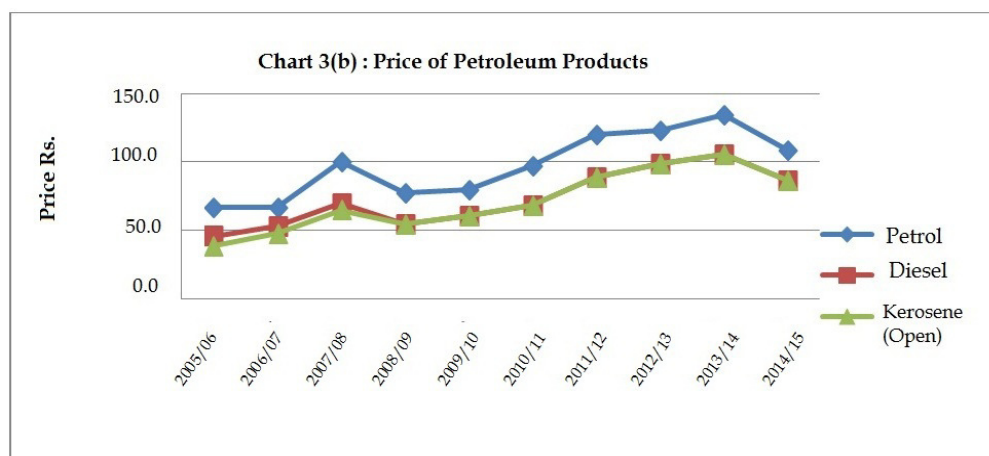
	Mid-July			Mid-March			Percentage Change			
	2012	2013	2014	2013	2014	2015	Mid-July		Mid-March	
							2013	2014	2014	2015
Oil (Dollar per Barrel)*	102.1	109.1	104.7	109.3	108.1	54.8	6.8	-4.0	-1.1	-49.3
Gold (Dollar per Ounce)**	1589.8	1284.8	1310.0	1595.5	1385.0	1152.0	-19.2	2.0	-13.2	-16.8

*Crude Oil Brent ** Based on London Rate

Source: Nepal Rastra Bank

Price trend of Petroleum Products in Nepal

3.18 Of the POL products, the price of petrol, which was Rs. 67.0 per litre in the fiscal year 2005/06 gradually increased and reached Rs. 109.0 per litre in FY 2014/15. Likewise, the price of diesel rose from Rs. 46.0 per litre in FY 2005/06 to Rs. 86.50 in FY 2014/15; and that of kerosene reached to Rs. 86.50 from Rs. 39.0 in the same period. The price trend of the petroleum products of the last ten years has been depicted in the Chart below:



3.19 There is the provision of fixing wholesale price (including VAT) by depot sites or customs points. Arrangements for wholesale distribution of petroleum products have been made from Biratnagar, Birgunj, Amlekhgunj, Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dang, Dhangadi, Dipayal and Janakpur. Under this arrangement, wholesale and retail prices of petroleum products may vary from place to place. As per the POL prices set on April 2, 2015, retail prices of petrol, diesel, kerosene and LP Gas in Kathmandu Valley are Rs. 109.0 per litre, Rs. 86.50 per litre and Rs. 1,470.0 per cylinder respectively. Likewise, the price for aviation fuel is set at Rs. 133.0 per litre.

Supply Situation

3.20 As compared to the first eight months of fiscal year 2013/14, supply of petrol has increased by 14.0 percent, diesel by 16.1 percent, aviation fuel by 9.1 percent and LP Gas by 9.8 percent in the corresponding period of the current fiscal year 2014/15. In the same period, however, supply of kerosene has decreased by 0.2 percent. So has its demand

owing to the fact that LP Gas has been substituting kerosene. Moreover, the act of mixing kerosene in diesel by unscrupulous traders has come down due to uniform pricing of these two commodities. Supply situation of some major POL products has been depicted in the Table.

Table 3 (g): Supply Situation of Some Major Petroleum Products

Some Major Petroleum Products	First Eight Months		Percent Change
	2013/2014	2014/15	Mid-March / Mid-March
Petrol (KL)	164007	186965	14.0
Diesel (KL)	502329	583242	16.1
Kerosene (KL)	13573	13541	-0.2
Aviation Fuel (KL)	86922	94854	9.1
Total	766831	878602	14.6
L. P. Gas (MT)	151211	165975	9.8

Source: Nepal Rastra Bank

- 3.21 Of the target set to transport 50,063 quintals of iodized salt to 22 remote districts including 13 remotest, and nine moderately remote districts under the Goitre Control Program for the fiscal year 2013/14, a total of 39,344 quintals of iodized salt has been transported during the review period.
- 3.22 Continuity has been given in the current fiscal year as well to transportation of food grains to 23 remote mountainous and hilly districts through Nepal Food Corporation under the policy of ensuring unhindered and regular supply of food grains to those districts. In this process, 6,671 MT of food grains has been transported until mid-March 2015 against the target of 14,000 MT set for the current fiscal year. Likewise, of the target to store 25,000 MT of food grains in National Food Security Reserve, a total of 11,894 MT of food stuff has been stored until mid-March 2015.

Issues and Challenges

- 3.23 Higher rate of inflation discourages savings and investments thereby adversely affecting the economic growth, which consequently brings hardships to the people's living standards too. Despite several steps taken in the past for containing inflation rate within the desired limit, such rates have continued to escalate in recent years. In the context of

persistent higher inflation rate in recent years caused mainly due to supply and structural factors, it has been imperative to pay due attention towards monitoring, formulating appropriate monetary and fiscal policies and properly managing overall supply system so as to contain inflation rate within the desired limit. There is a need to pay immediate attention towards the following factors like, systematizing the distribution system; developing and expanding buffer stock in remote mountainous and hilly districts; enforcing laws to punish those involved in highway blockades; making the market monitoring work more effective; bringing the existing cartel/syndicate system in transport to an end; discouraging the practice of goods hoarding; and making distribution of petroleum products more systematic. Additionally, operating programs that enhance production and productivity of agriculture; completing hydro-electricity projects under construction within estimated time to resolve the existing load-shedding problem; curbing the excessive margin intermediaries have been charging; making necessary arrangements for the smooth supply of goods and services through cooperatives; and developing scientific mechanism for making transportation cost and transportation fair automatically adjusted in line with the adjusted prices of POL products among others also require immediate attention.

- 3.24 Despite Nepal Oil Corporation is the sole authority for import and distribution of petroleum products, its financial position has not been satisfactory due to lack of managerial skills, excessive leakages and dearth of cash flow, among others. Problem in regular supply and distribution of petroleum products is often visible owing to ever increasing debt liability of the Corporation and lack of cash flow. In order to overcome these problems, it is necessary to improve managerial aspect of the corporation and plug in leakages; gradually engage the private sector in import and distribution of petroleum products; and develop a more scientific mechanism for automatic adjustment in prices of petroleum products along price fluctuations in international market. Also, it is necessary to take additional measures such as: enhancing the storage capacity of oil depots and undertake construction of new depots; regularize the smooth supply of petroleum products by discouraging the practices of highway blockades, strikes and *chakka jams* (transporters' strikes); complete the Raxaul-Amlekhgunj oil pipeline laying work; Oil Corporation itself establish its own gas bottling plant to ensure adequate gas storage; and emphasize on development and usage of hydro-electricity as an alternative to petroleum products.

- 3.25 Although food grains are being transported to remote districts through Nepal Food Corporation, effective distribution is lacking mainly due to prevailing unhealthy competition among transporters; the tendency of contractors not coming forward to sign the contract even after contracts are awarded; contractors reluctant on transporting food grains even after signing the contract; and lack of adequate staffing in all depots. Problems often loom large in distribution of food grains as a committee comprising representatives of political parties, police chief personnel and VDC secretaries assign persons for distribution in the district resulting in misappropriation in the distribution process. Many districts have access to transport facilities, but the prevailing food grains quota distribution system irrespective of whether accessible or inaccessible to road transport remain the same. Owing to such practice, remote districts where demand for food grains is higher receive less whereas districts with access to transport facility receive more than in demand, thus creating the issue of disproportionate distribution. In order to resolve these problems, attention is much needed to review food grains subsidy receiving districts and make arrangements accordingly for distribution of food grains through the staff by fulfilling vacant positions in depots. Additionally, raising quotas for remotest districts where food scarcity is high by curtailing prevailing quota in districts that are gradually gaining access to transport facility; making adequate budget allocation for transportation; establishing Buffer Zones in remote districts; and making distribution system organized are other aspects that are calling for attention.

4. Money and Banking

Monetary Policy

- 4.1 Monetary and fiscal policies are formulated for higher and sustainable economic growth by maintaining macroeconomic stability. Fiscal policy is formulated by people elected executives while autonomous Central Bank is involved in both the formulation and implementation of monetary policy.
- 4.2 Nepal Rastra Bank, pursuant to section 94 of Nepal Rastra Bank Act 2002, has been publishing annual monetary policy report for public information. Nepal Rastra Bank, as provisioned in the Act, has been publishing Monetary Policy and their Mid-term Review Reports since fiscal year 2002/03. Monetary Policy focuses mainly on achieving objectives like maintaining price and external sector stability; assisting to achieve economic growth target by maintaining financial stability and expanding the access to finance. With these objectives, monetary policy for fiscal year 2014/15 and its mid-term review report were made public on 18th July 2014 and 16th February 2015 respectively.

Stance of Monetary Policy

- 4.3 Monetary policy stance has been made slightly tighter considering the situation of long standing liquidity in the banking system and its likely impact on inflation, external and financial stability. However, arrangement has been made for adequate credit flow from the banking sector to achieve overarching target of economic growth for fiscal year 2014/15.
- 4.4 The task for maintaining low level inflation rate is still a challenge owing to existing situations of increased overall demand resulting from the expansion of economic activities including that of remittance inflows and domestic supplies related persistent obstructions. Managing short-term demand is still necessary in a situation whereby supply side is less likely keep pace with demand created by ever increasing disposable income with augmented remittance inflows. Hence, monetary policy emphasizes on maintaining monetary aggregates within the desired level in order to avoid additional inflationary pressure emanating from the demand side.
- 4.5 The short-term interest rates have dropped sharply due to existing excessive liquidity in the banking sector. The stance of monetary policy has been tightened to some extent foreseeing the risk-potentials in the

financial stability and abnormal rise of asset prices as a result of increased credit flow to share market and real estate transactions.

- 4.6 The monetary policy has been oriented towards motivating banks and financial institutions to expand credit to the productive sector as well as strengthening the demand for and usage of loans through financial literacy programs. Likewise, monetary policy also aims at maintaining overall financial stability through enhancement of banks and financial institutions, which serve as a medium of transmission of monetary policy. Apart from this, emphasis has been given towards promoting financial access as well.

Economic and Monetary Targets

- 4.7 Monetary policy for fiscal year 2014/15 had set targets of maintaining foreign exchange reserve that would cover import of goods and services for at least 8 months by keeping consumer inflation at an annual average rate of 8 percent, and providing adequate credit to support the economic growth as stipulated in the budget speech for the fiscal year.
- 4.8 In line with the stance of monetary policy for containing demand side inflation and supporting targeted economic growth; the growth rate of broad money supply, that serves as an intermediate target of monetary policy was targeted to be maintained around 16 percent.
- 4.9 The private sector's credit was projected to grow by 18 percent based on the assumption that aggregate demand would grow as per projected economic growth rate and inflation for FY 2014/15. Likewise, Mid-term Review Report of Monetary Policy has estimated that all targets except economic growth rate would be met.

Box 4 (a): Key Indicators of Monetary Policy

- Annual average inflation stood at 7.2 percent in the first eight months against its projected target of 8 percent.
- Foreign exchange reserve is sufficient to cover imports of goods and services for 9.7 months in first eight months against the target of sustaining it for only 8 months.
- The growth rate of broad money supply remained at 8.1 percent in the first eight months against its projected growth of 16 percent.
- The credit to private sector surged by 12.4 percent in first eight months against its projected growth of 18.0 percent.

Instruments for Monetary Policy Operations

- 4.10 The Cash Reserve Ratio (CRR) that the banks and financial institutions have to maintain is set at 6.0 percent for Class "A", 5.0 percent for Class "B", and 4.0 percent for Class "C" for fiscal year 2014/15. Similarly, bank rate which is used in the provision of lender of last resort facility and discount of securities has been kept unchanged at 8 percent.
- 4.11 Refinance rate for agriculture, hydropower, livestock as well as fishery and other productive sectors has been reduced from 5 percent to 4 percent, whereas other existing refinancing rates remains unchanged. Similarly, as specified in the budget statement for fiscal year 2014/15, arrangement has been made to avail credits at 6.0 percent by commercial banks to livestock, herbs, horticultures, dairy, fishery, mushroom farming, animal slaughterhouse and meat related businesses.
- 4.12 As a key instrument of Monetary Policy, "Nepal Rastra Bank Open Market Operation Bylaws 2071" has been formulated and executed to make open market operations purposeful and transparent. As provisioned in such By-laws, (a) Regular, (b) fine-tuning and (c) structural open market transactions was brought into implementation. Arrangement has been made for using regular, fine-tuning, and structural open market operation instruments such as repo, reverse repo, outright sale and purchase auction, as well as deposit collection and Nepal Rastra Bank's bonds by restraining total domestic deposit within two percent of domestic deposit liabilities of banks and financial institutions. Likewise, provisions have been made for carrying out open market transactions such as outright sale, outright purchase, repo and reverse repo, auction have been made on treasury bills and development bonds of GoN, NRB bond and other securities as specified by Nepal Rastra Bank from time to time. OMOs has been conducted focusing on the overall liquidity situation of the banking sector indicated by the report of Liquidity Monitoring and Forecasting Framework prepared on the basis of NRB's balance sheet and other financial indicators.
- 4.13 The existing provision of Statutory Liquidity Ratio (SLR) to be maintained by banks and financial institutions has been kept unchanged. Similarly, continuity has been given the facility of providing Standing Liquidity Facility (SLF) to banks and financial institutions to manage short term liquidity.

Table 4 (a): Bank Rate, Refinance Rate and Cash Reserve Ratio (In Percent)

Instruments	Fiscal Year				
	2010/11	2011/12	2012/13	2013/14	2014/15
Bank Rate	7.0	7.0	8.0	8.0	8.0
Refinancing Rates:					
Export Credit (In Domestic Currency)	1.5	1.5	1.5	1.0	1.0
	0.25*	0.25*	0.25*	0.25*	0.25*
Export Credit (In Foreign Currency)	1.5	1.5	1.5	1.5	1.0
Sick Industries	1.5	1.5	1.5	1.0	1.0
Small and Cottage Industries	7.0	6.5	6.0	5.0	4.0
Productive Sector					
Cash Reserve Ratio	5.5	5.0	5-6 ⁺⁺	4-5 ⁺⁺	4-6 ⁺⁺⁺
Standing Liquidity Facility (Penal Rate)	3.0	3.0	0.0#	0.0#	0.0#

* LIBOR Rate Plus

+The cash reserve ratio to be maintained by banks and financial institutions is set at 6.0 percent for "A" class, 5.5 percent for "B" class and 5.0 percent for "C" class.

++The cash reserve ratio to be maintained by banks and financial institutions is set at 5.0 percent for "A" class, 4.5 percent for "B" class and 4.0 percent for "C" class.

+++The cash reserve ratio to be maintained by banks and financial institutions is set at 6.0 percent for "A" class, 5 percent for "B" class and 4.0 percent for "C" class.

monetary policy for fiscal year 2012/13 has provisioned for providing Standing liquidity Facility at the Bank Rate

Source: Nepal Rastra Bank

Money Supply

- 4.14 Broad money supply and narrow money supply, in the first eight months of the current fiscal year, expanded by 8.1 percent and 7.0 percent respectively. Respective growth rates of these aggregates in the same period of the previous fiscal year were 10.8 percent and 10.9 percent respectively. The lower growth rate of broad money supply in review period as compared to that of corresponding period of the previous fiscal year is due to the lower growth rate of net foreign assets of the monetary sector.

Table 4(b) : Factors affecting Money Supply

(In Rs. 10 Million)

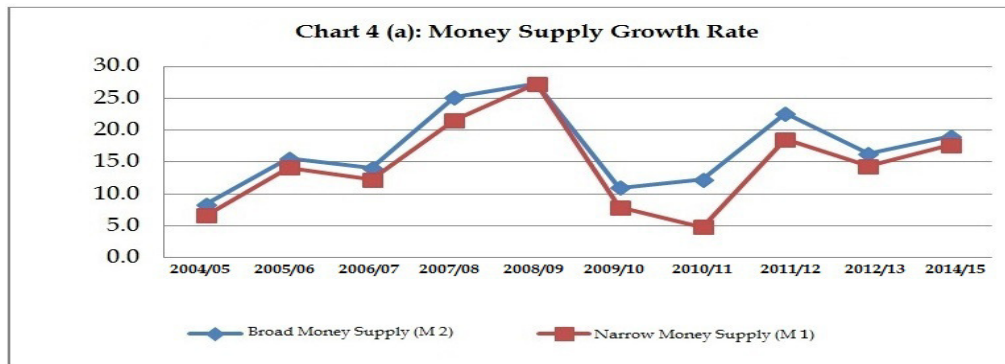
Monetary Aggregates	Change in First Eight Months			
	2013/14		2014/15*	
	Amount	Percent	Amount	Percent
1. Net Foreign Assets(1.1-1.2)®	10281.4 ¹	22.0	3507.1 ²	5.9
1.1 Foreign Asset	12114.6	21.9	4141.7	6.0
1.2 Foreign Liability	920.1	10.7	528.2	6.0
2. Net Domestic Assets (2.1-2.2)®	3934.1 ¹	4.6	9254.8 ²	9.6
2.1 Domestic Credit	3623.6	3.1	8399.2	6.4
(a) Net Claims on Government	-7845.4	-46.8	-7078.7	-49.9
(i) Claims on Government	370.6	2.2	-1326.1	8.0
(ii) Government Deposit	8216.3	44529.0	5752.6	244.8
(b) Claims on Non-financial Government Enterprises	25.9	2.3	-7.9	-0.8
(c) Claims on Financial Institutions	657.6	48.1	1185.9	107.1
(i) Government	0.5	0.4	118.7	79.8
(ii) Non-government	657.1	53.2	1067.2	111.3
(d) Claims on Private Sector	10785.8	11.1	14299.9	12.4
2.2 Net Non-monetary Liabilities®	-310.4 ¹	-1.0	-855.6 ²	-2.5
3. Money Supply, M ₂ (3.1+3.4)	14215.1	10.8	१२७६१.९	८.१
3.1 Money Supply, M ₁ (a+b)	3287.5	10.9	२४७७.७	७.०
(a) Money	3031.6	15.5	२७२८.१	१२.०
(b) Current Deposits	255.9	2.4	-२५०.५	-२.०
3.2 Saving and Call Deposits	8377.6	13.4	6752.7	8.7
3.3 Time Deposits+	2550.4	6.5	3531.6	8.1
3.4 Time and Saving Deposits(3.2+3.3)	10928.0	66.6	10284.3	5.9

*Provisional, ®Exchange gain/loss adjusted, +Including Margin Deposits

1. Exchange rate loss NRs. 9132million adjusted

2. Exchange rate gains NRs. 1064 million adjusted

Source: Nepal Rastra Bank

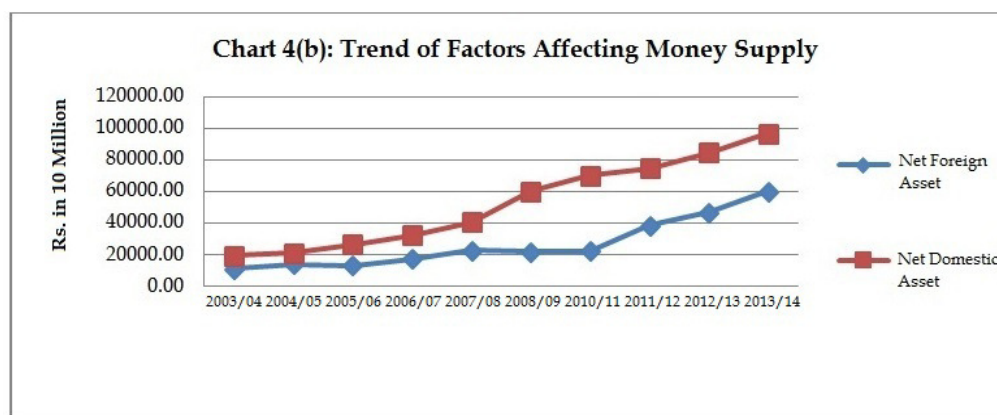


Net Foreign Assets

- 4.15 During the review period, Net Foreign Assets (foreign exchange gain/loss adjusted) grew by Rs. 35.07 billion (5.9 percent) due to rise in imports of goods and services, decline in grant, lower growth rate of remittance inflows. Such assets had increased by Rs. 102.8 billion (22.0 percent) in the same period of the previous fiscal year.

Domestic Credit

- 4.16 Domestic credit rose by 6.4 percent in the first eight months of fiscal year 2014/15 against the growth of 3.1 percent in same period of the previous year. Growth rate of domestic credit climbed during the review period as compared to corresponding period of the preceding fiscal year owing to increased claims on the private sector and financial institutions. During the review period, the net claim on government has declined by 49.9 percent as against the 46.8 percent decline in the previous year. Decline on such claims is attributed to the government deposit of Rs. 81.03 billion by the end of mid-March of current fiscal year.
- 4.17 Claims on the private sector in first eight months of the current fiscal year grew by 12.4 percent (Rs. 143 billion) against the growth of 11.1 percent (Rs. 107.86 billion) in the same period of the previous year. Such higher growth rate of claims on the private sector during the review period as compared to that of the previous fiscal year is mainly due to increased investment of banks and financial institution on industrial production, wholesale and retail trade, construction, transportation, communication and public utility, and agriculture sectors among others.



Reserve Money and Money Multiplier

- 4.18 Reserve money has decreased by 4.8 percent in the first eight months of current fiscal year 2014/15 in contrast to its growth of 5.8 percent in the same period of previous fiscal year. Lower expansion in net foreign asset of Nepal Rastra Bank is attributable for such decline in reserve money. Such money on point-to-point basis, however, has increased by 10.9 percent at mid-March 2015.

Table 4 (c): Reserve Money and Money Multiplier

Particulars	Mid-July 2013	Mid- March 2014	Mid-July 2014	Mid- March 2015*	Percentage change in first eight months	
					2013/14	2014/15
Currency Reserve (In Rs. 10 million)	35422.0	37459.2	43659.4	41549.6	5.8	-4.8
Narrow Money Multiplier	0.851	0.893	0.813	0.914	4.9	12.4
Broad Money Multiplier	3.713	3.891	3.587	4.076	4.8	13.6

* Provisional

Source: Nepal Rastra Bank

- 4.19 On money multipliers side, the broad money multiplier has reached 4.07 with 13.6 percent increment in Mid-March 2015 as compared to that of Mid-July 2014. In the same period, the narrow money multiplier has also increased by 12.4 percent to 0.91. Money multipliers registered higher growth due to fall in reserve money during review period as compared to the same period of the previous fiscal year.

Implementation Status of Monetary Instruments

- 4.20 The excess liquidity in banks and financial institutions has been mopped up through open market operations. During first eight months of the fiscal year 2014/15, amount equivalent to Rs. 271.10 billion was mopped up through reverse repo auction under open market operations against Rs.270.0 billion mopped during the same period of the previous fiscal year. As specified in the monetary policy of current fiscal year, deposit auction which is considered as a new tool for mopping up liquidity was introduced in mid-September 2014 and with this tool, liquidity equivalent to Rs. 85 billion has been mopped up at different intervals of the review period.

- 4.21 By the end of first eight months of the fiscal year 2014/15, Nepal Rastra Bank has injected net liquidity totaling Rs. 213.47 billion through net purchase of USD 2.23 billion from the foreign exchange market (Commercial Banks). In the same period of previous year, such injected amount was Rs. 224.99 billion through net purchase of USD 2.25 billion from the foreign exchange market.

Table 4 (d): Status of Open Market Operation

(Rs. in 10 Million)

Particulars		2012/13	2013/14	First Eight Months	
				2013/14	2014/15
A	Liquidity Absorption	850.0	61100.0	27850.0	35610.0
	Outright Sale	850.0	850.0	850.0	-
	Reverse Repo Auction	-	60250.0	27000.0	27110.0
	Deposit Auction	-	-	-	8500.0
B	Liquidity Injection	0.0	0.0	0.0	-
	Outright Purchase	-	-	-	-
	Repo Auction	-	-	-	-
C	Net Liquidity Absorbed (A-B)	850.0	61100.0	27850.0	35610.0

Source: Nepal Rastra Bank

- 4.22 Indian currency is being purchased through the sale of US Dollars for managing the demand for Indian currency. During the review period, Indian currency equivalent to Rs.232.60 billion was purchased by selling USD 2.36 billion. USD 2.04 billion was sold to purchase Indian currency worth Rs. 202.46 billion in the same period of the previous fiscal year.

Interbank Transaction and Standing Liquidity Facility

- 4.23 During first eight months of fiscal year 2014/15, commercial banks carried out interbank transaction worth Rs. 275.30 billion while transactions of other financial institutions (development bank and finance companies) amounted to Rs.134.89 billion. During the same period of previous year, Commercial banks and other financial institutions had carried out such transaction equivalent to Rs. 157.59 billion and Rs. 107.51 billion respectively. Bank and financial institutions have utilized Standing Liquidity Facility worth Rs. 1.72 billion in the review period.

Short-Term Interest Rate

4.24 By mid-April 2015, the weighted average interest rate of 91-day Treasury Bills, inter-bank transaction of commercial banks and the weighted average interest rate of inter-bank transaction of other financial institutions has slightly increased as compared to same period of the previous year. The weighted average interest rate of 91-day Treasury Bills that was 0.06 percent in mid-April of the previous year has climbed to 0.69 percent by mid-April of 2015. Similarly, the weighted average interest rate of inter-bank transaction of commercial banks that was 0.19 percent in mid-April of the previous year has reached 0.64 percent in mid-April 2015. Likewise, the weighted average interest rate of inter-bank transaction of other financial institutions that stood at 2.29 percent in mid-April of the previous year has climbed to 3.87 percent in mid-April 2015. The short term interest rate has slightly increased due to gradual management of excess liquidity in banks and financial institutions.

Table 4 (e): 91-day Treasury Bills and Inter-Bank Interest Rates

(Percent)

Description	Mid-July 2013	Mid- Sept. 2013	Mid- Jan. 2014	Mid- Apr. 2014	Mid-July 2014	Mid- Sept. 2014	Mid-Jan. 2015	Mid- Apr. 2015
91-days Treasury Bills	1.19	0.07	0.47	0.06	0.02	0.93	0.16	0.69
Interbank Rate								
Among Commercial Banks	0.86	0.25	0.21	0.19	0.16	1.03	0.15	0.64
Among Other Financial institutions	5.03	2.64	2.62	2.29	2.40	2.55	2.51	3.87

Source: Nepal Rastra Bank

4.25 Provision is made for commercial banks to publish base rate on monthly basis so as to bring transparency and competitiveness in banks' and financial institutions' credit interest rate fixing process. It is also used to enhance effectiveness of monetary policy transmission mechanism. Average base rate of commercial banks which stood at 8.38 percent in mid-April 2014 has remained at 7.68 percent in mid-April 2015. The weighted average interest rate spread of commercial banks

stood at 4.39 percent in mid-April 2015. In addition, the weighted average interest rate of commercial banks for deposits has remained at 4.07 percent and for credit at 9.64 percent in mid-April 2015. As such, weighted average interest rate spread remains at 5.57 percent.

Expansion of Financial Sector

- 4.26 By mid-April of current fiscal year, there are 30 commercial banks, 81 development banks, 52 finance companies, and 35 class "D" financial institutions licensed to carryout micro finance related transactions. Similarly, 16 co-operative institutions and 27 non-government organizations have obtained permission from Nepal Rastra Bank to conduct limited banking transactions. Apart from bank and financial institutions, various institutions including 25 insurance companies, Employees' Provident Fund, Citizen Investments Trust, and Postal Savings Banks have been operating as indispensable parts of the financial system. The number of banks and financial institutions has decreased in recent years due to suspension of license issuance to establish commercial bank, development bank and finance companies; and encouraging increase in merger and acquisition among bank and financial institutions. The numerical status of bank and financial institutions is presented in the Table.

**Table 4 (f): Number of Banks and Financial Institutions
(By Mid-July)**

Bank and Financial Institutions	2009	2010	2011	2012	2013	2014	2015*
Commercial Banks	26	27	31	32	31	30	30
Development Banks	63	71	88	88	86	84	81
Finance Companies	77	79	80	70	59	53	52
Micro-finance Institutions	15	18	21	24	31	33	35
Licensed Cooperatives (Limited Banking Transactions)	16	15	16	16	16	15	16
Licensed NGOs (Limited Banking Transactions)	45	45	38	36	31	29	27
Insurance Company	25	25	25	25	25	25	25
Employees Provident Fund	1	1	1	1	1	1	1
Citizen Investment Trust	1	1	1	1	1	1	1
Postal Saving Bank	1	1	1	1	1	1	1
Offices of Postal Saving Bank	117	117	117	117	117	117	117

*By Mid-April

Source: Nepal Rastra Bank

- 4.27 Deposit collection and lending transactions of banks and financial institutions have been expanding in tandem with the rising numbers. Both financial inclusion and financial deepening have continued to grow in parallel with quantitative and qualitative expansion of banks and financial institutions. The ratio of deposit and credit to GDP is also rising as a result of expansion of financial sector.
- 4.28 The share of commercial banks in total deposit and credit has remained high. By mid-March 2015, shares of commercial banks, development banks, and finance companies in total deposit remained at 81.9 percent, 12.5 percent and 4.6 percent respectively. Similarly, shares of commercial banks, development banks and finance companies in total credit are 75.6 percent, 14.3 percent and 6.2 percent respectively. Some of the major of banks and financial institutions are illustrated in Table 4(g).

**Table 4 (g): Some Major Indicators of Bank and Financial Institutions
(By the end of Mid-July)**

(Rs. in billion)

Description	2009	2010	2011	2012	2013	2014	Mid-March 2015
Total Assets	833.5	996.1	1158.3	1380.8	1584.9	1889.8	1971.0
Total Deposits	676.0	795.3	871.9	1076.6	1271.5	1482.0	1588.5
Loan and Advances	495.2	622.6	713.1	804.5	983.8	1066.9	1198.8
Deposit/GDP Ratio (%)	68.4	67.9	64.0	68.8	73.7	76.3	74.8
Loan and Advances/GDP Ratio (%)	50.1	53.1	52.0	50.7	55.8	55.0	56.4
Market Share in Total Deposits (in percent)							
Commercial Banks ("A" Class)	83.4	79.4	78.9	80.6	80.3	80.7	81.9
Development Banks ("B" Class")	7.2	9.7	11.1	11.8	12.6	13.5	12.5
Finance Companies ("C" Class)	8.4	10	9.8	7.1	5.4	4.9	4.6
Other Institutions	0.9	0.9	0.2	0.5	1.7	0.9	1.0
Market Share in Loan and Advances (in percent)							
Commercial Banks ("A" Class)	76.8	74.2	74.0	77.4	76.1	74.6	75.6
Development Banks ("B" Class")	8.7	10.6	12.5	12.5	13.3	15.6	14.3
Finance Companies ("C" Class)	12.1	12.8	12.2	8.3	6.7	6.5	6.2
Other Institutions	2.4	2.4	1.3	1.8	3.9	3.2	3.8

Source: Nepal Rastra Bank

Branch Expansion

- 4.29 Numbers of commercial bank branches reached 1,656 by mid-April 2015. During the same period, total number of branches of banks and financial institutions (A, B and C Class) has reached to 2,692 with branches of development banks and finance companies reaching 797 and 206 respectively. Considering the number of these branches as a benchmark, Far Western and Mid-Western Development Regions are lagging behind in terms of financial expansion. Of the total branches, 46.2 percent are in the Central Development Region whereas only 4.6 percent are in the Far-Western Development Region.

Table 4 (h) : Branches of Banks and Financial Institutions

(Mid-April 2015)

Development Region and Zone	Commercial Banks	Development Banks	Finance Companies	Total	Percent
Eastern Development Region	307	103	26	436	16.2
Mechi	82	30	8	120	4.5
Koshi	153	64	14	231	8.6
Sagarmatha	72	9	4	85	3.2
Central Development Region	819	288	136	1243	46.2
Janakpur	83	34	4	121	4.5
Narayani	165	104	22	291	10.8
Bagmati	571	150	110	831	30.9
Western Development Region	286	304	33	656	24.4
Gandaki	111	130	33	274	10.2
Lumbini	136	147	29	312	11.6
Dhaulagiri	39	27	4	70	2.6
Mid Western Development Region	150	74	9	233	8.7
Rapti	56	36	5	97	3.6
Karnali	15	0	0	15	0.6
Bheri	79	38	4	121	4.5
Far Western Development Region	94	28	2	124	4.6
Seti	56	15	2	73	2.7
Mahakali	38	13	0	51	1.9
Total	1656	797	206	2692	100.0

Source: Nepal Rastra Bank

- 4.30 While considering the total domestic deposit of commercial banks that holds largest share in banking transactions, average per capita deposit which stood at Rs. 24,773 in mid-July 2014 stood at Rs. 23,103 in mid-April 2015. Likewise, per capita credit flow from commercial banks

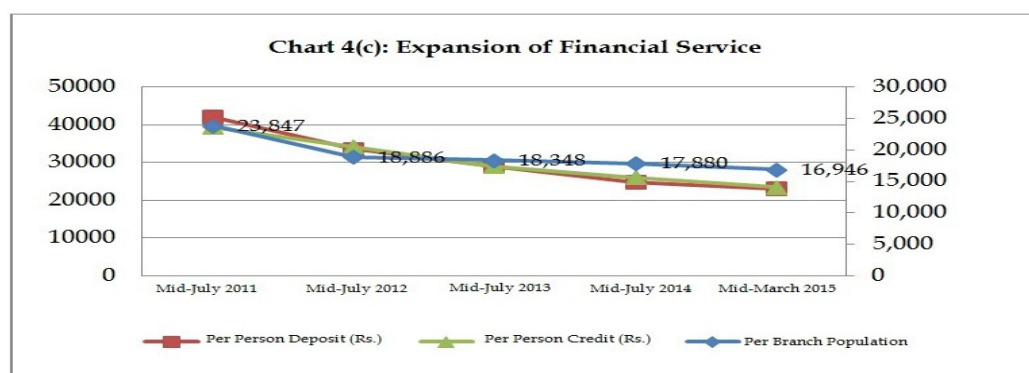
which averaged Rs. 25,926 by mid-July 2014 stood at Rs. 23,410 by mid-April 2015.

Table 4(i): Some Indicators of Financial Expansion and Deepening

	Mid-July 2011	Mid-July 2012	Mid-July 2013	Mid-July 2014	Mid-April 2015
Commercial Bank Branches	1111	1425	1486	1547	1656
Population per Branch	23847	18860	18348	17880	16946
Domestic Deposit of Commercial Banks (Rs. in Billion)	628	801	941	1117	1215
Per Capita Deposit (Rs.)	42178	33540	28970	24773	23103
Commercial Banks Lending (Rs. in Billion)	673	788	938	1067	1199
Per Capita Credit (Rs.)	39361	34117	29064	25926	23410

Source: Nepal Rastra Bank

- 4.31 Financial deepening has been gradually increasing with rise in numbers and expansion of banks and financial institutions in the country. A bank branch in mid-July 2011 used to provide banking services to 23,847 people, which has improved with each branch serving 16,946 people by mid-April 2015. Status of financial deepening is depicted in the chart below.



Deposit Mobilization and Credit Disbursement

- 4.32 During the first eight months of fiscal year 2014/15, deposit mobilization of banks and financial institutions increased by 7.6 percent (Rs. 106.62 billion). Such deposit mobilization had increased by 9.7 percent (Rs. 115.47 billion) during corresponding period of the previous year. In review period, deposit mobilization of commercial banks and finance companies has increased by 8.7 percent and 1.8

percent respectively whereas deposit of development banks has decreased by 1.0 percent. The reason for such decrease in deposits in the review period is due to mergers taking place among development banks and commercial banks. During the same period of the previous year, deposit mobilization of commercial banks, development banks and finance companies had grown by 9.5 percent, 13.7 percent and 7.5 percent respectively. On annual point-to-point basis, deposit mobilization of banks and financial institutions increased by 16.1 percent (Rs.209.83 billion) to Rs. 1513.39 billion by mid-March 2015.

- 4.33 Similarly, the private sector credit of banks and financial institutions during the review period has increased by 11.8 percent (Rs. 132.40 billion). Claims of the private sector on such loans and investments had grown by 11.0 percent (Rs. 103.81 billion) during the corresponding period of the previous year. Claims of the private sector on loans and investment of commercial banks, development banks and finance companies in the review period registered a growth of 13.6 percent, 4.7 percent and 6.0 percent respectively. Such claims of commercial banks, development banks and finance companies had increased by 11.2 percent, 14.9 percent and 1.9 percent respectively in the same period of the previous year.

Table 4 (j): Deposit Mobilization and Credit Disbursement

(Rs. in 10 million)

Heads	Mid-July 2013	Mid- March 2014	Mid-July 201	Mid- March 2015	Percent Change in First Eight Months	
					2013/14	2014/15
Deposit Mobilization						
Commercial Banks	101558	111221	119648	130100	9.5	8.7
Development Banks	15522	17656	20033	19839	13.7	-1.0
Finance Companies	6817	7326	7209	7339	7.5	1.8
Bank and Financial Institutions +	118809	130356	140677	151339	9.7	7.6
Credit Disbursement (in private sector)						
Commercial Banks	74600	82936	88581	100654	11.2	13.6
Development Banks	12904	14826	16679	17458	14.9	4.7
Finance Companies	6614	6738	6472	6860	1.9	6.0
Bank and Financial Institutions +	94118	104500	111732	124972	11.0	11.8

Source: Nepal Rastra Bank

*Provisional

+after inter account adjustment

Mergers and Acquisitions

- 4.34 After introduction of merger and acquisition by-laws 2011 and Banks and Financial Institutions Acquisition by-laws 2013, the merger process among banks and financial institutions has made notable progress while acquisition process for one bank or financial institution to acquire another bank or financial institution has also been progressing. By the end of fiscal year 2013/14, a total of 64 bank and financial institutions have merged into 25 institutions. Likewise, by mid-April 2015, a total of 4 commercial banks, 3 development banks, and 2 finance companies are formed after completion of the merger process of 5 commercial banks, 8 development banks, and 9 finance companies. Similarly, Nepal Rural Development Bank Ltd has been formed subsequent to the merger of 5 rural development banks. Approval in principle has been granted to 14 institutions including one commercial bank, 9 development banks and 4 finance companies for their merger while one commercial bank and one development have submitted application to obtain approval in principal for their merger. Similarly, approval in principle has been granted to one commercial bank for acquisition of 2 finance companies whereas an application for securing in principal approval for the same purpose has been filed.

Status of Non-Performing Loans

- 4.35 The ratio of non-performing loan with total loan of development bank group has decreased by mid-April 2015 as compared to mid-July 2014. However, the non-performing loan of finance companies has increased in the same period whereas that of commercial banks group has remained constant. Accordingly, non-performing loans of commercial bank group has remained at 2.9 percent in mid-July 2014 and mid-April 2015. Similarly, non-performing loans of development banks group has dropped to 4.0 percent by mid-April 2015 from 4.2 percent of mid-July 2014. However, non-performing loans of the finance companies group has climbed to 14.9 percent by mid-April 2015 from 13.7 percent of mid-July 2014. In general, non-performing loans of bank and financial institutions that stood at 3.8 percent in mid-July 2014 has dropped to 3.7 percent by mid-April 2015. Status of non-performing loans of banks and financial institutions is presented in Table below.

Table 4 (k): Non-Performing Loan Banks and Financial Institutions*(Rs. in Ten million)*

Banks and Financial Institutions	Mid-July 2013		Mid-July 2014		Mid-April 2015	
	NPL Amount	Percent	NPL Amount	Percent	NPL Amount	Percent
Commercial Banks	1945.2	2.6	2630.6	2.9	2878.1	2.9
Development Banks	603.3	4.5	672.7	4.2	676.8	4.0
Finance Companies	1051.2	16.0	943.4	13.7	978.9	14.9

*Source: Nepal Rastra Bank***“D” Class Microfinance Institutions**

- 4.36 Various banks and financial institutions carrying out micro-finance related activities are availing financial services to deprived communities (particularly women) living in rural areas to engage them in income-oriented activities. The number of financial institutions that carry out microfinance related transactions has reached 35 by mid-April of fiscal year 2014/15.
- 4.37 Total assets/liabilities of “D” Class microfinance institutions grew by 24.8 percent to Rs.61.64 billion by mid-March 2015 as compared to mid-July 2014. Deposits and borrowings of these institutions reached Rs.13.70 billion and Rs.33.06 billion respectively in mid-March 2015, whereas loans and investments totaled Rs. 48 billion and Rs. 2.40 billion respectively.

Table 4 (l): Sources and Uses of fund of Microfinance Institutions*(In Rs. Ten Million)*

	Description	Mid-July 2014	Mid-March 2015*	Percentage Change
Resource	Capital Fund	496.2	582.0	17.3
	Deposit	1105.5	1369.8	23.91
	Borrowings	2816.0	3305.8	17.39
	Others	380.6	743.3	95.33
	Profit and Loss Account	141.3	163.1	15.37
	Resource/Utilization	4939.6	6164.0	24.8
Utilization	Liquid Fund	739.3	565.0	-23.57
	Investment	301.0	240.5	-20.1
	Credit and Lending	3580.4	4800.5	34.08
	Others	312.8	556.2	77.84
	Profit and Loss Account	6.2	1.8	-70.62

ProvisionalSource: Nepal Rastra Bank*

Status of Sources and Uses of Other Financial Institutions

Employees' Provident Fund

- 4.38 Employees Provident Fund, established in September 16, 1962 under the Employees Provident Fund Act 1962, has been managing provident funds of civil servants, military, police personnel, teachers, personnel of government institutions and some other private companies.
- 4.39 Besides providing borrowing facility to depositors, the Fund has been investing in real-estate business, industries, and hydro-power projects. Assets/liabilities of this Fund, which stood at Rs. 169.69 billion in mid-July 2014 has reached Rs. 186.30 billion by mid-March 2015. Provident fund of depositors has reached to Rs. 179.39 billion in mid-March 2015.

Citizens' Investment Trust

- 4.40 Founded on March 18, 1991 under the Citizens Investment Trust Act, 1990, the Trust in addition to mobilizing individual and institutional deposits, providing credits and loans, has been working as issue manager to facilitate issuance of shares of various organized institutions. Asset/liability of this Trust (Fund) that stood at Rs. 54.62 billion in mid-July 2014 reached to Rs. 62.44 billion by mid-March 2015 recording a growth of 28.4 percent as compared to the corresponding period of previous year. On the sources side, deposits (collection of fund) rose by 28.8 percent to Rs.59.25 billion in mid-March, 2015 as compared to the same period of the previous year. Of the total fund collected in the review period, the share of Employees' Savings Increment Retirement Fund is 62.9 percent; 2.3 percent is that of Citizens' Unit Plan; 17.3 percent is of Gratuity Fund Scheme; 4.2 percent is of Investors' Account Plan; while the share of collection from the Insurance Fund is 13.3 percent.
- 4.41 In fiscal year 2014/15, the Trust has completed issuance of general and rights shares worth Rs. 983.3 million in merchant banking transactions under its Capital Marketing Services. The Trust has issued general and right shares worth Rs. 2.58 billion by mid-March 2015. During the review period, a total of Rs. 2,641,000 has been earned through share issuance fee and guarantee commission fee.
- 4.42 Investments of the Citizen Investment Trust by Mid-March of 2015 have reached to Rs. 55.45 billion from Rs.44.21 billion investments made by the end of fiscal year 2013/14. Of total investments so made by mid-March 2015, the share of fixed deposits including fixed interest

generating fund is 59.5 percent, 4.4 percent is in government bonds, 7.0 percent in share security bond, 14.5 percent in term-loans and 14.6 percent in participating borrowing/housing loans.

Postal Savings Bank

- 4.43 Postal Savings Bank operating under the Department of Postal Services of the Government of Nepal is in operation since 1974. Although 117 Post Offices are authorized to collect deposits, only 68 post offices have been providing banking services as of mid-March 2015. The total deposit of postal saving banks, which was Rs 1.59 billion in mid-July 2014, has reached Rs. 1.65 billion by mid-March 2015 with number of accounts in such banks totaling 61,415.

Deposit and Credit Guarantee Corporation

- 4.44 Deposit and Credit Guarantee Corporation was established on 20th September 1974 with the objective of accessing banking services at door-steps of the people in remote areas and the poor by encouraging commercial banks to invest in priority sectors. This entity has been working on availing credit to priority sectors as well as guaranteeing loans on livestock, vegetable farming; foreign employment loans; micro-finance and loans to underprivileged groups; and small and medium-scale enterprise loans. Current paid-up capital of the Corporation stands at Rs. 1.54 billion. On its ownership structure, Government of Nepal owns 88.9 percent, NRB 10.0 percent, and Nepal Bank Ltd and Rastriya Banijya Bank combined together share 1.1 percent of its shares.
- 4.45 Deposit and Credit Guarantee Corporation provided credit guarantee to Rs. 1.27 billion by mid-July 2014. The Corporation's guarantee coverage has reached Rs. 1.60 billion by mid-Jan 2015. As per the directive issued by NRB, A, B, C and D Class banks and financial institutions must provide guarantees to deposit of up to Rs. 200 thousand made at personal saving and fixed accounts. With this provision, the corporation by the end of fiscal year 2013/14 provided guarantee to deposits of Rs. 269.23 billion with 167 banks and financial institutions. By mid-January 2015, such guaranteed deposits with banks and financial institutions have reached Rs. 284.25 billion with 164 banks and financial institutions.

Credit Information Bureau Limited

- 4.46 Credit Information Bureau was established in 1990 on the initiative of Nepal Rastra Bank collects information on repayment of loans, and makes such information available to banks and financial institutions by preparing information on blacklisted loan defaulters. The NRB, commercial bank group, development bank group and finance company group own 10 percent, 65 percent, 10 percent and 15 percent shares respectively in this Bureau. By mid-January 2015, the number of blacklisted borrowers totaled 6,104, while 2,222 borrowers have been delisted from the black list in this period.

Rural Self-Reliance Fund

- 4.47 Rural Self-Reliance Fund, established in 1991, has been providing wholesale credits with the objective of improving economic as well as social status of targeted groups through optimum utilization of local resources, means, and skills. By this period, seed capital of the Fund has reached Rs. 793.4 million with receipt of Rs.540 million from the Government of Nepal and Rs. 253.4 million from NRB. As provisioned by Rural Self-Reliance Fund Operation Directives, 2012, the Fund has been disbursing credits from the seed capital to its affiliated organizations on the basis of their capacity and primary capital. The Fund has its provision of making credit available up to a maximum limit of Rs.90,000 to every individual borrower through cooperatives for economic uplifting of the underprivileged group of the people.
- 4.48 Of total credit sum of Rs. 1.66 billion disbursed to 1013 organizations including 53 NGOs, 959 cooperatives and Agriculture Development Bank by mid-March 2015, a sum of 1.09 billion has been recovered while a sum of Rs. 570.8 million is still in investment. The Fund's debt recovery rate against its credit flow to cooperatives and NGOs stood at 94.55 percent. NGOs have been delivering services in 27 districts and the cooperatives in 68 districts through the credit made available by the Fund while a total of 48,679 rural families have directly benefited by conducting various income and self-employment oriented programs.

Table 4 (m) : Status of Rural Self-Reliance Fund*(In Rs. 10 million)*

S. No.	Description	Mid-July 2014	Mid-April 2015
1	Number of Loan Disbursed Districts	68	68
2	Number of Loan Disbursed Institutions	940	1,013
3	Number of Beneficiary Households	46081	48679
4	Disbursed Credit Amount (in Rs. 10 Million)	152.33	166.49
5	Amount Recovered (In Rs. 10 Million)	91.30	109.21
6	Amount Remained on Investment (In Rs. 10 Million)	61.04	57.08
7	Overdue Loan (As percent of amount to be recovered)	3.67	5.45
8	Loan recovered (Percent)	96.33	94.55

*Source: Nepal Rastra Bank***Cooperatives Conducting Limited Banking Transactions**

- 4.49 A number of Co-operatives, established under the Cooperatives Act, 1991 and licensed by NRB to carry out limited banking transactions, are doing so in line with NRB issued guidelines. By mid-April 2015, the number of such institutions has reached 16 including National Cooperative Development Bank. Assets/liabilities of these Cooperatives that totaled Rs. 21.32 billion by mid-July 2014, stood at Rs. 20.67 billion by mid-March 2015. Likewise, deposit collections of these cooperatives reached Rs. 14.88 billion while credit and borrowings totaled Rs. 13.43 billion in mid-March 2015. These institutions have invested a total of Rs. 1.82 billion in government bonds, fixed accounts and other instruments by mid-March 2015.
- 4.50 The number of Cooperatives registered under the Cooperatives Act, 1991, and carrying out transactions, has reached 31,605 by mid-March 2015. Of this, 13,315 have been operating as saving and credit cooperatives. Membership in such cooperative institutions has reached 2.61 million. By mid-March 2015, share capital of such cooperative institutions stood at Rs. 47.73 billion, deposit at Rs. 131.29 billion and investment at Rs. 121.86 billion.

Financial Sector Reform Program

- 4.51 The task of financial sector reform continues even after completion of the Financial Sector Reform Project in 2011, which was initiated in 2003 under the loan and grant assistance of the Government of Nepal, the World Bank and Department for International Development (DFID) of the Government of UK.
- 4.52 Despite completion of the Financial Sector Reform Program, restructuring and reform works of Nepal Bank Limited remained to be completed. Hence Nepal Rastra Bank took the bank under its control under the *part (na), sub-section (1) and Section 86 ga* of Nepal Rastra Bank Act, 2001. NRB, however, released the bank from its control from mid-December 2014 subsequent to completion of most of the reform works and formation of the new Board of Directors.
- 4.53 By mid-January 2015, the capital fund of Rastriya Banijya Bank has reached 10.1 percent. The bank's capital fund increased as a result of initiation taken to sell entire shares of Nepal Investment Bank and promoters shares it held in Nepal Housing and Finance Company through bidding process, and sale of the part of its promoters shares in Nepal Investment Bank.
- 4.54. International Consulting Firm KPMG, Portugal and local partners CSC & Co. Chartered Accountants and TR Upadhaya & Co. have been selected to carry out special monitoring task of a total of 54 banks and financial institutions of Nepal including 22 commercial banks, 20 development banks and 12 finance companies under Development Policy Credit Program of Government of Nepal with the financial and technical assistance of the UK Department for International Development (DfID).
- 5.55 The overall financial position of both Nepal Bank Ltd. and Rastriya Banijya Bank Ltd., which are in the reform plan execution process, has been satisfactory due credit to their notable growth in the paid up capital and deposits, decrease in the volume of nonperforming loans with both banks running in operating profit during the review period. The position of non-performing loan and capital fund of these two banks is presented in the table below.

Table 4 (n): Non-Performing Loan and Capital Fund

<i>Mid-July</i>	Non-Performing Loan in Total Loan (Percent)		Capital Fund (Rs. in Billion)	
	Nepal Bank Ltd	Rastriya Banijya Bank	Nepal Bank Ltd	Rastriya Banijya Bank
2003	60.47	60.15	-9.80	-22.39
2008	12.38	21.65	-5.72	-15.5
2013	4.53	5.31	-0.96	2.50
Mid-April 2015	4.60	3.90	3.34	2.39

Source: Nepal Rastra Bank

Other Provisions Relating to Bank and Financial Institutions

- 4.56 Of the total 64 complaints lodged at Grievance Management Committee of Nepal Rastra Bank in the period between mid-April 2014 and mid-March 2015, the Management Committee has completed hearings on 42 complaints while necessary correspondence related with complaints are being done with concerned banks and financial institutions. Initiative has been taken towards settlement of remaining 16 cases through coordination between complainants and concerned parties.
- 4.57 A total of five companies have been granted licenses as per the policy arrangement of granting permits to Hire Purchase Credit Lending Companies.
- 4.58 Directive has been issued to make arrangement for the banks and financial institutions that issue good for payment cheques to deposit amount as shown on the cheque in a separate bank account and mention either system printed evidence on the cheque or make the cheque available with the system printed evidence to the receiver thereby maintaining such record.
- 4.59 Arrangement has been made for licensed banks and financial institutions to set average spread rate not exceeding by more than five percent between the interest paid on deposits and charged on loans.
- 4.60 Four Class D microfinance institutions have been availed a total of Rs. 12.0 million zero percent interest loans at the rate of Rs.3.0 million each under the provision of availing such facility to those microfinance financial institutions that open and operate branches in 22 districts as provisioned in Directives issued for licensed "D" class microfinance financial institution, 2014.

- 4.61 Provision has been made to avail credit information from Credit Information Bureau to avoid credit flow duplication through licensed class "D" microfinance financial institutions.
- 4.62 Provision has been made to provide micro-credit to under-privileged and low income people to a maximum of Rs. One Hundred Thousand per group member to carry out small enterprise or business on group guarantee. Such limit has been fixed at Rs. Two Hundred Thousand for those group members, who have availed credit for last two years and have a good credit standing. Similarly, arrangement has been made to provide credit of Rs. Three Hundred Thousand to an under-privileged and low income group member against acceptable collateral to carry out small enterprise or business. A ceiling of Rs. Five Hundred Thousand has been set for those group members availing credit for the last two years with good credit standing.
- 4.63 Arrangement has been made to count credit flows by banks and financial institutions of up to Rs. 400,000 to women operated micro-enterprises; and project loan up to Rs. 700,000 provided to women entrepreneurs against collateral will be counted as credits for deprived groups.

Issues and Challenges

- 4.64 Maintaining price stability amidst inflation averaging at 9.3 percent for last 5 years is a major challenge to the Monetary Policy. In recent years, inflation in Nepal has been influenced more by non-monetary factors than monetary ones. After the recent devastating earthquake, containing price within the desired limit in coming days is a great challenge owing to a number of factors like foreign asset of the banking sector is likely to surge with expected heavy inflow of foreign aid for reconstruction and rehabilitation of damaged infrastructures; likelihood of prices of food grains to soar due to drop in major agricultural production, and so as that of non-food and service group sector due to hurdles in the distribution system. Similarly, aggregate demand is likely to mount due to increased expenditure for reconstruction and rehabilitation; and probability of weaknesses in supply management could be other contributing factors making it difficult to contain prices within the desired limit. Hence, maintaining coordination between monetary and fiscal policies for price stability is a must and due attention must be paid towards strengthening the supply side and eliminating structural impediments by managing aggregate demand.

- 4.65 Despite growing number and types of banks and financial institutions, enhancing financial accessibility and inclusiveness is still a challenge. A situation wherein only about 40 percent of the country's population availing financial services from the formal sector indicates that presence of banks and financial institutions has not expanded to the desired extent in rural and remote areas. Hence, taking concrete steps relating to demand and supply management is necessary while expanding financial services in areas without access to such services through monetary and fiscal policies of the government.
- 4.66 Liquidity in the banking sector increases with the expansion of its net foreign asset. Though the banking sector has excessive liquidity, it has not been able to utilize it in the productive sector. Thus, due attention is much needed for utilizing such liquidity in order provide positive impact to the economy through monetary transmission mechanism thereby improving investment environment.
- 4.67 Maintaining financial stability by enhancing public confidence towards the financial system remains a challenge. The task of maintaining financial stability is getting more complex due to problem encountered while maintaining institutional governance, fragile internal control system, and weaknesses in implementation of macro prudential measures conscientiously among others. Similarly, challenge looms large while maintaining financial stability amid situations where recent devastating earthquake has put banks and financial institutions in jeopardy destructions of financed projects and collaterals; and at the same time recovering debts that they have refinanced for rehabilitation and reconstruction projects is also a challenge for them due to number of impediments. Likewise, enhancing trust towards financial sector through regular improvements is a daunting challenge upon termination of the Financial Sector Reform Program.
- 4.68 Despite contribution of saving and credit cooperative institutions to the expansion of financial accessibility, lack of regulation and supervision, and absence of corporate governance have added challenges to the financial stability. Increased shadow banking counter activities in the economy is also a matter of worry. Hence, it is imperative to pay due attention towards improving institutional, structural, legal, regulatory and managerial aspects so as to manage transactions of shadow banking (saving and credit cooperatives, hundi and dhukuti).

5. Capital Market and Insurance

- 5.1. Capital Market is the form of instrument that plays important role towards consolidation and mobilization of small savings scattered across the nation. By observing the central role played by capital market in economic development of developed countries, a number of least developed and developing countries have given enough space to its development and expansion. Initiation for institutional development of Capital Market in Nepal began in 1976 A.D. though; its notable progress is yet to be witnessed. In this context, time-relevant reform in market and regulatory framework is imperative before Nepal's capital market gains momentum that would ensure channeling of capital to the productive sector in an effective and efficient manner.

Primary market

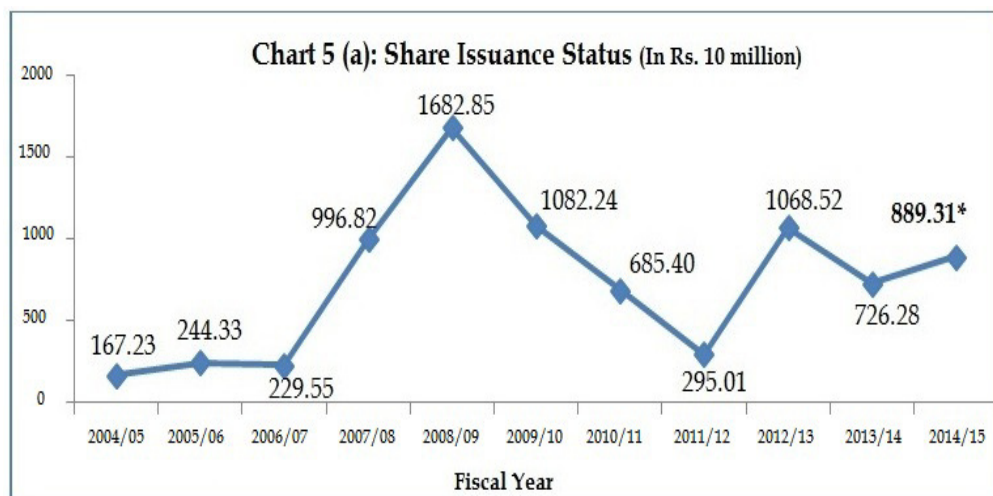
- 5.2. In the first eight months of F Y 2014/15, capital equivalent to Rs. 8,893.1 million has been mobilized in the primary security market through 30 organized companies including 11 ordinary share issuers, 15 rights share issuers, two debenture issuers, and two mutual investment plan companies. The amount against issuance of shares has grew by 74.41 percent by mid February of FY 2014/15 in comparison to the corresponding period of the previous fiscal year. In the first eight months of FY 2013/14, a total of 32 organized companies comprising 12 ordinary share issuers, 20 right share issuers mobilized the capital equivalent to Rs. 5,098.9 million.

Table 5(a): Primary Market Trend

(Rs. in 10 Million)

Description		Fiscal Year						
		2009/10	2010/11	2011/12	2012/13	2013/14	First eight months	
							2013/14	2014/15
1.	Capital Mobilization	1082.24	685.40	295.01	1068.52	726.68	509.89	889.31
A	Ordinary Share	264.93	172.88	129.85	318.74	157.35	136.90	400.62
B	Right Share	817.30	507.52	45.16	393.52	424.33	372.99	288.69
C	Preference Share	—	—	—	—	—	-	-
D	Debenture	—	5.00	120.00	355.00	145.00	-	100.00
E	Citizen Unitary Plan	100.88	31.54	32.70	—	—	-	-
F	Mutual Fund	—	—	—	—	80	80	100
2.	Number of Organized Capital Mobilizing Companies	61	47	25	34	45	32	30

Source: Securities Board of Nepal



Source: Securities Board of Nepal

*First Eight Months (F.Y. 2071/72)

Secondary Market

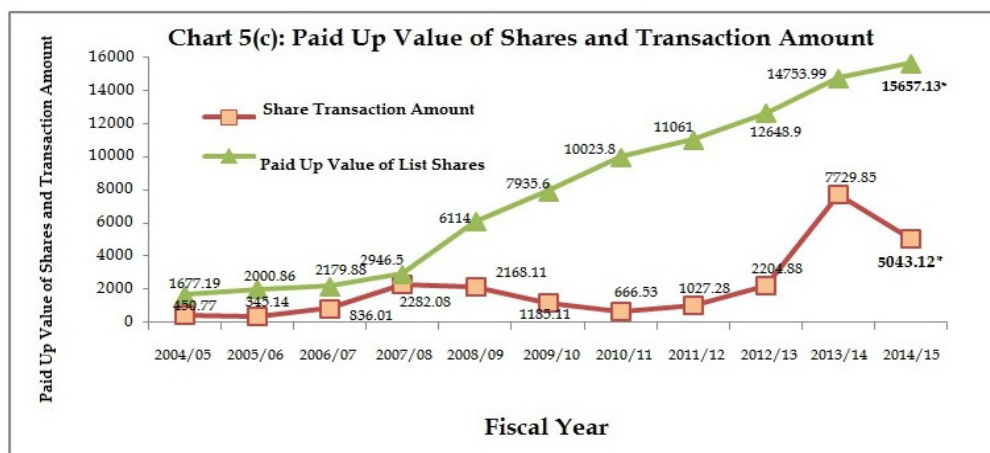
- 5.3. The number of companies listed in Nepal Stock Exchange Limited, which stood at 233 at the end of Fiscal Year 2013/14 totaled to 232 by the first eight months of FY 2014/15 after merger of additional listing and listed companies. Likewise, the total number of listed corporate development bonds by mid-February of FY 2014/15 has reached 21 with additional development bonds worth Rs. 1.45 billion of newly listed three companies. The market capitalization value rose by 25.80 percent reaching Rs. 1,004.34 billion in the first eight months of the current fiscal year 2014/15, which stood at Rs. 798.09 billion during the same period of its previous fiscal year 2013/14. The market capitalization value by the end of FY 2013/14 was Rs.1057.16 billion.



Source: Securities Board of Nepal

*First Eight Months (F.Y. 2071/72)

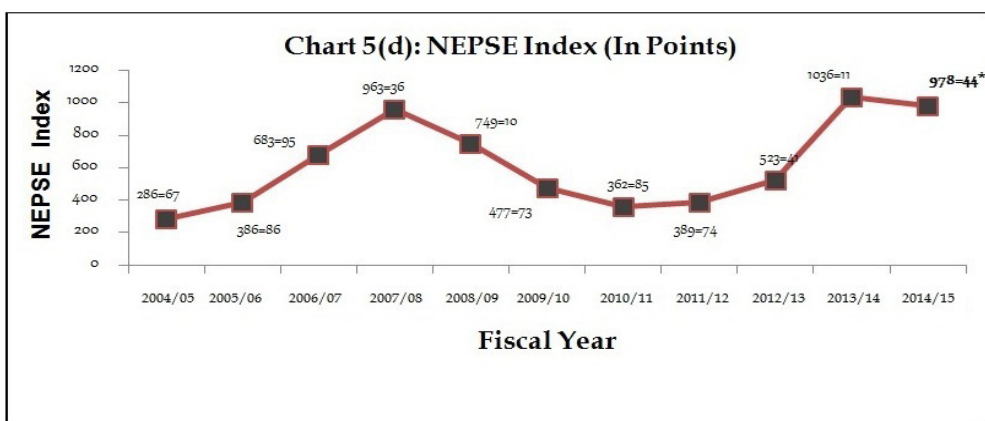
- 5.4. Shares transaction rose by 24.83 percent reaching Rs, 50.43 billion where 121.178 million units of shares were traded in the first eight months of the current fiscal year 2014/15 as compared to the corresponding period of its previous fiscal year. During the first eight months of the FY 2013/14, a total of 119.33 million units of shares worth Rs. 40.39 billion were traded. In the first eight months of FY 2014/15 the paid up value of listed companies has increased by 8.45 percent to Rs. 156.57 billion as compared to the corresponding period of its previous fiscal year. The paid up value of listed companies in the first eight months of FY 2013/14 had stood at Rs. 144.36 billion.



Source: Securities Board of Nepal

*First Eight Months (F.Y. 2071/72)

- 5.5. The number of transactions grew to a total of 375,192 in the first eight months of the current fiscal year 2014/15 recording 11.84 percent increase as compared to the corresponding period of its previous fiscal year. The number of such transactions in the first eight months of FY 2013/14 totaled 335,460.
- 5.6. The NEPSE index of secondary market stood at 978.44 points by the end of the first eight months of FY 2014/15 with an increase of 24.83 as compared to the corresponding period of the previous fiscal year. The index had rested at 783.79 points in the first eight months of FY 2013/14.



Source: Securities Board of Nepal

*First Eight Months (F.Y. 2071/72)

Table 5(b): Secondary Market Trend

(Rs. in 10 Million)

Description	Fiscal Year					First Eight Months	
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
Securities Transaction Amount	1185.11	666.53	1027.28	2204.88	7721.85	4039.90	5043.12
Number of Securities Transaction (1000)	26231.35	26240.39	41878.9	81571.70	214143.56	119334.00	121178
Number of Transaction	213733	302364	293489	292366	566389	335460	375192
Market Capitalization	37687.13	32348.43	36826.21	51449.21	105716	79809.00	100403
Percentage of Market Capitalization Transactions	3.94	2.06	2.79	1.59	7.31	5.06	5.02
Percentage of Market Capitalization to GDP	32.15	19.48	23.41	30.24	40.	46.84	
Paid-up Price of Listed Shares	7935.6	10023.8	11061.0	12648.90	14753.99	14436.78	15657.13
Number of Listed Organized Institutions	176	209	213	230	233	235	232
Type of Securities (Script Traded)	198	222	230	230	269	234	254
NEPSE Index (Points)	477.73	362.85	389.74	518.33	1036.11	783.79	978.44

Source: Nepal Stock Exchange Ltd

Securities Board of Nepal (SEBON)

- 5.7. Securities Board of Nepal (SEBON) has been regulating and monitoring about 350 companies including Securities Market, Listed Companies, Central Depository Company, Depository Members, Mutual Investment Fund, Credit Rating Institution, and Securities Traders with day by day expansion of capital market.
- 5.8. In the first eight months of the current fiscal year 2014/15, the Board has issued license to 30 organized institutions for capital mobilization by registering shares equivalent to Rs. 8,893.1 million. Likewise, in the same period, bonus shares equivalent to Rs.6, 643.8 million of 37 listed companies were registered with the Board. Licenses of 1 Stock Exchange, 14 Merchant Bankers, 1 Central Depository Company, 45 Depository Members, 1 Credit Rating Company and 50 Share Brokers have been renewed by mid-January 2015..
- 5.9. Monitoring of publicly organized institutions issuing securities are being carried out to see whether securities are being issued, allocated, paid back, and listed in line with provisions as stipulated in Acts and Regulations.
- 5.10. Programs prepared for improvement of securities market, effective regulatory arrangement, and stability and sustainable development of capital market under a Five-Year Capital Market Development Plan are being implemented by incorporating them in annual program. Likewise, a Draft Security Market Reform and Development Related Strategy have been prepared for incorporation in the Financial Sector Development Strategy Government of Nepal is developing.
- 5.11. Applications and details of six Mutual Investment Funds including Siddhartha Equity Growth Scheme, Nabil Mutual Fund, NMB Mutual Fund, Laxmi Mutual Fund, Global Mutual Fund and NIBL Mutual Fund that were submitted for obtaining license for registration and issuance of securities from SEBON have been vetted, and registration licenses awarded for issuance of such schemes.
- 5.12. Draft on Commodities Derivative Market Acts has been prepared while its regulatory process is underway.

Nepal Stock Exchange Limited

- 5.13. Task for activating 'Over the Counter (OTC) of Security Market' has been initiated.

- 5.14. Task has been started to carry out a number of tasks including development of Nepal Stock Exchange's own domain name server; load balancing and clustering to cope with potential load in future; and developing Mobile Based Website with Live Data Display facility while augmenting the security of Government Integrated Data Center (GIDC).

Central Depository Service

- 5.15. Central Depository Accounting Software (CDAS) has been developed as its infrastructure so as to make share transactions more organized, and to modernize share transfer related tasks by maintaining share ownership records electronically.

Insurance

- 5.16 Insurance Committee has been carrying out operations as a regulatory agency by systemizing, regulating, developing, and controlling the insurance business. Currently, nine companies have been carrying out life insurance business, 17 companies in non-life insurance, while one insurance company is engaged in reinsurance.
- 5.17 There are a total of 27 insurance companies in Nepal. According to figures of ownership structure of insurance companies, three (3) are working as branches of foreign insurance companies, three (3) on joint investment with foreign companies, 18 on private ownership, and two (2) on Government ownership.

Table 5(c): Ownership Structure of Insurance Companies

Ownership	Non-Life	Life	Reinsurance	Total
Government	1	1	-	2
Private	13	5	-	18
Foreign	2	1	-	3
Joint	1	2	1	4
Total	17	9	1	27

Source: Insurance Board

- 5.18 Objective has been to develop insurance business that is appropriate to national need of providing economic protection to all class of the people against natural and social risks while embracing the globally accepted insurance norms.
- 5.19 Economic and social activities could only be protected if insurance business is fully developed and secured. It is imperative to change the policy and institutional structures by taking insurance schemes that provide financial and social protection against natural calamities

induced risks as an important aspect of life. Similarly, it is necessary to augment the contribution of insurance sector to Gross Domestic Product through the development and growth of insurance business with the expansion of insurance in rural life and economy.

- 5.20 By the first eight months of FY 2014/15, important tasks such as crop and livestock insurance guidelines together with micro-insurance guideline were issued, directives issued to all non-life insurers so as to open contact office in remote districts for promoting crops and livestock insurance with a view to provide widespread expansion to crops and livestock insurances. Similarly, reinsurance companies have been established, investment policies for insurers have been revised with the paid up capital of majority of life insurers reaching Rs. 500 million and Rs. 250 million that of non-life insurers.

Source and Utilization

- 5.21 The total financial source and their utilization of life and non-life insurance companies operating in the country have reached 11,499.8 million by mid-February of 2015. This has grown by 8.85 percent as compared to the corresponding period of previous fiscal year. Such amount had reached Rs. 10656.5 million by the end of FY 2013/14.

Table 5(d): Source and Utilization of life and non-life Insurance Companies
(Rs. in 10 Million)

Source	Fiscal Year 2012/13		Fiscal Year 2013/14		Fiscal Year 2014/15*	
	Life	Non-Life	Life	Non-Life	Life	Non-Life
a) Paid-up Capital	279.08	180.47	466.46	323.88	466.46	347.75
b) Reserve Fund)	5703.76	885.42	7545.43	935.94	8318.38	1005.21
c) Other Liabilities	499.45	566.88	676.83	707.96	682.00	780.00
Total Sources	6482.29	1632.76	8688.72	1967.78	9466.84	2132.96
Application						
a) Cash at Bank and in Hand	177.01	144.76	119.49	130.24	135.94	147.31
b) Investment	5710.99	988.51	7914.59	1255.80	8592.90	1380.65
c) Fixed Assets	144.34	111.24	144.24	105.63	154.00	115.00
d) Other Assets	449.94	388.25	510.4	476.14	584.00	490.00
Total Application	6482.29	1632.76	8688.72	1967.78	9466.84	2132.96

* Estimated details have been included without having accounts audited of National Insurance Company.

** Details included only up to mid-March of FY 2014/15

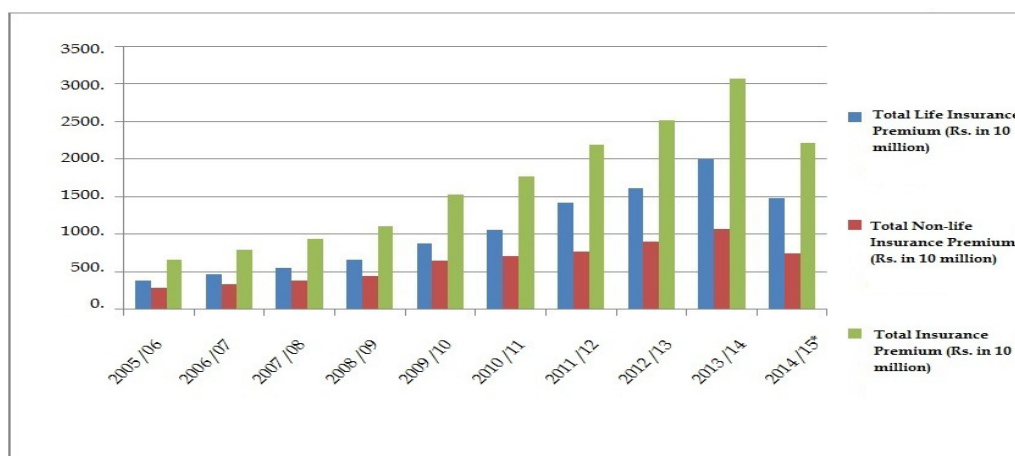
Source: Insurance Board

Source: Insurance Board

Total Earnings through Insurance Premium

5.22 A total of Rs. 6.64 billion was earned through Insurance business of Nepal in FY 2005/06 including life and non-life insurances. The insurance premium has increased in its subsequent years reaching a total of Rs. 30.71 billion in FY 2013/14. Premiums including that of life and non-life insurance had reached Rs. 25.12 billion by the end of FY 2012/13. Likewise, a total of Rs. 22.17 billion was earned through life and non-life insurances by mid February 2014/15.

Chart 5 (e): Life and non-life Insurance Company's Net Premium Amount



Investment

5.23 A total of Rs. 18.41 billion was invested on life and non-life insurances in FY 2005/06. The investment is being increased in its subsequent years reaching a total of Rs. 87.61 billion in FY 2013/14. Such investment has reached Rs. 97.73 billion by mid February of FY 2014/15.

Issues and Opportunities

5.24 Attracting organized institutions of the real sector that mobilize capital through the capital market by offering financial incentives is very much necessary. For this, overcoming the issues of improving institutional governance with implementation of the Code of Conduct; putting a robust regulatory system for securities market in place; bringing down the share issuance and transactions costs; and making

provision for setting independent pricing on issuance of securities, however, remain major challenges.

- 5.25 Making institutional arrangement for Continuing Professional Development program so that securities trading can be made more competitive and trustworthy by turning it into a more businesslike and dignified profession is very much called for, which has been a major challenge.
- 5.26 Task to make Central Depository Service fully operational and trustworthy by improving structural weaknesses of Central Depository Companies remains a challenge.
- 5.27 Nationwide expansion of secondary securities market service by making it business principle-based competitive and trustworthy by removing government partnership over Nepal Stock Exchange and engaging an appropriate foreign strategic partner instead is another challenging task.
- 5.28 It is an another challenging task to make the entire securities market competitive, transparent and trustworthy through implementation of International Financial Reporting Standards-IFRS to combat the trend and practice of disseminating directly market price affecting inside information for the purpose of serving personal interests of a few people.
- 5.29 It has been imperative to carry ahead the task of making necessary legal and institutional arrangements that contribute to the country's economic development through organized and sustainable development of operation and expansion of Commodities Derivatives Market.
- 5.30 Developing legal and institutional frameworks so as to provide support to modernization of insurance through substitution of Insurance Act, 1993, bolstering agricultural economy by safeguarding public investment on agriculture through expeditious expansion of crop and livestock insurances, developing micro insurance and creating majority of people's access to life insurance service through its expansion have remained a challenge.

6. External Sector

Structure and Tendency

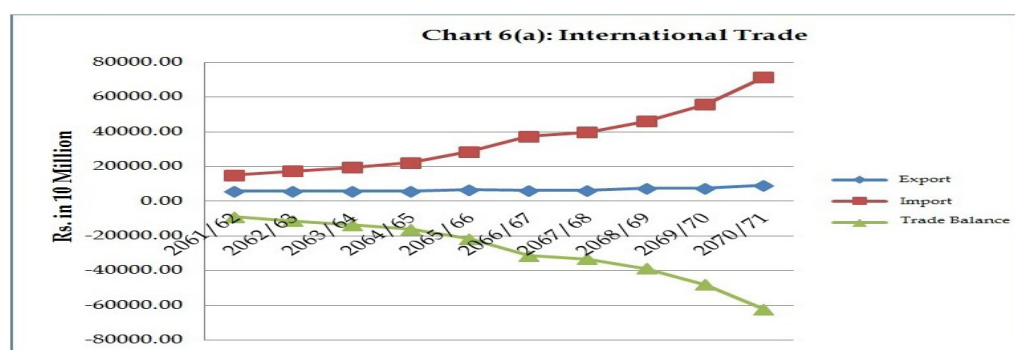
- 6.1 The pace of Nepal's external sector liberalization has been picking up along with globalization and liberalization. Management of Nepal's external sector is getting more complex due to ever-increasing economic integration with other nations of the world. One of the most important objectives of macroeconomic policy is to maintain external sector stability. Maintaining Current Account and Balance of Payment (BoP) balance is imperative for stability of this sector. Current Account sustainability cannot be maintained in absence of import substitution together with enhanced export of goods and services. Despite BoP surpluses recorded in majority of years that succeeded publication of BoP statistics, merchandise trade deficits have been mounting year by year. BoP surplus has relied mainly on worker remittances and the import trend.
- 6.2 Trade deficit is on increasing trend every year due to rise in imports and failure to boost exports through enhancement of competitive capacity of exports by identifying additional exportable goods. Despite increased trade deficit on merchandise trade, the current account on an average has been in surplus for the last ten years due to high inflow of remittances. Except for trade deficit, nonetheless, status of other indicators of external sector has remained satisfactory.
- 6.3 The trend of merchandise trade for the last ten years has not been satisfactory albeit the current account surplus. This situation has emerged as a result of higher growth rate of imports than that of exports. Our weak export situation is evident by the fact that earnings from the export of merchandise have not been able to match the cost of petroleum product imports. During last ten years, the average growth rate of export stood at only 5.6 percent, while that of imports has been 18.2 percent. During last decade, average exports to India and other countries remained at 7.2 percent and 4.1 percent respectively. However, imports during the same period expanded by 19.9 percent and 16.4 percent respectively. Exports of Nepal are concentrated to limited goods. Ten items including woolen carpets, zinc sheet, textile, polyester yarn, readymade garments, jute and jute products, pulses, GI Pipes and yarns have occupied 50 percent share in total exports.
- 6.4 Merchandise exports that stood at 10.0 percent of GDP in FY 2004/05 has dropped to 4.7 percent in FY 2013/14. While on the other side,

merchandise imports that stood at 25.4 percent to GDP in FY 2004/05 has reached to 36.8 percent in FY 2013/14. As a result, trade deficit to GDP that stood at 15.4 percent in FY 2004/05 has reached 32.1 percent in FY 2013/14. Likewise, import/export ratio that stood at 39.3 percent in FY 2004/05 dropped to 12.7 percent in FY 2013/14. Similarly, imports figure that was 2.5 times higher than of export in FY 2004/05 has soared and reached 8 times higher than that of exportst in FY 2013/14. Goods worth Rs. 2 billion are imported every day. These facts provide clear evidence that the country has not been able to achieve expected benefit through foreign trade liberalization policy.

- 6.5 Remittance as percentage of GDP, which was 11.1 percent in FY 2004/05, has reached 28.0 percent in FY2013/14. According to World Bank data, Nepal stands third among the countries in the world in terms of share of remittance to GDP. Nepal receives worker remittances worth Rs. 1.5 billion every day. The situation has been satisfactory from the perspective of its capacity to import goods with its available foreign exchange reserve. The average foreign exchange reserve has grown by 26.2 percent in the last decade. The foreign exchange reserve as percentage of GDP, which stood at 22.0 percent in FY 2004/05, went up to 34.3 percent in FY 2013/14.

Total Foreign Trade

- 6.6 The total foreign trade grew by 8.5 percent to Rs. 562.79 billion in the first eight months of fiscal year 2014/15. Such exports had grown by 26.0 percent to Rs. 518.74 billion during the same period of the previous year. The share of exports and imports in total trade has been 10.1 percent and 89.9 percent respectively. Such shares were 11.7 percent and 88.3 percent respectively during the corresponding period of the previous fiscal year.



Merchandise Export

- 6.7 Merchandise exports dropped by 6.6 percent to Rs. 56.87 billion in the first eight months of 2014/15. Such exports had grown by 19.4 percent during the same period of the previous fiscal year. During the review period, exports to India and other countries declined by 9.9 percent and 0.9 percent respectively. However, export to China increased by 9.3 percent in the review period. During the same period of the previous year, exports to India had risen by 21.9 percent, China by 12.6 percent and other countries by 14.9 percent. In US Dollar terms, export to China increased by 9.8 percent to USD 19.1 million in the review period against in contrast to a decline of 0.7 percent during the same period of the previous year. Likewise, exports to other countries that had increased by 0.9 percent to USD 187.8 million during the same period of previous fiscal year did not change in the review period.
- 6.8 Export to India decreased mainly due to the decrease in the exports of cardamom, zinc sheets, textiles, jute products, among others. Export to other countries decrease due to the decline in export of pulses, woollen carpet, tanned skin, readymade garments, among others. Export to China increased due to rise in the exports of tanned skin, readymade garments, and noodles, among others. Of the total export, shares of export to India, China and other countries stood at 66.5 percent, 2.8 percent and 30.6 percent respectively in the first eight months of the previous fiscal year remained at 64.2 percent, 3.3 percent and 32.5 percent respectively during the review period.

Merchandise Import

- 6.9 Merchandise imports increased by 10.5 percent to Rs.505.92 billion during the review period. Such import had recorded a growth of 27.0 percent to Rs.457.85 billion in the same period of the previous fiscal year. The growth of imports remained low mainly due to decrease in the price petroleum products in international market, and decline in imports of chemical fertilizers, gold, MS wire rod, coal, among others.
- 6.10 Import from India rose by 5.1percent during the review period in comparison to 28.1 percent rise in the same period of the previous year. Imports from China saw steep rise of 48.6 percent in review period compared to a 14.7 percent growth in the corresponding period of the previous year. Likewise, imports from other countries that had grown by 30.1 percent in the previous fiscal year has grown by 8.7 percent during the same period of the current fiscal year. In US Dollar terms,

imports from China in this period increased by 49.6 percent to USD 726.3 million in the review period compared to an increase of 0.6 percent in the same period of the previous year. Similarly, imports from other countries registered a growth of 9.5 percent to USD 1.16 billion in the review period compared to 14.1 percent growth recorded in the same period of the previous year.

- 6.11 During the review period, imports from India increased due to an increase in the imports of vehicle and spare parts, M.S billet, rice, hot rolled sheet in coil, among others. Similarly, import of other machineries and parts, telecommunications equipment and parts, electrical equipment and tools, video televisions sets and parts from China has also gone up. Likewise, imports from other countries rose mainly due to an increase in the imports of silver, aircraft spare parts, edible oil, and crude palm oil, among others. The share of imports from India to total import that stood at 66.5 percent last year has come down slightly to 63.2 percent in the review period while imports from China remained 14.2 percent in the review period compared to 10.5 percent in the same period of the previous year. Likewise, the share of imports from other countries to the total import has declined to 22.6 percent from 23.0 percent in the same period of last year.
- 6.12 Imports from India through convertible foreign currency payments has increased marginally by 0.3 percent to Rs. 49.79 billion in the review period. Such import had recorded a sharp rise of 87.3 percent to Rs. 49.63 billion in the same period of the previous year. During this review period, the share of import through payment of convertible foreign currency to the total volume of import remained at 15.6 percent.

Table 6 (a): Foreign Trade Situation (First Eight Months)

(Percent change)

Description	2010/11	2011/12	2012/13	2013/14	2014/15*
Export	5.9	14.1	5.0	19.4	-6.6
India	10.1	14.5	2.0	21.9	-9.9
China	-	-	-	12.6	9.3
Other Countries	-1.7	13.5	11.2	14.9	-0.9
Import	1.2	16.6	22.1	27.0	10.5
India	24.7	12.0	24.2	28.1	5.1
China	-	-	-	14.7	48.6
Other Countries	-27.2	26.3	18.2	30.1	8.7
Trade Balance	0.3	17.1	25.5	28.2	13.1
India	28.2	11.5	28.8	29.1	7.4
China	-	-	-	14.8	50.1
Other Countries	-30.9	28.9	19.5	33.9	10.7
Total Trade	1.9	16.3	19.7	26.0	8.5
India	22.4	12.4	21.0	27.3	3.3
China	-	-	-	14.7	47.3

Description	2010/11	2011/12	2012/13	2013/14	2014/15*
Other Countries	-24.4	24.4	17.3	27.5	7.2
Export/Import Ratio	16.8	16.4	14.1	13.3	11.2
India	16.7	17.0	14.0	13.3	11.4
China	-	-	3.6	3.6	2.6
Other Countries	17.1	15.4	20.1	17.7	16.2
Share in Total Export (%)					
India	66.9	67.1	65.2	66.5	64.2
China	-	-	3.0	2.8	3.3
Other Countries	33.1	32.9	31.8	30.6	32.5
Share in Total Import (%)					
India	67.5	64.8	65.9	66.5	63.2
China	-	-	11.7	10.5	14.2
Other Countries	32.5	35.2	22.4	23.0	22.6
Share in Trade Balance (%)					
India	67.6	64.3	66.0	66.5	63.1
China	-	-	13.1	11.7	15.5
Other Countries	32.4	35.7	20.9	21.8	21.3
Share in Total Trade (%)					
India	67.4	65.1	65.8	66.5	63.3
China	-	-	10.6	9.6	13.1
Other Countries	32.6	34.9	23.6	23.9	23.6
Share of Import and Export in Total Trade					
Export	14.4	14.1	12.4	11.7	10.1
Import	85.6	85.9	87.6	88.3	89.9

*Unedited

Source: Nepal Rastra Bank

Trade Balance

- 6.13 Total trade deficit in the first eight months of the current fiscal year recorded a growth of 13.1 percent to Rs. 449.05 billion. Such deficit had grown by 28.2 percent to Rs. 396.96 billion during the same period of the previous fiscal year. Of the total trade deficit, deficit with India increased by 7.4 percent in the review period as compared to a growth of 29.1 percent in the corresponding period of the previous fiscal year. Likewise, the trade deficit with China that had increased by 14.8 percent in the corresponding period of the previous fiscal year has climbed at a higher rate of 50.1 percent in the review period. Trade deficit with other countries that had grown by 33.9 percent during the first eight months of the previous fiscal year has increased just by 10.7 percent in the review period. Export/Import Ratio has dropped to 11.2 percent in the review period owing to the decline in export and higher growth of imports. Such ratio stood at 13.3 during the same period of the previous fiscal year.

Balance of Payments (BoP) Situation

- 6.14 The overall BOP recorded a surplus of Rs. 34.07 billion in the first eight months of the current fiscal year 2014/15 as compared to a surplus of Rs. 102.81 billion in the same period of the previous fiscal year. During review period, the current account registered a surplus of Rs. 11.65

billion. Such account had recorded a surplus of Rs. 68.41 billion during the same period of the previous year. The reason for such a low level of the surplus in the current account during review period owes to the growth of merchandise and services imports, decrease in the exports and grant and lower rate of increment in remittance inflows. In US Dollar term, the Current Account in the review period recorded a surplus of USD 113.8 million and BoP surplus of USD 351.0 million. The current account and BoP surplus in the corresponding period of the previous fiscal year were USD 687.7 million and USD 1.03 billion respectively.

- 6.15 The FOB based merchandise trade deficit that had grown by 28.1 percent during the corresponding period of the previous fiscal year rose by 14.0 percent to Rs.435.17 billion in the review period. Likewise, services income, in comparison to 35.0 percent growth in the eight months of the previous year grew by 15.5 percent to Rs. 93.78 billion in the review period. Tourism income grew by 12.8 percent, other service income by 11.6 percent, and government n.i.e by 31.0 percent in the review period. Travel expenditure that had increased by 1.7 percent in the first eight months of the previous fiscal year increased substantially by 35.9 percent in the review period. Likewise, service debit increased by 23.5 percent to Rs. 83.18 billion in the review period of current fiscal year with 70.4 percent growth in government service expenditures, 11.6 percent in other services expenditures, and 15.3 percent in transportation expenditure. As a result, service net recorded a surplus of Rs. 10.60 billion during the review period. The service net had registered a surplus of Rs. 13.89 billion during the same period of the previous year.

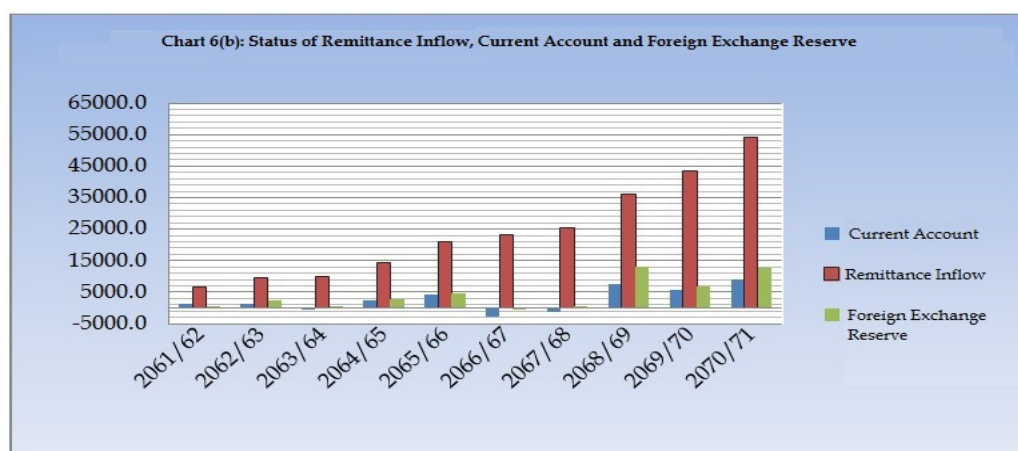
Table 6 (b): Remittance Inflows

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
Remittance Inflows (Rs. in Billion)	231.7	253.6	359.6	434.6	543.3	371.0
Percentage Change	10.5	9.4	41.8	20.9	25.0	4.0
Ratio to GDP	19.4	18.5	23.5	25.7	28.0	-
Share of Remittance Income in Current Transfer Income	80.5	81.5	84.0	87.3	86.0	88.2

Source: Nepal Rastra Bank

* First Eight Months

- 6.16 Under transfers, grants dropped by 24.7 percent during the review period while that of pension increased marginally by 0.3 percent. During the same period of the previous fiscal year, grants had increased steeply by 85.3 percent and pension by 25.6 percent. Likewise, workers' remittances increased by 4.0 percent to Rs. 3713.0 billion in the review period compared to a growth of 34.1 percent growth in the corresponding period of the previous year. In US Dollar terms, workers' remittances grew by 4.8 percent to USD 3.76 billion during the review period compared to an increase of 17.5 percent in the same period of the previous year. As a result, the net transfer grew by 1.3 percent to Rs.420.66 billion in the review period as against a growth of 38.5 percent during the same period of previous fiscal year.



- 6.17 Under Capital Account, Rs. 7.63 billion was received as net capital transfer during the review period. Capital account had remained in surplus of Rs.12.64 billion during the same period of the previous fiscal year. Under the financial account, foreign direct investment of Rs. 2.67 billion was recorded in the review period. This figure stood at Rs. 1.8 billion in the corresponding period of the previous year. Other investment assets that had totaled Rs.12.93 billion in the first eight months of the previous year, reached to Rs.21.34 billion during the review period of the current year. On other investment liabilities side, government drawing totaled Rs.12.84 billion, while principal repayment amount of Rs. 9.39 billion was repaid. Currency and deposit liabilities reached to Rs.6.43 billion during the review period.

Foreign Exchange Reserves

- 6.18 As compared to mid-July 2014, the total foreign exchange reserve rose by 6.1 percent to Rs. 705.73 billion in mid-March 2015. Such reserve had increased by 22.5 percent to Rs. 653.42 billion in the same period of the previous year. In US Dollar terms, the total reserve increased by 1.3 percent to USD 7.03 billion in mid-March 2015. Such reserve had increased by 19.3 percent during the same period of the previous fiscal year.
- 6.19 Of the total foreign exchange reserves, the reserve with Nepal Rastra Bank grew by 3.6 percent totaling Rs. 593.05 billion in mid-March 2015 as against Rs. 572.40 billion in mid-July, 2014. Likewise, the reserve with banks and financial institutions has grown by 21.2 percent to Rs. 112.68 billion during the review period. The inconvertible Indian currency reserve grew by 12.6 percent to IRs.106.86 billion during the eight months of 2014/15 as against 24.0 percent growth in the corresponding period of the previous year.

Table 6 (c): Total Foreign Exchange Reserve (In Rs. 10 Million)

Description	Mid-July 2011	Mid-March 2012	Mid-July 2012	Mid-March 2013	Mid-July 2013	Mid-March 2014	Mid-July 2014	Mid-March 2015	Percent Change (Mid-July-Mid-March)	
									2014	2015
Nepal Rastra Bank	21310	30502	37552	37233	45300	55042	57240	59305	21.5	3.6
Commercial Banks	59056	6309	6393	8128	8030	10300	9301	11268	28.3	21.2
Total Reserve	27215	36810	43946	45361	53330	65342	66541	70573	22.5	6.1
Share in Total Reserve										
Nepal Rastra Bank	78.3	82.9	85.5	82.1	84.9	84.2	86.0	84.0	-	-
Commercial Banks	21.7	17.1	14.5	17.9	15.1	15.8	14.0	16.0	-	-

- 6.20 Based on trend of imports during first eight months of the current fiscal year, the current level of foreign exchange reserve is sufficient for financing merchandise imports of 11.3 months and merchandise and services of 9.7 months. The reserves with banking system were sufficient to cover the merchandise imports of 11.6 months and

merchandise and services imports of 10.1 months in mid-March 2014. The current foreign exchange reserve is able to finance the imports for shorter period as compared to the previous fiscal year due to a higher growth rate of import of services albeit some slower growth rate of imports of merchandise during the review period. However, the current level of foreign exchange reserve has surpassed the target of monetary policy of current fiscal year.

Exchange Rate

- 6.21 Nepalese Currency depreciated by 4.5 percent against US Dollar in mid-March 2015 from the level of mid-July 2014. During the same period of the previous fiscal year, Nepalese currency had depreciated by 2.6 percent against US Dollar. The exchange per US Dollar remained Rs. 100.45 in mid-March 2015 compared to Rs. 95.90 in mid-July 2014. However, Nepalese currency has appreciated by 10.5 percent, 22.8 percent and 14.1 percent against pound sterling, Euro and Japanese Yen respectively during the review period.

Table 6 (d): Foreign Exchange Trend

Foreign Currency	Buying Rate (In NRS.)					Appreciation (+) Depreciation (-)	
						(in Percent) (Mid-July- Mid-March)	
	2013 Mid-March	2013 Mid-July	2014 Mid-July	2014 Mid-July	2015 Mid-March	2014	2015
US Dollar	86.77	95.00	97.58	95.90	100.45	-2.6	-4.5
Pound Sterling	129.34	143.56	162.81	164.61	148.91	-11.8	10.5
Euro	112.86	124.08	136.15	130.56	106.35	-8.9	22.8
Japanese Yen (of Ten)	9.02	9.57	9.51	9.44	8.27	0.6	14.1

Source: Nepal Rastra Bank

Problems and Challenges

- 6.22 The country has not been able to achieve desired benefits from liberalization of transactions in the external sector in the process of economic liberalization. Trade deficit has continued to rise every year as a result of imports being eight times higher than that of exports. Lowering trade deficit through export promotion has been a challenge. Exports of goods could not be expanded due to the factors like production and exports of low value added goods; failure on trade diversification; inability to expand the export trade by exploring the

commodities of comparative advantages; higher cost of production, and time and cost disadvantages of being a landlocked country; dominance of imported raw material based industries; inability to establish proper forward and backward linkages; dearth of required trade related infrastructures; lack of the use of advanced technology, inability to focus on research and development for trade expansion; and exports being discouraged by non-tariff barriers among others. On the flip side, imports of necessities and luxury goods, raw materials, machineries and equipment are attributable to higher import base and its growth rate. As a result, trade deficit continues to grow. Hence, it is necessary to pay attention towards containing trade deficit within the desired limit through export expansion by developing competitive capacity of exports and establishing and expanding industries that produce goods within the country.

- 6.23 The external sector balance of Nepal relies mainly on remittance inflows and the level of imports. The current account and overall BoP situation remain stable provided that remittance inflow is high vis-à-vis moderate imports, or else they remain in deficit. Though high remittances inflow provides immediate advantage to economy, oftentimes questions of its stability and sustainability are likely to be raised. It is necessary to explore alternatives so as to maintain the BoP situation in balance because foreign bound Nepalese workers for employment are mostly unskilled, and foreign employment is mainly centered on gulf countries and Malaysia. Remittance inflow will be hindered if some problems arise in these countries leading to sustainability of external sector in jeopardy. Likewise, high remittance inflow increases consumption level in one hand whereas trade deficit is likely to grow due to high imports volume on the other. Therefore, it is imperative to pay attention towards maintaining sustainability of current account through import substitution by providing emphasis on the exports of goods and services.
- 6.24 The share of imports of POL products in total imports remained more than 20 percent. Despite being an agricultural country, every year Nepal has been importing agro-products in large volumes. If production of agricultural commodities within the country could be encouraged, imports of such commodities would fall ultimately helping reduce the trade deficit. Similarly, there is a need to pay special attention towards timely completion of hydropower projects under construction and exploration of alternative energy sources

within the country to reduce ever increasing dependency on POL products.

- 6.25 The recent devastating earthquake has posed a challenge to maintain sustainability to Current Account of external sector transactions. Though workers' remittances has increased in the short run, remittances inflow is likely to grow at moderate rate owing to the possibilities of foreign bound workers belonging to earthquake affected districts returning to their respective home districts, and reduction in tendency to seek foreign employment. Trade deficit is likely to grow further amidst failure in expanding export as desired and increased possibility of imports of construction materials, machinery and equipments for reconstruction and rehabilitation works. Destruction of national heritages of historical, religious, and archaeological importance coupled with obstructions witnessed on tourist routes, and instant ban imposed on mountain expeditions causing negative impact on tourists arrival are likely to hit tourism income. Aforementioned reasons pose challenges to the task of maintaining sustainability in the Current Account in the coming years.

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 Poverty alleviation is a cross cutting issue. Nepal has achieved gradual improvement on aggregate poverty and human development indices while analyzing poverty from three major dimensions namely income poverty, human poverty and social exclusion. Despite reduction in number of population below absolute poverty line as a result of the government's poverty focused development efforts, poverty gaps between urban and rural, and between various geographical regions and groups is still very wide.
- 7.2 Data entry, scanning, and recording have been completed in 25 districts selected primarily for identifying poor household families after conducting survey of 1.3 million households on the basis of poverty measurement indicators. Identification of poor household families has been possible now through analyses of such data and information using proxy mean testing software.
- 7.3 Formulation of National Poverty Alleviation Policy is underway with a view towards achieving the national goal of reducing poverty. The level of investment in the social sector has been significantly raised. Target groups and sectors focused employment and income generation programs are being implemented. Inclusive economic development programs have been mainstreamed. Programs are executed by targeting the group of population well below the poverty line. The "Micro Enterprise Development Program for Poverty Alleviation" initiated to improve the income level of poor households through entrepreneurial development has been gradually extended to additional districts.
- 7.4 The population living below the poverty line is 23.8 percent. As per the Millennium Development Goal Progress Report 2013, poverty reduction rate in Nepal, which was 1.5 percent between 1996 and 2004, has been 2.5 percent between 2004 and 2013. Nepal has set a goal to graduate from the status of least developed countries (LDC) to developing country by the year 2022. The ratio of population with access to food below the minimum daily requirement stood at 15.7 percent in 2013. Likewise, underweight children of 6 months - 59 months age group, and those with stunted growth remained at 37.0 percent and 30.0 percent respectively.

- 7.5 Among the indicators including Gross National Income - GNI Per Capita, Human Asset Index- HAI, Economic Vulnerability Index-EVI, as set by the United Nations for LDCs to graduate to developing countries, indicators other than GNI, have remained satisfactory. However, managing risks with high priority is very much necessary, that are likely to emerge from damages brought about by the devastating earthquake to the lives, properties, and physical, archaeological, and natural resources.
- 7.6 Though population living below poverty line has declined, the disparity between rich and poor still remains high. The Gini Coefficient based on consumption expenditure reached 0.353 in urban area, 0.311 in rural area, and 0.328 in Nepal. The Gap in the indices between geographical regions and ethnic groups is much wider. Access of limited groups to available opportunities, failure to implement inclusive and targeted programs with full effectiveness, inability to properly address the issues of settlements and income generation of the people displaced by domestic conflict and natural disaster, and low agricultural wage rate are the major contributing factors for such widening of gap in indices.
- 7.7 United Nation has set three indicators including Gross National Income-GNI Per Capita, Human Asset Index-HAI and Economic Vulnerability Index-EVI and their standards to graduate from LDC status. It is necessary to surpass at least two of those three indicators to graduate to the status of developing countries. While comparing the criteria set by UNDESA, CDP in 2015 for countries to graduate to developing status and the current status of Nepal, though GNI per capita is below the set threshold, HAI and EVI indicators have remained positive.

Table 7(a): Status of Criteria set for graduation to Developing Countries

Indicators	Year 2015		
	Threshold	Status of Nepal	Difference
Gross National Income (GNI) per capita (US\$)	1242	659.5	582.5
Human Assets Index - HAI	>66	68.7	Achieved
Economic Vulnerability Index-EVI	<32	26.8	Achieved

Source: UN-DESA, CDP

- 7.8 Rapid urbanization, continuous growth in the remittance inflow from foreign employment, increased agricultural wage rate, increased employment and wage rate in non-agriculture sector and the increased ratio of active population have provided support to poverty reduction initiative. However, as per the post-disaster needs assessment preliminary report, population of poor is estimated to rise between 2.5 and 3.5 percentage points due to devastating earthquake of April 25, 2015.

Table 7 (b): Quantitative Indicator of Poverty and Nutrition

MDG	Indicators	Progress till 2010 (In Percentage)	Progress till 2012/13 (In Percentage)	Progress till 2013/14 (In Percentage)	Target 2015
Goal I	Population ratio with less than one dollar a day income	19.7	16.4	-	17
	Population ratio remaining below daily national poverty line	25.4	23.8	-	21
	Ratio of population employed at less than one dollar a day	22	-	-	17
	Population with food less than the minimum requirement	36.1	15.7	-	25
	Underweight Children of (6-59 months) age group	36.4	28.8	37.0	29
	Children of age group (6-59 months) with stunted growth	46.8	40.5	30.0	30

Note: Goals provided in the brackets are revised

Source: National Planning Commission

Poverty Alleviation Fund (PAF) Initiatives

- 7.9 Community demand based ultra-poor targeted programs namely *Antondaya*; social inclusion; transparency; demand-led and direct community based programs are being implemented in active participation of ultra poor and backward groups. Arrangement has been made for operation and execution of programs while ensuring full participation of poor communities by forming community organizations.
- 7.10 As compared to that of FY 2006/07, poverty level has dropped to 33.1 percent from 50.7 percent among the community based program run households. From this, poverty level is estimated to have dropped by

2.49 percent annually on average while average per capita consumption has shot up by 124.2 percent.

- 7.11 A total of Rs. 1,672.7 million was mobilized through 2,690 community organizations (COs) for implementation of community targeted income oriented and community infrastructure development projects in FY 2013/14. By the end of first eight months of current fiscal year, a sum of Rs. 419,514,000 has been mobilized through a total of 953 community organizations for implementation of such projects.

Table 7 (c): Amount mobilized through Community Organizations

S. No.	FY	Disbursed Amount (Rs. in Thousands)						
		Income Generation Program	Small Infrastructure Development Program	Innovative Program	Total			
					Total	World Bank Grant	Trust Fund Grant	Nepal government's Grant
1	2004/05	132612	64110	3395	200117	183638		16479
2	2005/06	155083	9730	938070	383883	317597		66286
3	2006/07	404332	76444	499113	979889	979889		
4	2007/08	1274572	230652	46651	1551675	1551675		
5	2008/09	979458	261798	27640	1260896	1260520		376
6	2009/10	1388289	426561	35497	1850599	1850599		
7	2010/11	1526898	470910	11401	2009209	1720129		289080
8	2011/12	1445461	914485	28132	2384077	1661869	685642	36566
9	2012/13	1044414	591030	31630	1667075	1457013	175128	34934
10	2013/14	897021	742155	32882	1672059	1603579	23300	45180
Total		9240140	9240140	3868876	850463	13959479	12586509	884071
10	2014/15*	226397	101411	11466	339274	337452	0	1822
Grand Total		9466537	9466537	3970287	861929	14298753	12923960	884071

**for first eight months*

Source: Poverty Alleviation Fund

Youth and Small Entrepreneurs Self-Employment Fund

- 7.12 Self-Employment in tandem with vocational training programs are being run with the objective of achieving rapid development of the country by making the maximum use of productive labor through the development of entrepreneurship while bringing changes in the traditional production system. For this, the Fund aimed at availing collateral-free periodic subsidized loans to educated, and uneducated unemployed youths through banks and financial institutions and cooperatives. Easy collateral-free periodic wholesale loan at the rate of up to Rs. 200,000 per person has been provided to banks and cooperatives so as to make the lifestyles of economically deprived group, women, *Dalits*, *Janajatis* and conflict affected people, unemployed youths, and people with traditional skills by increasing their incomes through agricultural, vocational and service oriented businesses.
- 7.13 Various credit and training programs are in implementation with special priorities accorded to local raw materials and skill oriented projects. Such initiatives include, provision of credit facilities for self employment projects like commercial farming; poultry farming; agriculture and wildlife and precious stone industries; rickshaw and push-cart services operations in urban areas; plumbing services and repair and maintenance of electronic goods; , and small and cottage businesses and groceries. Likewise, credit facility programs are in operation by giving special priority to traditional and ethnicity/class skill oriented activities; conflict victims; physically challenged and injured people; family of disappeared people and martyrs; and deprived ethnic groups and women. In the process, trainings are imparted to unemployed youths willing to run self-employment program.
- 7.14 Rs. 3.44 billion has been invested by mid-April of FY 2014/15 upon concluding lending agreements with 623 primary cooperative organizations including 24 banks and financial institutions. Of this investment, Rs. 1.61 billion has been recovered while Rs. 2.8 billion is still on investment. Over 60 percent of the total investment has been on the production sector. Likewise, As of mid-April 2015, Rs. 972.5 million (88.2 percent) has been recovered from those 623 cooperatives out of Rs. 110.26 million regularly recoverable from them. A total of 25,206 people are employed including 3,209 people added by mid-April 2015 of the current fiscal year.

Employment

- 7.15 Labor and employment policies, plans and programs are in operation focused specially on domestic labor management; vocational and skill development trainings; industrial peace building; elimination of child labor; business related security and health; and foreign employment promotion.
- 7.16 Growth of skilled human resource and employment opportunities could not be achieved to the extent as expected amidst perpetual entry of active youth labor force in Nepal's labor market. As a result, a huge gap exists between demand and supply pertaining to labor and employment. If developing harmonious relationship between employers and employees with mutual trust and cooperation for mutual benefits along with the growth of industrial enterprises is necessary, ensuring work-friendly environment for the employees in industrial enterprises is equally important.
- 7.17 Economically active population between 15-59 years of age is 57.0 percent. It is the utmost necessity to take advantage of such abundance of active human resource, prepare skilled human resource to meet the demand at both domestic and international markets, create employment opportunities within the country thereby gradually reducing dependency on foreign employment, make appropriate adjustments between domestically generated human resource and demand, maintain necessary coordination among the operational training centers, and help in the nation building initiative by generating adequate human resource to meet labor demand among others. Because, the country has failed to generate employment opportunities at home, about 1,500 workers are leaving the country everyday in search of foreign employment. About 3.6 million people have left the country for foreign employment through both formal and informal mediums. Of this, 74.0 percent are unskilled, 25 percent semi-skilled, and with mere one percent skilled workers.

Foreign Employment

- 7.18 Latest data reveals that employment opportunities have been growing only at 2.9 percent albeit annual entry of more than 450,000 labor force in the labor market. Youth labor force targeted vocational and skill oriented trainings aimed at self-employment, wage-based employment, and foreign employment have been imparted through various government agencies, private and non-governmental

organizations. Only 47.75 percent of so trained human resource is employed.

Table 7(d): Skill Development Training Recipients' Status

FY	Training Recipient		
	Female	Male	Total
2003/04	2040	2493	4533
2004/05	2265	4343	6608
2005/06	3432	3633	7065
2006/07	7457	6596	14053
2007/08	9716	6432	16148
2008/09	12702	9039	21741
2009/10	13305	9257	22562
2010/11	12530	9600	22130
2011/12	8045	8507	16552
2012/13	7586	7521	15107
2013/14	8278	9050	17328
For First Eight Months of FY 2014/14	NA	NA	9825
Total	87356	76471	173652

Source: Center for Commercial and Skill Development

- 7.19 The outbound trend of Nepalese youths has increased due to lack of employment opportunity in Nepalese labor market, dearth of cultural practice developed for respecting jobs, temptation of Nepalese youths towards seeking foreign employment. Nepalese youths have gone especially to gulf countries and Malaysia for labor oriented jobs due their decency, honesty, diligence toward their works, bravery, and cheap labor.
- 7.20 Draft Foreign Employment Act is under preparation so as to make foreign employment organized, safe and dignified. Process for formulating the law required for establishment of a labor bank is in progress. A total of 877 non-resident Nepalese working in Nepal have been awarded labor licenses and those of 299 have been renewed until mid-March of FY 2014/15 after their regular monitoring. Foreign Employment Information Management System (FEMIS) has been prepared, and is in the process of implementation to put in place an organized record keeping system of migrant workers.
- 7.21 Memorandums of Understanding (MoUs) have been signed with major labor destination countries including United Arab Emirates, Qatar, Japan, South Korea and Bahrain while Draft MoUs have been prepared

and process is underway for signing so with Malaysia, Saudi Arabia, Kuwait, Oman and Israel. Likewise, working procedure, 2014 for the licensed manpower companies and the migrant workers to mandatorily attend the Department of Foreign Employment in person for signing the contract has already been endorsed and implemented for the Oman bound foreign employees while preparations are underway for this to be implemented for other labor destination countries as well. A total of 4,610 trainees have graduated while 8,118 individuals are receiving basic skill enhancement and women residential trainings targeted for migrant and domestic workers.

- 7.22 A total of 329,070 foreign employees have gone abroad through licensed companies by the end of first eight months of current fiscal year 2014/15. Likewise, 364,740 foreign job aspirants have gone abroad for foreign employment with labor permit in the first eight months of current fiscal year. Of this, 6,378 received permit on their own while 29,292 are among those undocumented returnees who flew back abroad with permits. Of the outbound foreign employees to major labor destination countries with labor permit, 15,939 are female while 348,801 are male.

Table 7 (e): Country-wise Foreign Employment Status

S.N	Country	Male	Female	Total
1	Qatar	83163	1748	84911
2	Malaysia	148534	4330	152864
3	Saudi Arab	67122	297	67419
4	UAE	31682	5682	37364
5	Kuwait	5932	707	6639
6	Bahrain	2698	416	3114
7	Oman	1166	322	1488
8	South Korea	2670	131	2801
9	Lebanon	116	411	527
10	Israel	88	254	342
11	Afghanistan	966	6	972
12	Japan	1495	56	1551
13	Others	3169	1579	4748
	Total	348801	15939	364740

Note: By the end of mid-March 2015

Source: Department of Foreign Employment

- 7.23 Of the total 364,740 migrant workers by the end of first eight months of current fiscal year 2014/15, skilled women account for 6.4 percent while among the men is 12.5 percent.

Table 7 (f): Skill acquired by Migrant Workers

S. No.	Description	Male	Female	Total
1	Skilled	43686	1026	44712
2	Unskilled	236015	9475	245490
3	Semi-Skilled	35476	1575	37051
4	Professional	35	15	50
5	High Skilled	17	0	17
6	Unspecified	33572	3848	37430
Total		348801	15939	364740

Note: By the end of mid-March 2015

Source: Department of Foreign Employment

- 7.24 Foreign employment business has been promoted in order to make it safer, organized, and dignified while protecting the rights and benefits of both the foreign bound employees and foreign employment agencies. So far, 115 deceased families have been provided with financial support, availed treatment expenses to sick and maimed foreign employees, while 364 corpses those remained abandoned in foreign land have been brought back home. Likewise, Rs. 6 million has been sent to various embassies to carry out rescue operations of stranded foreign employees. Similarly, rescue operation, people awareness program and shelters are being operated for employers and employees stranded as a result of domestic conflict and economic recession.

Social Security Fund

- 7.25 Social security works are being carried out with joint efforts of the State and Nepalese citizens so as to safeguard dignity of economically and socially vulnerable citizens. Works that number of agencies had been carrying out in the name of social security are now being done in an integrated manner. Agencies to contribute in Social Security Fund have been more than 10,000 while the number of individual contributors exceeds 100,000. By the end of FY 2013/14, tax revenue generated through social security stood at Rs. 6.52 billion.

Targeted Programs for Poverty Alleviation and Employment

Karnali Employment Program

- 7.26 Karnali Employment Program has been in operation in 5 districts of Karnali Zone. Members of about 61,058 households from among district's total 68,902 households are unemployed. By the end of FY 2013/14, a total of 245 various projects (motorable roads, school building, maintenance of micro-hydro projects, trails, mule tracks, fruits and herbal farming etc) had been completed through Karnali Employment Program. Such projects have created additional employment equivalent to 12 - 15 days or equivalent to 817,218 employment days in Karnali zone benefiting the concerned people. VDCs in the first eight months of current fiscal year 2014/15, in addition to updating of unemployment data, pilot projects are also in operation.

Rural Community Infrastructure Development Program

- 7.27 This program is being implement in 21 districts with the improve food security situation in poor rural families thereby enhancing their self-reliance capacity through the sustainable as well as productive infrastructures. Rural road constructions together with livelihood and income generation activities are being carried out through this program. In FY 2013/14, a total of 129 Km rural road was constructed and 246 livelihood and income generation activities were conducted in contrast to 13 Km rural road and 33 income generation activities during the first eight months of current fiscal year 2014/15.

Linking Local Initiatives with Local Skills Program

- 7.28 This program is in operation in Achham, Dailekh, Jajarkot and Kalikot districts since 1997. Through this program, periodic plans of 234 VDCs of Jajarkot, Kalikot, Jumla and Mugu, Achham, Dailekh, Doti districts have been prepared in 2013/14. This program has linked 7,000 households with the market by involving them in income generation activities. Similarly, there are 400 active productive groups, 90 Farmer Enterprise Schools and 15 Agricultural Bi-Product Collection Centers in operation. During the first eight months of current fiscal year, 41 Professional Schools for Farmers have been organized in first eight months of current fiscal year 2014/15.

Nepal Food Crisis Response Program

- 7.29 A total of US\$ 69.50 million has been spent by the first trimester of FY 2014/15 for Nepal Food Crisis Response Program initiated in FY 2008/09. This amount is spent through Food for Work and Cash program in 23 remote districts for providing subsidies on transportations of agricultural inputs, agriculture researches, allowances for senior citizens, and incapable citizens and widows.

Problems and Challenges

- 7.30 Reducing poverty through enhanced public investment for uplift and progress of backward groups, poor, deprived and conflict affected groups remains a challenge.
- 7.31 Though population ratio below the poverty line seemed to have declined due to poor centered development effort, the gap between rich and poor is still wide. Hence, reducing overall poverty through the continuation of poverty reduction initiatives and narrowing down the disparity gap between the poor and the rich has been a challenge.
- 7.32 Poverty being a multidimensional issue can only be addressed through multi-pronged approach. Amid fragmented state of poverty reduction related programs, it is a challenge to make those programs a success by converting efforts of all implementing agencies and sectors into action in a coordinated manner.
- 7.33. It is imperative to take advantage of the existing abundance of active population of the country; prepare competent human resource to meet both national and international demand; reduce the level of dependency over foreign employment by creating employment opportunities at home; maintain appropriate balance between human resource produced within the country and its demand; and help in nation-building effort by producing demand base human resource thereby duly maintaining coordination among exiting training centers operating in the country.
- 7.34 Regulating foreign employment and making it organized, dignified, secured, and reliable by resolving burgeoning issues and challenges have been a daunting task. Failure to promote and manage skills and capabilities of productive human resource scattered across the country in the domestic as well as international labor markets through proper

management has been a major problem of labor and employment sector.

- 7.35 Human resource with technical and managerial skills and capabilities is very much necessary for the reconstruction of infrastructures of decade long post internal conflict and earthquake of April 25, 2015 and rapid development. It has been a challenging task to retain competent human resource within the country and employ labor, capital and technology acquired by the migrant workers in foreign soil in the nation building effort by attracting them towards domestic labor market.

8. Agriculture, Land Reform and Forestry

Agriculture

- 8.1 Contribution of agriculture sector to the Nepalese economy has been noteworthy. The agriculture sector occupies almost one third of Gross Domestic Product (GDP) while about two third of country's population is dependent in this sector. Contribution of this sector to GDP was 33.12 percent in fiscal year 2013/14, which is expected to come down to 32.12 percent in FY 2014/15. This sector is expected to grow only marginally by 1.85 percent at basic prices. The growth rate of agriculture sector has not been satisfactory since last few years.
- 8.2 Contribution of the agriculture section to GDP has remained notable due mainly to creation of employment opportunities and overall food security it provides to the country. Strengthening of this sector through comparative advantage and competition by commercialization and efficient to reap benefit from has become an utmost necessity. Agriculture programs are focused on improving in livelihood of majority agro-based communities. Production and productivity growth achieved in food crops i.e., paddy (rice), maize, wheat, and potato has supported in Nepal's food security. Likewise, vegetable production has been increasing along growth in production of seasonal and off-season vegetables as well.

Crops Production Status

- 8.3 Food crops production of Nepal (rice, maize, millet, wheat, barley, buckwheat) in current fiscal year 2014/15 is expected to total 9,266,000 MT with a decrease of 296,000 MT or approximately 3 percent decline in production than of the previous fiscal year. Total area under food crops cultivation in the current fiscal year is also estimated to have decreased from the previous year.
- 8.4 Paddy (Rice) is the major food crop among all food crops in Nepal. As per preliminary estimates, rice production is estimated to decrease by 5.1 percent in current fiscal year than in the previous fiscal year totaling 4,788,000 MT, which is less by 258,000 MT from the previous fiscal year. Such fall in production of rice is attributable to late onset of monsoon and inability (of farmers) to plant rice making them leave

their land barren. Area under the cultivation of rice crop has also come down by 4.1 percent in this year.

- 8.5 From production perspective, maize is the second major food crop after rice. According to preliminary estimates, maize crop production in this fiscal year 2014/15 is estimated to total 2,245,000 MT with a decrease of 6.0 percent. This quantity is less by 38,000 MT from the previous year's production of 2,283,000 MT. Area under this crop also decreased by 5.0 percent in this fiscal year. Such fall in production of this crop is due to adverse weather, and disease and insect/pest infestations.
- 8.6 Millet production in this fiscal year is estimated to reach 308,000 MT with an increase of 1.2 percent production as compared to the previous fiscal year's 304,000 MT. Notable growth in production of this crop is lacking notably due to absence of the uses of (modern) technologies like improved seeds and fertilizers.
- 8.7 Buckwheat, which is a major food crop in the mountain region of the country, has been included in national statistics since last few years. This crop, which is cultivated in about 50 districts of the country, is estimated to increase in both area of cultivation and production by 2.9 percent and 5.2 percent respectively in this fiscal year as compared to the previous fiscal year. Productivity of this crop has improved by 2.2 percent as well in this fiscal year.
- 8.8 Production of wheat, which is ranked third in terms of food crops production, is estimated to reach 1,975,000 MT in this fiscal year 2014/15 with an increase of 4.9 percent as compared to the previous fiscal year's production stood at 1,883,000 MT. Notable achievement in production of this crop is lacking due to decrease in area under this crop in the majority of Eastern mountain and hilly districts.
- 8.9 In current fiscal year 2014/15, despite the decline of 0.4 percent area under the barley cultivation, production of this crop is estimated to go up by 7.3 percent. Favorable rainfall in winter season and snowfall are attributable to this growth. Production of this crop totals only to 37,000 MT.

Table 8 (a): Area of Food Crops and their Production Details**(Productivity=Kg/Ha)**

Food Crops	Fiscal Year 2014/15			Fiscal Year 2013/14		
	Area (Ha)	Production (MT)	Productivity (MT/Kg)	Area (Ha)	Production (MT)	Productivity (MT/Kg)
Rice	1425346 (-4.1)	4788612 (-5.1)	3360 (-1)	1486951 (4.7)	5047047 (12)	3394 (7)
Maize	882395 (-5.0)	2245291 (-6.0)	2431 (-1.1)	928761 (6.3)	2283222 (9.8)	2458 (3.4)
Wheat	762373 (1.0)	1975625 (4.9)	2591 (3.8)	754474 (-0.7)	1883147 (0.0)	2496 (0.8)
Millet	268050 (-1.2)	308488 (1.2)	1151 (2.6)	271183 (-1.2)	304105 (-0.5)	1121 (0.7)
Barley	28053 (-0.4)	37354 (7.3)	1332 (7.8)	28173 (-2.8)	34824 (-5.8)	1236 (-3.1)
Buckwheat	10819 (2.9)	10870 (5.2)	1005 (2.2)	10510 (-1.6)	10335 (2.8)	983 (4.4)
Pulse	326400 (-0.7)	353500 (0.3)	1083 (1.0)	328738 (-0.7)	352473 (0.3)	1070 (1.0)

Source: Ministry of Agriculture Development

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

- 8.10 In current fiscal year 2014/15, total production of pulses (legume crops - like lentils, black gram, pigeon peas, soybean, gram and others) is expected to increase by 0.3 percent to 353,000 MT as compared to that of the last year. But area under the pulses crop is also expected to have come down by 0.7 percent to 326,000 hectares. Production of lentils (MASURO CROP) cultivable on non-irrigable land is expected to decline mainly due to high rainfall in winter season. The production of black gram and RAHAR has increased to some extent. Similarly, production of lentils such as, soybean, beans, peas, etc. has increased in FY 2014/15 as compared to that of previous fiscal year.

Production Status of Cash Crops

- 8.11 Crops such as oilseeds, tobacco, jute, sugarcane and potato are regarded as cash crops. In fiscal year 2014/15, the area under entire cash crops has remained close to 487,000 hectares, whereas its production stood at 6,118,000 MT. As compared to the previous fiscal

year, its area in current fiscal year is estimated to have shrunk by 3 percent, but production and productivity is estimated to rise by 2 percent and 5 percent respectively.

- 8.12 Potato production in this fiscal year 2014/15 is estimated at 2,882,000 MT with an approximate increase by 0.9 percent. Area under cultivation of this crop is estimated to have 190000 hectare with a decrease of 7.5 percent while its productivity per hectare is estimated at 14,940 Kg. The market Price of potato has been increasing in recent years due to the rise in cost of production. As potato is used as a staple food in some mountain districts, its supply is not enough to meet the current demand.

Table 8 (b): Preliminary Status of Cash Crop Production

(Productivity=kg/hectare)

Cash Crops	Fiscal Year 2014/15			Fiscal Year 2013/14		
	Area (Ha)	Production (MT)	Productivity (MT/Kg)	Area (Ha)	Production (MT)	Productivity (MT/Kg)
Potato	190228 (-7.5)	2842000 (0.9)	14940 (9.1)	205725 (9.4)	2817512 (2.3)	13696 (-0.1)
Vegetables	245368 (-3.8)	3629000 (6.1)	14790 (10.2)	254932 (3.5)	3421035 (3.6)	13419 (0.1)
Fruits	111686 (1.5)	1186369 (22.9)	10622 (21.2)	110086 (8.5)	965044 (2.8)	8766 (-5.2)

Source: Ministry of Agriculture Development

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

- 8.13 Production of fruits in current fiscal year 2014/15 is estimated to total 1,186,000 MT with a rise of 22.9 percent in relation to previous fiscal year. Likewise, area under fruits cultivation is also expected to have increased by 1.5 percent reaching 111,686 hectare. Such Production of fruits is estimated to rise due to increased commercial cultivation in banana production, increase in orange production despite decline in area under its cultivation, , rise in apple production and favorable year-cycle of mango yielding.
- 8.14 The volume of vegetable production is expected to grow by 6.1 percent in the current fiscal year 2014/15 reaching 3,629,000 MT from previous year's yield of 3,421,000 MT. Area under vegetable cultivation in current fiscal year is estimated at 245,000 hectare. Area under cultivation and production of vegetables have been rising due to

increasing practice of growing off-season vegetables. As a result of which living standard of farmers engaged in vegetable farming is believed to have significantly improved.

- 8.15 Production of oilseeds (mustard, yellow mustard, sunflower, etc) in current fiscal year 2014/15 is estimated to reach at 195,000 MT with an increase of 5.7 percent. Area under oilseeds cultivation is estimated to have increased by 0.4 percent reaching 217,200 hectares. As production of mustard seeds has been declining in recent years, oilseed production could not record a growth despite growth in sunflower seeds production.

Table 8 (c): Preliminary Status of Industrial Crop Production
(Productivity=kg/hectare)

Industrial Crops	Fiscal Year 2014/15			Fiscal Year 2013/14		
	Area (Ha)	Production (MT)	Productivity (MT)/Kg)	Area (Ha)	Production (MT)	Productivity (MT)/Kg)
Oilseeds	217225 (0.4)	194536 (5.7)	896 (5.3)	216400 (0.1)	18400 (1.1)	850 (1.1)
Tobacco	1724 (-2.8)	2227 (4.4)	1292 (1.7)	1773 (-2.8)	2200 (-9.5)	1257 (-6.9)
Sugarcane	66600 (1.4)	3063000 (2.2)	45991 (-0.7)	65000 (0.8)	3020000 (3.1)	46461 (2.3)
Jute	11400 (0.4)	16530 (11.0)	1450 (10.5)	11350 (0.4)	15750 (1.6)	1388 (1.2)
Tea	19350 (0.4)	22500 (5.2)	1163 (4.7)	19100 (0.2)	19610 (2.0)	1027 (1.8)
Coffee	1925 (0.7)	450 (4.7)	234 (3.9)	1765 (0.9)	375 (2.5)	212 (1.6)
Cotton	225 (12.5)	202 (17.4)	898 (4.4)	175 (0.0)	155 (3.3)	886 (3.3)
Others						
Honey (Beehive)	225000 units	3000	13	213200 units	2050 (26)	
Mushroom	425000 Bottle	2700			1900 (15)	
Silk Cocoon		40			45 (18.4)	
Floriculture	Transaction worth more than NRs. 1 billion			Transaction worth nearly NRs. 1 billion		

Source: Ministry of Agriculture Development

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

- 8.16 In comparison to previous year, production of tobacco is estimated to increase by 4.4 percent totaling 2,200 MT in current fiscal year 2014/15. Despite shrinking production and its cultivation area in preceding years, its production is estimated to increase in current fiscal year. In FY 2014/15, the cultivation area of tobacco is expected to fall by 2.8 percent but its productivity is estimated to rise by 1.7 percent.
- 8.17 The area under sugarcane cultivation, which is a major industrial crop, is estimated to rise by 1.4 percent reaching 66,600 hectare with production totaling 3,063,000, which is a 2.2 percent rise over the previous year. Farmers, who had difficulty in meeting their cost of production due to problem in sale of sugarcane, are again getting attracted towards it due to the rise in price of sugarcane and its consumption.
- 8.18 Production of jute crop, which is cultivated in six districts of eastern region (Jhapa, Morang, Sunsari, Saptari, Siraha and Udayapur) is estimated to increase by 11.0 percent in fiscal year 2014/15. In FY 2014/15, area under jute cultivation, and its production and productivity is estimated to rise by 0.4 percent, 1.6 percent and 1.2 percent respectively. Decline in its production due to unavailability of jute seeds in the past, situation has been improving recently.
- 8.19 Of industrial crops like tea, coffee, and cotton, production of coffee is estimated to have increased by about 4.7 percent in current fiscal year 2014/15. As compared to previous years, the area under coffee cultivation and its production has slightly increased in current fiscal year. Though farmers are attracted towards coffee farming as this is exported overseas, its production is estimated to remain at 450 MT only. In current fiscal year 2014/15, tea production is estimated to rise by 5.2 percent. Area under the cotton crop in cotton-growing districts i.e., Dang, Banke and Bardiya is about 225 hectares with estimated production of 202 MT in this year.
- 8.20 Area under spices crops is estimated to grow nominally. Of the spices, production of garlic, turmeric, and cardamom is estimated to increase by 5.5 percent, 0.1 percent, and 2.4 percent respectively. Likewise, production of ginger and chilly is estimated to rise by 3.4 percent and 3.2 percent respectively. Price that of ginger and cardamom (among spices) has tremendously increased in recent years.

Table 8 (d): Preliminary Status of Spices Production**(Productivity=kg/hectare)**

Spices	Fiscal Year 2013/14			Fiscal Year 2012/13		
	Area (Ha)	Production (MT)	Productivity (MT/Kg)	Area (Ha)	Production (MT)	Productivity (MT/Kg)
Ginger	24250	285550	11775	24226	276150	11399
	(0.1)	(3.4)	(3.3)	(2.1)	(14.3)	(11.9)
Garlic	6610	47500	7186	6569	45035	6856
	(0.6)	(5.5)	(4.8)	(-9.9)	(-11.4)	(-1.6)
Turmeric	7325	69790	9528	7310	67631	9252
	(0.2)	(0.1)	(3.2)	(-9.2)	(-14.8)	(-6.2)
Chilly	8050	36810	4573	8033	35668	4440
	(0.2)	(3.2)	(3.0)	(-2.4)	(7.5)	(10.1)
Cardamom	11650	5350	459	11501	5225	454
	(1.3)	(2.4)	(1.1)	(13.2)	(-9.8)	(-7.6)

Source: Ministry of Agriculture Development

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

Number of Domestic Animals/Fowls

8.21 In fiscal year 2014/15, the total number of cattle is expected to drop by 0.03 percent in relation to previous fiscal year and total number is expected to reach about 7,241,000. Of the total number of cattle, the number of lactating cows has been 1,026,000 (14.1 percent). The number of improved breed of cows has continued to rise. Likewise, the number of buffaloes is estimated to decrease by 0.21 percent to 5,167,000. Of the total number of (he and she) buffaloes, lactating buffaloes are estimated to remain at 1,349,000. The number of lactating buffaloes is estimated to increase by 26.1 percent as compared to previous fiscal year. In current fiscal year, the number of sheep is estimated to remain 789,000 and the number of goats at 10,152,000. As compared to previous year, the number of sheep is estimated to decrease by 0.02 percent while that of goat to increase by 0.73 percent. Similarly, the number of pigs is expected to remain almost as same as that of previous fiscal year.

Table 8 (e): Status of Animals/ Fowls and their Production*(In numbers)*

Types of Animals/Fowls	Fiscal Year		
	2014/15*	2013/14	2012/13
Cattle	7241416 (-0.03)	7243916 (-1.17)	7274022 (0.41)
Buffaloes	5167733 (-0.21)	5178612 (-1.89)	5241873 (2.13)
Sheep	789370 (-0.02)	789210 (-2.51)	809536 (0.28)
Goats	10252236 (0.73)	10177531 (4.02)	9786354 (2.87)
Pigs	1198001 (0.66)	1190138 (5.6)	1160035 (2.00)
Fowl	48429016 (0.73)	48079406 (-4.67)	47959239 (6.17)
Ducks	390281 (0.02)	390209 (3.79)	375975 (-0.25)
Mulching Cows	1025941 (0.14)	1024513 (-0.53)	1025591 (2.67)
Mulching Buffaloes	1349124 (26.1)	1345837 (-4.75)	1369796 (2.94)
laying Hens	8412728 (0.75)	83502387 (2.45)	8233616 (4.12)
Laying Ducks	179480 (0.02)	179447 (2.71)	174714 (-0.15)
Yak/Nak/Chauri	70966 (0.54)	70588 (7.48)	-
Rabbit	25871 (1.71)	25437 (29.61)	
Horses/Mules/Asses	52655 (0.15)	52577 (-9.63)	

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

* Annual Estimation

Source: Annual Report (Various Years), Ministry of Agriculture Development

- 8.22 The number of fowls as compared to previous year is estimated to rise by 0.73 percent reaching 48,400,000 in fiscal year 2014/15. Broiler poultry business has flourished in Nepal though; its production has not increased much due to low import of parents stock caused by the last year's bird flu epidemic. The number of ducks is estimated to increase by 0.14 percent to 390,000. Of the total number of fowls, the number of egg laying chicken is estimated to remain at 8,412,000. Similarly, the number of egg laying ducks among all ducks is estimated to remain at 179,000. The number of yaks and rabbits in current fiscal year is expected to reach 70,966 and 25,871 respectively. Similarly, the numbers of horse/donkey are estimated to reach 52,655. As compared to previous year, the number of yaks and horses is estimated to have increased.

Status of Domestic Animals/Fowls Production

- 8.23 Milk production from cow and buffaloes (excluding Yak) in the current fiscal year 2014/15 is estimated to reach 1,724,000 MT, which is higher by nearly 1.46 percent compared to previous year. Of the total milk production, contribution of cow's milk is estimated to stand at 557,000 MT (32 percent) while that of buffalo milk at 1,167,000 MT (68 percent). Despite the number of buffaloes in recent days has dropped, cow's milk production has increased as a result of flourishing improved cow raising business. As compared to previous year, in FY 2014/15 the total meat production of Nepal is estimated to increase by 0.89 percent reaching 300,000 MT. Of the total meat production, production of buffalo meat is estimated at around 174,000 MT (58 percent), sheep at 2,658 MT (1 percent), goat(castrated/non-castrated) at 60,100 MT (20 percent), pig at 20,135 MT (7 percent), fowls at 45,458 MT (13 percent) while that of ducks meat is estimated to remain at 232 MT (1 percent).
- 8.24 As compared to the previous fiscal year, total eggs production is estimated to rise by 3.05 percent in the current fiscal year reaching 899.5 million eggs. Of this total, chicken shares 885.9 million (98.5 percent) while duck shares 13.5 million units (1.5 percent). Similarly, wool production from sheep is estimated to reach 587 MT. Likewise, fish production in the current fiscal year is estimated to increase by 6.93 percent to 69,400 MT, which is estimated to have increased as a result of fishery campaign organized in country's various districts.

Table 8 (f): Status of Animal's/ Fowl's Production

Production Type	Fiscal Year		
	2014/15*	2013/14*	2012/13*
Milk Production (MT)	1724823 (1.46)	1700073 (1.01)	1680812 (3.60)
Cow	557669 (4.77)	532300 (14.28)	492379 (5.00)
Buffalo	1167154 (-0.05)	1167773 (-4.49)	1188433 (3.02)
Net Meat Production (MT)	300901 (0.89)	298244 (0.15)	295167 (2.51)
Buff	174012 (0.06)	173906 (-1.15)	175132 (1.58)
Sheep	2658 (0.08)	2656 (-2.54)	2721 (0.04)
Goat	60906 (3.14)	59053 (6.25)	55578 (3.02)
Pig	20135 (4.49)	19269 (6.15)	18709 (2.36)
Chicken	45458 (5.39)	43133 (-4.95)	42810 (6.86)
Duck	232 (2.20)	227 (4.61)	217 (-0.46)
Egg Production (In 1000 unit)	899501 (3.05)	872918 (-4.75)	838940 (4.69)
Chicken	885947 (3.08)	859515 (-4.87)	825890 (4.77)
Duck	13554 (1.13)	13403 (2.70)	13050 (-0.07)
Wool Production (Kg)	586729 (-0.02)	586848 (-0.17)	587834 (0.14)
Fish (MT)	69400 (6.93)	65770 (14.35)	57515 (2.71)

Note: Numbers in Brackets denotes growth in percent as compared to that of previous fiscal year

*Annual Estimate

Source: Annual Report (Various Years), Ministry of Agriculture Development

Major Factors Affecting Agricultural Production

- 8.25 **Weather:** Despite late onset of monsoon by 10 days in the current fiscal year 2014/15, it remained pretty much active in the beginning while continued to remain active and inactive towards end of mid-August. Though having monsoon rain lasted till mid-October in the current fiscal year, rice plantations except for the Western Region, remained lightly low in the major parts of the Eastern and Mid-Terai districts. Also, despite shrunken rice cultivated area in other mountain districts, overall rice production did not decrease much because of marginal increase in its productivity. In addition, weather has remained favorable in the current year for winter crops like wheat, barley, pulses (pigeon peas, peas) and fruits.

Table 8 (g): Supply Status of agricultural inputs for production

Description	Fiscal Year						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Chemical Fertilizer (MT)	3285	3157	42178	29604	146584	178461.6	232188.0
Improved Seeds and Seedlings (MT)	3781	3947	4337	4393	2964	3669.56	7290.0
Irrigation (Additional Ha)	14099	25850	30718	35748	47795	32180	19310.0
Agricultural Loan of Commercial Banks (In Rs. 10 million)	1388	1337.6	1429.1	1419.2	2340.7	3153.1	4027.0

Source: Economic Surveys of previous years and Nepal Rastra Bank

- 8.26 **Improved Technology:** Improved technologies developed in the agriculture sector like improved seeds, fertilizers, pesticides, farming methodology as well as use of agricultural tools, and trained human resource are attributable for increased production. Productivity of recommended rice varieties such as Sabitri, Bindeshwori, Radha 4 and 12 in Terai, Khumal 4, 10, 11 in Mid-hills and Chandanath in upper hills have been double than that of local species. Area occupied by recommended rice varieties is more than 90 percent. Likewise, recommended maize seeds have also covered more than 90 percent area.

- 8.27 **Natural Disaster:** Monsoon crops have been affected by floods, landslides, inundation and river bank erosion in the current fiscal year 2014/15. In this year, inundation, river banks erosion and sand burial destroyed about 35,000 hectares of land whereas rice could not be planted in about 61,000 hectares of land area due to low rainfall. Agriculture sector has suffered huge loss due to devastating earthquake of April 25, 2015 and subsequent aftershocks.

Table 8 (h): Natural Disaster Affected Land Area (Ha)

Affected Agricultural Products	Year 2071 Earthquake	Year 2070 Floods and Landslides	Year 2069 Drought	Year 2068 Floods and Landslides	Year 2067 Flood and Landslides	Year 2066 Floods, Landslides and Drought
Rice	23900	13500	110450	859	567	92000
Maize	1900	95	21801	656	563	1700
Millet	11	5	3691	2	13	0
Total	25811	13600	135942	1517	1143	93700

Source: Ministry of Agriculture Development

- 8.28 **Chemical Fertilizer:** a total of 232,188 MT of chemical fertilizer was sold in FY 2013/14 which is higher by 31.2 percent than the sale of 176,964 MT of its preceding year. During the first eight months of fiscal year 2013/14, chemical fertilizer totaling 134,500 MT was sold against 188,122 MT sold in the corresponding period of current fiscal year 2014/15. Usage of chemical fertilizer per hectare, which stood at about 57 kg in fiscal year 2012/13, has gone up to 75 Kg in fiscal year 2013/14.

Table 8 (i): Sales and Distribution Status of Chemical Fertilizers
(In MT)

Name of Fertilizers	Fiscal Year			
	2011/12	2012/13	2013/14	2014/15*
Urea	99196	108553	145622	118093
DAP	43724	65722	81520	58105
Potash	2733	2688	5046	3924
Total	145653	176963	232188	188122

Source: Ministry of Agriculture Development, Agriculture Inputs Supply and Monitoring Division

* First Eight Months

- 8.29 **Irrigation:** Of the total land area, only 2,641,000 Ha is arable. Of this, 1,766,000 ha of land are irrigable. Out of the total irrigable land, command area of irrigation facility has reached 76.5 percent till fiscal year 2013/14. However, round the year irrigation facility is available only in 40 percent of the total irrigable land. In fiscal year 2013/14, additional irrigation facility to 19,310 hectares of land has been added. In the first eight months of current fiscal year 2014/15, additional irrigation facility has been extended to 7,453 hectares of land through underground shallow tube-well.

Table 8 (j): Additional Irrigation Extension

(Area in Ha)

S. No.	Description	Fiscal Year 2013/14	First Eight Months		
			Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
1	Geographical Region	19310	9585	7948	7453
A	Hill	-	-		
B	Terai	-	9585	7948	7453
C	Non-classified	-	-	-	
2	Based on Types	19310	9585	7948	7453
A	Surface	4175	-		
B	Underground	15135	9585	7948	7453
C	Non-classified	-	-	-	

Note: Only the progress detail of underground shallow tube-well of the first eight months is presented as irrigation progress detail of FY 2013/14 is available only at the end of the fiscal year.

- 8.30 **Agriculture Credit:** Of the total agriculture credit disbursed by banks and financial institutions in fiscal year 2012/13, arrears stood at Rs. 39.78 billion. Agricultural Credit of Rs. 50.90 billion disbursed in fiscal year 2013/14 is yet to be recovered. Such arrears that stood at Rs. 7.28 billion in the first eight months of fiscal year 2013/14 grew by 18.2 percent to Rs. 9.27 billion in the same period of fiscal year 2014/15.

Table 8 (k): Status of Credit Flow of Banks and Financial Institutions
(Rs. In Millions)

Types of Credit	2012/13	2013/14	2014/15*	Change in First Eight Months			
				2013/14 (Amount)	2013/14 (Percent)	2014/15 (Amount)	2014/15 (Percent)
Farming Related Services	6222.4	6686.9	7817.8	78.9	1.3	1130.9	16.9
Tea	2130.1	3207.9	3324.8	971.4	45.6	116.9	3.6
Animal Husbandry and Animal Husbandry Related Services	12714.6	15442.2	18348.0	739.6	5.8	2905.8	18.8
Forest, Fisheries and Slaughter Houses	4555.6	5791.3	1724.9	796.1	17.5	-4066.4	-70.2
Other Agriculture and Agro-based Services	14161.1	19781.7	28964.4	4695.2	33.2	9182.7	46.4
Total	39783.8	50909.8	60179.8	7281.1	18.3	9270.0	18.2

Note: * As of mid-March 2014

Source: Nepal Rastra Bank

Nepal Agriculture Research Council

- 8.31 In the first eight months of the current fiscal year 2014/15, new variety of rice, **N. R. 1190** has been approved while other varieties **IET 16775** and **Zhongau 126** for fine rice and **IR77721** and **UPLRI 5** for *ghaia* (dry land) rice have been identified and proposal writing work is in progress. Likewise, post-harvest analysis of tested maize varieties, **Across 9331**, **Across 9942/Across 9944** are underway. In addition, data analysis of tested wheat varieties BL 3623 and BL 3629 is in progress, whereas proposal on ginger variety ZI 8502 is being drafted. For development of hybrid species of tomato, 37 such breed that can resist drought have been selected while other three such breeds of **HRA 14X**, **HRD 7**, **HRA 20XHRD1** and **HRA 20 X HRD6** have been found appropriate in *Khumaltar* from fruits quality perspective. A total of 225 MT of foundation seeds has been produced in first eight months of current fiscal year 2014/15.

Table 8 (I): Description of Foundation Seed Production and Introduction of Crop Varieties

Fiscal Year	Source Seed Production (MT)	Introduction of Crop Varieties (In number)	Introduced Crop Varieties
2005/06	669	4	Rice, Maize, Wheat, Pulses, Oilseeds, Hill-Crops (Barley, Millet, Buchwheat), Potato, Sugarcane, Jute, Vegetables, Ginger, Dhaincha, Grass Seeds etc.
2006/07	575	10	
2007/08	864	2	
2008/09	789	9	
2009/10	715	0	
2010/11	806	13	
2011/12	912	7	
2012/13	1009	4	
2013/14	341	10	
2014/15*	225	-	

**Of the first eight months*

Source: NARC, Annual Report, 2012

Small Farmer Development Bank Ltd

- 8.32 Wholesale credits are being availed through Small Farmers' Agricultural Cooperatives and other micro-finance institutions of similar nature established and operated by small farmers in rural sector for operating agriculture and agro-based microfinance programs.
- 8.33 The number of cooperatives that extend microfinance services has reached 478 by first eight months of FY 2014/15. Such number totaled 415 in the same period of FY 2013/14. In the first eight months of current fiscal year 2014/15, the number of families that have joined cooperatives has reached 403,666 benefiting some 2 million populations. Cooperatives services are availed to almost 450,000 families including members of 138 small farmer replication programs.
- 8.34 In comparison to credit investment of Rs. 2.71 billion in the first eight months of fiscal year 2013/14, such investments soared up by 72 percent reaching Rs. 4.65 billion in the corresponding period of fiscal year 2014/15. In eight months of previous fiscal year 2013/14, the amount of approved loan that stood at Rs. 2.93 billion has reached Rs. 4.74 billion during the same period of current fiscal year. Loan recovery rate has improved by 32 percent while loan investment has gone up by 72 percent totaling Rs. 7.2 billion in the first eight months of fiscal year 2014/15. Local capital formation including shares, savings and reserve fund of small farmer members that totaled Rs. 6.99 billion in the first eight months of fiscal year 2013/14 grew sharply by

56 percent reaching Rs. 10.89 billion in the same period of current fiscal year. The sum total of capital mobilized in the Small Farmers Cooperatives sector stood at Rs. 18.06 billion in mid-March of current fiscal year.

Table 8 (m): Small Farmer Cooperative and Status of Wholesale Credit Investment

S. No	Description	Fiscal Year					First Eight Months	
		2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
1	Number of Districts Covered	40	41	43	54	55	55	57
2	Number of Co-operative Institutions	234	251	291	391	428	415	478
3	Number of Small Farmers Group	24412	28423	31968	40991	45738	43446	52551
4	Small Farmers Member	159767	189899	228418	323384	376957	336131	403666
5	Total Local Source (In Rs. 100 thousand)	19021	29929	41033	65273	91208	69874	108889
6	Approved Credit (In Rs. 100 thousand)	10804	15427	27550	34332	47461	29313	47427
7	Credit Investment (In Rs. 100 thousand)	9558	18709	26738	33091	51355	27099	46545
8	Loan Recovery (In Rs. 100 thousand)	5924	11095	18751	23526	34019	21643	28467
9	Amount on Investment (In Rs. 100 thousand)	11161	18775	26762	36327	53662	41783	71740

Source: Small Farmer Bank Ltd.

- 8.35 Meat production oriented Livestock Credit Program initiated in FY 2010/11 is ongoing with a view to substitute meat imports by encouraging small farmers thereby raising meat production within the country. Arrangement has been made from FY 2014/15 to provide credit facility for raising milk-oriented livestock. By the first eight months of current fiscal year 2014/15, a total of Rs. 3.64 billion credit has been disbursed to 47,869 farmers out of Rs. 5.71 billion approved for meat oriented credit investment loans. Farmers have been raising

260,136 meat and milk-oriented livestock through such credit facility. So far, credit has been disbursed for 184,243 goats, 33,616 pigs, 14,646 buffalo calves, 26,847 she buffaloes, and 784 cows. The livestock raised from this investment is estimated to have produced meat and dairy products of more than Rs. 5.86 billion.

Table 8 (n): Status of Meat-Oriented Livestock Credit Program

Description	Fiscal Year				Progress of First Eight Months	
	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
Number of Institutions transacting credit	151	186	207	257	227	301
Number of Farmers availing credit	8741	17941	25411	38373	31749	47869
Approved Loan (In Rs. 100 thousand)	6447	14305	23029	38272	32895	57125
Credit Investment Amount (In Rs. 100 thousand)	4621	11023	16229	27172	21680	36387
Number of Livestock	40778	87783	122406	198745	157450	260136
<i>Goats</i>	28796	64073	90433	143872	115378	184243
<i>Pig</i>	6088	11117	14535	24148	18278	33616
<i>Buffalo Calves</i>	2702	5203	6317	10689	8033	14646
<i>Buffalo</i>	3192	7390	11121	20036	15761	26847
<i>Cow</i>	-	-	-	-	-	784

Source: Small Farmer Bank Ltd.

- 8.36 By mid-March 2015, capacity of 74,343 people has been enhanced while a total of 484,844 families have benefited from the social community development program. Similarly, microfinance service has been extended to 139,210 families while 307 small farmer cooperative institutions are in operation in 307 VDCs to provide long-term microfinance service to local small farmers. In addition, a total of 86,750 livestock worth Rs. 1.30 billion have been insured in the first eight months of fiscal year 2014/15.

Table 8(o): Status of Replicated Small Farmer Cooperatives and Insured Livestock

Program	Description	Fiscal Year					First Eight Months		Total since the beginning
		Till 2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	
Capacity Enhancement Program	Grant Received	13000	8500	5000	5000	7500	4500	6000	45000
	No. of Participants	35667	8338	8541	9235	9010	3348	3552	74343
	Total Expenditure Amount	14161	9073	4616	4942	7612	8998	4969	45373
Social/Community Development Program	Grant Received	6000	1500	5000	4100	7500	4500	10000	34100
	Families Benefited	192908	32035	75256	62600	83045	35150	39000	484844
	Total Expenditure	44161	13641	52571	29114	33725	7229	7050	180262
Replication and Service Expansion Program	No. of VDC	36	16	77	60	63	56	55	307
	Families Benefited	12997	8500	25000	41481	31982	16500	19250	139210
	Grants Received	12500	5000	30000	23500	27500	19250	20000	118500
	Total Expenditure	12478	5000	30049	23306	24139	20365	18471	113443
Meat-Oriented Livestock Promotion Program	Grants Received			5000	3500	5000	3300	6000	19500
	Families Benefited			5817	4228	5368	2773	5112	20525
	Total Expenditure Amount			4746	2891	3402	2162	6503	17542
Livestock Asset Insurance Program	Grants Received			10000	14500	15750	8300	10000	50250
	No. of Livestock			31303	18669	18453	9056	18325	86750
	Families Benefited			11845	7241	8959	3933	3711	31756
	Total Expenditure Amount			21304	30854	41312	18276	13121	106591
Total	Grants Received	31500	15000	55000	50600	63250	39850	42000	257350
	Total Expenditure	70800	27714	113286	91107	110190	20365	18471	431568

Source: Small Farmer Development Bank Limited

8.37 Rural Finance Sector Development Cluster Programme-I and II, executed under the Asian Development Bank supported Financial Sector Reform Program, has been completed in current fiscal year. Works like information technology development, restructuring of low performing rural cooperative institutions, and extension of micro

finance service in mountain/hill districts have been completed under this program. In addition, service has been extended to nearly 150,000 families through 140 rural cooperative institutions located in 25 mountainous and hilly districts.

- 8.38 A total of 3,402 families have installed 3,363s unit of solar electricity sets and 39 sets of biogas worth Rs. 76.1 million in the first eight months of current fiscal year under the "A Bright Home of Small Farmer" Program on technical assistance of UNCDF/Clean Start.
- 8.39 A total of 712 children (youth) aged between 22 years to 30 years of small farmer members who have passed 12 grade have gained theoretical and practical training from Israel for engaging them in modern technology based agriculture and livestock business by attracting educated youths with skills and competency in agriculture profession. The first phase of youth trainees have returned to the country while those undergoing second phase will be returning within current fiscal year.

Cooperative Sector

- 8.40 Cooperatives supported enterprises should use cooperative norms practically so that objectives of social integration, poverty alleviation, productive employment generation, dignified and positive labor relation, environment conservation, equitable inclusive society formation, entrepreneurship development, clean and competitive business environment creation, and production increment like achievement could be met.
- 8.41 Cooperative institutions should not only be limited to agriculture and livestock's farming but also to be extended and promoted to education, health, tourism, energy (electricity) sectors. It is necessary to establish cooperative organizations on the ownership of women, poor, marginalized and differently able people, landless, backward group, labors as well as general public by increasing their access to cooperatives so as to improve their living standard. Government is required to facilitate in providing capital grant or loan subsidy, making technical training arrangement and providing market access when deemed necessary.
- 8.42 Primary cooperative organizations totaled 317,005 by the first eight months of the current fiscal year 2014/15. Likewise, their membership numbers have reached 4,786,201 so far. Of this, numerical ratio of male

and female stood at 53.5 percent and 46.5 percent respectively. By the end of fiscal year 2013/14, women's participation at the leadership level in cooperative revolution stood at 33.8 percent while the number of all-women operated cooperative institutions has reached 3,656.

- 8.43 By the first eight months of fiscal year 2014/15, cooperative run entrepreneurship business has benefited 55,994 people through direct employment while more than one million people have been benefited from indirect employment. Likewise, a sum equivalent to Rs. 1.61 billion has been invested through the saving mobilization of more than Rs. 1.76 billion during the first eight months of current fiscal year. The total share capital of different nature of organizations established so far has crossed Rs. 63 billion. Apart from primary institutions, 1 National Cooperative Federation Limited, 1 National Cooperative Bank Ltd, 20 Central Subject Specific Cooperative Unions, 69 District Cooperative Unions, and 241 Subject Specific District Cooperative Unions are in operation from central to district level of cooperative campaign.
- 8.44 Of the total 31,605 cooperative institutions, the number of saving and credit cooperatives remained at 13,415 while the number of agriculture and agro based production related cooperative institution stood at 11,117. Consumer cooperative institutions have been active in public distribution sector aside from financial and productive sector. Likewise, in other business services, health, electricity, communication, tourism like cooperative organizations are being developed.

Table 8 (p): Primary Cooperative Institutions

Nature of Business	Institution Nos.	Member			Share Capital Rs.	Deposit Rs.	Investment Rs.	Direct Employment		
		Male	Female	Total				Male	Female	Total
Saving and Credit	13315	1310466	1300454	2610920	47732314	131294143	121861932	16308	16924	33232
Multi-purpose	4113	618579	420096	1038675	10194670	3234775	27335054	5024	5796	10820
Agriculture	8537	349458	321639	671097	3368428	4693803	3857388	2030	3093	5123
Dairy	1750	85571	30169	115740	469749	5951817	483177	433	1733	2166
Consumer	1424	36734	19237	55971	280623	278263	564628	324	460	784
Electricity	436	53092	11991	65083	84574	48154	112946	62	307	369

Nature of Business	Institution Nos.	Member			Share Capital Rs.	Deposit Rs.	Investment Rs.	Direct Employment		
		Male	Female	Total				Male	Female	Total
Vegetable and Fruits	205	15747	18321	34068	55192	310676	586773	118	194	312
Tea	111	4106	1503	5609	44025	18445	27736	45	86	131
Coffee	154	3296	2448	5744	13126	13790	6218	36	95	131
Herbs	194	4901	2284	7185	20037	1176332	27414	33	35	68
Bee Keeping	74	2588	1723	4311	9301	4932	5696	24	30	54
Communication	121	9086	3840	12926	134299	22902	27587	207	331	538
Health	94	6126	3990	10116	263191	108310	107036	300	520	820
Sugarcane	47	1707	692	2399	6159	17924	26236	0	1	1
Tangerine	45	899	516	1415	981	6125	6223	4	5	9
Others	985	63685	84968	148653	413866	1206855	2619514	672	455	1127
Total	31605	2566041	2223871	4789912	63090535	148387246	157657558	25620	30065	55685

Source: Cooperative Department

8.45 Contribution of cooperative sector to the economic development of country has continued to grow due to rise in the number of cooperative institutions by 226.18 percent, member number by 290.22 percent, share capital by 5134.12 percent, total saving mobilization by 802.38 percent, total investment by 6552.90 percent and direct employment by 357.75 percent in the first eight months of fiscal year 2014/15 as compared to that of fiscal year 2006/07.

Table 8 (q): Saving and Investment Trend of Cooperatives

(In Rs. Thousand)

Fiscal Year	Institution Nos.	Member Nos.	Net Share Capital (Rs.)	Net Saving (Rs.)	Net Investment (Rs.)	No. of Direct Employment
2006/07	9720	1259747	1045563	19517517	2414848	12165
2007/08	12646	1843759	8959172	29308434	30024625	15828
2008/09	19724	21383348	8482476	45676944	52660117	319968
2009/10	22646	2963114	20196274	121831359	10545357	37798
2010/11	23301	3141581	20225139	117295228	116835814	38892
2011/12	26501	3842657	27095151	139543971	134383241	39572
2012/13	27914	4104025	28823060	147069663	137084873	52000
2013/14	31177	4555286	61186201	172529350	154631604	54000
2014/15	31705	4789912	63090535	176122676	160657558	55685

Source: Government Departments

- 8.46 Capital grant of up to 50 percent is being provided through cooperatives for establishment of livestock (cow/goat/pig) farms and agro-based processing industry. So far, a total of 250 industries have been established in collaboration of government and cooperative. A grant sum of Rs. 177.08 million has been provided for the entrepreneurial promotion of such industries.

Status of Import and Export of Agro-Products

- 8.47 In the first eight months of FY 2014/15, export of food items and animals product has decreased by 18.4 percent to Rs. 12.56 billion and that of tobacco and beverages has increased by 20.8 percent to Rs. 1.80 billion. Export of those items had stood at Rs. 15.29 billion and 1.49 billion respectively in the corresponding period of previous fiscal year. Such export in the first eight months of current fiscal year 2014/15 is estimated to remain lower by 6.6 percent as compared to same period of previous fiscal year. Similarly, food items and animal products worth Rs. 53.64 billion, and tobacco and beverage worth Rs.3.01 billion were imported in the first eight months of fiscal year 2013/14. Such import is estimated to increase by 10.5 percent to Rs. 505.91 billion in the first eight months of current fiscal year 2014/15 as compared to corresponding period of previous year. Imports of Food items and animal products together with tobacco and beverages are estimated to climb by 16.1 percent and 3.1 percent respectively in the first eight months of current fiscal year than that of the corresponding period of previous fiscal year.

Forestry and Soil Conservation

- 8.48 It is imperative to maintain balance between improved livelihood of deprived groups and contingency approach by creating additional employment opportunities and increasing income through proper conservation, promotion, and utilization of forest, vegetation, herbs, buffer zones, bio-diversity and watersheds. Similarly, it is necessary to protect environment and achieve economic benefits thereby raising forest products and productivity through sustainable forest management.
- 8.49 Forest occupies 29 percent while shrubs cover 10.5 percent of the Nepal's total land mass. Of the total 388 million cubic meter stem volume, *Sal* species (*Shorea Robusta*) occupies 28 percent. Likewise, total bio-mass remains at 429.0 million tons, average stem volume 178

cubic meters per hectare and average number of trees stands at 408 per hectare.

Table 8 (r): Forest Resource Statistics of Nepal

Forest Area	4.27 million Ha (29 Percent)
Shrub Area	1.56 Million Ha (10.6 Percent)
Total Stem Volume	388 Million Cubic Meter
Sal Species in total Stem Volume	28 Percent
Total Bio-Mass	429 Million Ton
Average Stem Volume	178 Cubic Meter/Ha
Average Number of Trees	408/Ha

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

- 8.50 Encroached forest areas of 648 hectares by the end of FY 2013/14 and 177.72 hectares up to mid-march of current fiscal year have been evacuated and managed in order to maintain minimum 40 percent of country's total land mass under forests.
- 8.51 By the end of fiscal year 2013/14, a total of 2,278,769 households have benefited though the handover of 1,731,482 hectares forest land of the total 18,471 community forests. The number of community forest user groups has reached 18,686 with addition of 362 such groups by mid-March of current fiscal year 2014/15. Likewise, action plan for 1,363 community forests has been revised by mid-March of fiscal year 2014/15. Similarly, a total of 28,808.27 hectares forest land was handed over as leasehold forests in fiscal year 2013/14. The number of leasehold forests has reached 6,035 with addition of 91 such forests by mid-March of current fiscal year 2014/15.
- 8.52 By fiscal year 2013/14, a total of 640 hectares of forest land had been handed over to 22 different industrial enterprises as leasehold forests while 133,685 hectares forest land is being conserved and managed as protected up to FY 2013/14.
- 8.53 A total of 57,497 hectares of forest land of 10 districts is being conserved and managed as 21 partnership forests benefiting 3,480,932 populations of 532,026 households.
- 8.54 By the end of FY 2013/14, forest area of 2,056 hectares comprising 36 traditional religious temples, *maths*, monasteries etc., are being conserved and managed after being handed over as religious forest.
- 8.55 By the end of FY 2013/14, a total of 2,360 hectares of forests belonging to 2,458 individuals, after their registrations as private forests, are being conserved and managed accordingly.

Box 8(a): Some Forest Related Statistics

No. of Community Forest	18,741
Handed-Over Community Forest Area	17, 31,482 Ha
No. of Household involved in Community Forest	22,78,769
No. of Leasehold Forest (Poor)	7,419
Area of Leasehold Forest	42,835 Ha
No. of Leasehold Forest for Industrial Purpose	22
Area of Leasehold Forest for Industrial Purpose	640 Ha
No. of Protected Forest	8
Area of Protected Forest	1, 33,685 Ha
No. of Partnership Forest	21
Area of Partnership Forest	57,497.54 Hectar
No. of Partnership Forest Beneficiary Households	5, 32,026
No. of Partnership Forest Beneficiary Population	38, 80,932
No. of Religious Forest	36
Area of Religious Forest	2056 Ha
No. of Private Forest	2458
Area of Private Forest	2360 Ha

- 8.56 Forest products (timber, firewood, herbs etc.,) need to be produced and made available through an appropriate channel for meeting the people's daily consumption needs and raw materials for forest products-based industries. In this context, quantity of forest products produced through government managed forests, community forests and private forests is seen fluctuating in absence of concrete policy arrangement.

Table 8(s): Status of Collection and Sale of Forest Products

Fiscal Year	Wood (In thousand cubic feet)				Timber (Number)				Herbs (MT)
	Government Forest	Community Forest	Private Forest	Total	Government Forest	Community Forest	Private Forest	Total	
2014/15*	2480.99	55.26	2711.66	5247.91	313	89	1270	1672	369.74
2013/14	895.77	733.06	8019.41	9648.24	1295	-	-	-	4833.95
2012/13	1159.16	371.17	3286.90	4817.23	764	-	-	-	1164.31
2011/12	1107.04	201.34	3113.41	4421.79	626	-	-	-	2546.16
2010/11	524.56	150.11	2578.17	3252.84	1281	-	-	-	2883.47
2009/10	1431.31	5810.16	2711.38	9952.85	3647	-	-	-	2171.52

Source: Department of Forests and Forest Products Development Committee, 2014

* Up to Mid-March 2014/15

- 8.57 By the end fiscal year 2013/14, a total of 14,013 hectares forest area has been provided with right of easement for other purposes. Such arrangement covers hydroelectricity (including transmission lines), government offices, freed bonded laborers, squatters, army, police, social service, physical infrastructure, etc.

Table 8 (t): Forest Area provided with right of easement for purposes other than the use of forest products

S. No.	Purpose	Area (Hector)
1	Environment, Hotel, Resort, Cable Car, Park Construction	235.45
2	Forest Development (Plantation, Rubber)	1690.4
3	Hydropower, Electrical Transmission Lines	1480.24
4	Herbs Farming	256.00
5	Government Office, Urban Development, VDC, Project, <i>Dharmashala</i> (Rest House), Memorial Trust	3719.37
6	Wild Animals Farm	256.00
7	Cement/Limestone	37335.17
8	Land related to Freed Bonded Laborers, Squatters	2819.13
9	Communication	5.31
10	Nepal Army	1291.99
11	Nepal Police, Armed Police/Traffic	333.67
12	Social Service (Hospital, School, College)	862.28
13	Physical Infrastructure (Drinking Water, Irrigation, Road)	728.05
	Gross Total	14013.43

Source: Ministry of Forests and Soil Conservation, 2014

- 8.58 A total of 34,186 sq km is covered by the conservation area under the National Park and Wildlife Conservation Act 1972 comprising 10 national parks, 3 wildlife reserves, one hunting reserve, and 6 protected areas. This is 23.23 percent of total land area. Of this, 433 buffer zone community forests covering 125,350 hectares have

benefited 40,191 households. Similarly, 257.16 hectares of land is under management of 63 leasehold forests. Species Conservation Plan has been prepared and the number of species of important, Wildlife population of important, rare and endangered animals including those of elephant, tiger, rhino, snow leopard, crocodile and spotted-deer has been gradually rising as these species of wildlife are being protected as per the plan prepared for their conservation.

Table 8 (u): Conservation Area Details

No. of National Park	10
No. of Wildlife Reserves	3
No. of Hunting Reserves	1
No. of Conservation Area	6
Total Area of Conservation Sector	34,186 Square KM (23.23 percent of Nepal Total Area)
Species preserved after developing the conservation Area	Elephant, Tiger, Rhino, Snow Leopard, Crocodile, Spotted Deer
No. of Buffer Zone Community Forest	433
Area of Buffer Zone Community Forest	125349.7 Hectors
No. of Household Involved in Buffer Zone Community Forest	40191
No. of Buffer Zone Lease Hold Forests	63
Area of Buffer Zone Lease Hold Forests	257.16 Hectors

Source: Department of National Parks and Wild Life Conservation, 2014

Box 8(b): No. of Major Species of Wild Animals (Mid-July 2014)	
Tiger	198
Rhino	534
Elephant	105-145
Wild Buffalo	274
Spotted Deer	300-350
Rein Deer	2105
Ghariyaal	134
Snow Leopard	300-500

- 8.59 Conservation area is considered a prime destination of tourist attraction in Nepal. Domestic as well as foreign tourists' attraction towards conservation area has continued to grow. The number of tourist visiting conservation areas increased by 36 percent in fiscal year 2013/14 as compared to fiscal year 2009/10. Likewise, revenue

generated from conservation area has increased by 3 folds in fiscal year 2013/14 than that of fiscal year 2009/10.

Table 8 (v): Number of Tourists visiting Conservation Area and Revenue

Fiscal Year	No. of Tourists (Domestic/Foreigner)	Revenue Collection from Conservation Area (Rs. In '000)
2013/14	425334	530852
2012/13	390690	471338
2011/12	502092	258526
2010/11	455237	209956
2009/10	311789	140383

Source: Annual Report 2013/14, Department of National Park and Wildlife Conservation

- 8.60 Identification of Nepal's flora, their management as well as in-situ and out-locality (translocation) conservation, studies, researches and documentation works are continuing. Under this, 150,000 herbarium samples of 5,077 plant species have been conserved and regularly managed at National Herbarium and Botanical Laboratory while digitization of 500 herbarium samples and electronic database of 1,200 herbarium samples have been prepared. In addition, mounting of 1,428 herbarium samples have been accomplished subsequent to their labeling.
- 8.61 Strengthening of laboratories is underway for bio-conservation, qualitative analysis of herbariums of commercial importance, Phytosanitary verification as well as utilization of trade support activities. Phytochemical and Pharmacological studies 310 plant species have been completed in fiscal year 2013/14. Similarly, analyses of aromatic oil of 15 plant species together with bio-chemical study on 19 plant species have been carried out. By the end of fiscal year 2013/14, tissue culture technology of 113 plant species has been developed whereas in-situ and out-locality conservation is being done for 27 endangered as well as critical species.
- 8.62 In Nepal, 12 botanical gardens have been established in 806.2 hectares and being managed. Revenue generated through both domestic as well as foreign tourists visiting National Botanical Gardens is on the rise. People would have appropriate places for recreational activities whereby state could generate notable revenue if these parks could be managed properly.

Table 8 (w): Domestic and Foreign Tourists visiting National Botanical Gardens

Fiscal Year	No. of Tourists			Revenue Collected (Rs. in '000)
	Domestic	External	Total	
2014/15*	194551	2534	197083	6436
2013/14	273948	1760	277708	3741
2012/13	263357	3488	266845	3609
2011/12	244569	2270	247840	3334
2010/11	235933	3214	239147	3241
2009/10	221648	2638	224286	3019

Source: National Botanical Garden, Godawari, 2014

* Until mid-March

- 8.63 Implementation of activities including rehabilitation of devastated land through scientific management and conservation of soil and watershed areas; protection of road side slopes; construction of irrigation channels and their maintenance; protection of water sources; gully erosion control; and safeguarding of agriculture/forest friendly arable lands have increased productivity of land and helped conserve development infrastructures as well. Moreover, this has provided support in maintaining ecological balance and coping with adverse effect of climate change through adaptation. By the end of FY 2013/14, soil conservation and watershed management works on 219 sub-watershed areas continued to be carried out as per management plans prepared for them.

Table 8(x): Soil Conservation and Watershed Management Status

Number of sub-watershed areas with prepared action plans	219
Gully Erosion Control	4482
River/ Stream bank erosion control through Bio-Engineering	1675.58 Km.
Protection of Water Sources	3346
Conservation of Lakes and Ponds	1727
Protection of agriculture/forest friendly arable lands	3250 Ha
Rehabilitation of devastated lands	14249 Ha
Protection of road side slopes through Bio-Engineering	431 Km.
Protection of Irrigation Canal	1556 Km.
Income Generating Conservation Programs for Deprived Groups	2587 Households

Source: Department of Soil Conservation and Watershed Management, 2014

- 8.64 Revenue from the forest sector rely mainly on production and sale of forest products (firewood, timber, herb etc.) and entry fees collected

from tourists visiting conservation areas. Despite adequate sale and distribution of forest products (firewood, timber, herbs etc.) by their proper production, fluctuating number of tourists' arrivals in such conservation areas has led to the wavy trend of revenue generation. Revenue generated by the forest sector in fiscal year 2012/13 grew by two folds as compared to that of fiscal year 2009/10, while fiscal year 2013/14 witnessed slight decline in such revenue.

Table 8 (y): Revenue from Forest Sector

Fiscal Year	Revenue (Rs. In '000)
2013/14	1182167
2012/13	1395719
2011/12	1072801
2010/11	361497
2009/10	697296

Source: Ministry of Forests and Soil Conservation

Land Reform and Management

- 8.65 Proper land management is critical towards achieving manifold objectives *inter alia*, availing land ownership registration certificates by registering the land for protecting land ownership as fixed assets of the people; contributing to sustainable development by ensuring proper usage of land and its source; promoting reliability and wholesomeness of information; promoting access of landless farmers to land; making land related services easily accessible, simple, transparent and qualitative through adopting the information technology; developing skill human resource required for conducting land survey and land management; and for contributing to revenue mobilization.
- 8.66 In the first months of current fiscal year, land-measurement survey of about 14,000 hectares has been completed out of about 20,000 hectares village that remained to be surveyed. Re-survey work has been continued by 17 Land Measurement Offices while necessary preparation for such measurement is underway after identifying lands that were yet to be measured.
- 8.67 During current fiscal year, land-use map/data has been prepared for 254 VDCs, 4 municipalities across the country and one municipality of Palpa district (i.e., Rampur) where land measurement records were destroyed during conflict.

- 8.68 Of the districts whose land measurement records were destroyed during conflict land measurement survey has been completed in 20 VDCs among the then 75 VDCs of Acham district, while field work in 21 VDCs among the then 43 VDCs of Arghakhachi district was carried out. Likewise, task has been completed on classification of land in 16 VDCs on the basis of their utilization, and preparation of land-use maps 143 VDCs while classification of 79 VDCs has been accomplished.
- 8.69 So far, 26,114 bonded laborer (*MuktaKamaiyas*) families of the total 27,570 freed, and 254 freed land tillers (*Haliya*) families out of 19,059 such families have been resettled so far.
- 8.70 Maps and data digitalization work in land measurement and revenue offices of all districts other than those of Acham district is complete. Digital land records of about 7,000 hectares of land are being prepared in land measurement offices of three districts of Kathmandu Valley, and 17 such offices including those of Kavre, Kaski, Kailali and Palpa by conducting land measurement surveys by using the digital technology. System and other infrastructure have been developed in 14 Land Revenue Offices including those of Dillibazar, Chabahil, Kalanki, Bhatapur, Lalitpur, Kavre, Sindhupalchowk, Kaski, Kailali, Biratnagar, Rupandehi, Parsa, Chandragadhi and Damak in order to deliver online services.
- 8.71 Revenue of Rs. 18.80 billion was collected in the past three fiscal years through land related quality service delivery thereby making significant contribution to the growth of national GDP. Revenue of Rs. 7.60 billion has been collected in first eight months of current fiscal year.
- 8.72 Of the districts having prepared land-use maps as per National Land-Use Policy, land-use maps of selected 77 VDCs from four development regions have been prepared. Similarly, classification lists are prepared for VDCs of Nawalparasi, Bara, Jhapa, Banke and 12 other VDCs of Kailali districts having land use maps.
- 8.73 By the end of the first eight months of current fiscal year, 1033 freed bonded laborer (*Muktakamaiya*) families have been granted subsidy for the land purchase and 1188 freed bonded families have been granted subsidy for the construction of their houses. Similarly 1,865 freed land tiller (*Haliya*) families are distributed identity cards after verification while 11 skill oriented trainings have been completed.

- 8.74 By mid-March 2015, 28 Survey Offices have completed digitization cadastral survey maps, while 21 such offices have completed verification of digital data, and 31 Land Revenue Offices have accomplished computer data entry, verification, as well as data updating tasks.
- 8.75 Citizen's Charter with compensation has been implemented by 35 offices by the end of FY 2013/14.
- 8.76 The rehabilitation and professional development program targeted to landless, squatters, freed bonded laborers, and freed tillers has supported overall poverty reduction and promotion of social justice through enhancing their access to the land. Moreover, collection of revenue from registration fees and other revenue sources has contributed largely to country's revenue mobilization.

Problems Challenges

- 8.77 The task of supplying adequate labor force to the agriculture sector remains a challenge owing to increasing outbound trend of economically active youths for foreign employment.
- 8.78 It has been a daunting task to achieve desired result by mitigating the adverse effect of climate change.
- 8.79 Operation and regulation of agriculture market centers are abound with issues in absence of an Act on Agriculture Marketing.
- 8.80 The practice of project-by-project subsidy provisions for programs in operation under the foreign aided projects has been creating duplications and also obstacles in programs operations.
- 8.81 Raising agricultural productivity has been a challenging task amidst inadequate agriculture infrastructure *inter alia* roads, electricity, fertilizers and improved seeds.
- 8.82 Tasks of developing and expanding commercial agriculture system, marketing agricultural produce, and maintaining their quality have been major challenges.
- 8.83 Formation of cooperative organization and institutions, their operations, and regulation based on accepted norms, values, and principles for nation building while promoting the cooperatives sector has been a challenging task.

- 8.84 There lay a challenge in maintaining financial discipline among saving and credit cooperative institutions; ensuring protection of savings and investments; and managing production, processing, and other marketing related activities through increased investment in cooperative business.
- 8.85 Since the sector of survey and mapping is science and technology-based in its entirety, tasks of developing expertise of personnel engaged in survey and land administration for making land administration offices capable, robust, service oriented, and accountable to the people is a challenge.
- 8.86 Bringing a positive change in the mindset of entire service seekers by making the land management related works prompt, efficient, and people and technology friendly through the adoption of modern technology is a challenging task.
- 8.87 Preserving lands under the government, public, and *Guthi* (trust) ownerships has been a challenge due to land mafia's increased networking with the escalating land prices, and the current legal provisions with overlapping responsibilities among Land Reform Ministry, Home Ministry, and local bodies.
- 8.88 Execution of overall land reform programs could not effective as a result of failure to prepare land records that resulted in a number of problems in the genuine identification of landless people and those residing in squatter and unorganized settlements, documentation of government lands, remedy of dual land ownership, and implementation in limiting land ownership.
- 8.89 Tasks including acquisition of forestland for its development and management, maintaining balance among environment, development, and population, curbing illegal trade of flora and fauna, landslides, uncontrolled collection of stones, gravels, and sand have been challenging. Likewise, carrying out sustainable forest management, maintaining balance between demand and supply of forest products, managing conflicts between human and wildlife, mitigating the effects of climate change and developing adaptive capacity to cope with the effects of such climate change have been other daunting tasks.

9. Industry

- 9.1 Prime necessity at present is to provide momentum to industrial development since there is no substitute to raising standard through enhancement of competitive capacity in the world market, and raising the level of consumption that of domestic products. Despite growth in Nepal's gross trade upon accession to the World Trade Organization (WTO), trade deficit has continued to grow further. The industry sector of Nepal has not been able to gain the desired momentum owing to its failure to raise its competitive capacity to cope with increased demand for products brought by growth in the size of its economy resulting from increased market size led by the impact of foreign employment and establishment of organizations.
- 9.2 Foreign investment policy has been formulated for industrial development of the country through increased investment in the industry sector while Industrial Enterprise Act, Companies Act, Bill related to managing Special Economic Zones, and Nepal Accreditation Council Draft Bill are in their respective states of preparation. Likewise, signing of BIPPA Agreement with Government of the People's Republic of China is in final stage.
- 9.3 Geo-engineering and geo-environmental exploration/survey work for organized town development and waste management has been completed in Kathmandu Valley, and Pokhara, Butwal, Bhairahawa, Hetauda, Dharan, Biratnagar, Surkhet, Nepalgunj, Janakpur, Dhangadhi, Mahendranagar and Chitwan. Private sector investment has increased as expected in exploration of economically beneficial and partially viable metal minerals like copper, iron, lead, zinc, gold as well as non-metal mineral like limestone, magnetite, dolomite, chalk, gravel boulder, coal and marble discovered through exploration in different geographical locations ranging from Mechi in the East to Mahakali in the West through to Rukum and Jajarkot.
- 9.4 By first eight months of current fiscal year 2014/15, a total of 386,135 industries have been registered including 758 large scale industries, 1,387 medium scale industries, 3,808 small scale industries, and 380,182 micro industries. These industries are estimated to have generated employment to a total of 2,771,309 people.

- 9.5 During fiscal year 2013/14, a total of 284 industries including 56 production oriented industries, 79 service oriented industries, 79 tourism industries, 5 construction industries, 21 energy related industries, 37 agro-based industries and 7 mining industries had obtained license for operation. A total of Rs. 82.86 billion has been invested in such industries providing employment to a total 14,501 individuals.

Table 9(a): Licensed Industries for Operation

(In Rs. 10 Million)

Type of Industries	Number		Total Project Cost		Total Fixed Capital		Number of Employment Generated	
	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14
Production Oriented	2,472	56	21,177.07	1,211.15	15,662.41	984.06	278,062	3,425
Service	1,629	79	11,025.12	635.30	7,519.49	449.84	102,305	3,248
Tourism	1,121	79	6,500.36	1,337.61	5,741.54	1,104.56	47,206	4,320
Construction	46	5	4,233.20	111.30	4,147.68	85.17	3,062	244
Energy	248	21	54,178.03	4,838.54	52,708.54	4,795.77	25,258	1,249
Agro-based	354	37	1,625.87	127.26	1,370.33	113.59	32,115	1,335
Mining	61	7	436.69	25.10	384.70	22.35	6,399	680
Total	5,931	284	99,176.34	8,286.26	87,534.69	7,555.34	49,4407	14,501

Source: Department of Industry

- 9.6 By the end of fiscal year 2013/14, A total of 5,931 industries of different natures were granted license to operate. Of the major industries so licensed, 2,472 (44.0 percent) are production oriented, 1,629 (27.5 percent) service oriented and 1,121 (18.2 percent) tourism industries. The total project cost of those licensed industries stands at Rs. 991.76 billion generating 494,407 employments.
- 9.7 A total of 284 industries were granted operating permits on project cost basis in fiscal year 2013/14, including 66 large industries, 53 medium scale, and 165 small scale industries. From investment perspective, investment of total project costs for large medium, and small scale industries stands at 90.74 percent, 5.67 percent, and 3.59 percent respectively.

**Table 9(b): Licensed Industries for Operation on Project Cost Basis
(Fiscal Year 2013/14)**

(In Rs.10 Million)

Types of Industry	Number of Industry	Total Project Cost	Total Fixed Capital	Number of Employment
Large Industry	66	7519.01	6958.21	6161
Medium Industry	53	469.93	355.57	2947
Small Industry	165	297.31	241.55	5393
Total	284	8286.25	7555.33	14501

Source: Department of Industry

Foreign Investment

9.8 A total of 305 industries had obtained licenses for foreign investment in fiscal year 2013/14, which was lower by 3.78 percent than that of preceding fiscal year. During this period, only the number of service industries operating in foreign investment has increased. The number of employment generated by such industries reached 11,732 in fiscal year 2013/14. By the end of fiscal year 2013/14, a total of 3,172 industries have been awarded licenses for foreign investment through which 181,051 people have been employed. Of these licensed industries, 28.53 percent are production oriented, 32.28 percent service oriented, and 27.55 percent tourism industries. In addition, of the total employment generated by these industries so far, production oriented industries account for 44.43 percent followed by service oriented industries with 23.21 percent and tourism industries with 17.97 percent.

Table 9(c): Licensed Industries for Foreign Investments

(In Rs. Million)

Types of Industry	Number		Total Project Cost		Total Fixed Capital		Foreign Investment		Number of Employment Generated	
	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14	Upto 2013/14	FY 2013/14
Production Oriented	905	44	10638.85	195.38	8846.82	138.57	5336.35	185.22	89632	2337
Service	1024	106	5244.02	490.06	3526.14	163.70	3178.48	447.17	46827	3494
Tourism	874	87	3282.55	259.67	3050.35	235.68	1792.34	130.16	36243	2696
Construction	44	0	380.53	0	285.11	0	296.28	0	3151	0
Energy	70	10	12748.49	2990.13	12426.64	2845.84	6521.49	1118.67	10009	939
Agro-based	190	47	486.71	105.11	374.18	94.11	350.78	101.38	7828	1399
Mining	65	11	650.81	30.88	516.01	24.79	412.93	28.14	8030	867
Total	3172	305	33431.96	4071.23	29025.25	3502.69	17888.65	2010.74	201720	11732

Source: Department of Industry

- 9.9 A total of 213 industries on foreign investment have been registered by first eight months of the current fiscal year 2014/15, that would create employment opportunities for 8,869 individuals. Among major foreign investment industries by their project costs, 54.45 percent foreign investment are in energy oriented industries, 9.03 percent service oriented, 5.82 percent tourism related industries and 29.57 percent are production oriented industries.

**Table 9(d): Licensed Industries for Foreign Investments
(In the first eight months of FY 2014/15)**

(In Rs. 10 Million)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Production Oriented	34	2291.45	223965	2103.10	2038
Service Industry	71	700.47	556.08	477.14	2729
Tourism Industry	73	451.51	410.59	351.13	2745
Energy	3	4219.66	4146.12	3375.68	125
Agro-based	25	52.94	47.83	52.49	675
Mining	6	23.10	19.88	19.00	532
Construction	1	10.00	980	10.00	25
Total	213	7749.13	7429.95	6388.54	8869

Source: Department of Industry

- 9.10 Of the industries approved by the end of fiscal year 2013/14 for foreign investment on project cost basis, 252 (7.94 percent) are large scale, 348 (10.97 percent) are medium scale, and 2572 (81.08 percent) small scale industries. Employment generated by these industries stood at 25.26 percent, 19.09 percent and 55.64 percent respectively. Of the total foreign investment of Rs. 178.88 billion by the end of fiscal year 2013/14, investment in large scale industry remained at 62.20 percent while those of small and medium scale industries are 13.97 percent and 23.83 percent respectively.

**Table 9(e): Licensed Industries for Foreign Investments on Project Cost Basis
(By the end of Fiscal Year 2013/14)**

(In Rs. 10 Millions)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Large Scale Industry	252	24,389.26	22,376.42	11,126.62	50,961
Medium Scale Industries	348	5,751.86	4,341.24	4,262.96	38,519
Small Scale Industries	2,572	3,290.85	2,307.59	2,499.07	112,240
Total	3,172	33,431.96	29,025.25	17,888.65	201,720

Source: Department of Industry

- 9.11 Among the countries that have established foreign investment industries in Nepal, China ranks first (695) while India is at the second place (588), United States of America third, (250), South Korea fourth (216), and Japan at fifth place (194). Gradual increase in the number of foreign investment industries licensed for operation, and employment generated from these industries have given positive indication of their role in the overall industrial development.
- 9.12 A total of 2,004 trademark and a single design was registered in fiscal year 2013/14, while 1,404 trademarks and eight designs have been registered in the first eight month of current fiscal year.

Current Status of Industrial Estates

- 9.13 Tasks are being carried out, such as providing physical infrastructure as well as facilities necessary for establishment, operation and promotion of industrial enterprises in integrated manner; conducting feasibility studies, development and promotion of industrial sectors, providing consultancy/advisory services and suggestion in order to operate industries established within industrial estates in a profitable manner, as well as encouraging and assisting industrial sectors established under public participation or cooperative.
- 9.14 Of the total 11 industrial estates including Balaju, Hetauda, Patan, Nepalgunj, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar and Gajendranarayan Singh as well as Dhankutta, 10 industrial estates are in operation except that of Dhankuta.

- 9.15 As the government of Nepal had already handed over physical structures of Hetauda Textile Industry and 20 Bigha of land to industrial estate, development work is in progress after preparation of business plan to promote other industries in such physical structures.
- 9.16 By first eight months of fiscal year 2014/15, a total of 3,927 Ropani of land occupied by 10 operational industrial estates across the country has been leased out to various industries. A total of 531 industries are in operation in these industrial estates while 63 industries are closed. In addition, 65 industries are under construction in industrial estates in the first eight months of current fiscal year 2014/15.

Cottage and Small Scale Industries

- 9.17 In order to promote and develop cottage and small scale industrial enterprises, demand-based necessary skill development, entrepreneurship development training, and credit expansion and information collection technical consultancy programs are being conducted in an integrated manner. Similarly, priority has been given to empowering such group and community through market demand-based employment as well as skill training for uplifting handicapped, backward class, *Dalits*, *Janajatis*, conflict affected, and women.
- 9.18 A total of 22,154 Cottage and Small Scale Industries were registered in fiscal year 2013/14. Of the Cottage and Small Scale Industries, the number of private firms is 19,226, partnership firms 1,432 and that of private limited firms is 1,496. Similarly, total capital investment in registered industries stood at Rs. 21.17 billion with availability of 17,078 employments.
- 9.19 Of the total of 12,878 industries registered in the first eight months of fiscal year 2014/15, 3,185 are production oriented, 14 energy oriented, 3,050 agro and forest based, 1481 tourism, 2 mining, 4977 service oriented and 219 construction industries. A total of Rs. 14.70 billion has been invested in such industries while 65,393 people have availed employment opportunity.
- 9.20 By the end of fiscal year 2013/14, a total of 220,561 Cottage and Small Scale Industries have been registered. Total capital investment in such industries amounted to Rs. 233.69 billion generating 2,179,370 employments.

- 9.21 A Micro Enterprise Development Program Manual, 2013 has been issued for poverty alleviation. In fiscal year 2013/14, a total of 2,947 micro entrepreneurs have made entries in 22 program implemented districts.
- 9.22 During fiscal year 2013/14, a total of 5,603 industries were registered comprising 5,248 private firms, 291 partnership firms, and 64 private limited companies. Similarly, employment has been generated to a total of 18,329 including 5,666 females and 12,663 males from these registered industries. In addition, capital investment of Rs. 16.78 billion has been injected in these registered industries. By the end of first eight months of current fiscal year 2014/15, 5,758 private firms, 373 partnership firms, and 55 private limited companies have been registered with total capital investment of Rs. 2.24 billion while a total of 9040 people comprising 4,515 female and 4,525 have obtained employment opportunities.
- 9.23 Programs such as upliftment of handicapped, backward class, *Dalits*, *Janajatis*, conflict affected people, and women; market demand-based employment and skill oriented training; cottage and small scale industry; promotion and development of Business Enterprises, Training, Technical Consultancy, Credit Flow, as well as Information Dissemination are being carried out in an integrated manner. During fiscal year 2013/14, skill development training was imparted to 6,812 individuals including entrepreneurial development training to 3,134 and promotion of industry to 3,678 people. Of this, 3,716 individuals (54.55 percent) have received direct employment. By the first eight months of current fiscal year, a total of 2,334 individuals have been imparted with entrepreneurship development as well as employment creation and industry promotion trainings.
- 9.24 During fiscal year 2013/14, a total of 10,607 private limited, 27 public limited and 98 non-profit sharing companies were established while 8,873 private limited, 22 public limited and 119 non-profit sharing companies have been established by the end of the first eight months of current fiscal year.
- 9.25 Mining research and exploration works are being carried out by managing production and processing of mining products in the country. During fiscal year 2013/14, excavation of 108 mines and exploration work in 296 square kilometer area have been carried while topographical survey in 1500 ha land area was conducted with 95 mines ascertained. Likewise, 108 excavation and 650 exploration works

have been certified. Lime deposits totaling 1.07 billion tons comprising 540 million tons of proven, 110 million tons of semi-proven and 420 million tons of feasible limestone deposits have been discovered in different areas of the country. A total of 13 cement industries with 8,450 ton per day capacity have been established and are in operation using those limestone as raw materials, while 10 cement industries are under construction.

- 9.26 Construction of infrastructures (roads and electricity transmission lines) up to industry's mining areas by the government of Nepal has resulted in the development of cement industries and rise in their production volume with its annual 4 million tons (80% of demand) production thereby causing decline in imports of cement. Similarly, 10 million tons of iron ore in Fulchoki, Lalitpur and 10 million tons of iron ore in Thasey of Ramechhap have been explored while iron ore industry in Parbat is in the process of operation. In addition, exploration of iron mine in Dhauwadi, Nawalparasi is in final stage.
- 9.27 During fiscal year 2013/14, 108 licenses for mining and 650 for exploration have been awarded for exploration and production of minerals.
- 9.28 Works are continued on gaining knowledge about potential recurrence of earthquake and structure of Himalayas by collecting, recording, and analyzing data through close observation of seismic activities in the Himalayan range by installation of seismic stations.

Industrial Enterprise Development Council

- 9.29 Activities like Training of Trainers (ToT), Quality Management, Feasibility Studies, and Consultancy Services, that are based on demand of various organizations/institutions engaged in the development of industrial enterprises, are being carried out in order to make economic system strong through development of human resources necessary for entrepreneurial development, business management and research for industrial development, and for development of industrial enterprises. During fiscal year 2013/14, a total of 495 individuals have been provided with trainings on various programs including 123 individuals in awareness program on entrepreneurship development and management reform, 162 in entrepreneurship development training follow up, 19 in business development related program for single woman, *dalit* and *janajati* group and 38 in supply chain management awareness program. In the

first eight months of current fiscal year 2014/15, a total of 834 individuals encompassing 367 in entrepreneurship development training follow up, 178 in business management training follow up and 289 in entrepreneurship development and management improvement related awareness program have obtained training.

Special Economic Zone

- 9.30 Special Economic Zones (SEZs) have been established to promote export by producing goods meeting global market demand. By the end of first eight months of fiscal year 2014/15, Special Economic Zone (SEZ) in Bhairahawa has come into operation while construction works have commenced at Simara SEZ, Panchkhal SEZ and Biratnagar SEZ.

Micro Enterprise Development Program

- 9.31 Micro Enterprise Development Program (MEDEP), which has been assisting in poverty alleviation in Nepal through micro enterprise since 1998 is in its fourth phase. Micro Enterprise program activities are carried out in 38 districts for improving social and economic status of the people belonging to low income and socially excluded groups. By the first eight months of fiscal year 2014/15, in its 16 years of operation, about 71 thousand have become micro entrepreneurs while about 80 thousand have obtained sustainable employment. As per indicators of Social and Gender Inclusion Principle, 69.0 percent women, 24.0 percent *dalit*, 37.0 percent indigenous people, and 55.0 percent youths have obtained micro entrepreneurial/employment opportunity.
- 9.32 In fiscal year 2013/14, women, *dalit* and indigenous people have benefited through 3,762 training/capacity enhancement related training, 7,822 micro entrepreneur creation training, 9,243 on employment generation, and 1,578 on product branding, packaging, labeling, license registration and marketing programs for micro entrepreneurs.

Standard and Metrology

- 9.33 By the end of fiscal year 2013/14, quality and standard for a total of 977 goods and services have been designed, tested, and adopted. Likewise, 60 products have been issued with a total of 308 Standard Marks so far. Similarly, management system of 7 different industrial enterprises has been certified, while 10 laboratories are certified as per NEPLAS/ISO: 17025:2005. Additionally, market monitoring, taxi meter testing,

monitoring of petrol pumps and verification of weighing and measuring equipment (weighing scale, balance, etc.) have been conducted on regular basis. These measures are expected to facilitate improvement in trade transactions with enhancement of public trust on goods with standard marks; facilitated trade due to removal of technical hurdles that rose in business transaction among the people through the trust developed on certified marked goods; removal of technical hurdles through introduction of dual surveillance system in exports; help in protecting the public from weight and measurement as a result of increased trust on weighing machines; quality and standard enhancement in programs and projects due to enhanced quality of construction goods and services; and strengthening competitive capacity and quality of private laboratories.

Commerce and Supplies

- 9.34 Programs on trade subsidies for Least Developed Countries, customs and quota-free market accessibility, agriculture and development issues, customs reform and simplification for trade facilitation, and transportation are brought in operation.
- 9.35 Draft Trade Policy 2008 is underway by incorporating time-relevant amendment, revision, and updating to reduce trade deficit through development of goods and services as well as export promotion. Work on updating Nepal Integrated Trade Policy, 2010 is in final stage with emphasis on identification, development, production growth, and quality enhancement of exportable goods and services.
- 9.36 Kerung check post in Tibet - the autonomous region of Peoples' Republic of China - and Rasuwa Gadi check post in Nepal have come into operation from December 1, 2014 in order to improve bilateral trade between Nepal and China, facilitate the import/export between two countries and make additional physical facilities available. Bilateral trades between Nepal and China based on international port are being carried out while further facilitation in import/export process between two countries is expected with availability of alternative check post for Nepal-China trade.

Box 9 (a): Major Initiatives taken for Export Growth, Trade Facilitation and Supply Management

- The Government of Nepal and that of China have reached into an agreement for the construction of domestic Container Depot in Rasuwa at Kerung Check Post and works are underway with the financial and technical assistance of Chinese government.
- System for the adjustment of prices of POL products with their prevailing prices in international markets has been implemented and prices are being adjusted accordingly.
- Nepal has signed on a four-point Silk Road Economic Belt document in order to participate in Eurasian Transport Corridor conference organized to extend Silk Road in South Asia by China and, through this, Nepal expects enhancement of trade and connectivity.
- An agreement between China and Nepal has been inked for providing Duty Free Market Access facility to facilitate export of 8,030 products of Nepalese origin to Chinese markets.
- Letter of Exchange-LoE has been concluded between Nepal and India for simplification for re-exporting commodities imported from third countries back to those countries and making arrangement for bringing third-country imported vehicles by driving from Kolkata seaport to Nepal.
- Projects on pashmina, medicinal herbs, and ginger, have been executed for product development and export promotion in cooperation of Enhanced Integrated Framework-EIF) under the World Trade Organization.
- Silver-made ornaments and honey related projects are in operation under the German Development Cooperation (GIZ) support for product development, capacity development of product development related organizations, and export promotion.
- Market monitoring work conducted in various districts including those of Kathmandu Valley for ensuring consumers' rights and benefits has gained wide-spread popularity. This has raised awareness among businessmen to keep and update price lists.

Supplies

- 9.37** Market monitoring has been made extensive in Kathmandu Valley including various districts for protection of consumer rights. Awareness among businessmen is raised on necessity of display and updating of price list. Task like displaying signboard, registering business, renewing, improving hygiene, and sanitation, registering in VAT or PAN has increased. Expired consumable goods have either been removed from sales points or destroyed to stop them from selling. Businesses of businessmen violating the law have been shut down. By

mid-March of current fiscal year, a total of 1,928 market monitoring works have been carried out while 787 firms have been questioned for clarification from among those suspicious firms with the closure of 18 businesses. Intensive market monitoring has enhanced awareness among the traders and consumers.

Tourism

- 9.38 It is necessary to develop Nepal as an attractive, recreational, and safe tourist destination in the world map by preserving and promoting natural, cultural, biological, as well as man-made heritages of Nepal. In order to contribute to the economy through development and expansion of the tourism sector, tourism activities needs to be expanded; quality of services provided to tourists be improved; foreign currency earnings from tourism augmented and employment opportunities should be raised.
- 9.39 A total of 790,118 tourists visited Nepal in the period between mid-January 2014 and mid-January 2015. This figure is less by 0.9 percent than in the corresponding period of last year. Similarly, the length of stay for tourists who visited Nepal during this period averaged 12.4 days. Expected gain could be obtained from tourism sector if the number of tourists and their per capita expenditure could be increased with their average length of stay extended.
- 9.40 Of the total number of tourists visiting Nepal between the periods of January 2014 and January 2015, 50.1 percent of them came for vacation/recreation and travels, 12.5 percent for religious trip, 12.3 percent for trekking and mountaineering, 4.1 percent on official and administrative visits, 3.1 percent for trade, 1.7 percent for meetings/seminars while 16.2 percent came with other purposes. While analyzing tourist arrival statistics of last 10 years based on their travel purposes, more than two third of tourists have been for vacation recreation/travel, trekking/mountaineering and religious purposes.
- 9.41 Of the total number of tourists visiting Nepal between the periods of January 2014 and January 2015, top five countries with largest number of tourist arrival have been India (17%), China (16%), USA (6%), Sri Lanka (4.8 percent), and United Kingdom (4.7 percent) respectively.
- 9.42 Commercial and employment oriented training to produce basic and skilled trained human resources, as well as courses on Bachelor in Hotel Management and Tourism and Travel Management; and Master

in Hospitality Management are conducted for development of the tourism sector. During the period of fiscal year 2011/12 to 2014/15, a total of 867 individuals have passed the Bachelor of Hotel Management (BHM) course while 371 are pursuing the course. Similarly, a total of 450 students in Bachelor of Tourism and Travel Management (BTTM) have passed while 286 are pursuing the course. In addition, 8 students have passed in Master of Hospitality Management (MHM) and 170 are pursuing the course.

- 9.43 In the last four years, a total of 6,644 individuals have obtained basic, medium and supervisory level training related to Nepal Tourism and Hotel Management. Of this, 413 are on hotel, 560 on tour and travel, 445 on trekking while 672bare on mobile and home stay and 954 on other tourism related trainings. By mid-January of fiscal year 2014/15, a total of 38,215 human resources of different level have been produced. In addition, a total of 518 individuals from different districts have been provided with training related to home stay operation through Taragaon Development Committee.
- 9.44 Altogether, 38,215 individuals have received training in the tourism sector so far. This number includes 1,700 individuals (academic courses-228 and training-1472) in FY 2011/12, a total of 1,842 individuals (academic courses-226 and training-1,606) in FY 2012/13, a total of 2,539 (academic courses-245 and training-2539) in FY 2013/14 and 1,027 individuals (academic courses -294 and training-1,027) in FY 2014/15.

Box 9(b): Major Achievements of Tourism Sector

- Of the target set to complete tasks as per Kenzo Tange's Master Plan, 1978 for the development of Birth place of Lord Buddha within next five years, tasks so far completed are: land acquisition in Lumbini project site, preparation of Master Plan, structural design of Lumbini area, constructions of international monastic zone, sacred garden, security wall and canal along the international monastic zone.
- Among the implemented programs after declaration of Lumbini Master Plan in FY 2013/14 as a Project of National Pride, constructions of road, water tower, tourist information center are underway while land acquisition process of archaeological sites of Kapilvastu, Devdaha and Ramgram is in progress. Similarly, excavation and conservation of archeological sites and people's awareness raising programs on the touristic value of Lumbini are in operation.
- Honorable Prime Minister laid the foundation stone of Gautam Buddha

International Airport, and works are underway after signing Agreement with the contractor selected through International Contractor Bidding (ICB) process.

- A total of 1,193,828 pilgrims had visited Lumbini pilgrimage site in 2014, and of them, 902,621 were domestic tourists, 154,216 were Indian tourists while 136,991 tourists were from third countries. This figure is higher by nearly 41 percent as compared to that of its preceding fiscal year.
- Based on decision to arrange financial source for construction of Pokhara Regional International Airport through the Chinese soft loan, process for the acquisition of about 80 Ropanis (4 ha) of land is in progress.
- As per the agreement reached between the Government of Nepal and that of China for acquiring two units of aircraft as grant and 4 units on soft loan from the Chinese government, one MA 60 has been procured which is in operation while another Y12 aircraft has started its operation from Pokhara.
- As per the agreement for procuring two Airbuses A320-200 (narrow body) for international flights, the first have started its operation while necessary arrangements are made to receive the second airbus as scheduled.
- Installations of Terminal Monopoles Secondary Surveillance Radar at Tribhuvan International Airport Office and En-route Monopoles Secondary Surveillance Radar at Bhattedanda of Lalitpur are underway in order to modernize and make Tribhuvan Airport fully equipped and facilitated.
- Based on the concept of Great Himalayan Trail program, preparation is underway with high priority for developing high mountain tourism trail extending from Taplejung to Darchula under the tourism infrastructure program.
- Conservation of 131 heritages located in various districts, excavation works of 10 archeological sites including that of Jitgarhi and Pandipur of Butwal are underway as per the program for formation of Trusts at large and historical pilgrimage sites while continuing exploration, preservation, and promotion of real and abstract cultural heritages.

9.45 The number of mountaineering expedition teams stood at 296 in the period between mid-January 2013 and mid-January 2014 has reached to 320 in the same period of 2014 and 2015 while the number of mountaineers has increased from 2,266 to 2,500 in this period. During

the periods of mid-January 2014 to mid-January 2015, royalty amounting to Rs. 391.8 million has been collected with increase of Rs. 49.3 million as compared to that of preceding year.

- 9.46 The number of star hotels that stood at 117 between the periods of mid-January 2013 and mid-January 2014 has reached to 118 by mid-January 2015 with addition of one hotel in this period. The number of tourist class hotels except star hotels has increased to 957 by mid-January 2015 from 909 of the previous year. Similarly, the number of beds in star hotels reached to 9,554 with increase of 48 beds as compared to preceding year while the number of beds in tourist class hotels other than the star hotels has increased by 1,608 reaching a total of 26,625 by mid-January 2015.
- 9.47 Foreign exchange earnings from the tourism sector stood at Rs. 34.21 billion in fiscal year 2012/13. Such earnings in the fiscal year 2013/14 had increased by 12.16 billion as compared to its preceding year reaching a total of Rs. 46.37 billion. In the first eight months of fiscal year 2014/15, foreign exchange earnings from the tourism sector recorded Rs. 34.31 billion. Similarly, the ratio of foreign exchange earned from tourism sector in the first eight months of fiscal year 2014/15 stood at 5.7 percent of total foreign exchange earnings, 21.7 percent of foreign exchange earned from the export of goods and 53 percent of the total foreign exchange earned from total trade.

Table 9(f): Major Indicators of Tourism Sector

Description	Upto mid-January 2014	Upto mid-January 2015
Total Number of Tourist Arrival	797616	790118
Length of Tourist Stay (Average day)	12.57	12.44
Earnings from Tourism (In Rs. 10 Million)	34211	46375
Per Tourist Per Day Expense (USD)	42.8	46.4
Contribution to GDP (Percent)	2.0	2.6
International Airlines having Regular Flight to Nepal	26	26

Source: Ministry of Culture, Tourism and Civil Aviation and Nepal Rastra Bank

Challenges

- 9.48 Substituting imports by maintaining quality of produced goods, reducing high unemployment rate by creating industrial employment, making industrial products qualitative to compete with the

international markets, and creating investment-friendly environment for attracting desired investment remains a challenge.

- 9.49 Regularizing supply system to check consumer price for protecting their rights has been a challenging task.
- 9.50 Augmenting storage capacity of petroleum depots for easement in petroleum supply, discouraging the trend of strike, agitation and road blockade (*Chakkajam*), establishing Nepal Oil Corporation's own bottling plant for ensuring adequate LPG stock, reducing reliance on petroleum products and LPG by emphasizing on the development and utilization of hydroelectricity has been a daunting task.
- 9.51 Establishing tourism sector as a sector of national priority by realistically quantifying the contribution made by the tourism sector towards national economy through development of tourism information system and satellite account for measuring key indicators as regards tourism is full of challenges.
- 9.52 Construction and reconstruction of heritage sites with potential of those getting listed in the World Heritage Sites by using modern construction materials and get them listed in such list remains a big challenge.

10. Urban Development

Urban Development

- 10.1 Despite Nepal being one of the least urbanized countries in Asia, urbanization in Nepal has been taking rapid growth in last few decades as a result of local, demographic, and economic transitions in the country. As per 2011 Nepal census, 19 percent of the total population was residing in 58 municipalities. An average urban population growth rate of last ten years is found to be 3.43 percent.
- 10.2 Kathmandu valley comprises 24 percent of Nepal's total urban population. Urbanization varies widely from region to region. The level of urbanization has been high in valleys and inner Terai as compared to that of Terai with immense economic potential. Likewise, urbanization in some large and medium sized hilly towns seems potent. Of the total 58 municipalities, 14 of them with each having more than 100 thousand population occupied 43.51 percent of the total national urban population by 2011. The total number of municipalities has reached 191 with the declaration of 133 additional municipalities in FY 2014/15. With this, the urban (Municipal) population has reached 38.26 percent.
- 10.3 Kathmandu, the only metropolis of Nepal having more than 1 million people occupies 9.72 percent of total urban population. In contrast, only 3.93 percent of the population resides in the second largest municipality of Pokhara. Population density in the majority of municipalities has been very low. The population density of 31 municipalities among previous 58 municipalities and 113 of the recently declared 133 municipalities remains below 10 persons per/ ha, which is still lower than the minimum standard of national urban policy. Valleys of Kathmandu and Pokhara, inner terai and areas along the main highways have urban development rate of more than 4 percent. Such growth rate of 7 municipalities (Damak, Itahari, Bharatpur, Thimi, Pokhara, Kirtipur and Birendranagar) has been more than 5 percent. Through these observations, the key determinants of

urbanization have been geographical position, transport network, infrastructure development situation, and economic viability. Migration has been the next major contributing element to current urbanization. The urban population record reveals that 37.7 percent of them are either migrants from other districts or foreign born migrants. Of the total urban migrants, 77 percent are from rural areas.

- 10.4 Contribution of urban sector to GDP is estimated to have remained at 33.1 percent while that of Kathmandu valley is estimated to have stood at 23.4 percent.
- 10.5 An unending urbanization and urban development are assumed to have not provided positive impact to Nepal's urban sector. However, there has been constraint in the collection and availability of urban data. Urbanization has been creating obstruction in consolidation and maintaining balance in the supply system of urban sector. There has been great deficiency in urban infrastructure while those constructed infrastructures also do not comply with approved codes and standards. Urban environment is in peril. Likewise, non-agriculture employment opportunities are hindered. Urban poor has continued to grow and expected to grow further. Institutional capacity is feeble when it comes to the urban planning management and program implementation. There has been wide gap among investment requirement, financial availability and implementation capabilities.
- 10.6 Despite national policies with regard to urban sector including transport, agriculture, industry, land use are in favor of urban development, coordinated policy commitment is still lacking for progressive and balanced urbanization process from integrated and economic point of view.

Current Situation

- 10.7 Drinking water supply, sanitation, waste management, housing, transport and energy situations indicate the deficiency of urban infrastructure. There has been great disparity among geographical states in terms of urban infrastructure. About 81.2 percent households have access to pipe water facility in urban hills while this accounts for just 32.9 percent in the towns of Terai. Entire urban areas have

inadequate quantity and quality of drinking water. An annual investment of Rs. 7.5 billion is required to meet Millennium Development Goal (MDG) set for drinking water for all by 2017. Situation of sanitation and waste management is also miserable. The data reveals that 56.1 percent urban households have access to sanitation while 88.2 percent of those households have toilets. Likewise, of the 191 municipalities, only 6 of them have organized land fill sites while just 5 of them have been managing and controlling municipal wastes.

- 10.8 Lack of secured, economical and reliable housing and increased squatter settlements in urban residential areas are concerned issues. Squatters are estimated to comprise 10 percent of the total urban population.
- 10.9 Inadequate and inappropriate city transport facilities have been a major issue of urban transportation. An average road density in urban areas stands at 3.26 per square kilometer which is very low for promoting the rural-urban partnership and healthy urban dynamics. Likewise, the inadequacy of energy supply in urban areas is still quite apparent. The demand of electricity has been very high in urban and industrial corridors. Such demand is estimated to have increased by 9 percent annually.
- 10.10 Urban Infrastructure Status Indicator has been developed for 58 municipalities in order to estimate the infrastructural status of various municipalities. This indicator helps compare the infrastructure situation among the municipalities. Urban infrastructure index of Kathmandu Metropolis is on the top while that of Gularia is on the bottom.
- 10.11 Analysis of urban environment situation clarifies that physical, natural and social and environment sectors' situation is vulnerable in city areas. Activities like managing disaster, coping with the disaster appropriately, ensuring safety, promoting cultural and social environment and conserving open space fall under Urban Environment Management. However, municipalities lack capacity, appropriate plan and financial resource to carry these programs ahead. Open spaces in city areas have been shrinking rapidly owing to

uncontrolled land encroachment in city areas. The ratio of open space in Kathmandu has been just 0.48 percent while that of Lalitpur is 0.06 percent. Urban Environment Management Guidelines could be the only active means to address the current urban environmental problems but its implementation status is also seemed to have remained low like that of other sectors of Urban Management.

- 10.12 The recent data showing 33.1 contribution of the urban sector to national GDP is the evidence supporting the claim that urban sector is the backbone of economic development. Likewise, VDCs that lay in city perimeters and enjoy facilities that cities offer, contribute 30.0 percent to the national GDP. Contribution of such areas to GDP helps create utilities in these sectors through .increased infrastructure investment. Such investments in turn help generate capital and employment opportunities on one hand, enhancing economic growth rate on the other.
- 10.13 Agriculture and its related activities have occupied one-third space in urban sector employment. Wholesale and retail trades and production have contributed 17 percent and 14 percent respectively to urban employment. However, sector-wise structure of urban employment differs from city to city.
- 10.14 Poverty has increased in urban areas. The urban population living below poverty line that had stood at 10 percent in FY 2003/04 is expected to have reached 15 percent. However, there has been wide difference in poverty figures among the cities while this is just 1.3 percent in Pokhara. The remittance obtained by urban household has been around 15 percent of the total remittance income and Kathmandu receives the most. Ramgram, Biratnagar and Janakpur are among the highest remittance receiving districts in Terai.
- 10.15 Production oriented industries are concentrated on Kathmandu valley, peripheral towns as well as emerging towns of Biratnagar sub-metropolis and in areas close to Birgunj municipality. Kathmandu valley contributes 40 percent to the urban production generated employment while peripheral and emerging towns of Biratnagar and areas close to Birgunj municipality contribute 17 percent and 15 percent respectively to such employment. Likewise, urban non-

agriculture employment has three major areas where Kathmandu valley with 25 percent, eastern Terai with 15 percent and central Terai with 19 percent service sector have occupied 70 percent of such employment.

- 10.16. Non-municipal area covers almost 50 percent of total productive employment. Labor-based production has occupied 60 percent of total industrial production. The contributions of urban production to employment structure are as follows:

Industrial Sector	Employment (In Percent)
Paper	30
Minerals, Plastics, Chemical and Timber	19
Clothing (Garment)	18
Agriculture Processing	19
Machinery Instruments	14

- 10.17 Radio, television, communication gadgets, publication and printing have been relative advantage in Kathmandu valley. Biratnagar-Dharan corridor lies under the area with relative advantage of electronics and textiles. Likewise, hides and leather products, basic metals and chemical production have been relative advantage for Birgunj corridor while chemicals and chemical products together with metal products are of relative advantage in Nepalgunj corridor. Status of small industries, despite having stronghold in production oriented industries has continued to fall.
- 10.18 Investment requirement of Rs. 372 billion is estimated to suffice infrastructure deficiency of 58 municipalities. In FY 2014/15, the rise in such amount is obvious since the government has increased the number of municipalities to 191 from 58 . An estimated investment of just Rs.20.07 billion for municipal infrastructure development allocated by the government of Nepal in current fiscal year has been merely one percent of national GDP. This is very low as compared to the contribution made by urban sector to national GDP.
- 10.19 Good governance has been a critical issue of municipality. Urban Planning and Physical Infrastructure Development come under

Ministry of Urban Development now while Urban Governance and Administrations are under the Ministry of Federal Affairs and Local Development. Fragmented institutional arrangement may not be suitable for urban sector's organized development.

Ongoing Activities for Urbanization

- 10.20 In the current fiscal year 2014/15, a total of 28 market centers, 170 community buildings and 10 large buildings/convention halls are under construction through housing development program that aims at providing organized housings and settlements for squatters and urban poor, and low income group of people in forms of *Janata Awas* (People's Home) for *dalits* and endangered ethnic groups; housing for employees; and for resettling families displaced and at risk of natural disaster.
- 10.21 Master plan for 28 small towns have been developed with the implementation of physical development plan in the current fiscal year 2014/15 with a view to develop infrastructures required for the municipalities in future by enhancing urban facilities with the strengthening of rural-urban interrelationship through small towns' urban infrastructure development.
- 10.22 During fiscal year 2014/15, Digital Urban Base Map, GIS Map and DPR of Bus Park have been prepared on cost sharing basis of local bodies. Preparation of DPR of Butwal Conference Hall is underway after conducting its feasibility study. Tasks such as revising periodic plan formulation guidelines of municipalities, developing urban environmental information system are in progress. Likewise, works like revising planning norms of urban planning formulation of Pokharia, Parsa, setting urban environment related criteria, preparing model building by-laws for urban areas, formulation physical infrastructure development plan of urban development committee and market areas are underway.
- 10.23 Construction of physical infrastructure works in a total of 1,206 special locations including 375 different types of infrastructures, 405 special physical infrastructures and 426 community and other buildings are being carried out during the first eight months of current fiscal year

2014/15 with a view to conserve, protect and promote religious and cultural heritages/sites having importance at both local and national levels bolstering national unity and providing adequate contribution to Nepal's tourism sector's development and expansion.

- 10.24 Medium sized Integrated Urban Environmental Reform Project which is in operation since FY2011/12 under major investment of the Government of Nepal, ADB and OPEC Fund has multiple objectives of protecting environment in 6 municipalities including Banepa, Panauti, Dhulikhel, Biratnagar, Birgunj and Butwal, extending its awareness and making municipalities accountable and responsible for creating environmental awareness among others. During FY 2014/15, integrated infrastructure development works including establishment of Sewerage and Sewerage Processing Center, road improvement, drinking water supply and community development have been carried out in Biratnagar, Butwal and Birgunj municipalities. Construction entrepreneur has already been selected for Kavre Valley Integrated Drinking Water Project. Similarly, construction works on sewerage system with road improvement and sewerage processing house have been initiated in Biratnagar while drinking water distribution system extension work in Butwal is in progress.
- 10.25 Department of Building Construction and Urban Development has remained active towards developing and implementing building codes carrying out construction of government buildings and collect the records of government buildings depicting their current statuses, identifying alternative construction materials and constructing safe, economical, sustainable and reliable natural disaster and earthquake resilient buildings and creating peoples' awareness on such issues. During FY 2014/15, tasks like improvement in premises of 13 community buildings and other two government buildings, celebration of National Earthquake Safety Day, World Habitat Day, On the Job Training to enhance capacity of Janakpur Municipality for the implementation of building code were carried out.
- 10.26 Biratnagar Ring Road Project is in operation aiming at building ring road as a planned and well managed urban development model with nearly 182 meter on both sides of about 30 km length ring road by

acquiring necessary land for Right of Way through land pooling system in Biratnagar sub-metropolis to cope with increasing pressure of pedestrians and vehicles resulting from rapidly expanding settlements and population in this metropolis and its peripheral VDCs. In fiscal year 2014/15, implementation of land development pilot program in about one (1) Km length within detailed project report (DPR) conducted area of about 41 Km length ring road through land development and construction of infrastructure according to DPR are in operation.

- 10.27 During FY 2014/15, the major infrastructure work has been completed towards Republic Memorial as per the decision to construct a symbolic icon of national importance as an identity of Nepal's national unity and integrity, and the iconic representation for the achievement of the Historical People's Movement. Electrical and Furnishing works are expected to complete by the end of current fiscal year while towards Republic Memorial Tower, replica has been established on tower site subsequent to the completion of its design work.
- 10.28 The program operation areas of Urban Governance Capacity Development Program (2011-July 2016) under World Bank's support have been Mechinagar, Itahari, Dhankutta, Lekhnath, Tansen and Baglung Municipalities. The key objective of this program is to promote governance through the enhancement of urban governance capacity. The program also aims at establishing and developing accountable as well as responsible municipalities by carrying out tasks like increasing the inland revenue collection, strengthening plan formulation process, mobilizing people's participation through the selection of sub-projects in order to achieve above mentioned objectives. Following are the works carried out in its fourth year of operation FY2014/15:
- Procurement process is underway subsequent to the selection of 16 sub-projects in aforementioned municipalities towards the areas of social and economic infrastructures. Construction of traditional street market *Haatbazar* in Dhankutta and Mandare Park in Lekhnath municipalities are completed. Of the sub-

projects, completion of all such projects except that of Hile Buspark is expected.

- Projects on revenue strengthening, maintenance reform and investment are being implemented subsequent to the completion of work performance contract with Itahari, Dhankutta and Tansen municipalities last year.
- MST consultant under the support of GIZ has been reappointed on 2069/10/8 since the contract term with such consultant had ended.
- Data collection works from the municipalities are underway for the preparation of Urban Base Map of six municipalities within the project area.

10.29 Integrated Urban Development Program is in operation under the loan and grant support of ADB since July 2012 with the objective of raising the living standard of city dwellers through development of urban environmental infrastructures situated in Tarai (Janakpur, Dharan, Siddharthanagar and Nepalgunj) of Nepal. The program has been working in the areas of urban infrastructure development, community development, gender equality and social inclusion enhancement so far. During FY 2014/15, construction, improvement and extension works on drinking water pipeline have been completed in Dharan municipality while new sewerage construction and improvement in existing sewerage system and community development programs are in operation in Janakpur, Siddharthanagar and Nepalgunj municipalities. Likewise, this program has performed significantly towards gender equality and social inclusion.

Environment and Climate Change

10.30 Various climate change support programs are being carried out at local level with a view of managing appropriately the opportunity and challenge of environmental impact and climate change in overall development, making simple and convenient supply of clean energy in rural areas of Nepal through the sustainable development and expansion of alternative renewable energy technology, improving socio-economic status through the operation of small industries and businesses, mitigating the adverse impact of climate change on urban

lives by making human activities and development process environment friendly by adopting green urban development concept.

- 10.31 Local Adaptation Action Plans have been formulated and implemented in 90 VDCs of 14 districts and 7 municipalities of Mid-Western and Far-Western regions as directed by Climate Change Policy 2010 and through this, local people are expected to develop capacity to cope with the adverse effect of climate change with their improved socio-economic condition. During this period, a Supplement to the Environmental Impact Assessment Directive, 2014 has been endorsed and implemented.
- 10.32 The 20th convention United Nation's Framework Convention on Climate Change was held from 30th December 2014 to 10th January 2015 in Lima, the capital city of Peru where Nepal has successfully completed the role of two-year term of Chairmanship from among the least developed countries. Nepal had actively participated in the dialogue process on various issues of the convention and the treaty and raised Himalayan issue while Nepal has been appointed as an alternative member of Adaptation Fund Board.
- 10.33 Nepal has imposed ban on the production, storage, sales, distribution and use of plastic bags with thickness below 30 micron across the country as per Plastic Bags (Regulation and Control Guidelines) after having its amendment with the objective of minimizing the adverse effect and impact of plastic bags on human health and environment. During this period, plastic bags have been banned inside the premises of government offices and residents by declaring them as plastic bag free zone.
- 1034 Sustainable consumption and production related National Policy Draft, Risky Materials Management Policy 2014, and Risky Material Management Regulation, 2014 have been prepared and are in the process of discussion. As per the commitment of the government of Nepal to minimize sales, distribution and consumption of ozone layer hazard materials at national and international levels; the Ministry of Environment has been carrying out monitoring of the hydrochlorofluoro carbon replacement. During this period, works like operation of incinerator for disposing off hospital wastes in environment friendly manner by incinerating them and setting standard for the heights of smoke and chimney have been completed.

Energy Consumption

- 10.35 The traditional sources of energy have dominance over energy demand and consumption in Nepal. Despite high potential for generating energy through abundant water resource, energy crisis has continued to grow as a result of failure to achieve notable progress in the production of alternative energy. The sources of energy and their consumption status of last five years have been depicted in the table below.

Table 10(a) : Energy Consumption Status

(Tons of Oil Equivalent)

Energy Source	2008/09	2009/10	2010/11	2011/12**	2012/13	2013/14	2014/15*
Traditional	8,185	8,342	8,500	7,033	8,017	8,983	5,989
Firewood	7,301	7,467	7,606	6,274	7,153	8,154	5,436
Agricultural Residues	244	324	331	310	353	403	269
Cow Dung	540	551	563	448	511	426	284
Commercial	1,139	1,464	1,580	1,678	1,855	1,958	1,556
Coal	181	286	293	348	415	320	420
Petroleum Products	775	965	1,058	1,083	1,182	1,264	878
Electricity	182	213	229	248	257	374	258
Renewable	64	70	75	109	166	291	236
Total	9,388	9,876	10,155	8,820	10,038	11,232	7,781

* Of first eight months

** Based on Survey Statistics

Source: Ministry of Energy

- 10.36 In the first eight months of the current fiscal year 2014/15, energy consumption has reached 7,781 ton oil equivalent (ToE). Traditional, commercial and renewable energy consumption ratios seemed to have remained at 76.97 percent, 20.52 percent and 3.03 percent respectively. Such ratios have stood at 79.97 percent, 17.43 percent and 2.6 percent respectively in the current fiscal year 2014/15. This has revealed that the high dependence of Nepalese economy over traditional energy still exists.
- 10.37 In FY 2013/14, of the total energy consumption, firewood accounts for 72.60 percent, agricultural residue 3.57 percent, animal residue 3.8 percent while such consumption ratios stand at 69.87 percent, 3.46 percent and 3.65 percent respectively in the first eight months of current fiscal year 2014/15. In FY 2013/14, the share of petroleum products stands at 11.25 percent to the total energy consumption

against 11.28 percent in the first eight months of the current fiscal year 2014/15.

Coal Consumption

10.38 In fiscal year 2013/14, coal consumption had stood at 320 ToE against 419 ToE in the first eight months of current fiscal year.

Electricity Supply

10.39 The total electricity production had stood at 746 MW in FY 2013/14 while this has increased by 4.89 percent to 782.45 percent in the first eight months of current fiscal year.

10.40 On the transmission line front, it has been extended to 1987.36 Km by the end of review period. The number of electricity consumers has increased significantly reaching 2,789,678. Electricity distribution line has been extended to 116,090 Km by the end of review period. Despite high electricity demand of 1291.1 MW in the current fiscal year, its production has been just 782.45 MW causing supply gap of 508.65 MW which is lower by 40 percent than the current requirement.

Table 10 (b): Electricity Demand, Consumption, Production and Physical Structures

S. No.	Particulars	Fiscal Year				
		2010/11	2011/12	2012/13	2013/14	2014/15*
1	Production (MW)	697.85	705.57	746	746	782.45
2	Transmission Line (Km)	1917.62	1987.36	1987.36	1987.36	1987.36
3	Customer Number	1854275	2053259	2599152	2713804	2789678
4	Distribution Line (Km)	89108.86	95815.98	114160.40	116066.64	116090.64
5	Available Energy (GWH)	3389.27	3858.37	4260.45	3092.47	3228.9
6	High Demand (MW)	946.1	1026.00	1094	1200.98	1291.1
7	Demand Supply Gap (MW)	248	(320.43)	348	(454.98)	508.65

* Of the first eight months

Source: Ministry of Energy

- 10.41 During this period of current fiscal year 2014/15, Nepal Electricity Authority (NEA) and private sectors hydropower companies have been granted electricity generation licenses for 6 large and small hydroelectricity projects with an additional of 134 MW installed capacity. A total of 12 licenses have been issued to conduct survey on 229 MW electricity generating large and small hydroelectricity projects in this fiscal year. Likewise, 12 transmission line survey licenses and 3 electricity generation licenses have been issued.
- 10.42 Under the feasibility study program of ongoing hydroelectricity project, works are being carried out through Department of Electricity Development on about 18 small and large hydroelectricity projects, identification of multipurpose plans, pre-feasibility study and detailed engineering design. During this period, international consultant has already been selected to conduct detailed engineering and environmental studies for the construction of Budiganga hydroelectricity project and executive committee has been formed for the construction of Pancheshwor Multipurpose Project subsequent to the preparation of by-laws of Pancheshwor Development Authority. Likewise, Detailed Project Report (DPR) of the project is being updated. Under the Saptakoshi Multipurpose Project, field investigation is in operation after the establishment of Indo-Nepal Joint Office.
- 10.43 Under the concept of “Peoples’ Hydroelectricity Peoples’ Investment’, company registration process is underway for carry ahead Madi and Mauwa Hydroelectricity Projects. During this time, structural reform programs have also been initiated in order to make NEA robust, efficient and prompt commercially. Likewise, priorities have been given to conduct studies on water mass projects under NEA study programs. During this period, energy planning work is being carried out in joint effort of Nepal government and NEA as per Energy Consumption and Supply Survey, 2011/12.
- 10.44 A total of 1987.36 Km transmission line including 132 KV of transmission line and 47 other transmission line extension projects of different voltage levels, 82 distribution projects and 2 other projects has been constructed in the first eight months of current fiscal year.

Utilization of Petroleum (POL) Products

10.45 Consumption of Petroleum Products (POL), which is an important source of energy, has been growing day by day. However, its supply could not be made easily available to all. Despite policy and institutional efforts being made towards making supply and distribution of POL products accessible to all, making effective arrangement for their smooth supply and distribution has been a challenge. Details of POL for previous years are as follows:

Table 10 (c): Consumption details of POL Products

Description	Fiscal Year					Total Petroleum Product Consumption Percent in 2014/15*
	2010/11	2011/12	2012/13	2013/14	2014/15*	
Petrol (KL)	187640	199748	221676	161295	184239	13.10
Diesel (KL)	655127	648513	716747	489438	949279	67.53
Kerosene (KL)	49494	41808	24721	12708	12134	0.86
Light Diesel Oil (KL)	227	-	258	-	-	-
Furnace Oil (KL)	1415	435	2450	-	186	0.01
Aviation Turbine Fuel (KL)	101314	109808	115786	82735	93788	6.70
LP Gas (in MT)	159286	181446	207038	151211	165975	11.80
Mineral Turpentine Oil (KL)	-	-	-	-	-	-
Total	1152861	1181323	1288676	897387	1395601	100

** of the first eight months*

Source: Nepal Oil Corporation

10.46 Consumption of POL products in FY 2014/15 increased by 55.12 percent reaching 1,395,601 Kilo Liter (KL), while consumption of LP gas rose by 9.76 percent totaling 165,975 MT. Consumption of POL products and LP gas that totaled 897,387 KL and 151,211 MT respectively during first eight months of FY 2013/14.

- 10.47 Diesel, Kerosene, Petrol and Aviation Fuel has occupied major portion in POL products consumption volume. Shares of diesel, kerosene, petrol, and aviation fuel excluding LP gas in FY 2013/14 stood at 54.55 percent, 1.42 percent, 17.98 percent, and 9.22 percent respectively. Observation of the consumption ratio of first eight months of the current fiscal year 2014/15 shows shares of diesel, kerosene, petrol, and aviation fuel as 67.53 percent, 13.10 percent, 0.86 percent, and 6.70 percent respectively.
- 10.48 Nepal Oil Corporation has given continuity to the arrangement for maintaining stock of POL products through the expansion of storage capacity to meet the demand for at least a month; setting equal prices of diesel and kerosene for maintaining the purity of diesel and combating the practice of mixing and misusing the VAT exempt kerosene in it. Likewise, the tender process has been carried ahead for the transport of POL products including LP Gas so as to make it more competitive and selling and distribution process of LP Gas at cost price through introduction of blue colored gas cylinder for commercial use has been implemented.
- 10.49 Consultation is underway with experts and Indian Oil Corporation for initiating the POL products pipeline laying work. Works on current storage capacity enhancement of NOC and depot repair maintenance are being carried out using means and resources of NOC.

Problems and Challenges

- 10.50 Promoting governance by appointing the elected people's representatives in municipalities in line with norms and spirits of Federal Governance through earliest promulgation of the Constitution to ensure accountability and responsibility of elected bodies towards the local people has been a challenging task.
- 10.51 Though the municipalities comes under the scope of work of Ministry Urban Development as per the functional distribution regulation of government of Nepal, there has been work duplication due to the current practice of carrying out urban planning and physical infrastructure development works by Ministry of Urban Development while the Ministry of Federal Affairs and Local Development is active in carrying out governance and administrative tasks.

- 10.52 A task of making the regulations more effective by ensuring risk-free urban infrastructures in Nepal those are at high risk from nature's perspective by abiding building codes is getting more tougher.
- 10.53 Inability to follow land-use map in urban areas, failure to construct natural disaster resilient urban infrastructures following building code, peoples' unawareness, unconsciousness and insensitivity towards environmental impact while meeting human needs have remained as a challenge in this sector.
- 10.54 A task for addressing country's energy demand has been very challenging and complex. Traditional energy has inflicted damage on environment while the imports of petroleum products have been the reason for high trade deficit. These issues need to be addressed for vibrant economy.

11. Transport and Communication

Road Transport

- 11.1 In fiscal year 2013/14, A total of 1,180 Km of earthen (fair weather) road, 685 Km of graveled road and 467 Km of black topped road was upgraded in fiscal year 2013/14, while 334 Km of earthen road, 136 Km of graveled road and 151 Km of black topped road have been upgraded by mid-March 2014/15. Likewise, regular and periodic maintenance works of 8,200 Km road has been completed by mid-March of the current fiscal year.

Table 11 (a): Status of Road Facility Expansion

S.	Particulars	Units	Fiscal Year		
			2012/13	2013/14	2014/15*
1	New road construction	Km	876	1180	231
2	Upgraded to gravel road	Km	620	685	106
3	Upgraded to black top	Km	467	538	152
4	Road maintenance (regular and periodic)	Km	7757	8200	8900
5	Periodic Maintenance	Km	429	400	65
6	Bridge construction	Nos.	63	72	23
7	Road joining district headquarter	Nos.	1 (Mugu)		

Source: The Department of Road

*Of the first eight months of FY 2014/15

- 11.2 By the end of FY 2013/14, road length totaling 26,446 Km road that comprised 11,197 Km black topped; 6,086 Km graveled and 9,163 Km earthen (fair weather) was constructed through the Department of Roads including strategic road network and local road network across the country. The length of such road network by mid-March of FY 2014/15 has reached 26,935 Km with 11,349 Km black topped, 6,192 Km graveled, and 9,394 Km earthen (fair weather) roads.

Table 11 (b): Road Facility extended by Department of Road*(In Km.)*

S. No.	Particulars	Fiscal Year				
		2012/13	2013/14	2014/15*	Till FY 2014/15	
					Total	Share (Percent)
1.	Black Topped	10659	11197	152	11349	42.13
2.	Graveled	5940	6086	106	6192	22.99
3.	Earthen (Fair Weather)	8666	9163	231	9394	34.88
	Total	25265	26446	489	26935	100.00

*Source: Department of Road*** Of first eight months*

- 11.3 Projects and programs other than those carried out under the Department of Roads including road facility expansions and construction works are also being carried out at local levels by local bodies under the infrastructure development, operation, and repair and maintenance related projects, schemes, and programs.

Table 11 (c): Extension of Road Network under Local Bodies*(In Km)*

Description of Road	Fiscal Year		
	2013/14	2014/15	Total
Earthen (Fair Weather)	38768	130	38898
Graveled Road	12425	123	12548
Black Topped Road	1690	7	1697
Total	52883	260	53143

Aggregate Detail of District and Village Linking Road

Description	Total	All Weather	Fair Weather
District Road Main Network	23193	7290	15902
Road Network Linking VDC Center	29691	6825	22866
Total	52883	14115	38768
Percent	100	27	73

Source: Ministry of Federal Affair and Local Development, Local Infrastructure Development and Department of Agriculture Road

Transport Vehicles

11.4 The number of transport vehicles registered between FY 1989/90 and FY 2013/14 across the country stood at 1,755,821 while a total of 169,613 new transport vehicles got registered by the first eight months of fiscal year 2014/15 reaching the total to 1,925,434. The number of transport vehicles in current fiscal year has grew by 30.47 percent as compared to that of the first eight months of previous fiscal year.

Table 11(d): Number of Registered Transport Vehicles

Types	Fiscal Year				
	1989/90 to 2013/14	2011/12	2012/13	2013/14	Up to mid-March 2014/15
Bus	32914	2085	3263	2776	2375
Minibus/Mini Truck	14719	1170	1328	1412	1288
Crane/Dozer/Excavator/Truck	52981	1333	3332	2789	2467
Car/Jeep/Van	150107	8711	9595	11372	9054
Pickup	23839	2981	5422	5668	3703
Microbus	2814	155	158	178	611
Tempo	7527	10	57	17	914
Motorcycle	1371206	145135	175381	163945	142241
Tractor/Power Tiller	73173	8413	9795	10070	6911
Others	6543	91	152	116	49
Total	1755821	170084	208483	198343	169613

Types	Fiscal Year				Total as of now
	1989/90 - 2013/14	2012/13*	2013/14*	2014/15*	
Bus	32914	2040	1456	2375	35289
Minibus/Mini Truck	14719	933	716	1288	16007
Crane/Dozer/Excavator/Truck	52981	2234	1682	2467	54448
Car/Jeep/Van	150107	6279	7389	9054	159161
Pickup	23839	3494	3772	3703	27542
Microbus	2814	93	73	611	3425
Tempo	7527	52	5	914	8441
Motorcycle	1371206	121182	108911	142241	1513447
Tractor/Power Tiller	93171	5954	5930	6911	100082
Others	6543	166	66	49	6592
Total	1755821	142427	130000	169613	1925434

Source: Department of Road

* Detail of Transport Vehicle registered in the first eight months of last 3 fiscal years

- 11.5 Works are being carried out to curb road accidents by putting transport security action plan on top of priorities. Similarly, works are underway to set a standard and operations modality for running the vehicle fitness test center established at Teku of Kathmandu with a view to make transport vehicle testing process scientific and organized.
- 11.6 Works on data migration to convert vehicle registration certificates and driving licenses into electronic smart card as well as printing job of 160,000 smart cards have commenced.
- 11.7 Works on designing number plates, recommendations for appropriate technology, costing, and process together with necessary amendments in prevailing law for changing transport vehicle number plates to embossed ones are underway.
- 11.8 Provisions contained in the Vehicle and Transport Management Act, 1992 for suspending driving license up to 6 months by authorized officials upon securing the proof of non-compliance of rules by drivers for more than 5 times has been brought into implementation. Installation of Close Circuit (CC) cameras and preparation of the layout drawing of the Driving Licensing Office under the Department of Transport Management have been completed. Arrangement has been made to upload results of vehicle driving licenses on website.
- 11.9 A total of 2,173,379 driving licenses have been issued so far with issuance of additional 36,238 driving licenses by the end of mid-March of current fiscal year. The number of registered vehicle so far has reached 1,901,075 with registration of 145,254 additional vehicles by mid-March of current fiscal year. Revenue of Rs. 7,531,183,000 has been collected by mid-March of current fiscal year.

Civil Aviation

- 11.10 Various programs in the civil aviation sector are carried out in line with the policy of the Ministry of Culture, Tourism and Civil Aviation for developing, extending and promoting the tourism sector through easy, secured, reliable and regular air and land transport facilities thereby ensuring aviation services safe, regular and reliable that play crucial role in the infrastructure development in tourism sector.
- 11.11 The European Commission had put a ban on all Nepalese airlines last year by expressing grave concern on problems relating to AOC revalidation process as cited by the ICVM Validation Mission of

International Civil Aviation Organization, which had visited to review the progress made towards improving shortcomings and weaknesses observed by ICAO USOAP audit conducted in 2009. The Commission, however, has now consented that all components of capability (primary legislation, working regulation, organization, skilled manpower, resource authority, sustainability, and enforcement) that are necessary for enhancing flight safety are satisfactory.

- 11.12 Of the total 56 Airports of Nepal including 6 Airports (Kalikot, Okhaldhunga Khiji Chandeshwori, Shitaleshwora of Lamjung, Simichaur of Gulmi, Sukilumba of Ilam and Ardhbhagawati of Arghakhanchi) under construction, 32 of them are offering regular services.
- 11.13 Under the nationwide program of upgrading airports, black topping of runways of Salle of Rukum, Bajura, Dang, Faplu, and Rumjatar, have been completed while such works have commenced on runways of Taplejung Manmaya Rai Khanidanda, Dolpa Jufal, Ramechhap, Rukum Chaujahari, Mugu Rara, Bhojpur, and Taplejung airports as well as Falgunananda airport of Ilam is in process of conducting the test-landing as the runway strip is ready.
- 11.14 X-rays machines have been installed including Cargo x-ray Machine at the Air Cargo Building for strengthening the airport security system; Baggage x-ray Machine at the International Terminal Building; and x-ray Machine for disposal of waste generated in the aircraft only after getting them through x-ray process.
- 11.15 ATS Automatic Runway Visual Range (ARVA) and Ceilometers have been installed and brought into operation to improve and upgrade Air Traffic Service (ATS) facilities.
- 11.16 Aside from Tribhuwan International Airport, four other Airports have been enabled for night flights operations. In addition, DVOR/DME navigation system related instruments in operation at airports of Simara, Gautam Buddha, and Nepalgunj since 1994 have now been upgraded and made DVOR/DME navigation service more reliable.
- 11.17 Air Side and Land Side of Tribhuwan International Airport have been upgraded so as to add new sterile hall in the international terminal building and expand the building with more baggage conveyer belts at the arrival hall. Additionally, tasks of obtaining meteorological and snow removal equipment for Simikot and Ra Ra airports are underway

as planned. Similarly, CNS/ATM system improvement, communication and meteorological equipment installation, and ATC automation at Tribhuvan International Airport and Landing Aid installation at Lukla airport have been accomplished.

- 11.18 Qatar, Korean, Silk, Druk and Turkish Airlines have been landing their airplanes by pursuing the landing system for their airplanes after implementation of Required Navigation Performance Authorization Required Approach Procedure 2012 at Tribhuvan International Airport. Malaysian Airlines has obtained license for this system from the Civil Aviation Authority.

Table 11(e): Civil Aviation Details

Indicators	Status by the end of Mid-March 2014	Status by the end of Mid-March 2015
Nepalese Airlines with International Flights	2	2
International Airlines in Nepal	29	26
Country with Bilateral Air Service Agreement	36	36
Air Seats on Each Side of the Aisle	5850000	650000
Number of Domestic Airlines (Fixed wing + Rotor wing)	17	17
Number of International Airport	1	1
Number of Domestic Airports	54	56
Number of All-season Airports	20	20
Total Number of Domestic Airports in Operation	35	32

Source: Civil Aviation Authority of Nepal

Rail Transport

- 11.19 Following establishment of Department of Railways in FY 2010/11, programs including Mechi-Mahakali Electric Railway, and Indian Government assisted Railway program have been initiated through the Railway and Metro Development Project. Preparation of Detailed Study Report of Simara-Bardibas section (108 Km), Tamsariya-Butwal section (65 Km), Birgunj-Simara Link (26 Km) and Butwal-Bhairahawa Lumbini Link (42 Km) have been completed under the Mechi-Mahakali Electric Railways Plan. Implementations of these projects are expected to facilitate public transport as well as generate employment and

contribute notably to national economy through growth of economic activities.

Information and Communication

11.20 The Ministry of Information and Communications mainly covers postal services, telecommunications, printing services, press and electronic communications and motion pictures. It is also the liaison Ministry for the National Information Commission (NIC). Annual program and Budget has been prepared and implemented with objectives of bringing effectiveness in the flow of information in line with national policy related to this sector, delivery of commitments expressed at international forums by the above mentioned service providing agencies regarded as the backbone of information and technology, the spirit and sentiments of Federal Democratic People's Republic of Nepal, and development and extension of information and communication in rural area.

Table 11(f): Situation of Information and Communication Sector

	Fiscal Year				Remarks
	2011/12	2012/13	2013/14	2014/15*	
FM Radio	475	512	567	609	License No.
FM Radio Regular Transmission	328	372	423	540	„
Television		49	78	81	„
Television Regular Transmission	18	23	24	24	„
Cable Television	744	773	827	847	„
DTH	1	1	1	1	„
Licenses for Downlink	106	84	93	127	License of FY 2014/15
VHF/UHF Transmitter	38	137	204	176	„
Sales and Distribution of Radio Devices	20	17	23	25	„
Number of Feature Film Censored	182	195	222	146	„
Number of Commercial Movies Censored	175	144	132	50	„
Foreign Movies Shootings	66	82	87	65	„

Source: Ministry of Information and Communication

* First Eight Months

Works completed during the first eight months of FY 2014/15

Institutional, structural, legal, and policy strengthening related various programs have been implemented through this Ministry and agencies under it.

- 11.21 During this period, National Motion Picture Policy has come into implementation after approval from the Government of Nepal. Seventh amendment has been made in the Annex of National Transmission Regulation 1995. Policy level arrangement has been made for FM Radio up to 100 watt from the concerned district.
- 11.22 Works are underway with the target to complete laying of 170 Km optical fiber and construction of 30 Community Information Centers (CIC) by the end of 15th July 2015 enabling exchange of information through Tele-centers by establishing information hub between Nepal, India, Bangladesh and Bhutan under the SASEC Information Highway Project.
- 11.23 There are programs to establish Community Information Centers at 81 different locations of 52 districts and to construct five (5) model Community Information Centers each in five development regions under the SAARC Development Fund (SDF). Works are moving forward with the target to complete the task by 30th June 2015.
- 11.24 Postal service is the oldest service in the information and communications sector that is highly used by the people with its institutional network extended up to the remotest rural areas. Aside from delivery of letters and parcels, various services like issuance of postal stamps, operation of Postal Saving Bank, Money Order Service, Same Day Delivery Service, Express Mail Service and E-post, Tele-Center Service are rendered through the Department of Postal Services and the offices under this Department.

Table 11(g): Number of Offices under Post Service Department

Postal Services	Mountain	Hill	Terai	Total
Department of Postal Service	-	-	-	1
Regional Postal Directorate	-	-	-	5
District Post Office	-	-	-	70
Area Post Office	170	372	300	842
Additional Post Offices	492	1541	1041	3074
Post Offices operating the Postal Saving Bank	-	-	-	117
Post Offices with Money Order Services	-	-	-	79
Number of Tele-Centers	-	-	-	401

Note: By mid-March of fiscal year 2014/15

Source: Postal Service Department

Telecommunications Service

11.25 Telecommunications service has gained both quantitative and qualitative growths due to rise in the number of service providers and service users along with the access to modern and sophisticated technological telecommunication facilities. By mid-March 2015, the total number of telephone subscribers has reached 26,261,108 with telephone density of 99.12 percent.

Table 11(h): Situation of Telecommunication Service

Types of Service	Fiscal Year			
	2011/12	2012/13	2013/14	2014/15*
Total Number of Telephone	16971477	21332278	24556572	26261108
PSTN	633258	647405	829413	839619
Mobile	15056109	179996125	22052620	2384515
Limited Mobility	1080405	1546697	1672815	2035232
GMPCS	1742	1742	1742	
Telephone Density	63.76	80.51	92.68	99.12
Total Internet Subscribers	4944479	6916138	8782936	11300605
Internet Density	18.94	26.10	33.15	39.68
ADSL Internet	95623	114534	128307	133752
GPRS	4683921	6476136	8341176	10069437
CDMA IMAX EVDO	188219	232248	193317	193317
Dial Up	15079	15380	-	-
Wireless Modem	46602	56900	-	-
Cable Modem	17968	18374	-	-
Wi-Max		2566	9299	11718

Source: Nepal Telecom Authority/ Nepal Telecom Company Limited

** of first eight months*

Table 11(i): Total Number of Telephone lines distributed as per service providers

Service Providers	Fiscal Year				Percentage Change (In FY 2014/15)
	2011/12	2012/13	2013/14	2014/15*	
Nepal Telecom Limited	8595771	9176060	10904462	12033202	18.84
United Telecom Limited	698298	719341	508841	508841	-29.26
Ncell Pvt. Ltd.	9553404	10526798	11924552	12937481	13.29
STM Telecom Sanchar Pvt. Ltd.	5363	5385	3095	2987	-42.52
Nepal Satellite Telecom Pvt.	149708	149698	150000	286452	0.20
Smart Telecom Pvt Ltd	576503	753254	1064998	1291303	41.38
Others	1742	1742	1742	1742	0

Source: Nepal Telecom Authority/ Nepal Telecom Company Limited

* of first eight month

National Information Commission

- 11.26 Article 27 of the Interim Constitution of Nepal, 2007 has provisioned the Right To Information (RTI) as a Fundamental Right and accordingly guaranteed this right as a Human Right by stating that every citizen shall have right to ask or get information of one's own personal or public concern. The Commission, in addition to running campaign, coordinating and operating programs for the promotion of information culture, has been playing a balancing and coordinating role between the parties seeking information, parties disseminating information, and public institutions and various government agencies advocating for Right to Information. During this period, the task of appointing information officers recorded a growth with the number of such officers reaching 4,000.

Print Media (Information Dissemination)

- 11.27 Department of Information, Gorakhapatra Corporation, Rastriya Samachar Samiti, (RSS) and Nepal Press Council under the Ministry of Information and Communications, have been disseminating information through the print media. Gorkhapatra Corporation has

been publishing news and articles in 29 different national languages under the “Build New Nepal Campaign”.

Table 11 (j): Comparative Statistics Status of Information Department's Completed Tasks

Title	Fiscal Year				Remarks
	2011/12	2012/13	2013/14	2014/15*	
Mint The Press	40 times	34	36 times	19 times	
Nepal Bimonthly	5 times	6	6 times	4 times	Publication
Nepal Introduction	500 copies	1000 copies	1000 copies	1000 copies	„
Calendar	5500 copies	5500 copies	6000 copies	6000 copies	„
Nepal Unity in Diversity Pictorial Book		500 copies	1000 copies	1500 copies	„
Diary	2500 copies	2500 copies	3000 copies	3000 copies	„
Media Directory	3000 copies	3000 copies	3000 copies	3000 copies	„
Basic Journalism Training	6 times	4 times	60 Persons		
Journalist in-service Training	25 Persons	30 Person	30 Person	30 Person	
Anchoring Training for Blinds	25 Persons	25 Persons	25 Persons	30 Person	
Photo Journalism Training		30 Persons			
Journalists Interaction Programs	In 6 districts	5 times	4 times	2 times	
Photo Session of Official Function	20 times	54 times	189 times	97 times	
Journalist Coordination in National Festivals and Government Program	13 times	10 times	18 times	53 times	
People's Welfare Advertisement and its Payment	99.1 million	99.1 million	107.8 million	100.4 million	
Registration Of Permanent Newspapers	156	180	87	56	
Registration of Temporary Newspapers	557	458	335	256	
Distribution of Press Representative Certificates	987	194	1133	978	
Renewal of Press Representative Certificate	2232	209	1876	1930	

Source: Department of Information

** By Mid-April of 2014/15*

Table 11 (k): Newspapers Registered in Districts

Types	2011/12	2012/13	2013/14	By Mid-April 2014/15
Daily	426	582	599	621
Half Weekly	24	33	34	32
Weekly	2213	2536	2594	2650
Fortnightly	408	432	442	450
Monthly	1981	2014	2061	2144
Two Monthly	237	337	341	348
Quarterly	518	564	578	588
Trimesterly	29	31	31	31
Half Yearly	72	78	80	83
Annually	83	83	87	88
Total	5991	6690	6847	7005

Source: Department of Information

Table 11 (l): Details of Newspapers registered by Languages

Language	Fiscal Year			
	2011/12	2012/13	2013/14	2014/15*
Nepali	4275	4613	4685	4783
English	457	470	483	483
Nepali/English	1030	1150	1210	1242
Newari	43	43	43	44
Sanskrit	2	4	5	5
Hindi	24	28	30	24
Maithili	27	40	44	45
Bhojpuri	8	9	9	6
Urdu	4	7	8	8
Tibetan	2	3	3	3
Tharu	9	12	13	13
Limbu	2	3	4	4
Doteli	2	4	4	4
Tamang	8	9	10	10
Rai	0	2	2	2
Others	288	293	295	330
Total	6181	6690	6847	7005

Source: Ministry of Information and Communication

*Till mid-April 2015

Electronic Communication Services

- 11.28 **Television Transmission Service:** Nepal Television, as a government owned communication media, has been broadcasting through three channels. Transmission of the third channel commenced from mid-November 2014. Transmission coverage of Nepal Television on the basis of population is 72 percent while it is 52 percent on geographical

basis. Nepal Television can be viewed across the country and in 116 different countries of the world through satellite.

- 11.29 **Radio Nepal:** Transmission coverage of Radio Nepal on the basis of population stood at 88 percent and 71 percent on the basis of geography. Similarly, transmission coverage of Radio Nepal FM on the basis of population stood at 45 percent and 35 percent on geographical base. In the course of gradually expanding the service of Radio Nepal to reach all districts, a 5 Kw FM Radio has been established at Bhedetar of Dhankuta.

Printing Service

- 11.30 Printing works of Nepal Gazette, stickers of the Department of Immigration and the Department of Foreign Employment, books and reports of National Planning Commission and Ministry of Finance along with other printing works are being carried out by the Department of Printing. Electronic documentation of Nepal Gazettes published since 1951 till 2007 has been completed.
- 11.31 RSS has adopted the policy of enhancing ease of access to news service to its service customers through Intranet/Internet and by email. It has added photo service and dedicated feeder facility to diversify its services, as well as Voice Clip service to support its FM service seekers. Its physical assets have been leased to raise the income of the organization. Online service has commenced from 18th SAARC Convention. It has published a SAARC Book with collections of South Asian countries.
- 11.32 **Gorkhapatra:** This newspaper, the eldest newspaper of Nepal, has been publishing news and articles in 29 different national languages under inclusive publication in new Nepal context. Four Hi press machines have been installed and trial operation being run. It has commenced online service as well.

Motion Picture Sector

- 11.33 The major policy adopted in the motion picture sector include: conduct or cause to conduct necessary study research for the development and promotion of motion pictures; encourage the private sector for production and release of standard movies; maintain coordination among entrepreneurs in the sector; promote indigenous story, art, culture, language, literature of the nation through the movies; award

and honor its creators and performers so as to develop and promote movies; and develop Nepal as an attractive center for international motion pictures as well.

- 11.34 Contract has been signed with the consultant selected for feasibility study and environment impact analysis as a precondition for gaining occupancy right on the land for construction of international standard film city at Dangdunge danda of Dolakha district.

Table 11(m): Status of Motion Picture Sector

Title	Fiscal Year				Remarks
	2011/12	2012/13	2013/14	2014/15	
License awarded for Nepali Feature Film Production (Celluloid, Digital and Video)	142	129	183	85	
License for t Video Advertisement Production	98	50	42	24	
License for Domestic Documentary Production	7	8	18	10	
Recommendation for Nepali Film Censor	76	76	99	66	
Recommendation for the registration of movie making industries	22	23	29	11	
New Licenses for Movie Exhibition	9	6	7	9	
Licenses renewed for Movie Exhibition	8	15	45	16	
Approval for the registration of movie showing industries	9	2	-	-	
Recommendations for bringing and taking back imported movie making instruments by foreign movie producers on Board's Guarantee	48	45	59	37	
Recommendations for the censoring of foreign movies through Central Censure Committee	89	77	114	55	
Recommendation for the imports of movie show instruments	9	16	-	11	
Approved Charity Shows	20	14	34	17	
Newly issued Movie Distribution Licenses	7	5	15	7	
Renewal of Movie Distribution Licenses	1	1	1	-	
Recommendation for the exhibition of Nepali Motion Pictures Abroad	11	5	4	3	

Source: Film Development Board

Science and Information Technology

- 11.35 Programs like genetic (DNA) testing facility within the country; extension of forensic science service; strengthening of research labs; study of tree cycle; and reducing the trend of brain drain have been carried out in the science and technology sector. Science fairs and exhibitions are being organized in various districts so as to raise public awareness on science through the continuation of promotional programs with grants, awards, audio visual, journal publication, and publicity of science and technology. Besides, activities on flow of information and technology transfer required for various industries, education and research oriented institutions are being carried out. The Ministry of Science, Technology, and Environment is engaged in effective implementation of Information Technology Policy 2010; National Atomic Policy, 2007; Electronic Transactions Act, 2006 and Regulation 2007; and creating favorable working environment within the country for its scientific human resource thereby enhancing economic and social development of Nepalese people.
- 11.36 As per decision of the government of Nepal made on 13th October 2014 to bring science and technology in the mainstream of national life, Action Plan has been prepared through regular meetings and consultations after forming five National Advisory Committees namely, National Biological Technology, Nuclear Technology, Space Technology, Micro Technology and Information Technology. China-South Asia Science and Technology Networking has been established in this period.
- 11.37 E-village program is in the process of operation in 8 (eight) places from across the country as per the annual program for this year after approving the procedure of its management and operation at the ministry level. With the establishment of such E-village, opportunities for expanding the information technology access at rural level, linking sectors like education, health, agriculture with information technology at the local level have been achieved.
- 11.38 A draft roadmap on National Information Technology has been prepared. Interaction between stakeholders of the government and the private sector has been conducted for obtaining their feedbacks. All government entities will formulate and implement their own sector plans after this roadmap is approved, which would serve as a guiding document for Nepal to take a leap forward in the Information Technology Sector.

- 11.39 The preliminary work on formulating e-Governance Master Plan has been completed. Government works and services could be delivered through electronic means after its formulation.

Box 11 (a) : Works carried out from National Information Technology		
S. No.	Works	Number
1	Registered DNS of Government Agencies	969
2	Web and Application Hosting	508
3	Government Email Service Provided	95
4	Internet Service Provided within Singhadurbar Premises	52
5	Server Collocations of Government Agencies	47
6	E-Gate Pass System implemented for Singhadurbar based Agencies	47
7	Information Technology related Trainings imparted	2350

- 11.40 In order to create web and application hosting environment, GIDC server room capacity has been enhanced and Server Room Expansion task has been moved forward. The authorized web portal (www.nepal.gov.np) of GoN providing governmental information and services through single portal has been in operation. Electronic portal www.licneseportal.gov.np has been issued and being managed to provide information and service to entrepreneurs through one window system.
- 11.41 Arrangement has been made to upload information from the concerned bodies with training to the officials of all government bodies to record service and information issued from National Portal as well as directives to operate national portal and government interoperability framework directive has been prepared.

Challenges and Issues

- 11.42. Development and expansion of qualitative, sustainable, secured, and reliable road network across the country has been a challenging task. Similarly, reducing the number of road accidents is another challenge.

- 11.43. Among the national pride projects, implementation processes for construction of Pokhara and Nijgarh Airports could not gain momentum yet. It is imperative to expedite the construction works of international airport considering the increased pressure at one and only international airport of the country that calls for a need of its alternative.
- 11.44. In a situation where the number of quality tourists could not grow due to high travel cost in absence of national flag carrier to operate international flights and direct flights to the international tourist destinations, challenges lie ahead to increase the number of quality tourist arrival through the expansion of international market by making full utilization of recently procured two airbuses.
- 11.45. Due attention could not be paid towards diversifying the postal service after decline in frequency of letter exchange owing to introduction of most advanced technology in the communications sector. Though telecommunication and motion picture sectors have attained quantitative growths, these sectors have not been able to grow qualitatively. The financial liability of national news media like Gorakhapatra, Nepal Television, and Radio Nepal has grown due to their national obligation for publishing and airing the news and programs in different languages. But, involvement of private FMs, Televisions, and Print Media in government program and advertisement has pushed national transmission institutions into difficult situation.
- 11.46. Expansion of national transmission and terrestrial transmission of NTV Plus remains a challenge due to the country's diverse geographical landscape. There has been an additional challenge for Nepal Television to move ahead competing with private TV channels while playing the role of a national transmitter. It is a challenging task for Nepal Television to switch over from its Analog system of program development, editing and analogue transmission system to digital system by 2017 A.D. through its own internal resources.
- 11.47. It is necessary for Corporations/Committees like Gorakhapatra Corporation, RSS, and Radio Nepal to increase their income through commercial use of their land properties situated at different locations. As news agencies like Radio Nepal, Gorakhapatra Corporation, RSS and Nepal Television have their own individual stringer correspondents, it is imperative to reduce the cost by making necessary

arrangements for these correspondents to work in an integrated manner.

- 11.48. Development of the country is not possible without development in science and information technology. Development in science and information technology has not been fully owned in all sectors. Task of bringing the development of information technology into practice by internalizing it has also remained a challenge. The task of managing budget for science based fresh and innovative programs in science and technology sector has been a challenge as well.

12. Good Governance, Peace and Reconstruction

Good Governance

- 12.1 All levels of related sectors and entities of the state mechanism have been making concerted efforts towards enhancing service qualities and effectiveness at par with the people's aspirations by making the public administration time relevant, dynamic, accountable to the people, and result oriented.
- 12.2 Reform plans are executed with the objective of putting the administrative management in the driver's seat for instituting good governance in the country. Policies and programs are being implemented focusing mainly on improving infrastructure; enhancing human resource capacity; developing electronic governance system; encouraging electronic transactions; strengthening effectiveness in policy analysis; implementing result oriented management process; and bringing effectiveness in monitoring and evaluation of public service delivery and implementation of projects.
- 12.3 Government of Nepal has assigned Office of Prime Minister and the Council of Ministers readership role for good governance. Likewise, Public Accounts Committee of the Parliament; Office of the Auditor General; Commission for Investigation of Abuse of Authority; Supreme Court; National Human Rights Commission; National Vigilance Center; Revenue Investigation Department; Department for Investigation on Money Laundering; and other Sector Ministries, Departments and Offices in Nepal have been actively working towards maintaining peace, good governance, and ensuring effective service delivery.
- 12.4 A number of Programs like maintaining coordination between administrative restructuring and program activities related to information technology; electronically managing decisions of the Council of Ministers; promoting human rights; and gender empowerment have been implemented. Arrangement has been made for speedy investigation and subsequent action against corruption related complaints by preparing agency-wise action-plan along with

establishment of anti-corruption units towards combating corruption effectively.

- 12.5 A 40-point action plan has been prepared and implemented with objectives of managing supply and distribution of food grains during major festivals and enhancing effectiveness of the transport sector. Paperless concept has been implemented by uploading work performance indicators of ministries and 31 different agencies in their respective office portals. Progress reports of projects of national pride are also being received online.
- 12.6 Video conferencing system has been started for public dissemination of decisions of the Council of Ministers. Draft on information classification as per section 3(3) of Right to Information Act, 2007 has been prepared. National portal has been commenced to provide information of GoN in an integrated manner.
- 12.7 Nine (9) major and 19 secondary base measurement indicators have been prepared for the purpose of facilitating identification of actual status in relation to issue identification and coordination in a situation whereby entities responsible for implementation of annual programs could not mobilize capital expenditure. E-bidding works have been arranged for projects exceeding Rs. 6 million. Public procurement has been managed through government electronic procurement medium.
- 12.8 The task of handling and addressing grievances is being done through electronic portal by collecting them 24 hours a day from different mediums so as to bring effectiveness in such handling. Between the period of mid-August 2014 and mid-April 2015, total number of grievances registered at *"Hello Sarkar"* was 3,701 and the number of cases settled was 3,542.
- 12.9 Arrangement of Grievance Hearing Room has been made for grievance hearing related with work performance of Ministry of Finance and agencies under it. Grievance management and information dissemination work is in operation with establishment of service recipient service room at the Department of Customs and four offices under it.

Local Good Governance

- 12.10 Local Governance and Community Development Program is ongoing in joint effort of GoN and various donor agencies for running the

people oriented local bodies and governance system with maximum participation of the people despite absence of people's representatives in local bodies.

- 12.11 Programs are in implementation with incorporation of matters like as accountable local governance, improved social mobilization, emphasis on service flow and resource mobilization, emphasis on local economic development and livelihood program, improvement in local public accounts management and financial risk minimization, environment and child friendly local governance in the context of changing scenario, methods for associating local governance with new methodologies.
- 12.12 Activities like information flow through web-based system, reporting arrangement, and raising people's confidence in their uses are being carried out by initiating e-governance activities such as internet, email, networking, software in all existing Municipalities and DDCs in order to make the local governance information technology friendly.
- 12.13 Civil institutions have made watch-dog arrangement to make the local governance accountable. In this act, third party surveillance of local entities has been enhanced in 66 districts by engaging local citizen forums, and through the Local Governance and Accountable Mechanism in 9 (nine) districts with the support of Swiss Government assisted Local Bodies Accountability Strengthening Program.
- 12.14 A total of 6,715 citizen forums have been watching the works performed by local bodies. Altogether, 741 public hearings have been carried out in the first eight months of the current fiscal year. New quality measurement laboratories have been established in 10 districts. In addition, laboratories those were not operating in 11 districts have been brought into operation by developing their capacities.

Public Administration and Service Delivery

- 12.15 Tasks, in the public administration sector, like making civil service ethical, capable, better, accountable, and professional; capacity development of civil service as well as making civil service competitive, responsible and accountable, are being carried out.
- 12.16 Beginning from 16th December 2014, arrangement has been made for opening of major stakeholder offices from 6 o'clock in the morning to 6 o'clock in the evening that come in direct contact with citizens. Such public service providing offices are those dealing with citizenship,

passport recommendation, birth registration, marriage registration, death registration, land registration, survey, passport issuance, industry registration, driving license issuance, foreign employment permission, and services related to payments of electricity bill, drinking water bill and telephone bill. Additionally, citizen's charters are posted with provision of compensation aimed at ensuring efficient and effective service delivery while making public services accountable to the people.

- 12.17 Works are being carried out in related areas towards making public service delivery clean, transparent and effective; gradual adoption of electronic governance system and process as well as rewarding employees based on their work performance; and ensuring predictability of appointment, placement, transfer, promotion, remuneration, and benefits; and decisions that are based on rule of law and fundamental principles of incentives.
- 12.18 Civil Service National Training Policy, 2014 has been prepared, based on which training program for all Work Procedure Directives, 2014 has been prepared with the objective of equipping every civil servant with at least one training. Civil Residential School, Dhankuta has been brought in operation from last year. Persuasive Partnership Program has been carried out in 10 districts. Residential six-month service entry training has been started for newly appointed section officers.

Department of Civil Personnel Records

- 12.19 Providing detail of civil servants as well as services such as pension and gratuity to the retired personnel is being carried out through the Department of Civil Personnel record. Arrangement of pigeonhole racks are made for safe-keeping of property details of employees. So far, a total of 51,000 sets of property details record-keeping as of the previous fiscal year have been completed. Initiation has been made for barcode-based exchange system for files maintained at the central filing system. Information on registration of property details, mandatory retirement as well as transfer and promotions are being disseminated through SMS. Communicating about the amount receivable by retiring personnel has been initiated from 15th March 2015.

Table 12(a): Detail of Civil Personnel

S. No.	Particulars	Fiscal Year			
		2011/12	2012/13	2013/14	2014/15*
1	Personnel working in Civil Service	79472	79802	79653	81943
	Inside Kathmandu Valley	19504	19644	21550	20745
	Outside Kathmandu Valley	59968	59885	80131	61198
	Officer	15888	16711	14501	19995
	Assistant	42233	41696	29115	41912
	Non Class	21351	21082	20317	20036
2	Seat Roll Registration	2252	1851	1555	3826
3	Retired Civil Servants	2516	1612	1824	2201
4	Gratuity	219	101	93	148

* of the first eight months

Source: Department of Civil Personnel Records

Human Resource Development

12.20 Currently about 19 training institutions are engaged on enhancing knowledge, skill, capacity and efficiency of civil service employees. These institutions are: Nepal Administrative Training Academy; Employees' Training Academy; Local Development Training Academy; Revenue Administration Training Center; Postal Training Center; Central Cooperative Training Center; Foreign Affairs Studies Academy; Judicial Service Training Center; National Judicial Academy; National Health Training Center; National Center for Education Development; Agriculture Training Directorate; Directorate of Livestock Training and Extension; five Regional Forest Training Centers; and Land Management Training Center. These institutions have been continuously conducting training programs in their respective areas. Additionally, these institutions would require to conduct additional training programs beyond their regular annual programs after the implementation of the 'Training for All' program.

Table 12(b): Detail of Training Programs Conducted Through Nepal Administrative Staff College

Fiscal Year	Program	Target		Progress	
		No. of Program	No of Trainee	No. of Program	No of Trainee
2011/12	Regular	59	1395	54	1177
	Paid	43	0	48	1137
	Total	102	1395	102	2314
2012/13	Regular	50	1095	50	1088
	Paid	50	1037	26	699
	Total	100	2132	76	1787
2013/14	Regular	61	1435	54	1188
	Paid	92	1823	52	1298
	Total	153	3258	106	2406
2014/15*	Regular	36	870	24	599
	Paid	17	340	22	463
	Total	53	1210	46	1062

* Of first eight months

Source: Nepal Administrative Staff College

Peace and Reconstruction

- 12.21 The peace process initiated after comprehensive peace accord with the objective of bringing it to a meaningful conclusion, undertakings such as paying due respect to martyrs who lost their lives in the people's movement; searching the disappeared people; providing relief to conflict victims and rehabilitate them; their reintegration and providing transitional justice; and reconstruction of those physical infrastructures destroyed during the conflict period are in progress with greater priority.
- 12.22 Two Commissions namely, the Commission on Truth and Reconciliation, and the Commission on Investigation of the People Disappeared in the Conflict have been formed, and they have started working as per their mandates of conducting investigations on the people engaged in such crimes, bring the truth before the public, and establish sustainable peace in the society through reconciliation among the people.
- 12.23 Various policies, Acts, Rules, Manuals, and Working Procedures have been brought into implementation as strategic initiatives of the

Government of Nepal towards maintaining peace, security, and order in the country and to make reconstruction works effective.

Table 12(c) : Status of Relief, Financial Assistance, Reconstruction and Rehabilitation

Program	Total Number	2010/11	2011/12	2012/13	2013/14	2014/15*	Total
Relief to Dependents of Dead Persons(Rs. 100,000)	17886	332	225	100	174	22	14397
Relief to Dependents of Dead Persons (addition Rs. 200,000)	14831	-	10241	243	199	38	10721
Relief to Single Women Dependents of Common People dead in Conflict (Rs. 25,000)	4700	1192	165	5	88	82	4728
Relief to Dependents of Disappeared People (Rs. 100,000)	1530	105	1381	42	47	10	1530
Relief to Dependents of Disappeared People (Additional Rs. 200,000)	1530	-	1205	267	25	5	1502
Relief to Single Women Dependents of Disappeared People (Rs. 25,000)	-	-	500	111	38	2	651
Financial Assistance to Displaced Person	79571	-	-	-	-	-	25000
Relief against the damage of personal properties	17484	825	3342	1045	109	95	9249
Financial Assistance to Persons turned into Physically Challenged	8191	1794	1420	2996	1810	46	8191
Relief to Abducted Persons (Rs. 25,000)	3142	998	1044	905	183	12	3142
Monthly Gratuity to Martyr's Families	26	26	26	26	26	26	26
Monthly Relief to Injured in People's Movement	30	30	30	30	29	29	30
Scholarship to the children of injured persons in People's Movement	38	38	38	38	38	38	38
Financial Assistance to Physically Challenged Persons losing more than 51percent of their body parts.	744	-	-	736	744	744	744
Financial Assistance to Children who lost their Parents	620	-	592	620	620	620	620
Relief to Dependents of Persons dead after Peace Accord	-	25	31	2	1	-	59
Reconstruction of Completely Damaged Physical Structures	8916	487	281	13	207	64	2909
Project running from Development for Peace	-	-	-	61	39	45	145
Conflict Affected Area Special Program	-	-	-	413	80	-	493

* Of first eight months

Source: Ministry of Peace and Reconstruction

- 12.24 Peace Committees that were formed at three levels namely, 75 at the District, 55 at the Municipality, and 2,519 VDCs, are active towards maintaining harmony in the society as well as for creating and promoting peace through reduction of conflicts at the local level. These Committees have been playing leadership role towards transformation of conflict and maintenance of peace and reconciliation at local levels.
- 12.25 The Peace Fund is in operation that was established in mid-February 2007 in the ownership and management of Government of Nepal on joint initiation of the government and its development partners with objective of providing technical and financial assistance for implementation of Comprehensive Peace Agreement and other peace related Agreements.
- 12.26 Various tasks has been carried out from peace fund focusing on matters like Cantonment management as well as integration/rehabilitation of Maoist combatant, relief to conflict affected people and community, security and transitional justice promotion, constitutional assembly election and assistance in national as well as local level peace construction.

Issues and Challenges

- 12.27 Despite provisions made in Good Governance Act and Regulations for maintaining good governance and various efforts made in that direction, review and analysis of implementation status and uses of authorities as provided to officials and responsibilities through the Act and Regulations are yet to be conducted. As a result, maintaining accountability and transparency has remained a challenge.
- 12.28 Time-relevant qualitative services could not be delivered as expected due to lack of strong security measures at local the level, lack of employees in conflict areas, and absence of elected local bodies.
- 12.29 There are some major issues such attitude problem among the personnel working in service providing organizations and lack of orientation towards problem resolution; difficulty in conducting result oriented participatory monitoring and evaluation of targeted objectives; absence of programs prioritization as well as lack of adequate homework for implementation.

- 12.30 Bringing economic and social transformation of the nation through skillful and effective administration by harmonizing public policy initiatives and their implementation while adopting the universally accepted values of managerial and principles-based good governance that has to be in place between politics and government administration has been a big challenge.
- 12.31 There are persistent problems such as lack of self motivating working environment that promotes incentives among the employees to work, non-development of data documentation system, and inability to instill efficiency in personnel administration related decision-making and performance.
- 12.32 Lack of effective analyses of objectivity and the needs of offices while conducting Organization and Management (O & M) surveys, and also lack of interest among line ministries on management testing are also other problems in this respect.
- 12.33 Other issues and challenges are: attaining the sustained peace; non-discriminatory equal treatment to all; providing equal opportunities at all levels of the State; snail-paced reconstruction of public physical structures damaged during the conflict due to lower budgetary allocations; carrying out relief and rehabilitation programs in the context of Commissions formed for normalization of transitional situation; implementation of Agreements and contracts signed with various groups, organizations, parties after formation of the Ministry; and making necessary arrangements of resources and coordination with Commission on Investigation on Disappeared Persons, and Truth and Reconciliation Commission, etc.

13. Social Sector

Education

- 13.1 The state has been making investment in education sector with the objective of expediting the pace of country's social and economic development through the enhancement of human development. The contribution of education sector preliminarily estimated to remain at 6.7 percent to GDP in current fiscal year against 6.4 percent of previous fiscal year. The growth rate of this sector was 4.81 percent in the previous fiscal year while it is preliminarily estimated to remain at 4.97 percent. Various programs such as extension of equitable access to education, quality improvement and capacity enhancement, are being carried out annually. Special emphasis has been accorded towards making foundation of education robust through implementation of various educational programs in relation to pre-primary education, school education and non-formal education.
- 13.2 Generating competent human resource through the enhancement of quality education in the country and developing human resource by bringing back ward, marginalized and deprived groups into the development mainstream maintaining regional balance have been felt necessary. Likewise, the role of indicators such as literacy rate, gross and net enrollment rate, gender equity index, retention rate, coefficient of efficiency, school-student -teacher ratio for the effectiveness of education sector has been found crucial.

School Education

- 13.3 Various programs are in operation since long ago with a view to increase access to school education, sustain the retention rate and enhance quality of education. As a result, this sector has been experiencing gradual improvement. The net enrollment ratio at primary level has reached 96.2. There has been gradual improvement in literacy rate and net enrollment rate.. According to the National Population Census, 2011, total literacy rate of age group above 6 years in Nepal has reached to 65.9 percent. Similarly, the literacy rate of age group above 15 years has been 56.5 percent according to Nepal Living Standard Survey, 2010/11.

Table 13(a) : Status of Educational Indicators

Indicators	Unit	Achievements						
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
1. Enrollment in Grade 1								
New enrollment in Grade 1 with kinder garden experience	Percent	36.2	49.9	52.1	54.3	55.6	56.9	59.6
Gross Enrollment Rate	Percent	147.7	144.0	142.4	140.7	137.7	141.8	137
Net Enrollment Rate	Percent	81.0	86.4	89.0	90.7	91.2	91.6	93
2. Enrollment (Easily visible Enrolment Rate)								
Elementary Education Development /Pre-Primary	Percent	63.4	66.2	70.0	72.9	73.7	76.7	77.7
Basic Education (1-8)	Percent	123.0	123.0	124.0	123.7	120.1	115.7	117.1
Secondary Education	Percent	40.0	44.7	46.2	49.4	51.7	50.4	51.6
3. Net Enrolment Rate								
Primary Education	Percent	91.9	93.7	94.5	95.1	95.3	95.6	96.2
Basic Education	Percent	73.0	83.2	86.0	86.6	87.5	86.3	87.6
Secondary Education	Percent	21.0	23.9	27.1	30.6	32.4	33.2	34.7
4. Teachers W/ Required Qualification and Trainings								
Basic Education	Percent	66.0	75.0	79.0	91.1	91.5	92.5	93.7
Secondary Education	Percent	77.0	85.0	88.0	90.1	90.7	91.5	93.0
5. Teachers with Required Certification								
Basic Education	Percent	91.0	92.0	94.0	-	96.9	98.1	98.6
Secondary Education	Percent	91.0	92.0	94.0	-	98.0	98.7	98.9
6. Student/ Teacher Ratio (Approved Teacher Posts of Community Schools and Teachers Working on Relief Teachers Grant System)								
Basic Education	Ratio	43:1	44:1	46:1	44:1	42:1	41:1	41:1
Secondary Education	Ratio	39:1	34:1	35:1	36:1	31:1	31:1	30:1
7. Repetition Rate								
Grade 1	Percent	28.3	26.5	22.6	21.3	19.9	17.5	15.2
Grade 8	Percent	11.0	7.0	6.6	6.0	6.0	4.9	4.5
8. Continuation up to Grade 5 and 8 Rate as per Cohort Method								
Grade 5	Percent	58.0	77.9	80.6	82.8	84.2	85.4	86.8
Grade 8	Percent	41.0	62.0	66.0	67.5	69.6	72.1	74.6

Indicators	Unit	Achievements						
		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
9. Coefficient of Efficiency								
Basic Education	Ratio	0.5	0.61	0.65	0.66	0.77	0.71	0.73
10. Achievement through Training								
Grade 5	Percent	53.0	-	-	-	-	Mathematics 53 Nepali 60 English 54	Mathematics 53 Nepali 60 English 54
Grade 8	Percent	46.0	-	-	-	44** and 63***	Mathematics 43 Nepali 49 Social Studies 49	Mathematics 35 Nepali 48 Social Studies 41
11. Pass Rate								
SLC	Percent	68.47	64.31	55.50	47.65	41.57	43.92	47.43
Higher Secondary (Grade 11)	Percent	-	40.05	39.26	38.15	39.94	39.80	-
Higher Secondary (Grade 12)	Percent	-	46.68	43.90	47.55	43.39	44.29	-
12. Literacy Rate								
Age Group (15-24)	Percent	73.0	73.0	73.0	-	88.6	-	-
Age Group (Above 6 Years)	Percent	51(a)	51	51	60.9 (b)	65.9 (c)	65.9	65.9
Age Group (Above 15 Years)	Percent	48(a)	48	48	56.5 (b)	56.5	56.5	56.5
13. Gender Parity Index (GPI) based Literacy (Above 15 Years)	Ratio	0.52(a)	0.52	0.52	0.62 (b)	0.62	0.62	0.62

* of first eight months

** Community School

*** Institutional School

(a) NLSS Report (2003/04) and (b) NLSS Report (2010/11), (c) National Population Census Report (2011)

Source: Ministry of Education/ Central Statistics Bureau

School Management

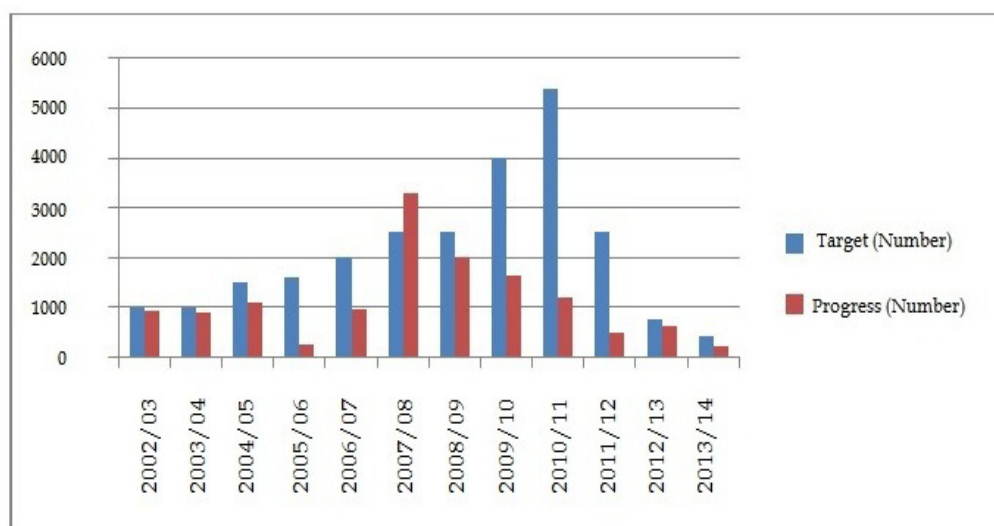
13.4 As per the policy to hand over management and authority to operate community schools to local community on direct involvement of the stakeholder communities, the achievements made from FY 2002/03 to the first eight months of current fiscal year 2014/15 are as follows:

Table 13 (b): Detail of School Management Handed Over to Communities

Fiscal Year	Target (Number)	Progress (Number)	Percentage
2002/03	1000	930	93.00
2003/04	1000	907	90.70
2004/05	1500	1092	72.80
2005/06	1600	241	15.06
2006/06	2000	949	47.45
2007/08	2500	3308	132.32
2008/09	2500	2017	80.68
2009/10	4000	1647	41.18
2010/11	5400	1195	20.19
2011/12	2500	507	20.28
2012/13	750	619	82.53
2013/14	411	232	56.45
Total	-	13644	

Source: Ministry of Education

Chart 13 (a): Detail of School Management Handed Over to Communities



13.5 A total of 13,644 schools have been handed over to the communities by the end of FY2013/14. Handing over of schools was encouraging in

the initial years which fell sharply until FY 2011/12 but remained satisfactory in subsequent years. The practice for handing over schools to the community only on community's demand has been initiated from current fiscal year 2014/15.

Pre-Primary Education and Child Development Program

- 13.6 Pre-Primary and Initial Child Development Programs are in operation since fiscal year 1999/2000 by targeting the children of 3 - 4 years with the objectives of providing educational continuity and promoting the capable groups helping for proper care and socialization for overall development of the children. Pursuant to the policy of expanding child development centers by especially targeting the children belonging to backward communities, by the first eight months of FY 2014/15, a total of 30,535 community-based such centers are in operation. In addition, 5,087 pre-primary classes are running in institutional schools. Of the children to enroll at class 1 in last academic session, children development centers had 56.9 percent attendees while this rose to 59.6 percent in current academic session.

Table 13 (c): Status of Pre-Primary Education

Fiscal Year	Added Child Development Centers (No.)	Total Child Development Centers (No.)	Beneficiary Children (No.)	Early Childhood Development Enrolment Rate	Experience of Child Development Center among Children Enrolled in Grade 1
2009/10	2000	26772	947278	66.02	49.9
2010/11	2000	28775	1018543	70.0	52.10
2011/12	500	29273	1056430	72.9	54.30
2012/13	262	29535	1053054	73.7	55.60
2013/14	500	30035	1047123	76.7	56.90
2014/15*	500	30535	1014339	77.7	59.60

* Based on first eight months description

Source: Department of Education/Ministry of Education

Scholarship Program

- 13.7 Scholarships are being provided at different levels of school education for expanding equitable access of students at corresponding levels, improving the rate of retention, and broadening meaningful teaching opportunities.

Table 13 (d): Scholarship made available to School Students

(In Number)

Scholarship	Fiscal Year				
	2010/11	2011/12	2012/13	2013/14	2014/15*
Scholarship for all girl students studying in Grade 1-8 (including Karnali Package 1-10)	2293744	2276479	1907469	1686480	1045684
Handicapped Students (1-8)	62163	69944	59098	53903	13399
Handicapped Students (9-10)	4494	6193	4841	4055	788
Specially Targeted Groups (22 Ethnic/1-8)	104157	86712	106517	77900	27677
Dalit Scholarship (1-8)	1100349	1200816	1000741	870888	531581
Dalit Scholarship (9-10)	-	75511	79587	75386	39755
Scholarship for Martyr's Children	37	62	89	99	12
Capacity Development and Scholarship for Kamlari	7673	7886	6882	7655	3479
Scholarship for Conflict Victims	3808	8097	7412	6846	523
Remote Scholarship for Student of Mountain Hostels	413	407	437	480	428
Scholarship for Students of Feeder Hostels	400	400	399	391	330
Scholarship for Students of Model Hostels	148	222	382	307	356
Scholarship for Mountain Boarding School Hostel Students	220	140	160	180	128
Secondary Education Scholarship	58836	59023	58412	55826	37270
Scholarship for Endangered Ethnic People, extremely marginalized including Children of Free Bonded Laborer, Tiller, Cattle Grazers and Badi (9-10)	13595	32703	9252	8552	1100
Scholarship to Target Groups for Science Students of Higher Secondary School Level	80	76	68	39	-

* Of first eight months

Source: Department of Education

Teachers Management

- 13.8 Recommendation was made for the appointment of a total of 12,736 teachers including 7,920 at primary level, , 2,670 at lower secondary level and 2,146 at secondary level in FY 2013/14 while vacancy is announced through advertisement to fulfill the positions of a total of 3,186 teachers including 1,326 at secondary level and 1,860 at lower secondary level in the current fiscal year.

Education for Children of Martyrs and Conflict Victims

- 13.9 Martyrs Memorial Academy has been established with the objective of providing school education to children of martyrs, disappeared, injured and handicapped children and provided education with residential facility as follows:

Table 13 (e): Progress Detail of Scholarships Provided to School Students

(In Numbers)

School	Academic Session					
	2010	2011	2012	2013	2014	2015
SahidSmriti Boarding School, Sunsari	239	234	262	300	328	342
SahidSmriti Boarding School, Giri, Dolakha	182	200	217	240	205	387
SahidSmriti Boarding School, Kaski	208	218	228	240	298	259
SahidSmriti Boarding School, Manpur, Dang	244	285	350	400	382	421
SahidSmriti Boarding School, Rajpur, Doti	185	169	195	220	204	250
Total	1058	1106	1252	1400	1417	1559

Source: Ministry of Education

Food for Education Program

- 13.10 Day Tiffin Program is being carried out in selected VDCs of 17 districts having less access with a view to raise the daily attendance, reduce the class dropout rate, increase learning, result/capacity of children to bring improvements in nutrition and health condition of students from districts with food scarcity and very low access to education. Currently, this program is in operation in only 10 districts (Dailekh, Rukum, Doti, Dadeldhura, Achham, Baitadi, Bajhang, Bajura, Darchula and Jajarkot).

Table 13 (f): Detail of Food for Work Program

Fiscal Year	Program	Number of Students
2011/12	Day Snacks Program	132,000
	Girl Student Encouragement Program	40,197
	Mother and Child Health Care Progra	15,497
2012/13	Day Snacks Program	151,701
	Girl Student Encouragement Program	50,180
	Mother and Child Health Care Program	14,325
2013/14	Day Snacks Program	141,423
2014/15*	Day Snacks Program	156,000

**Of the first eight months*

Source: Ministry of Education

Technical and Vocational Training

- 13.11 Technical Education and Vocational Training Council has occupied important space for producing employment oriented medium level manpower in the country thus contributing actively in its development. Under this, 1,150 students have enrolled for technical SLC (constituent) in the first eight months of current fiscal year while 372 students have already received training during this period. Likewise, towards Diploma/Certificate level (constituent), a total of 1,549 students have been enrolled and 505 such students are trained during this period. Under this program, scholarships are being provided at technical SLC and Diploma/Certificate levels (Annex 13.1 for details)
- 13.12 Various training programs are being conducted through Vocational Education and Training Enhancement Project. Skill Test Assessors Training, Skill Test Manager Training, and Key Instructor Training are in operation under this project.

Table 13 (g): Vocational Education and Training Enhancement Details

Program	Unit	Fiscal Years		
		2012/13	2013/14	2014/15*
Skill Test Assessors Training	Person	1456	1324	900
Skill Test Manager Training	Person	131	105	0
Chief Trainer Training	Person	40	45	25
Trainer and Assistant Trainer Training	Person	320	672	429
Scholarship to Diploma and Technical SLC studying students	Person	908	844	1660
Result Based Short Term Training	Person	6924	14335	18960
Voucher Based Short Term Training	Person	-	4495	10081

* Of first eight months

Source: Ministry of Education

Informal Education and Open School

- 13.13 Programs such as basic literacy classes and skill development training for illiterate adults, adult literacy for newly literate and women education-II, income generation and saving and credit program for making newly literate women skills sustainable and uplifting the income level, and alternative, open and adult school program for mainstreaming teenagers into the education system to those remaining out of school are being operated under this program.

Table 13 (h) : Details of Operational Programs under Non-formal Education

Program	Unit	Fiscal Year		
		2012/13	2013/14	2014/15*
Literacy Class	Class	-		-
	Number of Participants	1105063	1344866	-
Adult Literacy	Class	12000	12000	-
	Number of Participants	240000	240000	-
Primary Education Extension Program	Class	248	248	-
Non-formal Primary Education	Class	353	526	346
Lower Secondary Open School	School	37	37	37
Income Generating Group	Group	5050	5050	5050
Subject-Wise Training	Number	30962	30962	30962
Subject-Wise Training	Individuals	10100	10100	10100
Saving and Credit Training	Center	175	212	19
Establishment of Community Study Center	Level	5	5	5
	Individuals	80	80	80
Establishment of Non-formal Education and Orientation to Non-formal Education Branch Heads				
Orientation on Program Implementation	Sector	5	5	5
	Individuals	160	160	160
Review and Feedbacks	Sector	5	5	5

* Of first eight months

Source: Non-Formal Education Center/Ministry of Education

- 13.14 Peoples at local level who were not able to study attending school regularly due to various reasons are being provided education through 37 lower secondary schools and 84 open schools with a view to provide school level alternative education opportunity to target groups.

Physical Facility Expansion Program

- 13.15 Under this program, works like construction of additional class rooms in schools, school repair maintenance, and improvement in the school's surrounding environment such as toilet construction, drinking water,

and wire fencing have been conducted. A total of 5,131 classrooms have been constructed in FY 2013/14.

Table 13 (i): School Physical Facility Extension Program Details

Fiscal Year	Class Room (Nos)	External Environment (School Nos)	Repair Maintenance (School Nos)
2009/10	6550	4280	4011
2010/11	4967	4881	300
2011/12	6037	4009	486
2012/13	3694	1000	1000
2013/14	5131	2637	636

Source: Ministry of Education

Per Student Grant Program

- 13.16 An arrangement has been made for distributing per student grant in schools from the past with a view of retaining students in schools by establishing result oriented grant system in community schools and motivating to maintain specified benchmark by providing quality education.

Detail of Schools, Students, and Teachers and their Ratios

- 13.17 Of the total of 34,806 primary level schools operating in academic year 2014 in Nepal, shares of Mountain, Hills, Kathmandu Valley and Terai as per geographical area stood at 12.1 percent, 50.5 percent, 6.3 percent and 31.1 percent respectively. Of the schools totaling 14,952 on lower secondary front, shares of Mountain, Hills, Kathmandu and Terai as per geographical area stood at 10.7 percent, 45.7 percent, 11.3 percent and 32.3 percent respectively. In respect of Secondary Level schools, shares of Mountain, Hills, Kathmandu and Terai as per geographical area remained at 9.0 percent, 43.6 percent, 15.4 percent and 32.0 percent respectively totaling 8,825 schools.

Table 13 (j) : Detail of Distribution of Schools by Geographical Regions

Geographical Region	Total Schools (Unit)	Primary Level (Grade 1-5)	Lower Secondary Level (Grade 6-8)	Basic Level (Grade 1-8)	Secondary Level (Grade 9-10)	Higher Secondary Level (Grade 11-12)	Secondary Level (Grade 9-12)
Nepal	34806	34335	14952	34506	8825	3659	9120
Mountain	4225	4187	1607	4218	794	319	801
Hill	17566	17429	6830	17514	3846	1593	3897
Kathmandu Valley	2206	2070	1686	2084	1360	448	1479
Terai	10809	10649	4829	10690	2825	1299	2943

Source: Ministry of Education

Chart 13(b): Area-wise Detail of Schools of All Level

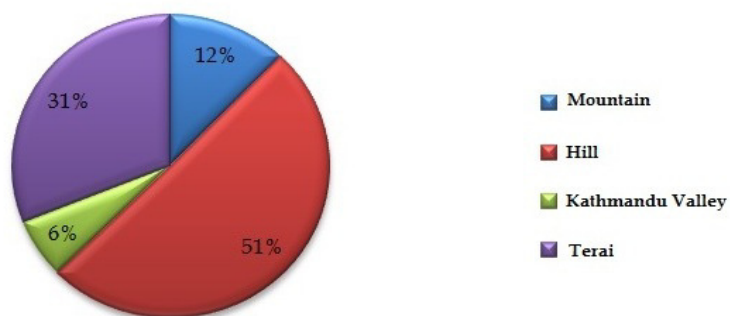
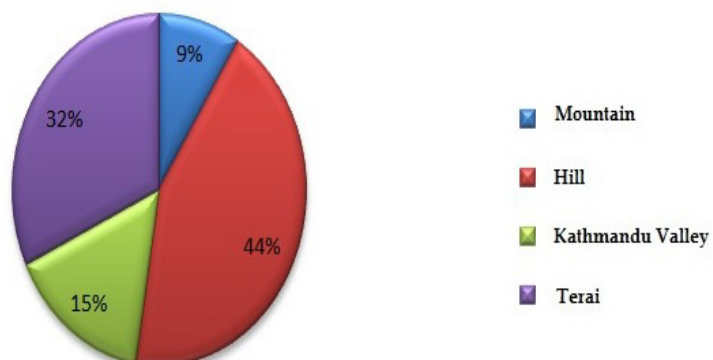


Chart 13 (c): Area-wise Detail of Secondary Level Schools



- 13.18 In academic calendar year 2014, ratio of student per school in primary, lower secondary and secondary (9-10) level remained at 126, 123 and 102 while such ratio in previous academic year stood at 126.7, 120.0 and 97.4 respectively. Likewise, ratio of teacher per school in primary, lower secondary and secondary (9-10) which stood at 5.3, 3.4 and 4.2 respectively in academic year 2013 remained at 5.4 and 4 respectively in academic year 2014.

Table 13 (k): Level-Wise Ratio of School, Student and Teacher

Ratio	Primary Class (1-5)	Lower Secondary Class (6-8)	Basic Class (1-5)	Secondary Class (9-10)	Higher Secondary Class (11-12)	Secondary Class (9-12)
Student/School	126	123	179	102	116	144
Teacher/School	5	4	7	4	5	6
Student/Teacher	23	35	26	23	22	23

Source: Ministry of Education

- 13.19 In academic year 2014, the ratio of students per teacher in primary, lower secondary and secondary level towards community (government) school stood at 26, 42 and 30 respectively and that of private/government school remained at 23, 35 and 23 respectively. This ratio during academic year 2013 in primary, lower secondary and secondary level of community school was 27.2, 42.6 and 30.4 respectively while on private/government school front, 23.9, 35.4 and 23.4 respectively. This ratio has remained lowest at 4 for primary level in community schools in mountains under Western Development Region and highest at 73 for lower secondary level of community school in the Terai under the Central Development Region.

Table 13 (I): Ratio of Student per Teacher (Academic Year 2014)

Region	Per Teacher Student Ratio					
	Private/Government Total			Only Government (All Community Schools)		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
Nepal	23	35	23	26	42	30
Eastern Region	22	36	27	24	41	31
Mountain	18	28	21	19	29	21
Hill	17	31	25	17	32	26
Terai	27	43	29	34	57	40
Central Region	27	31	19	33	43	28
Mountain	16	31	23	17	33	25
Hill	17	31	21	19	35	28
Terai	52	60	37	57	73	42
Valley	16	18	11	15	20	14
Western Region	16	30	19	18	34	24
Mountain	4	8	5	4	8	5
Hill	13	27	19	14	30	22
Terai	24	35	20	31	48	31
Mid-Western Region	29	52	36	31	56	41
Mountain	23	43	33	24	45	33
Hill	32	55	41	33	57	42
Terai	28	52	33	30	58	45
Far-Western Region	25	42	36	27	42	35
Mountain	20	30	25	21	31	25
Hill	23	35	26	25	35	26
Terai	31	61	61	37	60	57

Source: Ministry of Education

13.20 Central region has the highest number of schools on regional basis. Among primary schools operating at community level, Mid-Western and Far-Western Development has more such schools compared to Western Development Region. Likewise, among the secondary level private schools, about 50 percent of them are only in Mid-Western Region while such ratio stands at only 5 percent in Far Western Region.

Table 13 (m): Region-Wise Detail of Different Types of Schools

Development Region	Government Run			Community Run			Private Run		
	Primary Level	Lower Secondary Level	Secondary Level	Primary Level	Lower Secondary Level	Secondary Level	Primary Level	Lower Secondary Level	Secondary Level
Eastern	5578	1577	795	827	856	465	1063	688	448
Central	6743	2105	1155	1031	889	558	2164	1738	1409
Western	5867	1589	974	499	703	396	1197	910	642
Mid-Western	3830	981	487	1075	870	393	487	278	182
Far Western	2669	830	391	855	706	397	444	232	133
Total	24687	7082	3802	4293	4024	2209	5355	3846	2814

Source: Department of Education/Ministry of Education

Chart 13(d): Schools Operating at Government Level (In Percent)

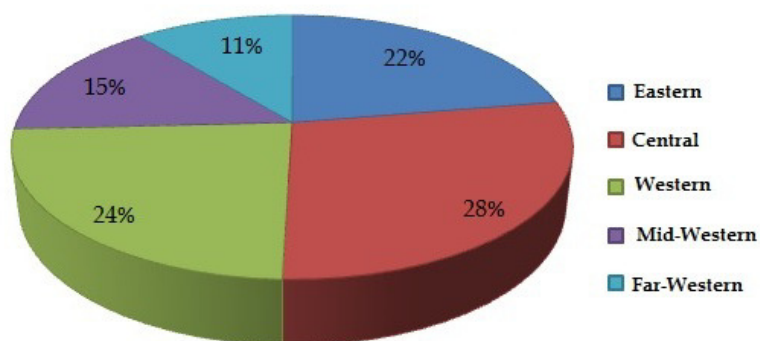
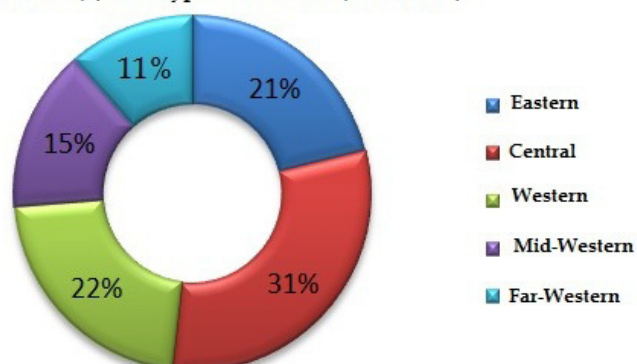


Chart 13 (e): All Types of Schools (In Percent)



Traditional School

- 13.21 During academic year 2014, a total of 882 primary level, 50 lower secondary level, 21 secondary level and 895 basic level schools were in operation under traditional hostels/Gurukul, Monastery, Vihars, and Madarsa schools in the country. This number in each category of such schools in the last academic year was 867, 47, 20 and 879 respectively.

Table 13 (n): Detail of Traditional Schools

(In Numbers)

Traditional School	School Unit	School Level			
		Primary	Lower Secondary	Secondary	Basic
Madarsha	745	744	27	13	745
Monasteries and Bihar	78	76	7	1	78
Ashram and Gurkul	72	62	16	7	72
Total	895	882	50	21	895

Source: Ministry of Education

Teacher Details

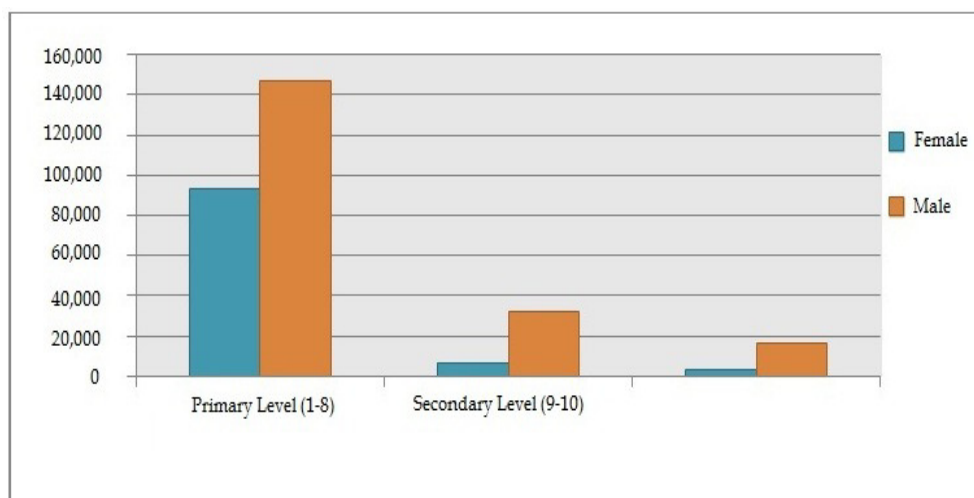
- 13.22 Of the teachers engaged in teaching in community and institutional schools in the first eight months of fiscal year 2014/15, a total of 215,938 teachers comprising 66,854 female teachers and 149,084 male teachers are at community front whereas 36,004 female teachers and 46,127 male teachers totaling 82,131 teachers are towards institutional front. The total number of teachers working at all levels has reached 298,069 while this figure was 292,845 last year.

Table 13 (o): Detail of Teachers Engaged in Community and Institutional Schools

Level	Community School			Institutional School			Total		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Primary Level (1-5)	53,381	86,541	25,249	22,513	78,630	109,054	187,684	53,381	86,541
Lower Secondary Level (6-8)	7,636	29,135	6,798	8,779	14,434	37,914	52,348	7,636	29,135
Basic Level (1-8)	61,017	115,676	32,047	31,292	93,064	146,968	240,032	61,017	115,676
Secondary Level (9-10)	3,356	20,769	3,419	11,314	6,775	32,083	38,858	3,356	20,769
Higher Secondary Level (11-12)	2,481	12,639	538	3,521	3,019	16,160	19,179	2,481	12,639
Secondary Level (9-12)	5,837	33,408	3,957	14,835	9,794	48,243	58,037	5,837	33,408
Total	66,854	149,084	36,004	46,127	102,858	195,211	298,069	66,854	149,084

Source: Ministry of Education

Chart 13(f): Number of Female and Male Teachers in All Level School



13.23 Among the Basic Level teachers, female teachers (50.6 percent) outnumber those male ones. In contrast, less than one third (30.1 percent) women teachers are engaged in community schools, while 43.84 percent of them are institutional schools.

13.24 Observation of the status of female teachers engaged in teaching profession in all categories of basic level schools reveals the need for additional improvement in such situation. The gender equality index at this level remains at 0.63 while this indicator for lower secondary and primary level schools stands at 0.38 and 0.72 respectively. However, this indicator in institutional schools is superior compared to community school. Gender equality index has stood at 0.53 in basic level under community school and at 1.02 in institutional schools.

Table 13 (p): Gender-Wise Detail of Teachers by Schools and by Levels at Basic Level

Types of School	Primary (1-5)			Lower Secondary (6-8)			Basic (1-8)		
	Female %	Male %	GPI	Female %	Male %	GPI	Female %	Male %	GPI
GPI in total number of Teachers in all types of School	41.9	58.1	0.7	27.6	72.4	0.4	38.8	61.2	0.6
GPI in total number of Teachers in Institutional School	52.9	47.1	1.1	43.6	56.4	0.8	50.6	49.4	1.0
GPI in total number of Teachers in Community Schools	38.2	61.8	0.6	20.8	79.2	0.3	34.5	65.5	0.5
GPI in total number of Teachers working at approved post in Community Schools	41.9	58.1	0.7	27.6	72.4	0.4	38.8	61.2	0.6

Source: Ministry of Education

Students Detail

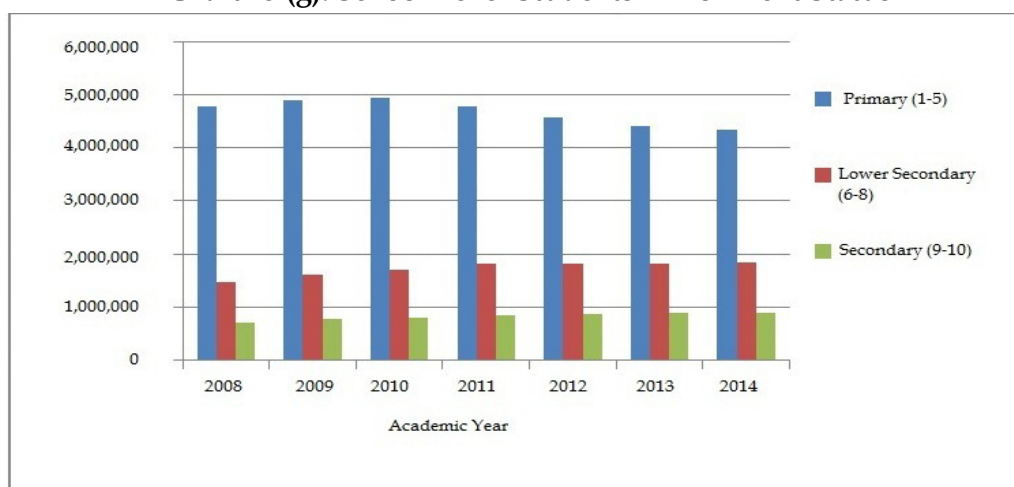
13.25 In Academic Year 2014, students enrolled at basic level were 6,170,668 while those at secondary level were 900,585. These numbers in previous academic year stood at 6,230,131 and 896,919 respectively.

Table 13 (q): School Level Students' Enrollment Status

Level	2008	2009	2010	2011	2012	2013	2014
Primary (1-5)	4782313	4900663	4951956	4782885	4576693	4401780	4335355
Lower Secondary (6-8)	1466862	1604422	1699927	1812680	1823192	1828351	1835313
Basic (1-8)	6249175	6505085	6651883	6595565	6399885	6230131	6170668
Secondary (9-10)	715378	790348	811910	848569	878047	896919	900585

Source: Department of Education

Chart 13 (g): School Level Students' Enrollment Status



13.26 Total number of students studying at Grade (1-10) and Grade (1-12) in community and institutional schools in current academic year 2014 has reached 7,071,253 and 7,524,850 respectively. Statistics shows that of the total students studying, number of girl students is higher in both Grade (1-10) and Grade (1-12) than boy students with 50.79 percent and 50.49 percent respectively.

Table 13 (r): Students' Enrollment Status by Levels (Academic Year 2014)

Level	Number of Students		
	Girl Students	Boy Students	Total
Primary (1-5)	2,201,313	2,134,042	4,335,355
Lower Secondary (6-8)	930,949	904,364	1,835,313
Basic (1-8)	3,132,262	3,038,406	6,170,668
Secondary (9-10)	458,949	441,636	900,585
Higher Secondary (11-12)	215,981	237,616	453,597
Secondary (9-12)	674,930	679,252	1,354,182
Totals of Grade 1- 10	3,591,211	3,480,042	7,071,253
Totals of Grade 1- 12	3,807,192	3,717,658	7,524,850

Source: Department of Education/Higher Secondary Education Board

- 13.27 In academic year 2014, net enrollment of Primary Level (5 to 9 years age group) children stood at 96.2 percent, Lower Secondary Level (10 to 12 years age group) at 74.6 percent and Secondary Level (13-14 years age group) at 56.1 percent. Similarly, gross enrollment (including all those except the aforementioned age group) at Primary Level has remained at 134.4 percent, Lower Secondary Level at 89.7 percent and Secondary Level at 70.1 percent.
- 13.28 Gender equity index at Basic Level (1-8) and class (9-10) stood at 1.03 and 1.04 respectively. This shows that the number of girl students studying in class (1-10) is higher than that of boy students. However, the gender equity index has remained at 0.91 for higher secondary level. Such low gender equity at secondary level schools is attributable to lower pass out rate of girl students at SLC than that of boy students and comparatively lower enrollment rate of girl students at higher secondary level schools.

Table 13 (s): Level Wise Student Enrollment and Gender Parity Index (GPI)

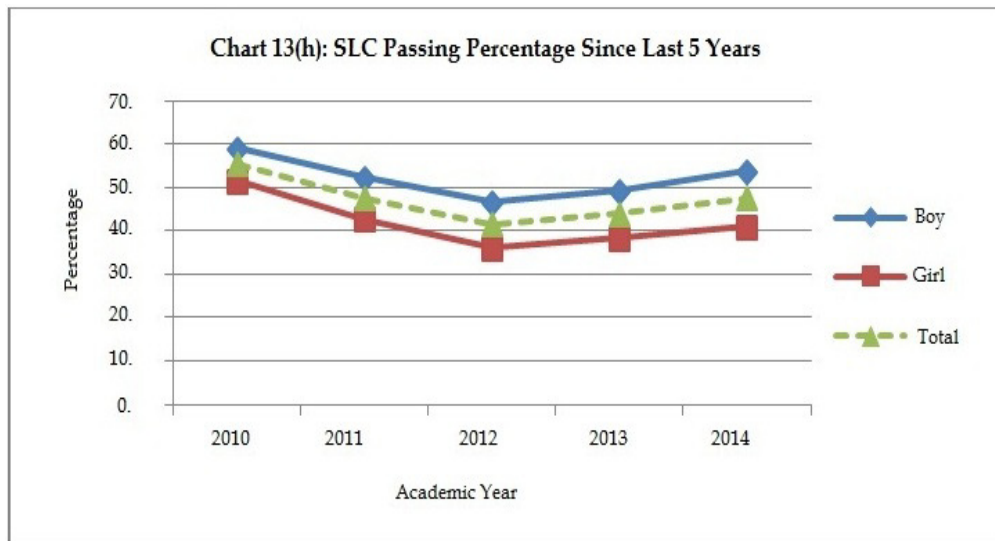
School Level	Gross Enrolment Rate			Net Enrolment Rate			Gender Parity Index (GPI)
	Girl Students	Boy Students	Total	Girl Students	Boy Students	Total	
Primary (1-5)	140.3	128.9	134.4	95.7	96.6	96.2	1.03
Lower Secondary (6-8)	92.0	87.4	89.7	75.5	73.8	74.6	1.03
Basic (1-8)	121.4	112.9	117.1	87.6	87.7	87.6	1.03
Secondary (9-10)	70.1	70.2	70.1	55.9	56.3	56.1	1.04
Higher Secondary (11-12)	33.2	32.6	32.9	13.3	12.9	13.1	0.91
Secondary (9-12)	51.9	51.4	51.6	34.7	34.6	34.7	0.99

Source: Department of Education

13.29 The total number of students appearing the regular SLC examination in academic year 2013 totaled 394,933, which rose by 2.63 percent in academic year 2014 to 405,338.

Table 13 (t) : Detail of Students appeared and passed out SLC Examination

Year	Appeared	Regular			Exempted		
		Girl	Boy	Total	Girl	Boy	Total
2010	Appeared	210253	187506	397759	23894	32369	56263
	Passed	124305	96461	220766	4431	5302	9733
	Percent	59.12	51.44	55.50	18.54	16.38	17.30
2011	Appeared	215008	204113	419121	33519	43481	77000
	Passed	112627	87087	199714	5195	5612	10807
	Percent	52.38	42.67	47.65	15.50	12.91	14.04
2012	Appeared	206190	197746	403936	43764	63483	107229
	Passed	96454	71481	167935	3821	4497	8318
	Percent	46.78	36.15	41.57	8.73	7.08	7.76
2013	Appeared	199846	195087	394933	54500	79126	133626
	Passed	98777	74659	173436	6593	7998	14591
	Percent	49.43	38.27	43.92	12.10	10.11	10.92
2014	Appeared	202163	203175	405338	54785	81266	136051
	Passed	109043	83224	192267	8700	10078	18778
	Percent	53.94	40.96	47.43	15.88	12.40	13.80



13.30 A total of 3,288 students from 99 schools of different faculties have appeared in the technical SLC examination in current Academic Year 2014. Arrangement has been made to publish its results under grading system.

Table 13 (u): Students appeared in Technical SLC

Faculty	Boy	Girl	Total
Computer Engineering	392	269	661
Civil Engineering	542	240	782
Electrical Engineering	109	32	141
Animal Science	263	178	441
Plant Science	731	532	1263
Total	2037	1251	3288

Higher Secondary Education

- 13.31 By the academic year 2014, a total of 3,659 educational institutes including Community, Private, Ten plus two school and campuses has obtained affiliation for higher secondary school level. Educational institutions those were not provided affiliation to higher secondary education school status in academic year 2013 have been given affiliation in this academic year. (Annex 13.2 for Details)

Status of Students in Higher Secondary School

- 13.32 In the academic year 2014, the total number of students studying in Grade 11 and 12 has dropped by 12.12 percent to a total of 453,597 from 516,166 students of last year. The numbers of student studying in Grade 11 and 12 are 225,373 and 228,224 respectively in the academic year 2014.

Community Higher Secondary School and Teachers Arrangement

- 13.33 By the end of fiscal year 2014/15, there is the need of minimum 2 additional appointments per school in a total of 2,679 community higher secondary schools, and for this a total of 5,358 teachers need to be added. Similarly, a total of 5,902 additional teachers comprising additional 1 teacher each for 282 higher secondary schools running the science faculty, and for 62 Higher Secondary Schools of Karnali zone, with additional 5,702 teachers needed at least for arranging one additional teacher per school for Grade 11 with more than 200 students. Arrangement has been made to appoint 2,000 teachers for community higher secondary schools by the end of first eight months of current fiscal year 2014/15.

Scholarship for Higher Technical Education

- 13.34 Students for higher studies (Bachelors' Degree, Master's Degree, Bachelor in nursing) on scholarships availed from the domestic medical colleges affiliated to Universities within the country and international scholarships as well who get through the examination for receiving scholarships will be nominated to undertake their respective courses. .

Table 13 (v): The number of students nominated for different levels and faculties

Faculties	Fiscal Year					Country
	2010/11	2011/12	2012/13	2013/14	2014/15*	
MBBS	202	79	203	206	225	Nepal
BDS	10	57	54	36	54	Nepal
BAMS	7	4	17	8	8	Nepal
BN	12	11	15	19	12	Nepal
BPH	4	8	6	4	4	Nepal
B. Pharma	4	13	20	20	19	Nepal
B.Sc. Forestry	4	2	5	5	5	Nepal
B.Sc. Nursing	4	5	17	22	23	Nepal
Total	247	179	337	320	350	Nepal
MBBS	8	3	12	11	15	Abroad
BDS	1	-	1	-	1	Abroad
PG Medicine	-	-	12	-	-	Abroad
B.Sc. Engineering	-	-	6	1	-	Abroad
B. Pharma	-	-	13	1	-	Abroad
Total	9	3	44	13	16	Abroad
Grand Total	256	182	381	333	366	(Nepal+Abroad)

* Of first eight months

Source: Ministry of Education

Universities

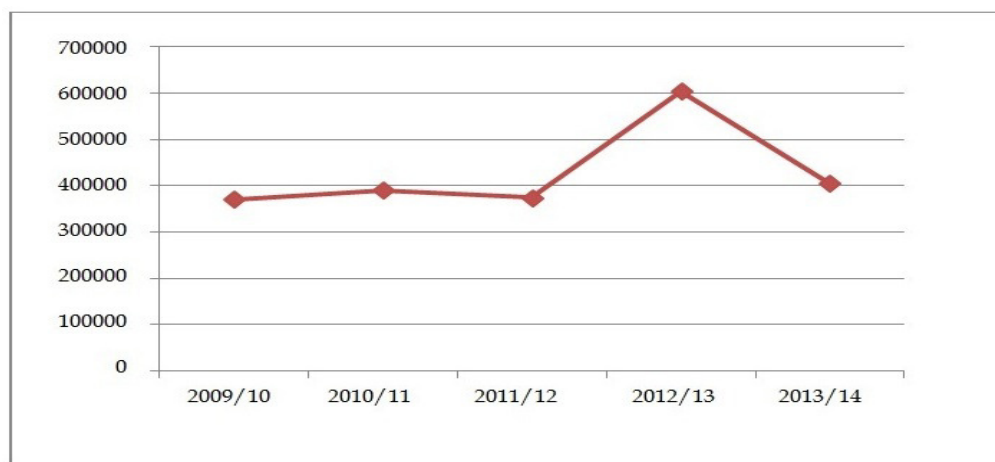
- 13.35 By the end of first eight months of fiscal year 2014/15, the number students studying in various colleges under country's different universities has dropped by 29 percent to 480,891 from 678,047 of previous fiscal year. Wild fluctuation in number of students at Tribhuvan University has been the reason for such high variation in their numbers since FY 2012/13. The number student at Tribhuvan

University only has declined by 33 percent in current fiscal year 2014/15 as compared to that of previous fiscal year.

Table 13 (w): Student Enrollment Status Tribhuwan Universities

Fiscal Year	Student Detail (Nos.)
2009/10	369880
2010/11	389460
2011/12	373846
2012/13	604437
2013/14	405341

Chart13 (i): Student Enrollment Status Tribhuwan Universities



- 13.36 Despite modest change witnessed in the number of students studying at Tribhuwan until FY 2011/12, there has been high fluctuation in its subsequent years.

Table 13 (x) : Campuses under Different Universities and Student Numbers

University	Campuses		Fiscal Year 2012/13			Fiscal Year 2013/14		
	Constituent	Affiliated	Constituent	Affiliated	Total	Constituent	Affiliated	Total
Tribhuwan University	60	1053	273349	331088	604437	148141	257200	405341
Kathmandu University	6	15	5040	8287	13327	5635	9074	14709
Purbanchal University	5	126	854	24866	25720	887	23554	24441
Nepal Sanskrit University	14	11	615	3424	4039	3353	509	3862
Pokhara University	5	58	1774	23508	25282	1782	23508	25290
Lumbini Boudha University	1	5	116	-	116	53	203	256
Agriculture and Forestry Science University	1	-	180	-	180	446	-	446
Far Western University	1	-	951	-	951	2461	-	2461
Mid Western University	1	-	2472	-	2472	1944	-	1944
BP Koirala Institute of Health Sciences	1	-	1155	-	1155	1435	-	1435
National Academy of Medical Sciences	1	-	298	-	298	465	-	465
Patan Academy of Health Sciences	1	-	60	-	60	241	-	241

Source: University Grant Commission

13.37 The students enrolled at Tribhuwan University stood at 604,437 in FY 2012/13 which dropped by almost 33 percent to 405,341 in its preceding year. This total includes 148,141 students from constituent campuses and 247,200 from affiliated campuses/ colleges.

13.38 By the end of first eight months of current fiscal year 2014/15, nine (9) universities together with 3 recognized universities (B P Koirala Institute of Health Science, National Academy of Medical Science and

Patan Academy of Health Sciences) have been established with a view to provide higher education and they have been producing high level human resource needed to the country making them capable for competing at international level by carrying out studying-teaching programs in various faculties as autonomous body.

**Table 13 (y) : Student Enrollment and Production Details in Universities
(Fiscal Year 2012/13)**

(In Numbers)

Level	Description	Tribhuwan	Kathmandu	Purbanchal	Pokhara	Lumbini Boudha	Nepal Sanskrit	Total
Certificate	Enrollment	997	159	-	-	-	953	2109
	Production	990	0	-	-	-	321	1311
Bachelor	Enrollment	336190	12498	21822	23197	-	1156	394863
	Production	40478	1590	7815	2694	-	91	52668
Masters	Enrollment	60937	1484	2619	2009	231	413	67693
	Production	12450	402	1273	599	91	100	14915
PGD	Enrollment	-	97	-	-	-	-	97
	Production	-	18	-	-	-	-	18
M Phil	Enrollment	243	334	-	76	-	-	653
	Production	167	30	-	-	-	-	197
Ph. D.	Enrollment	1874	137	-	8	25	247	2291
	Production	65	12	-	-	2	17	96
Others	Enrollment	5100	-	-	-	-	1093	6193
	Production	32	-	-	-	-	456	488
Total	Enrollment	405341	14709	24441	25290	256	3862	473899
	Production	54182	2052	9088	3293	93	985	69693
Agriculture and Forestry Sciences University (Enrollment)						446		
Far Western University (Enrollment)						1944		
Mid Western University (Enrollment)						2469		
BP Koirala Institute of Health Sciences (Enrollment)						1435		
National Academy of Medical Sciences (Enrollment)						465		
Patan Academy of Health Sciences (Enrollment)						241		
Total Enrollment						480891		

Note: Carry over students of Tribhuwan University not included in above table
Ministry of Education

Source:

Janak Shikshya Samagri Kendra

13.39 The Kendra has been carrying out question paper printing job for SLC, Higher Secondary Education Board, and MBBS Scholarship examinations in safe and confidential manners.

Health Sector

13.40 Of the Nepal MDG targets, infant and maternal mortality rates have registered significant progress. The maternal mortality rate (per

100,000 live births) had stood at 170 in 2013 while infant mortality rate (per 1000) was 46 during the same year against 54 per thousand for children below 5 years. Likewise, HIV infection rate (from 15 to 24 years of age) accounts for 0.03 percent, TB prevalence rate (per 100,000) is 211 while annual Malaria infected number has remained at 0.15 (per 1000) individual by the end of 2014. Nepal has been awarded Polio Free Verification Certificate by World Health Organization in 2014. Similarly, it has been conferred Global Bloomberg Award 2015 for increasing the size of awareness message up to 90 percent in the packages of tobacco products.

Extension in Health Services and Facilities

13.41 By mid-March of fiscal year 2014/15, a total of 4,505 health institutions have been offering health services including 116 hospitals, 3,790 health posts, 384 *Ayurvedic* hospitals and dispensaries and 215 primary health centers. A total of 87,290 individuals have been employed at such institutions comprising 35,290 technical and non-technical staff and about 52,000 women health volunteers.

Table 13 (z): Details of Health Institutions, Beds and Human Resources

Description	Fiscal Year						
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
1. Total Health Institutions	4392	4392	4393	4393	4393	4485	4505
a) Hospital	102	102	102	105	107	107	116
b) Primary Health Post	214	207	208	205	204	215	215
c) Health Post	676	1176	1698	2175	2175	2175	3790
d) Ayurvedic Dispensaries	293	291	291	293	293	293	384
e) Sub- Health Post	3114	2617	2095	1615	1615	1695	-
2. Hospital Beds	6944	6944	7049	7035	7085	7550	7640
3. Total Human Resources	92010	92181	82994	92150	93495	93495	87290
a) Doctors	1627#	1798	1798	1654	1654	2154#	2457#
b) Nurses	11637	11637	12681	11756	12550	9535	20346
c) Kabiraj (Traditional Physician)	394	394	407	394	394	394	485
d) Vaidya	360	360	360	360	360	360	451
e) Health Assistant (HA, SHA)	7491	7491	8013	8013	8563	11551	11551
f) Women Health Volunteer Workers (M.C.H.W.)	63326	63326	52560	63326	63326	63326	52000*

Source; Ministry of Health and Population

* Phasing out of Sudeni

Including 350 studying under Scholarship

- 13.42 A total of 3,566,396 patients have availed OPD service while 327,801 have received emergency service by the end of current fiscal year 2014/15. The number of OPD service recipients only of the first eight month of current fiscal year exceeds such recipients' number of the last fiscal year.

Table 13 (aa): Health Service Beneficiary Population by Development Regions

By Country/ Development Region	Fiscal Year 2012/2013			Fiscal Year 2013/14			Fiscal Year 2014/15*		
	Admit	OPD	Emergency	Admit	OPD	Emergency	Admit	OPD	Emergency
Nepal/National	427436	3449421	782614	322196	3428584	787076	201062	3566396	327801
Eastern	135066	784806	209563	119394	728380	203863	34007	427281	47108
Central	131341	1139732	265272	134404	1149919	722563	75003	1860911	156412
Western	97377	914506	161380	97636	865419	157509	66625	804114	76609
Mid Western	30290	308828	57444	47872	301827	67019	16484	288511	27424
Far Western	33362	301549	88955	32890	293039	86122	8943	185579	20248

* Of first eight months

Source: HMIS, Department of Health Service

- 13.43 OPD service has been catered for 1,03,80,587 times by the end of eight months of current fiscal year.

Table 13 (ab): Details of Outpatient Services by Development Regions

By Country/ Development Region	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2011/12	2012/13	2013/14	2014/15*
Nepal/National	21670572	24053836	21661849	10380587
Eastern	4520025	4892123	4564745	1955673
Central	6785721	8098750	6947996	3088932
Western	4894134	5323302	4695147	2568641
Mid -Western	3226630	3341358	3267193	1567958
Far Western	2244062	2398303	2186768	1199383

* Of first eight months

Source: Department of Health Service

Major Achievements in Health Services

- 13.44 By the end of first eight months of the current fiscal year, 285,473 patients have been vaccinated with BCG. Likewise, 285,820 have been provided with DPT, Hepatitis B (Third Dose) while polio drops (Third Dose) are administered in 283,496 children. Vaccination against Measles Rubella Camp is going to be held next year.

Table 13 (ac) : Detail of Extended Vaccination and National Polio Vaccination Program

S. No.	Indicators	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15*
1.	BCG Vaccine	623659	404259	285473
2.	DPT, Hepatitis B (Third Dose)	584727	336960	285820
3.	Polio (Third Dose)	584420	335428	283496
4.	Vaccination against Measles	553736	228952	266407
5.	Tetanus Vaccine	303443	185751	121891
6.	Measles-Rubella Vaccine Program	9685099	No Program	Will conducting next year
7.	Women Receiving Iron Tablet	765000	595000	362670
8.	Registration of Dysentery Patients	1809033	955006	751759
9.	Zinc and Oral Rehydration Treatment (ORT)	1671610	923119	697828
10.	Treatment of Respiratory	2827804	1701151	596251

* Of first eight months

Source: Department of Health Service

Family Planning, Safe Motherhood and Women Health

- 13.45 Under Family Planning program, a total of 365,245 were provided with family planning services including 347,042 persons (temporary) and 18,203 persons (permanent) in the first eight month of current fiscal year. Such numbers had stood at 623,676 and 37,107 respectively last year. So far, the number of all types of family planning service users has reached 1,967,042.

Table 13 (ad) : Detail of Reproductive Health Program

Indicators	Unit	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15*
New Family Planning Service Users (Contraceptive Users)	Person	599420	623676	347042
New Family Planning Service Users (Permanent Sterilization)	Person	52181	37107	18203
Total Family Planning Service Users (Long term Contraceptive Users)	Person	2478000	2514044	1967042
complex maternity service referred from remote areas	Person	99	194	100
Free Maternity Services Received under Safe Motherhood Program	Person	317000	318208	184826
Post-Natal Service (PNC)	Person	55650	387392	140000
Districts with Round the Clock Emergency Maternity Service	Districts	26	56	64
Screening for Prolapses, ring pessary placement and Preparing cost of Operation	Person	48017	950	380
Treatment and Surgery on Prolapses	Person	4751	4445	350

* Of first eight months

Source: Ministry of Health and Population

- 13.46 Safe Motherhood program which is regarded as one of the integral parts of reproductive health services has been providing pregnancies, maternity and post natal services to women through a total of 1,802 maternity centers. Round the clock maternity emergency services have been rendered through district level hospitals and those above district level in 64 districts. This service was provided through 56 districts last year. During current fiscal year, 100 women are referred for complex maternity services from remote areas. Likewise, under safe

motherhood program, a total of 184,826 (49 percent estimated pregnant women) have availed free maternity services during the first eight months of current fiscal year. This number had stood at 318,208 in the entire fiscal year period.

- 13.47 A total of 380 health camps were organized for the diagnosis and treatment of prolepses which is one of the women's excruciating maternity problems during the first eight months of current fiscal year. Aside from general treatment and ringpessary placement, 350 patients were treated surgically through the camp. During previous fiscal year, a total of 950 camps were conducted where 39,053 were diagnosed with problems and 5,174 patients were cured through ringpessary placement while 4,4045 received surgical treatment.

Tuberculosis

- 13.48 In FY 2013/14, sputum test of 236,545 persons suspected (TB) patients and sputum tests of 425,781 new slides were carried out while these figures stood at 170,899 and 307,618 respectively during the first eight months of current fiscal year. Follow up sputum tests of 86,129 patients were done while this number reached 47,544 in the first eight months of current fiscal year. During the same period, 2,300 individuals were registered as first line patients while such number had stood at 37,025 last year. As that of last year, continuity is given to MDRTB training for broadcasting and publicizing the messages and awareness raising through various media this year as well. Similarly, hostel has been established and operated for MDT TB patients.

Epidemiology, Malaria and Black Fever (Kalaajar) Control, Natural Disaster Management

- 13.49 In fiscal year 2013/14, 27 treatment camps for epidemics and natural disaster victims were conducted while 10 such camps have been organized in the first eight months of current fiscal year through which all epidemics in such epidemics and natural disaster affected areas have been controlled and managed.
- 13.50 Likewise, works such as surveillance of communicable diseases, spraying of insecticides for controlling epidemics like elephantitis/filariasis, malaria and black fever among others , distribution of mosquito nets and providing Anti Rabies Vaccine (ARV) to rabid patients and Anti Snake Venom (ASV) snake bit victims were carried out. About 16.5 million people of 41 districts were provided with

medicines for the prevention and cure of filariasis. Similarly, special programs were organized for the control of dengue and bird flu viruses to keep people away from their infections.

- 13.51 Similarly in FY 2013/14, orientation training was provided to medical doctors, nurses, and health workers on the proper use of rabies vaccine and tackling against venomous snake bites. Likewise, about 60,000 persons were provided with ARV vaccines, 2,000 snake bit patients were treated successfully. Likewise, microfilaremia follow up survey and post MDA survey were conducted by making multiple drugs supply arrangement in Filariasis Control Campaign organized districts.

Leprosy

- 13.52 Tests were conducted on 184,134 patients and neighborhood households under the leprosy program, while Rs. 1,000 transportation allowance was distributed to each 2,335 leprosy patients and skin disease camps were organized for 16 times in FY 2013/14.
- 13.53 Likewise, in the first eight months of FY 2014/15, onsite study in leprosy affected districts and tests of patients managed and trained at the local level and family of their neighborhood households have been conducted. Transportation allowance of Rs 1,000 each was distributed to regular treatment receiving 2,096 patients. Likewise, during the same period, 2,393 patients were diagnosed with new disease while 2,195 patients are undergoing treatment process.

National Population Program

- 13.54 Geriatric ward for senior citizens has been established at Patan hospital, Ayurvedic Teaching Hospital , TU Teaching Hospital, Bharatpur Hospital, Western Regional Hospital, and BP Koirala Health Science Institute. Likewise, services are being delivered through Social Service Units based at eight (8) different central and zonal hospitals.
- 13.55 Under the Local Level Population Program, 22 programs are being conducted on a regular basis in all 75 districts. Migration and senior citizen related National Survey Program has been given continuity. A number of research oriented programs are brought into operation in line with Nepal's Population Report 2012. National Population Policy, 2014 has been approved.

National Health Education, Information and Communication Program

- 13.56 The most popular health related TV programs “*Jeevan Chakra*” “*Ama*” and “*ThoraiVaye Pugisari*” were televised through NTV in FY 2013/14. Similarly, various health related messages were televised through the same NTV prior to news telecasts. Public Health Radio Program, Voices of Awareness, *Ama* and health messages were aired through Radio Nepal daily before every news broadcast.
- 13.57 Health messages were aired 313,880 times through districts’ different FM radios, while interaction programs were conducted at 3,347 locations in peoples’ participation. School Health Teacher Program was conducted for 13,830 times while health messages were televised through private television for 3,687 times and so were disseminated for 7,000 times through videos in *Sajhabus* (Public Bus).
- 13.58 In the first eight months of current fiscal year 2014/15, health related messages are being aired through NTV for 1,500 times and 900 times through Radio Nepal while community level awareness programs were conducted for 145 times.

Social Security

- 13.59 Pursuant to the concept of “**Free Health Services for All**”: 25 kinds of medicines were distributed from sub-health posts, 35 from primary health centers, and 42 from district hospitals in previous fiscal year 2013/14. Likewise, free treatment has been provided through 25-bed health institutions similar to that of district hospitals. Free maternity service was provided from all government health institutions while pregnant women were provided with transportation allowance as prescribed.
- 13.60 During the first eight months of current fiscal year 2014/15, economically deprived 200 eye patients have received eye treatment. Eye glasses were distributed at free of cost to 3,800 people over 50 years in districts of Karnali zone, far western and mid-western regions. About 3,500 eye patients of remote districts have undergone cataract surgery.

Table 13 (ae): Social Security Program Details

S. No.	Indicators	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15*
1	Medicine Distribution: Sub-Health Post (Type)	25	25	25
2	Medicine Distribution: Health Post (Type)	35	35	35
3	Medicine Distribution: Primary Health Center (Type)	42	42	42
4	Free Health Service to Children, Elderly, Near to Extinction Tribes, Women Health Volunteers From Hospitals	8521999	12757302	146145
5	Free treatments for ultra poor and poor	1255797	9682588	59870
6	Free treatments for handicapped	9711	5060	2791
7	Free treatments for elderly people	51572	39388	33979
8	Free treatment with heart surgery for children under 15 years of age	771	922	602
9	Free treatment with heart surgery for elderly people above 75 years of age	196	312	270
10	Distribution of eye glasses at free of cost to people over 50 years of age	5000	5000	3800

* Of first Eight Months

Source: Department of Health Service

National AIDS and Sexually Transmitted Disease (STD) Control

13.61 CD4 service was provided from 23 different locations in fiscal year 2013/14. ART Training provided on Management Training of Trainers to 10,000 individuals while training on HIV/AIDS was provided to Female Health Volunteers for 200 times, and PMTCT training provided health workers from 196 spots. Likewise, various media (print and electronic) were used to raise awareness against HIV/AIDS and STD, training imparted to health professionals on related issues. HIV infected mothers were watched closely for preventing transmission of HIV virus to their children, and anti-retroviral treatment to HIV

infected patients were carried out.

- 13.62 In FY 2013/14, provisions were made to provide free medication and extend community based CBPMTCT services. Similarly, 4,200 ARV treatments to infected patients and PMTCT program affiliated pregnant females and children below 15 years who were under ARV treatment were provided nutritional foods. Above mentioned programs are given continuity in the current fiscal year as well.
- 13.63 In FY 2014/15, comprehensive program on HIV/AIDS was organized for detainees/jail inmates and homosexuals as well. Similarly, additional programs by outsourcing NGOs are also being conducted for sex workers, drug injectors and migrants as well as jail inmates/detainees.

Human Resource Development, Study and Research

- 13.64 In FY 2013/14, training on the upgradation was provided to 552 senior assistant health workers, 90 assistant health workers, assistant mid-wives (ANM) and senior ANM, and skilled maternity service training to 1,230 nurses. Likewise, basic trainings were imparted to 1,500 anesthetic assistants, bio-medical technicians and 1,500 female health volunteers.
- 13.65 In the first eight months of current fiscal year 2014/15, a total of 850 nurses and 250 medical doctors were provided medicological and implant safe abortion trainings. Similarly, basic training has been provided to 2,500 health workers and 1,500 female health volunteers. Likewise, during this period, sickle-cell anemia was tested after collecting 800 samples. In addition, 222 health workers are provided MDR TB management. Tooth extraction basic training was provided to 120 health workers and 62 such professionals were provided trainings on *Panchakarma*, Yoga and statistics. Studies/researches as pilot study were conducted in one development region for health research.

National Public Health Laboratory

- 13.66 In FY 2013/14, tools and equipment were procured for bacteriology laboratory service in various district and zonal hospitals. Lab training was provided to 110 lab technicians. Blood transfusion service was conducted in 7 districts.
- 13.67 A total of 19 persons including 4 Korean nationals and 15 Nepalese were imparted the experimental training on deadly Ebola virus. Similarly, 24 BSL3 lab services have been conducted while such services are being rendered through 25 health posts. HTC/STI related trainings along with a 15 day Malaria Microscopy Refresher training were provided to lab technicians and lab assistants and laboratories have been constructed and are in operation in all branches of those laboratories from where lab technicians and lab assistants were provided training. 15-day imparted lab technicians/lab assistants. Laboratories were established at 50 Health Posts while Bio-Safety Level-III has been established and operated. Quality standardization related training was provided to 135 employees offering pathology services.

Ayurvedic Health Service

- 13.68 In fiscal year 2014/15, a number of orientation trainings have been provided to 122 individuals on Ayurved and modern medicines. Various Panchakarma/ Yoga related trainings are provided to 10 Ayurbved doctors. Free Ayurved camps are organized for once in 62 districts. Pilot herbal gardens are in operation in some districts. Waist bath (*kati-snan*), *Basti* and Yoga-related Specialist Camps are conducted for the treatment of back-bone and rectum-related health problems. Similarly, senior citizens are provided free of cost training related to health safety, promotional *panchakarma /rasayan/yoga* in 45 districts. Naradevi Ayurved Hospital has extended *Panchakarma* related service.

Nepal Medical Council

- 13.69 Nepal Medical Council carries out works like registration of medical

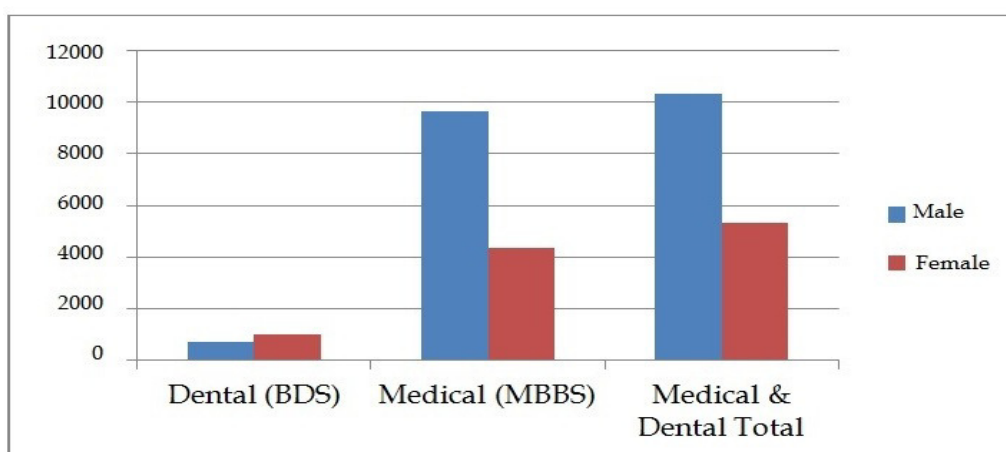
practitioners, who have acquired degree/diploma in medicine nationally and internationally; grant approval to open new medical/dental colleges in the country; and grant permission for students' enrolment and setting minimum qualification. Similarly, it conducts regular licensing examinations, investigations on medical profession-related complaints and petitions, and issues temporary license to foreign medical practitioners based on their qualifications.

Table 13(af): Number of Doctors Registered with Nepal Medical Council

Courses	Male	Female	Total
Dental (BDS)	679	976	1655
Medical (MBBS)	9627	4359	13986
Medical and Dental (Total)	10306	5335	15641

By 31st December 2013

Chart 13(j): Number of Doctors Registered with Nepal Medical Council



13.70 In 2014, the Council has issued Undergraduate Eligibility Certificates (UGEC) to 1,379 and Post Graduate Eligibility Certificates (PGEC) to 544 students as per its mandatory provision for the students to obtain such certificates prior to flying abroad for MBBS/BDS courses or studies of similar nature.

13.71 The total number of medical specialists registered with the council by

31st December 2014 reached 2,697 including 952 female and 3,649 male doctors

Table 13 (ag) : Detail of Medical Specilists Registered with Nepal Medical Council

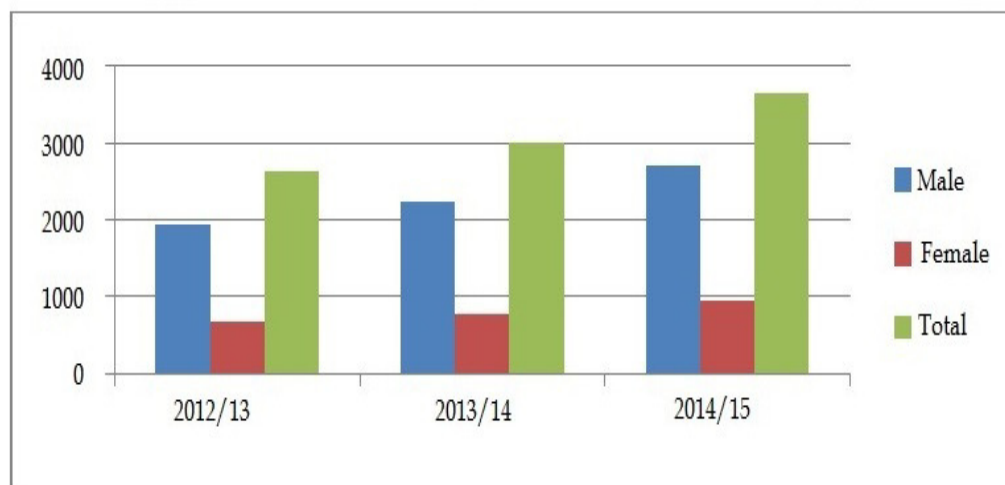
S. No.	Subject	Male	Female	Total
1	General Practice	140	36	176
2	E.N.T.	91	30	121
3	Psychiatry	75	14	89
4	Anaesthesiology	164	64	228
5	Radiology & Imaging	157	30	187
6	Pediatrics	233	89	322
7	Nephrology	10	4	14
8	M.D.S.	114	87	201
9	T.B. & Respiratory	15	1	16
10	Community Medicine & Public Health	60	26	86
11	Pharmacology	20	4	24
12	Obst&gyne	124	272	396
13	M.S.(general surgery)	358	19	377
14	Orthopaedic	286	4	290
15	Cardiology	87	5	92
16	Ophthalmology	106	96	202
17	Internal Medicine	343	33	376
18	Clinical Pathology	64	67	131
19	Dermatology & venerology	83	44	127
20	Neurology	20	3	23
21	Gastroenterology	24	0	24
22	Urology	25	1	26
23	Surgical Oncology	17	0	17
24	Forensic Medicine	16	1	17
25	Microbiology	13	11	24
26	Nuclear Medicine	6	0	6
27	Physiology	7	3	10
28	Family Medicine	0	0	0
29	Anatomy	9	2	11
30	Hepatology	1	0	1
31	Bio chemistry	5	2	7

S. No.	Subject	Male	Female	Total
32	Radio therapy	2	2	4
33	Endocrinology	6	0	6
34	Neurosurgery	10	0	10
35	Ctvs	2	1	3
36	Pediatrics Surgery	1	0	1
37	Emergency medicine	1	0	1
38	Hepatobiliary surgery	1	0	1
39	Plastic surgery	1	0	1
40	Rheumatology	0	1	1
Total		2697	952	3649

Source: Nepal Medical Council

Note: By 31st December 2014

Chart 13(k): Medical Specilists Registered with Nepal Medical Council (In Number)



Civil Service Hospital

13.72 This hospital, established with the objective of providing prompt, efficient, easy and quality services to civil servants, their family members and general public has been rendering emergency service, family medicines, general medicines, maternity and gynecology, orthopedics, dermatology, pediatric, dental, ENT, anesthesia, radiology and diagnostic like services. Likewise, services including psychiatric, physiotherapy, family planning, cancer treatment, vaccination, ophthalmology, hematology, cardiology, day-care, neurology are also

being provided on a regular basis.

- 13.73 Health services like medical ICU, MRI, mammography, fluoroscopy, and digital radiography are being availed from the current fiscal year. Extended Health Service (EHS) is being availed from by specialists on session or part time bases for quality health service provision at hospitals even positions for such services in their departments have not been created.

Table 13(ah): Detail of Services Rendered from Civil Service Hospital

Particulars	Service Recipient	Fiscal Year			
		2011/12	2012/13	2013/14	2014/15*
O.P.D.	Civil Servant	45731	59317	61922	35401
	General Public	98644	129867	151110	88449
Lab Test	Civil Servant	82347	116761	158156	146795
	General Public	145980	233682	346324	308406
X-ray Service	Civil Servant	5388	7143	8716	8918
	General Public	13353	19995	25948	22710
USG Service	Civil Servant	3380	4810	6335	6736
	General Public	6824	12088	18226	16517
Endoscopy	Civil Servant	8	142	457	391
	General Public	15	330	972	929
Operation	Civil Servant	576	969	1245	900
	General Public	1427	2704	3951	2891
CT Scan	Civil Servant	480	605	921	569
	General Public	1918	3264	6934	2653
Treatment after being admitted	Civil Servant	784	1170	1454	1035
	General Public	2295	3990	5378	4100
MRI	Civil Servant	-	-	-	350
	General Public	-	-	-	1017
Grand Total (OPD and Emergency)	Civil Servant	46579	60715	63670	36658
	General Public	104304	139782	164417	98295

*Of First Eight Months

Source: Civil Service Hospital

Drugs Management Department

- 13.74 Works are being carried out with a key policy for ensuring equitable access to health services, enhancing drugs quality, availability and access. The Department has been delivering services incorporating the

activities of the central office of Drug Administration Department, National Drugs Laboratories, and its branch offices of Biratnagar, Birgunj and Nepalgunj.

Table 13(ai): Service Delivered from Drugs Management Department

S. No.	Fact and Indicators	Fiscal Year						
		Unit	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
1	Medical Pharmacy Monitoring	times	1964	2011	2001	2073	2451	1212
2	Medicine Industry Monitoring	times	108	107	110	111	117	43
3	Foreign Medicine Industry Monitoring	times	5	5	5	3	4	0
4	Medical Information Delivery	times	68	62	57	54	55	34
5	Drug Bulletin Publication	times (Per)	3 (15000)	3 (15000)	3 (15000)	3 (15000)	3 (15000)	2
6	Medicine Analysis	Nos.	634	760	669	601	687	306
7	Medical Laboratory Audit	Nos.	25	26	33	14	21	5

**Of first eight months*

- 13.75 By the end of FY 2013/14, a total of 19,338 pharmacies, 15,200 drugs of 445 drug producers have been registered. Of 445 drug producers, 120 are domestic industries while the 325 are from abroad.

Impact Analysis of Health Related Program in the Health Sector

- 13.76 Due to positive impacts of family planning, safer motherhood, child health nutrition, there have been gradual improvements in average longevity of population and in birth rates. Likewise, reduction in maternal and child mortality rates has increased work efficiency and reduced medical expenditure of households which consequently helped boost GDP. Thus positive impact on Nepalese economy can be expected confidently.

- 13.77 While embracing the notion that healthy manpower is the main foundation of the economy, services that are availed regularly through the health sector programs like family health, child health and other essential health services have definitely contributed directly or indirectly to the country's economic development. Introduction of different skill development programs as well as development of physical infrastructures that are imperative for the production of qualitative healthy manpower is believed to provide positive impact to improving nation's economy in future.
- 13.78 Services delivered to children, physically challenged, senior citizens, marginalized population and remote areas under social security program has helped reduce people's personal expenditures will make the State less accountable and responsible ultimately leading to reducing poverty and bringing progress to the economy. Likewise, policies and institutional provisions adopted in the health sector have brought positive results.

Women, Children and Social Welfare

- 13.79 Efforts have been made to bring improvements in status of 51.5 percent women, 39.8 percent children under 16 years of age, 8.13 percent of senior citizens above 60 years of age and about 1.94 percent of physically challenged people. In this process, institutional and legal arrangements have been made for the implementation of commitments made at international level and national action plans and efforts are being made through various programs in capacity building, empowerment, and protection like sectors.
- 13.80 Programs such as gender based violence elimination, women development, human trafficking control are being carried out in the form of campaign for women empowerment. . Awareness raising program against gender based violence are being broadcasted on Radio Nepal and Nepal Television. Victims of violence have been provided support through Single Women Security Fund, Gender Based Violence Alleviation Fund. Preparation classes are underway to increase the presence of women in civil service.
- 13.81 Programs are being carried out based on legal provision and national work plan together with annual programs for eliminating gender based violence that is being viewed as social offence and crime. Sexual

Harassment at Workplace (Elimination) Act, 2014 has come into force to end such violence at workplaces.

- 13.82 Service Centers are in operation in 17 districts including Jumla, Panchthar, Doti, Kanchanpur, Baglung, Sunsari, Solukhumbu, Nawalparasi, Kavrepalanchowk, Makwanpur, Dang, Sarlahi, Saptari, Tanahun, Bardiya, Pyuthan and Rautahat for domestic violence affected people. By the end of fiscal year 2013/14, cases of 8,896 persons have been settled among the total of 10,193 cases filed.

Women Development

- 13.83 Women Development Program that has been providing support to gender mainstreaming and women empowerment is targeted to extend it to country's all VDCs. Women participation in the programs has exceeded 892,000. However, this has just been 17 percent as compared to the targeted size. Representation of *dalit* women has been 16.0 percent which is the indication for program target. There has been notable participation of marginalized women of other groups as well.
- 13.84 Special preparation class has been offered to 602 women candidates interested to enter Nepal Administrative Service Gazetted Officer Class III with a view of making the civil service inclusive.
- 13.85 On personality development preliminary training front, instructions were provided to 42, 036 individuals while 4,315 persons were provided basic training and 420 persons received men/women equitable development training (*samavikash talim*). Similarly, towards institutional development and participation, leadership and institutional development training was provided to 1,600 individuals while 711 persons underwent bookkeeping training and 401 aspirants received proposal writing training.
- 13.86 As per work plan, skill and entrepreneurship development training has been provided to 5,769 and subsidy has been provided to establish enterprises to 5,366 among those trainees. Similarly, 810 women have been provided skill refreshment training. Multiutility grant have been provided to 51 women institutions for common vocational service.

- 13.87 Livelihood training has been offered to 2,771 girls in an initiative for the multi dimensional development of school deprived youth girls while 1,860 individuals were made participate in skill and entrepreneurship development trainings. Among the skilled members, 1,770 youth girls have been provided subsidy to establish their businesses.
- 13.88 A total of 24 groups have been established under the empowerment of freed bonded laborer women program. Likewise, instructor training was provided to 5 such groups. Skill and entrepreneurship development trainings have been provided to 90 women while those women have been provided subsidy to run their respective businesses.

Table 13 (aj): Women Development Program Details

S. No.	Name of Activities	Unit	Fiscal Year		
			2011/12	2012/13	2013/14
Extension					
1.	Program Operating Districts	No.	75	75	75
2.	Program Operating VDCs	No.	3570	3636	3759
3.	Program Operating Municipalities	No.	41	43	71
4.	Program Operating Wards	No.	21362	22421 (including municipalities)	-
Institutional Development					
5.	Women Groups Formed	No.	123573	132928	150842
6.	Involved in Group	Person	736046	807976	892474
6.1	Women	Person	124516	131735	142947
6.2	Dalit	Person	(16.91%)	(16.30%)	(16.00%)
6.3	Janajatis	Person	258912	292615	302125
	Others	Person	(35.18%)	(36.22%)	(33.99%)
			352618 (47.91%)	383626 (47.48%)	447402 (59.10%)
7.	Women Committees Formed	No.	13116	15221	16612
8.	Women Organizations Registered	No.	1439	1568	1622
9.	Women Ad- Hoc Organization	No.	229	200	149
Resource Mobilization					
10.	Women's Group Savings	Rs. In Thousand	1685708	2270921	2612596
11.	Total Amount in Investment	Rs. In Thousand	1577477	2175168	2515525

S. No.	Name of Activities	Unit	Fiscal Year		
			2011/12	2012/13	2013/14
Extension					
12	Operating fund		125346	130767	
12.1	Principal	Rs. In Thousand Rs. In Thousand Rs. In Thousand	116527	118864	-
12.2	Interest		8819	12405	

Source: Ministry of Woman, Childern and Social Welfare

Human Smuggling and Trafficking Control

13.89 In FY 2013/14, a total of 740 women among those who were smuggled and trafficked have been rescued and provided services through rehabilitation centers of Sindhupalchowk, Kathmandu, Rupandehi, Jhapa, Kailali, Banke, Parsa and Chitwan while this number stood at 327 in the first eight months of current fiscal year. In FY 2013/14, 25 victims were rescued from Kolkata based Office of High Commission and brought back home.

Table 13 (ak): Detail on Human Trafficking, Rescued and Rehabilitated
(Number)

S. No.	District	Fiscal Year	
		2013/14	2014/15*
1.	Chitwan	109	46
2.	Rupandehi	157	84
3.	Sindhupalchwok	25	5
4.	Kailali	29	6
5.	Parsa	68	7
6.	Banke	126	49
7.	Kathmandu	14	7
8.	Jhapa	212	123
	Total	740	327

*Of first eight months

Source: Ministry of Women, Children and Social Welfare

Children and Youths

13.90 Legal, policy-wide and institutional arrangements have been made for protecting and guaranteeing rights and benefits of children and youths

and efforts are underway for fulfilling the commitments made at national and international levels.

- 13.91 District Child Protection Committees have been formed in all 75 districts. Similarly Municipal Child Protection Committee in 27 municipalities and Village Child Protection Committee in 1,661 VDCs have been formed and mobilized for child protection by the end of first eight months of current fiscal year. Of the total 19,454 clubs, 11, 625 children are affiliated to District Child Protection Committees of all 75 districts while Juvenile Clubs have embraced 433,800 children.
- 13.92 Child Information and Resource Centers have been established in all 75 districts. Children Search and Coordination Center, which was serving as an special organ of Nepal Police since 2006, has been established and operating regularly with toll free telephone number 104 for the rescue, protection, search and investigation, family reintegration, reunification and rehabilitation of those missing, found after missing, found unattended children.
- 13.93 By the end of mid-March 2015, the number of children that missing, missing & found, unattended, reunited, protected in child care centre and escaped from care centre are 333, 164, 208, 88, 107 & 13 respectively.

Table 13 (al): Details of Missing, Found after Missing and Found Unattended Children

Fiscal Year	Missing and Found Unattended	Children Benefited
2011/12	1905	1207
2012/13	1734	1104
2013/14	1145	771
Total	4784	3082

Source: Central Child Welfare Committee

- 13.94 Children Help Line No.1098 is in operation in 13 districts including Makwanpur, Chitwan, Kaski, Morang, Udaypur, Lamjung, Rupandehi, Banke, Bardiya, Surkhet, Dailekh and Kailali.

Table 13 (am): Immediate Rescue of Children at Risk

Fiscal Year	Boys(No)	Children (No)	Total
2011/12	880	735	1615
2012/13	943	580	1523
2013/14	1253	973	2226
2014/15*	964	901	1865
Total	3940	3289	7229

* First Eight Month

Source: Central Children Welfare Committee

- 13.95 During the first eight months of current fiscal year 2014/15, a total of 1,865 children have been rescued from 13 vulnerable districts. After having them rescued, 155 such children are provided relief, 727 are provided psychological counseling, 827 are reintegrated in their respective families and socially rehabilitated, 56 are given shelter in children's homes, 614 are provided first aid treatment, 141 are offered legal service, 113 street children rescued, 27 are protected from human smuggling and trafficking and 448 children are provided educational support.
- 13.96 Youths involved in child abuse have been kept children rehabilitation centers of Bhaktapur, Kaski and Morang and motivated to become self-reliant through education and training while children rehabilitation center in Nepalgunj of Banke is under construction.

Table 13 (an): Details of Children in Children's Rehabilitation Centers (Until FY2014/15)

S. No.	Location	Capacity (Nos)		हाल रहेको संख्या		
		Boy	Girl	Boy	Girl	Total
1	Bhaktapur	100	10	79	3	82
2	Morang	50	0	49	0	49
3	Kaski	50	0	57	0	57
Total		200	10	185	3	188

Source: Central Child Welfare Committee

- 13.97 Child Welfare Homes (CHW) of Butwal, Birgunj, Rajbiraj, and Biratnagar being operated by the government of Nepal have capacity to provide shelter to 108 children while those operated by NGOs and individuals have occupancy capacity of 17,000 children.

Inter-County Adoption

- 13.98 Three girls were adopted last year through inter-country adoption management committee while one girl being adopted by mid-March of current fiscal year.
- 13.99 The acts to promote domestic adoption of children by providing necessary information to persons interested for such adoption have been the reason for getting 281 children domestically adopted between FY 2009/10 and FY 2013/14.

Senior Citizens

- 13.100 Aid has been provided for operation of elderly in 5 development regions for protection of senior citizens. A total of 390 persons including 221 female and 169 male has received such service in the first eight months of fiscal year 2014/15.

Table 13 (ao): Details of Old Age Homes in Five Development Regions

S. No.	Location	Number
1	Eastern Development Region-Bishranti Mandir Mulghat Dhankuta	38
2	Central Development Region-Samaj Kalyan Kendra Bridrashram Pashupati	230
3	Western Development Region-Pokhara Bridashram	59
4	Mid-Western Development Region- Senior Citizen and Incapable Service Center	12
5	Far Western- Women and Senior Citizen Service Center	51

Source: Ministry of women, Children and Social Welfare

- 13.101 By the first eight months of fiscal year 2014/15, 48 elderly homes at different districts in partnership and senior citizen day care service

center at various 8 places have been operated. Effort has been put for effective implementation of quota and concession system for senior citizens in transport vehicles.

Table 13 (ap): Details of Senior Citizens receiving Social Security Allowance

Estimated Detail for Fiscal Year 2014/15		
S. No.	Target Group	Number
1	Other Senior Citizen (Above 70 years)	688930
2	Dalit Senior Citizen (Above 60 years)	234634
3	Karnali Senior Citizen (Above 60 years)	27855
4	Senior Citizen above 70 years receiving Annual Medical Allowance of Rs. 2,000/-	881474

Source: Ministry of Federal Affairs and Local Development

Physically Challenged Persons

13.102 Community based rehabilitation program for physically challenged persons in all districts, awareness program through radio/TV, day care service as well as residential rehabilitation program in partnership of organizations, and helpdesks at 14 offices of disabled women and children are in operation. In addition, arrangement has been made for rehabilitation and hostels for physically challenged women.

13.103 Identity cards have been distributed to disabled people classified on the basis of their severity of disability namely complete disability, sever disability, moderate disability and mild disability of people. And monthly allowances of Rs. 1000 and Rs. 300 to each with complete disability and sever disability respectively.

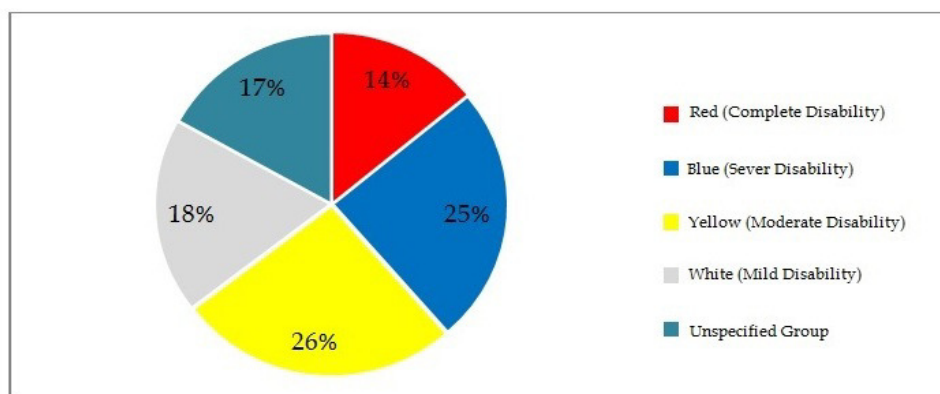
Table 13 (aq): Disability Identity Card Distribution Details

S. No.	Type of Identity Card	Fiscal Year 2013/14*		
		Female	Male	Total
1	Red (Complete Disability)	11592	14865	26457
2	Blue (Sever Disability)	17561	28556	46117
3	Yellow (Moderate Disability)	19064	29938	49002
4	White (Mild Disability)	13309	21490	34799
5	Unspecified Type	-	-	31850
	Total	61526	94849	188235

**Until first eight months*

Source: Ministry of Women Children and Social Welfare

Chart 13(l): Disability Identity Card Distribution (In Percent)



Social Welfare (Non-Government Organization)

13.104 A total of 708 programs of non-government organization and 59 programs of international non-government organization has been approved by Social Welfare Council in the first eight months of fiscal year 2014/15.

Table 13 (ar): Organizations Registered at Social Welfare Council and Approved Programs

Particular	Unit	Fiscal Year		
		2012/13	2013/14	2014/15*
Non-Government Organization	No.	573	655	500
International Non-Government Organization	No.	75	53	59
Approved Programs	No.			
a) Non-Government Organization		1138	1312	708
(b) International Non-Government Organization		75	53	59
Approved Fund	Rs. In Thousand)			
(a) Non-Government Organization		8735990	11022085	6769337
(b) International Non-Government Organization		2601753	3483846	2899610

* Of first eight months

Source: Ministry of Women, Children and Social Welfare

Drinking Water and Sanitation

13.105 A total of 2,493 projects comprising 1,445 regular and 1,048 new projects under drinking water and sanitation have been in implementation. There is target of providing drinking water and sanitation of basic level to about 350,000 persons in the current fiscal year. A total of 30,000 consumers have benefited in the first eight months of current fiscal year.

13.106 Comprehensive sanitation program has been in operation in all districts as per sanitation master plan and district-wise strategy work plan under environmental sanitation project. During the current fiscal year, 49 VDCs, 49 municipalities, 8 districts (Bajura, Arghakhachi, Rukum, Gorkha, Jajarkot, Dhankuta, Lamjun, Ilam) as well as one zone have been declared open defecation free (ODF) zone.

Table 13 (as): Basic Drinking Water and Sanitation Status

Indicators	Target set by National Water Project 2005			
	2012	2017	2027	
Basic Drinking Water Service (Total Beneficiary Population Percent)	90	100	-	83.59
Basic Sanitation (Total Beneficiary Population Percent)	90	100	-	70.28
High/Medium Level Drinking Water Service (Total Beneficiary Population Percent)	15	27	50	15.3

Source: Department of Drinking Water and Sewerage

13.107 Under drinking water quality improvement program, various 32 water purification system has been constructed. A total of 2,104,000 service recipient have been benefited with operation of water safety plan in 589 projects by the first eight months of current fiscal year.

13.108 Under sewerage construction and processing program, sewerage system equipped with processing center construction work has been in operation in active participation and economic partnership of local body and consumer community. Total 7 projects (Thaiba, Harisiddhi, Gothatar, Murgiya, Balkot, Katunje, Hastinpur) are in under construction phase and detail project report of 3 projects (Fewatal, Manthali, Betini) is in the process of preparation.

Table 13 (at): Status of Drinking Water and Sanitation, Rural and Urban Drinking Water

S. No.	Particular	Unit	Fiscal Year		2014/15*
			2012/13	2013/14	
1	Drinking Water and Sanitation Project	No.	112	137	-
	Beneficiary Number	Person	286000	193481	
2	Completed Schemes under Successive Projects	No.	196	239	-
	Beneficiary Number	Person	53000	122293	30000
3	Drinking Water and Sanitation Improvement Expansion Project (Beneficiary Number)	Person	-	70463	-
4	Completed Drinking Water Processing System	No.	7	9	-
	Beneficiary Number	Person	63746	76300	-
5	Rain Water Harvesting Project	No.	Project 4 and 20 Community School	Community Rain Water Harvesting Project 4 and 16 Community School	-
	Beneficiary number (Including Students and Pilgrims)	Person	9496	12839	
5	Declaration of Open Defecation Free Zone			-	
	(a) VDCs	No.	452	528**	49
	(b) Municipalities	No.	2	7	49
	(c) Districts	No.	5	7	8

* First eight months

** Related with then VDC structure

Source: Ministry of Urban Development

Urban Drinking Water System

13.109 During fiscal year 2014/15, total 10 tube-wells have been brought into operation under production enhancement program. About 40,000 additional populations have been benefited with production of about 10 million liter additional water from this. Old wells in drinking water system have been used as complementary after bringing in operation by repairing them. With the supply of additional 1.70 million liter drinking water from projects that will be completed in current fiscal year 2014/15, a total of 85,000 population will be benefited from drinking water supply while drinking water supply system will also be improved.

Youth and Sports

13.110 Tasks including study, research on youth, sports and scout, international relations promotion have been performed. Various activities related with sports and scout have been carried out in assistance and coordination of National Sport Council and Nepal Scout.

National Youth Mobilization Program

13.111 National Youth Mobilization Program is in operation since last few years. Youth information center has been established in all 75 districts and upgrading work at 5 information center is in operation as per program to upgrade all youth information centers in gradual manner. Radio Program on Youths is being broadcasted weekly through Radio Nepal every Sunday from 8:15 to 8:40 am. In addition, jingle related with youth is being broadcasted from television.

Table 13 (au): National Youth Mobilization Program Details

S. No.	Program	Unit	Fiscal Year		
			2012/13	2013/14	2014/15*
(A) Youth Mobilization Programs					
1	Local Youth Partnership Program	No.	653	715	-
2	International Youth Day	Time/ Frequency	1	1	1
3	a) Youth Experience Sharing Program operating under Bilateral Agreement	Person	50	50	-
	b) Internal Youth Experience Exchange Program	Person	32	48	-
4	Workshops on Youths Contact Points	Time/ Frequency	2	2	1
5	Grant for running Youth Information Center	District	75	71	-
6	Youth Information Center Improvement	District	5	15	5
7	Youth Bulletin/Publication of Ministry's Activities	Time/ Frequency	1	1	-
(B)Youth Empowerment and Capacity Enhancement Program					
1	Skill Oriented Training for enhancement of Youth's Capacity and Employment	Person	57	661	-
2	Youth Talent Award and Support Program	Time/ Frequency	3	5	5
3	Youth Radio Communication Program	Time/ Frequency	1	1	Youth Generation Communication Program being operated through Radio Nepal

*First eight months

Source: Ministry of Youth and Sports

Sports Development

13.112 As children are mainstay of future, sports tournaments have been in operation for school level children with the objective of developing their physical, psychology, social and emotion through sports. Athletics, volleyball, Jujutsu, taekwondo, karate are being conducted at district level, President running-shield tournament, secondary school level football for boys and girls and cricket tournaments are being organized at the central level as it is necessary to explore, identify, honor and protect talents at school level for sports development.

13.113 Awareness program has been carried out in five development regions in order to promote awareness among players and coaches against use of banned substance in sports and discourage use of banned substance.

Para-Olympic and special tournaments are being conducted with a notion of adopting “Sports for All” concept and keeping the players with different sporting skills healthy by attracting them towards various sports.

- 13.114 Financial grant has been provided on regular basis to center and district level officers in order to make programs of Nepal Scout effective and to operate scout related activities. Financial assistance has been provided for scout building construction and scout building as well as training centers maintenance improvement in districts having own land.

Table 13(av): Sports and Extra-Curricular Activities Details

S. No.	Program	Unit	Fiscal Year			Remarks
			2012/13	2013/14	2014/15*	
1. School Sports Development Program (Boys/Girls)						
1.1	Presidential Running Shield					
	a) District Level	District	68	70	56	
	b) Regional Level	Region	5	5	-	Operating from Mid-April
	c) Central Level	Center	1	1	-	
1.2	Secondary High School Level Football Tournament (Boys/Girls)	Frequency	1	1	-	
1.3	Secondary High School Level Cricket Tournament (Boys/Girls)	Frequency	1	1	-	
2. Sport Support and Development Program						
2.1	National Talent Award on Sports	Person	3	5	9	
2.2	Para-Sports Support Program (Para-Olympic, Crickets for Blinds and hearing impaired Students and Football, Athletics, Basketball, Table Tennis for Physically Challenged Students)	Center	1	1	-	
2.3	Special Olympic Program	Center	1	-	-	In the process of Operation
2.4	Study and Participation in International Sports Tournament	Center	1	1	2	
2.5	Sport Act, Regulation, Directive Amendment and Sport Formulation	Center	1	1	-	
3. Training, Awareness and Other Program						
3.1	School Sport Teacher Training	Person	32	144	71	In the process of operation for rest districts
3.2	National Jamboree Program-II of Nepal Scouts	Center	1		-	
3.3	Nepal Scout Operation Grant	Frequency	1	1	1	

*First eight months

Ministry of Youth and Sports

3.115 Programs such as development and strengthening of sports' infrastructure organizing national and international tournaments and participating in those tournaments, imparting motivational and regular training for players have been conducted. Activities likes providing life time allowance, insurance to players and assistance for the treatment of injured players are also being carried out.

Table 13(aw): Programs under National Sport Council

S. No.	Program	Unit	Fiscal Year		
			2012/13	2013/14	2014/15*
1	ToT and Refresher Trainings for players from Sports Academy, Trainers and other sports related Manpower	Center	1915	1810	485
2	Operation of Sports Medicine and Research Center	Center	1	1	1
3	International Training, Seminar, Workshops, Team Interactions	Person	60	200	106
4	Life-time Allowance for Players	Person	2	5	5
5	Regional Level Tournaments Conducted	Region	5	5	1
6	District Level Tournaments Conducted	District	75	75	25
7	Special Trainings for National Team Players on Various Sports	Person	200	170	235
8	Players' Medical Treatments and Medical Support in Accidental Cases	Person	20	16	12
9	Grants Awarded to National Sports Federation for conducting sports activities	Number	45	50	44
10	Supporting the organizers on Indigenous, Traditional sports	Times	15	15	7
11	Organizing International Tournaments Organized and Participated	Times	15	6	4
12	Mountaineering Sports Competition Organized	Sport	4	10	6
13	Reconstruction and Maintenance of Physical infrastructure of Stadiums	Number	7	9	6
14	Cash Prize Distributed for Motivating Players	Person	77	30	10
15	Construction and Maintenance of Covered Halls	Number	9	5	33
16	Construction of Sports Ground	Number	54	45	282
17	Construction and Upgrading of Cricket Grounds	Number	3	4	20
18	Constructions of Various Sport Academies (Ongoing)	Number	2	3	3

**First eight months*

Ministry of Youth and Sports

Culture

- 13.116 As per the objective of contributing in national economic income generation through tourism promotion by elucidating cultural identity of the country in national manner with protection as well as promotion of cultural heritages within country, sustainable management work has been put forward. About 1,200 agencies including various organization involved in protection of visible and invisible heritages within country including temple, mosque, church, sikh temple, monastery have been provided with grant amount.
- 13.117 Five disciplines on abstract cultural heritages of each ethnic/community belonging to nearing extinction, marginalized, and extremely marginalized groups that are deprived of facilities have been collected and listed. Those five disciplines so collected and listed are: a) spoken traditions and expressions with languages as messengers of abstract cultural heritages; b) the art of performing arts; c) social practices; d) rituals and festivities; and e) information and practices related to the nature and universe.
- 13.118 business of various cultural products created from own knowledge, skill and technology by ethnic groups/community has contributed in improvement of living standard of the concerned community as well as revenue collection growth rate. Trade of products produced from cultural production having lesser impact on environment related industries has helped in reducing trade deficit while self employment to some extent has been generated to youth group from this type of industry.

Social Development Effort through Local Bodies

- 13.119 Social development programs are in operation with the objective of ensuring the social security arrangement and providing support to senior citizens, single women, *Dalits*, Indigenous communities nearing extinction, ethnic people (*Janajatis*), and physically challenged citizens for their easy and comfortable living.

Registration Program

13.120 A total of 364,645 birth registration has been done in the first eight months of current fiscal year which was 1029,681 in the preceding year. Though death registration is generally lower than birth registration, death registration has seen very low since last few years compared to birth registration. A total of 51,457 death registration has been done in the first eight months of current fiscal year while this number was 121,849 in the complete period of previous year. From this, it is observed that death registration tendency has not been fully organized in the country.

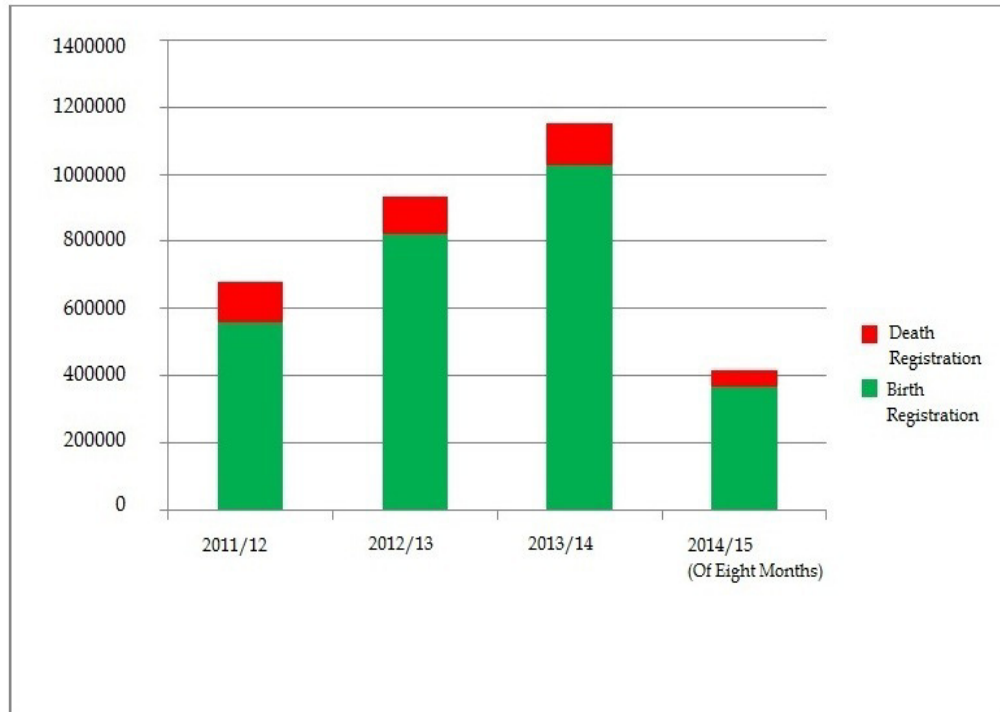
Table (ax): Vital Statistics Registration Details

S. No.	Personal Events	Particular	Fiscal Year			
			2011/12	2012/13	2013/14	2014/15*
1	Birth Registration	Female	258089	385536	488802	172627
		Male	297857	429485	540879	192018
		Total	559440	822429	1029681	364645
2	Death Registration	Female	34097	43045	48270	17394
		Male	85396	69823	74087	34063
		Total	120394	113368	121849	51457
3	Marriage Registration		178196	208211	137316	84156
4	Divorce Registration		407	557	1104	438
5	Migration Registration		90558	81946	94613	52967
6	Number of People migrated out		152812	137499	141871	82688
	Number of People migrated in		171560	158901	167034	113605
	Total Number of Migrants		324889	296251	308981	196170

**Of the first eight months*

Source: Ministry of Federal Affair and Local Development

Chart 13(m): Birth and Death Registration



Social Security

13.121 A total of 2,160,576 individuals comprising of 951,419 senior citizens, 648,553 widow and single women above 60 years, 20,308 indigenous and ethnic people nearing to extinction, 27,203 fully incapable and differently able citizens, 6,375 partially disable and physically challenged people and 506,718 children from Karnali Zone as well as children below 5 years of deprived *dalit* family have received social security allowance. The number of person receiving social security in the current fiscal year has been lower by 12,019 than that previous fiscal year.

Table 13 (ay): Distribution of Allowance under Social Security Program

Target Group	Monthly Rate (Rs.)	Fiscal Year		
		2011/12	2013/14	2014/15*
		Number	Number	Number
Senior Citizen	500	663693	655737	688930
Senior Citizen (<i>Dalits</i>)	500	170825	244646	234634
Senior Citizen (Karnali)	500	29626	28797	27855
Single Women above 60 Years	500	361350	341106	231352
Widows below 60 Years	500	219933	313613	417201
Fully Disabled Persons	1000	22138	25492	27203
Partially Disabled Persons	300	6774	6863	6375
Endangered Indigenous/Ethnic People	1000	18825	19223	20308
Children	200	551916	537118	506718
Grand Total		2045080	2172595	2160576

**First eight months*

Source: Ministry of Federal Affair and Local Development

- 13.122 Providing monthly sum of Rs. 300 to 'B' group incapable citizens having identity card (Blue Card) of severe incapability and annual sum of Rs. 2,000 against medical expense to senior citizens completing 70 years age has been started. Citizens above 70 years and having severe incapability identity card have been benefited from this arrangement.
- 13.123 Detail of allowance beneficiary of 12 districts has been entered in social security and personal accident management information system (MIS) and based on data obtained from such system, providing authorization work has been started. This system has helped in making detail of beneficiaries realistic. Usage of this system than traditional method has assisted in allocating realistic budget and sending authorization. In addition, extra cost burden related with that has also decreased.

Multi-sector Nutrition and Golden Thousand Days Project

13.124 Multi-sector Nutrition Program has been in operation from fiscal year 2014/15 to implement multi-sector nutrition program formulation to bring improvement in mother infant nutrition situation through progressing in the habit of maximum usage of nutrition aimed/services sensitive towards nutrition; to bring improvement in mother infant nutrition situation in all level of society. This program is in operation in the districts of Achham, Bajura, Jumla, Kapilvastu, Nawalparasi, Parsa. Likewise, Golden Thousand Days Project has been brought into implementation since few years in 25 percent (total 292 VDCs) of 15 districts with the target to improve nutrition related habits, practices, concepts of women of reproductive age group and children below 2 years of age.

Environment Management

13.125 Environment protection related issues have been clarified in the Acts and Regulations to make environment friendly in relation to solid waste management program; climate change adaptation program; conducting IEE prior to implementation of development project; and the local bodies conducted programs by maintaining environmental balance with due consideration to the mutually exclusive relationship between environment and development.

13.126 In fiscal year 2014/15, a total of 32 Initial Environment Examination (IEE) and 74 term of reference (TOR) of various development project and programs run by local bodies have been approved. So far, a total of 477 IEE of various projects has been brought into implementation after being approved.

13.127 Environment Friendly Local Governance Program has been commenced from current fiscal year in 33 municipalities as well as 60 VDCs of Kaski, Lamjung, Gorkha, Chitwan and Nawalparasi district of Gandaki watershed area and Udaypur, Sindhuli, Saptari, Siraha, Dhanusha and Rautahat district of Koshi watershed area. This program has given highest priority to sectors like greenery as well as urban beauty, water protection as well as pool construction, sanitation promotion by classifying waste at source, renewable energy, etc.

Inclusive Development

13.128 In accordance with the concept of inclusive development, various programs for indigenous (Aadibasi), and ethnic (Janajatis), people

neglected, oppressed, and Dalits, Madeshis, Muslim, backward communities and remote and special areas, monastery management and development programs and decentralized action plans for women and children have been in operation since last few years.

- 13.129 Under inclusive development, programs related with “Indigenous/Ethnic Group Near to Extinction Uplift and Chepang Development Program”, “Neglected, Oppressed and Dalit Group Uplift Development Program”, “Backwarded Community Uplift Development Program”, “Remote as well as Special Area Development Program”, “Bouddha Philosophy Promotion And Monastery Development Program” and “Badi Community Uplift Development” have been in operation. This would help in capacity enhancement of citizens from scheduled group including ethnic, neglected, oppressed and dalit, madheshi, muslim, backwarded and social main streamlining. Likewise, women friendly and gender equity oriented programs has been made compulsory in every plan and program as overall development of the state can’t be achieved without women development.
- 13.130 The Remote Area Development Program is in operation with a focus on supporting poverty alleviation initiatives in 22 northernmost bordering districts, and geographically remotest and extremely economically backward districts of Nepal. Under this program, 18 suspension bridges, 7 irrigation projects and 38 km mule tracks were completed in FY 2013/14. Similarly, 16 drinking water projects, 11 electrification projects and 21 different community infrastructure (school building, library, riverbank, modern mill, herb development, etc) had been completed.
- 13.131 Likewise, 6 suspension bridges, 1 electrification project, 2 irrigation projects, 2 drinking water projects, 18 Km track/road and 4 projects towards other community infrastructure have been completed under remote area development program in the first eight month of fiscal year 2014/15.

Local Governance and Community Development

- 13.132 The second phase of Local Governance and Community Development Program has been in implementation from 2013/14 to 2016/17 AD by emphasizing on responsible local governance, reformed social mobilization, service delivery and resource mobilization, emphasizing on local economic development and livelihood program, improvement

in local public account management as well as financial risk minimization, environment and child friendly local governance and by also including subjects on how to transform local governance into new system in the changed context.

- 13.133 In the first eight months of current fiscal year, all VDCs across the country as well as ward citizen forum formed in all wards of municipalities have been engaged in work such as local plan formulation, prioritization, plan implementation, monitoring, checking to make participative development effort factual through direct participation of citizen from all level and group in local governance.

Table 13 (az): Status of Social Mobilization

Particulars	Total/Number
Ward Citizen Forum	32211
VDC	29484
Municipality	2727
Official associated with Ward Citizen Forum	844005
Citizen Awareness Center (Targeted to Community living under poverty line)	4600
Social Mobilizers at VDCs and Municipalities No.)	4600
Reflect Classes being Conducted	156400
Trainings/Orientation on various subjects to members of Ward Citizen Forum (No.)	110953
NGO Selection and Mobilization for Social Mobilization	540
Public Hearing	741
Quality Test Laboratory Establishment	10 Districts

Source: Ministry of Federal Affairs and Local Development

Problems and Challenges

- 13.134 Handing over schools to the communities due to absence of peoples' representatives has become a major problem.
- 13.135 Maintaining expected student retention rate as well as level of quality education in community schools by establishing result based subsidy system has remained a challenge.
- 13.136 Achieving minimum teacher student ratio as per mandatory provision by enhancing capacity of human resource engaged in education sector is a challenging task.

- 13.137 Making time-relevant policy-wide and managerial reforms in higher education, enhancing quality and upgrading curriculum have been challenging tasks.
- 13.138 Human health problems have continued to grow as a result of climate change, increased food insecurity and natural disaster.
- 13.139 Remaining always in state of alertness to combat and manage highly contagious diseases (like Bird-Flu) or other potentially emerging diseases, and managing epidemics that appear from time to time have remained persistent challenges.
- 13.140 Creating equal opportunities for all citizens to avail health services; Education, Information, and Communication (EIC) through an appropriate health insurance system by enabling health institutions down to the local level is the present challenge to the government.
- 13.141 Amid increased private sector's investment on health sector, providing effective regulation to make such investment effective garnering confidence among general public and to increase investment in appropriate areas remains a challenge.
- 13.142 Maintaining good governance in non government organizations engaged in women and children sector and utilizing foreign assistance in government prioritized sector has also been a challenging task.
- 13.143 Elimination of kidnappings, child smuggling and trafficking murder, gender based violence, rapes, harassment as well as sexual exploitations is a daunting task.
- 13.144 Due consideration should be given to the issue of fulfilling the national commitments made to accomplish the tasks committed in various international conventions and conferences including United Nation Treaty, 1979 for eliminating all forms of discrimination against women and Beijing Forum, 1995.
- 13.145 Organizing sport tournaments of international level is difficult due to the lack of sport grounds and stadiums of international standard.

- 13.146 Exploring sport talents through the extension of sport accessibility at local and rural levels has been a challenging task.
- 13.147 Due to yawning gap between the availability of medicines, market monitoring and .experimentation level, it is a challenging task to make these things effective.
- 13.148 Maintaining pure drinking water distribution system by replacing four to five decade long old pipelines, machines and equipments remains a challenge.

14. Public Enterprises

- 14.1 Public Enterprises (PEs) have been established with the objectives of selling and distributing basic goods and services to consumers conveniently at fair prices; building basic structure of development; attaining financial self-reliance by earning profits through adoption of business principles on production and sale of goods and services thereby enhancing capacity and effectiveness of these undertakings; contributing to infrastructure development as well as economic growth and promoting social justice.
- 14.2 Net operating income of 37 PEs operating under full or partial ownership of Government has reached Rs. 257,817.30 millions in fiscal year 2013/14. This amount is higher by 15.48 percent as compared to that of previous fiscal year. The net operating income of these enterprises in fiscal year 2012/13 was Rs. 223,263.90 million. Among various indicators used in measuring financial efficiency of PEs, operating income is also one which has notably increased than in the preceding year thereby indicating improvement in financial efficiency of PEs in general. However, if analysis of each individual enterprise is carried out separately, overall situation seemed to have robust due to operating income contribution of a few enterprises. Situation of most of the PEs has not been satisfactory.
- 14.3 Among 37 PEs operating in fiscal year 2013/14, 18 are operating in net profit while 15 are operating at net loss. Details of Nepal Engineering Consultancy Service Center Ltd. and National Construction Company Nepal Ltd could not be availed because of the staff retirements and so was with the National Housing Company Ltd as a result of damage rendered by the earthquake to its office. Only limited data were made available by Janakpur Cigarette Factory Ltd with cause explained as retirement of employees. PEs, that had recorded net profit of Rs. 11400.5 million in fiscal year 2012/13 earned net profit of Rs. 5050.3million in fiscal year 2013/14. Net profit in this fiscal year has declined as compared to preceding fiscal year due to existence of distinctive problems in each PE.
- 14.4 By fiscal year 2013/14, government's total share investment in 37 PEs, as per the statistics obtained from the Office of Comptroller General, totaled Rs. 115,814.5 million while total loan investment during the same period amounted to Rs. 111,681.7 million. By FY 2012/13, share investments of the government in PEs stood at Rs. 107,663.8 million

and loan investment Rs. 106,501.7 million. In this way, government's share and loan investments in these enterprises has further increased by 7.57 percent and 4.86 percent respectively.

- 14.5 The total shareholder's fund of 37 PEs totaled Rs. 105,989.5 million by fiscal year 2013/14. In the previous fiscal year, such shareholder's fund stood at Rs. 97,841.5 million. As compared to fiscal year 2012/13, shareholder's fund of enterprises has increased by 8.33 percent in its succeeding year.
- 14.6 Dividend to Government of Nepal from PEs that totaled Rs. 6,990.2million in fiscal year 2012/13 dropped slightly to Rs. 6,618.7million in fiscal year 2013/14, which comes out to 5.71 percent of the share investment (Rs. 115, 814.5 million). In this period, GoN has received dividend from Nepal Telecom Company Ltd., Agriculture Development Bank Ltd, Hydroelectricity Investment and Development Company Ltd, Industrial Estate Management Ltd., and Citizen Investment Trust.
- 14.7 The unfunded liability of PEs has been growing every year due to various facility entitlements to PE employees upon their retirement such as gratuity, pension, medical treatment, insurance, payment against accumulated leave etc. Such unfunded liability of PEs that totaled Rs. 26,969.6 million in fiscal year 2012/13 reached to Rs. 27,019.1 million with an increase of 0.18 percent in fiscal year 2013/14. It is necessary to curb such unfunded liabilities on time as yearly increase in unfunded liability eventually burdens the investor (i.e. government).
- 14.8 Accumulated loss of 37 PEs that stood at Rs. 20,619.4 million by fiscal year 2012/13 reached Rs. 26,922.7 millions in fiscal year 2013/14. Enterprises with accumulated loss of over Rs. one (1) billion totals seven including Nepal Oil Corporation Rs. 32.84 billion, Nepal Electricity Authority Rs. 17.94 billion, Rastriya Banijya Bank Rs. 9.98 billion, Nepal Orient Magnesite Pvt Ltd Rs. 4 billion, Udaypur Cement Factory Ltd Rs. 3.44 billion, Nepal Airlines Corporation Rs. 1.75 billion, and Nepal Food Corporation Rs. 1.14 billion. PEs with accumulated profit of over Rs. one (1) billion totals four comprising Nepal Telecom Company Ltd Rs. 42.48 billion, Nepal Civil Aviation Authority Rs. 3.07 billion, Agriculture Development Bank Ltd Rs. 1.47 billion, and NIDC Development Bank Ltd Rs. 1.36 billion.

Contribution of PEs to Revenue and GDP

- 14.9 The share of dividend (Rs. 6.62 billion) that Government of Nepal received from PEs is 1.46 percent of its total revenue collection of Rs. 356.85 billion in fiscal year 2013/14. Though return i.e. dividend of 5.71 percent received by Government of Nepal in proportion to share investment clearly shows this return is lower than the prevailing interest rate, PEs role in income tax, value added tax and non-tax revenue collection has been significant.
- 14.10 Contribution of net operating income of PEs in fiscal year 2013/14 to GDP of Rs. 1,941.62 billion at current prices remained 13.3 percent (Rs. 258 billion). Among the PEs, the share of operating income of the trade sector to GDP has been the highest with 7.5 percent (Rs. 146 billion), while social sector has the lowest contribution with only 0.06 percent (1.21 billion).
- 14.11 In fiscal year 2013/14, the share of government's lending (Rs. 16.21 billion) to PEs stood at 3.13 percent of total government expenditure of Rs. 517.24 billion of the same fiscal year 2013/14, while share of government's lending to capital expenditure of Rs. 85.10 billion stood at 19.05 percent.

Sector-wise Analysis of Public Enterprises

Industrial Sector

- 14.12 Of the seven PEs operating under industries sector, there has been no transaction of Janakpur Cigarette Factory Ltd. after golden handshake to its employees, and only limited information as obtained from the current management has been included. PEs operating under the industries sector earned operating income equivalent to Rs. 6,149.2 million in fiscal year 2013/14, which is more than 7.06 percent than in fiscal year 2012/13. Janakpur Cigarette Factory Ltd. is on the verge of shut down and Nepal Orind Magnesite Pvt. Ltd. could not start operation while Nepal Drugs Limited has limited production. Herbal Production and Processing Company Ltd, Dairy Development Corporation and Udaypur Cement Factory Limited have been successful in raising their operating incomes by 45.11 percent, 9.67 percent, and 5.10 percent respectively.
- 14.13 In fiscal year 2013/14, net loss of PEs under this sector grew by 35.96 percent as compared to its previous year totaling Rs. 774.6million. Total accumulated loss of this sector stood at Rs. 9,902 million by fiscal

year 2013/14. Such huge accumulated loss figure clearly indicates that PEs under the industries sector are still in problem. The net fixed assets of PEs under the industries sector has depreciated to Rs. 3,366.6 million from Rs. 3,615.6 million by fiscal year 2013/14.

- 14.14 The Outstanding debt of PEs operating in the industries sector has reached Rs. 5,852.7 million in fiscal year 2013/14 with an increase of Rs. 1,608.8 million to that of fiscal year 2012/13. Among the PEs to borrow large amount from Government of Nepal are Udaypur Cement Factory Limited with Rs. 2.21 billion, Janakpur Cigarette Factory Ltd with Rs. 2.17 billion and Nepal Orind Magnesite Pvt. Ltd. with Rs 740 million. Likewise, shareholder's fund has remained negative by Rs. 4,069.9 million with negative growth of Rs. 273.6 million.
- 14.15 Among seven (7) PEs, three (3) PEs (Dairy Development Corporation, Hetauda Cement Factory Ltd and Udaypur Cement Factory Ltd) have their accounts audited up to fiscal year 2013/14 while others have not completed their audits in time. A total of 2,578 individuals are employed in PEs under industrial sector whereas total annual administrative expenditure totaled Rs. 625.4 million and unfunded liability for employee's retirement stood at Rs. 1,911 million. By fiscal year 2013/14, Government of Nepal has not received any dividend on its share investment of Rs. 5,425.6 million in PEs.

Trade Sector

- 14.16 A total of six (6) PEs are operating under the trade sector including Agriculture Inputs Company Ltd, National Seeds Company Ltd, National Trading Limited, Nepal Food Corporation, Nepal Oil Corporation Ltd and The Timber Corporation of Nepal Ltd. PEs under this sector earned operating income of Rs. 145,959.7 million while incurred a net loss of Rs. 8590.03 million in fiscal year 2013/14. Operating income of PEs amounted to Rs. 120,364.7 million and their net loss stood at Rs. 1,553.4 million in preceding year. Similarly, net loss of Nepal Oil Corporation that totaled Rs. 2.05 billion in previous fiscal year, made a loss of Rs. 8.30 billion by the current fiscal year. In this fiscal year, non-adjustment in the price of petroleum products in fiscal year in line with rise in international prices are the attributing factors for such a sharp rise in its net loss.
- 14.17 The total outstanding debt of PEs operating in this sector which stood at Rs. 26,506.1 million in fiscal year 2012/13, significantly rose to Rs. 34,696 million in fiscal year 2013/14. Of the PEs under this sector,

Nepal Oil Corporation is the leading borrower with its debt amount of Rs. 33,921 million. By fiscal year 2013/14, Nepal Oil Corporation has borrowed Rs. 20.28 billion from Employee's Provident Fund and Citizen Investment Trust on the guarantee of the Government of Nepal.

- 14.18 The net fixed asset of PEs under this sector totaled Rs. 2,081.3 million by fiscal year 2013/14. Agriculture Inputs Company Ltd. holds the top position in terms of the size of its net assets worth Rs.797.1 million whereas National Seeds company Ltd. stands at the lowest position with its net assets worth Rs. 67.2 million. Overall shareholders' fund of PEs operating under this sector has negative balance of Rs. 31,604 million. Nepal Oil Corporation has played the main role for this negative capital fund whose such fund amounts to Rs. 32,547.4 million.
- 14.19 Among six (6) PEs of this sector, four (4) PEs have conducted their final audit up to FY 2013/14, while Nepal Food Corporation completed audits up to fiscal year 2009/10 and National Trading Limited up to FY 2011/12. The number of personnel employed in PEs of this sector totaled 1,784 with unfunded liability amounting to Rs. 703.3 million. Similarly, annual administrative expenses amounted to Rs. 1,712.4 million. Though the government of Nepal by fiscal year 2013/14 has made loan investment of Rs. 12,983.5 million and share investment of Rs. 1,999.3 million in PEs of this sector, dividend receipt appeared to be nil.

Service Sector

- 14.20 Among Seven (7) PEs (Nepal Civil Aviation Authority, Nepal Airlines Corporation, Industrial Estate Management Ltd, Nepal Transit and Warehousing Co. Ltd, National Productivity and Economic Development Center Ltd, Nepal Engineering Consultancy Service Center Ltd, and National Construction Company Nepal Ltd) operating under the services sector in the past, no detail has been included for National Construction Company Nepal Ltd and Nepal Engineering Consultancy Service Center Ltd as there was no transactions after employees of these PEs were paid off with retirement benefits. The operating income of PEs under this sector totaled Rs. 10,688.9 million in fiscal year 2012/13 whereas such income rose by 15.21 percent in fiscal year 2013/14 reaching Rs. 12,395.0 million. Nepal Airlines Corporation and Nepal Civil Aviation Authority have earned the largest operating income of Rs. 7,821.6 million and Rs. 3,777.2 million respectively.

- 14.21 While analyzing net profit/loss of PEs under the service sector, net profit which totaled Rs. 1,443 million in fiscal year 2012/13 has dropped to Rs. 1,344.8 million in fiscal year 2013/14. Nepal Civil Aviation Authority, Nepal Airlines Corporation, Industrial Estate Management Ltd., and Nepal Transit and Warehousing Co. Ltd. have earned net profits while National Productivity and Economic Development Center Ltd. is in loss, and Nepal Engineering Consultancy Service Center Ltd., and National Construction Company Nepal Ltd seemed to have no transactions.
- 14.22 The net fixed assets of PEs under the service sector stood at Rs. 12,528.7 million by fiscal year 2013/14. Shareholders' fund of PEs under this sector totals Rs. 18,411.8 million. By fiscal year 2013/14, the debt liability of the service sector reached Rs. 7,604.5 million. Of such debts, Nepal Airlines Corporation shares Rs. 5,695.3 million, Nepal Civil Aviation Authority Rs. 1,786.7 million and that of Nepal Transit and Warehousing Co. Ltd. is Rs. 122.5 million. The unfunded liability of PEs under this sector reached to Rs. 856.2 million by fiscal year 2013/14. Of this, Nepal Airlines Corporation has the highest share of Rs. 834.1 million. In this fiscal year, a credit of Rs. 10 billion has been disbursed to Nepal Airlines Corporation from Employees Provident Fund against the guarantee of GoN for purchase of two narrow body airbus aircrafts, and the corporation has already received airplanes.
- 14.23 By fiscal year 2014/15, the number of employees working in PEs under this sector totals 2,334. Total annual administrative expense amounts to Rs. 2,198.8 million. While analyzing the status of auditing their books of accounts, only Industrial Estate Management Ltd has completed its audit up to fiscal year 2013/14, while Nepal Airlines Corporation, Nepal Civil Aviation Authority and Nepal Transit and Warehousing Management Co. Ltd have conducted audits of up to fiscal year 2012/13. National Productivity and Economic Development Center Ltd has completed its audit of accounts of up to fiscal year 2007/08.
- 14.24 By fiscal year 2013/14, the Government of Nepal has made share investment of Rs. 15,412.2 million and loan investment of Rs. 2,480.7 million in PEs under this sector. Except for Industrial Estate Management Ltd, GoN has not received any dividend in fiscal year 2013/14 from other enterprises of this sector.

Social Sector

- 14.25 A total of 5 (five) PEs (Cultural Corporation, Gorkhapatra Corporation, Janak Education Materials Center Ltd, Nepal Television and National Housing Company Ltd) are operating in the social sector. The net loss of PEs of this sector which stood at Rs. 185.6 million in fiscal year 2012/13 amounted to only Rs. 0.2 million in fiscal year 2013/14. The net operating income of PEs of this sector stood at Rs 1,433.6 million and net fixed asset at Rs. 879.6 million in fiscal year 2013/14 which were Rs. 1,210.6 million and Rs. 800.9 million respectively in preceding fiscal year.
- 14.26 Though the government has made share investment of Rs. 2,602.0 million and loan investment of Rs. 507.5 million in PEs of this sector in fiscal year 2013/14, GoN has not received any dividend so far. Shareholders' fund of PEs of the service sector totaled Rs. 892.2 million by fiscal year 2013/14, which stood at Rs. 760.7 millions in previous fiscal year 2012/13.
- 14.27 A total of 1,651 employees are working and the non-funded liability of PEs amounted to Rs. 872.9 million by the end of fiscal year 2013/14 of which Gorkhapatra Corporation has the largest share of Rs. 480 million. Cultural Corporation and Nepal Television have got their books of accounts audited up to fiscal year 2013/14 while others are found to have failed to complete their audits within the stipulated time-frame.

Public Utilities Sector

- 14.28 The net operating income of three PEs (Nepal Telecom Company Ltd, Nepal Electricity Authority (NEA) and Nepal Water Supply Corporation) of the public utilities sector reached to Rs. 64,175.2 million with the increase of Rs. 2876.7 million in FY 2013/14 from that of Rs.61298.5 million in fiscal year 2012/13. Nepal Telecom has earned the highest operating income of Rs. 35995.8 million. The net fixed assets of PEs in this sector stood at Rs. 104,582.9 million while total shareholders' fund remained positive by Rs. 85861.1 million by the end of fiscal year 2013/14.
- 14.29 Nepal Telecom has been able to earn the highest net profit of Rs. 11,553.7 million in FY 2013/14. Overall net profit of PEs in this sector stood at Rs. 6,702 million with a net loss of Rs.4,702 million of Nepal Electricity Authority (which was Rs. 4,633.6 million in previous fiscal

year) and Rs. 149.7 million that of Nepal Water Supply Corporation (which was Rs. 155 million in previous year). Despite writing off accumulated loss totaling Rs. 27,530 million of Nepal Electricity Authority in fiscal year 2010/11, accumulated loss of Rs. 17,940 million for last three year proves the complexity of problem within the Authority. Dues totaling about Rs. 9 billion of Nepal Electricity Authority portrays its weak management status of operating with huge amount of accumulated loss.

- 14.30 Total debt liability of PEs in the public utilities sector stood at Rs. 85,367 million in fiscal year 2013/14 which was Rs. 76,167.5 million in previous fiscal year. NEA has the highest debt liability of Rs. 83,664.4 million while Nepal Telecom has not borrowed any debt. Total number of employees working in PEs under this sector has reached 14,814 by the end of fiscal year 2013/14. NEA has the highest number 8,699 of personnel working. Total administrative expenditure of PEs in this sector amounted to Rs.20,401.8 million.
- 14.31 The unfunded liability of only three PEs in the public utilities sector reached Rs. 21,429.7 million in fiscal year 2013/14 in which NEA shares Rs. 14,704.5 million, Nepal Telecom shares Rs. 6,234.7million while the share of Nepal Water Supply Corporation is Rs. 490.5 million. In this way, this problem has become difficult due to abrupt rise in unfunded liability of PEs that would gradually increase the liability on the government fund as an investor. By the end of FY 2013/14, Government of Nepal has invested a sum equivalent to Rs. 69,807.4 million as share investment and 87,038.6 million as loan investment in PEs under the public utilities sector. The government has received dividend of Rs. 6,313 million from Nepal Telecom in FY 2013/14.

Financial Sector

- 14.32 Nine PEs are operating under the financial sector. The total operating income of this sector in FY 2013/14 stood at Rs.27,784.6 million, which is higher by 15.98 percent than in the previous fiscal year. Based on various indicators, PEs under this sector are improving. All these PEs in the financial sector have earned net profits in FY 2013/14. The net profit of PEs in this sector that stood at Rs. 5,755.8 million in FY 2012/13 went up to Rs.6,368.7 million with significant growth in FY2013/14. PEs of this sector which earned profit of above Rs. 1 billion are Rastriya Banijya Bank with Rs. 1,836.7 million, Agriculture Development Bank Ltd. with Rs. 1,491.8 million and NIDC Development Bank with Rs. 1,002.5 million.

- 14.33 In fiscal year 2013/14, the net fixed asset of PEs of this sector stood at Rs. 2, 831.2 million and shareholders' fund of all PEs in this sector has remained positive with Rs.36,498.3 million. In addition, the loan/investment of PEs in financial sector grew to Rs. 225,692.1 million by fiscal year 2013/14 from Rs.193,998.9 million in previous fiscal year. The loan/investment of Agriculture Development Bank, RastriyaBanijya Bank, NIDC Development Bank, Citizen Investment Trust and Deposit and Credit Guarantee Corporation Ltd. has recorded sharp growth in this fiscal year as compared to preceding fiscal year.
- 14.34 The Government of Nepal has made net share investment of Rs. 20,567.9 million and loan investment of Rs. 2818.7 million in PEs of financial sector in FY 2013/14. The government of Nepal has received dividend amounting Rs. 299.8 million comprising Rs. 199.4 million from Agriculture Development Bank, Rs. 100 million from Hydroelectricity Investment and Development Company and Rs. 400,000 from Citizens Investment Trust in FY 2013/14. An additional share investment of Rs. one (1) billion has been made to raise the capital volume of the Deposit and Credit Guarantee Corporation Ltd. This has helped to win public trust as certain amounts deposited by small depositors are guaranteed.
- 14.35 A total of 6,418 employees are working in PEs under the financial sector of which Agriculture Development Bank and Rastriya Banijya Bank have the highest number of employees with 3292 and 2,678 respectively. The total annual administrative expenditure of PEs in this sector stood at Rs. 7,449.1 million. Among the PEs in this sector, Rastriya Beema Sansthan have its account audited till FY 2007/08, while Agriculture Development Bank and Citizen Investment Trust have conducted audit up to FY 2012/13 and the rest of the PEs have completed their audit up to FY 2013/14.
- 14.36 The liabilities of Rastriya Banija Bank amounted to Rs. 7456.3 million totaling unfunded liability of Rs. 1238 billion and potential liabilities of Rs. 6218.3 million. The unfunded liabilities of Nepal Stock Exchange stood at Rs. 7.1 million while potential liabilities stood at Rs. 3.4 million totaling Rs. 10.5 million. The unfunded liabilities of Deposit and Credit Guarantee Corporation stood at Rs. 800,000 while other enterprises do not hold unfunded liabilities.

Challenges and Problems

- 14.37 Public Enterprises operating under the full and partial ownership of the Government of Nepal totaling 37 are formed under five (5) different Acts. As there are different Acts relating to establishment of these PEs, their forms of operations are also different. Uniformity could not be established from appointment of the Board of Directors to amenity provisions for human resources due to inconsistent regulations/By-Laws and operating procedures/ in practice for managing these enterprises established under different acts.
- 14.38 A Public Enterprise Directive Board formed in mid-Feb of 2011 has been working in line with the policy of ensuring representation of qualified, skilled, professionals in the Public Enterprises, and appointing the Chiefs of Corporations through competition among the people of managerial capacity and fixing their salary and benefits as well as rewards on evaluation of performance basis. Though such system initiated towards making the Corporations result oriented, competitive, and professional is very much positive, conducive working environment could not be created for so appointed organization chiefs so as to achieve Corporation's target as expected.
- 14.39 Most of the PEs are not operating as per the human resource planning and management principle. Challenge of transforming human resource into productive resources still exists in most enterprises and the major reasons behind this are lack of qualitative and skilled human resource and most of the staffs are of employee attitude. PEs are overstaffed as compared to similar type of business enterprises in the private sector. In addition, Administrative overhead cost of PEs has continued to rise due to the practice of nepotism and favoritism by recruiting unnecessary number of staff especially in contract service positions. Majority of the PEs have neither made projection of their human resource nor have formulated and implemented human resource development plan.
- 14.40 The role of Trade Union for protecting employees' rights and benefits in democratic governance system is inarguable. However, the financial position of our PEs has continued to deteriorate as a result of growing tendency of the staff to exploit facility by disregarding financial health of the organization they are employed with. The practice of raising facilities and privileges without seeking approval from concerned entities and increased pressure to cover such demand beyond financial capacity of the organization have resulted in continuation of the rise in

unfunded liabilities of these enterprises. Such practices will surely create immense pressure on the State's funds in the end. Likewise, Ministry of Finance is made to bear excessive work load and undue pressure because of the rise in the trend of concerned line ministries and Board of Directors of the organization forwarding documents without reaching to conclusion through due consultations and agreements with trade unions for their demands, but endorsing whatever comes forward by bowing to their pressures.

- 14.41 There has been statutory provision for PEs to have their accounts audited within the specific timeframe after closing of the fiscal year. While observing the scenario, only 19 PEs out of 37 PEs have their accounts audited up to FY 2013/14. Financial governance can't be ensured without getting their accounts audited. Chiefs of PEs have not assumed their financial accountability by not getting their accounts audited in time and reports published subsequently. Financial governance of public enterprise has become more fragile due to situation of additional investment in PEs without audits done, facilities raised, and their chief getting rewarded with additional responsibilities (without accountability).
- 14.42 Most of the Public Enterprises that are required to formulate and implement their business plans in line with their objectives, visions, strategies and working policies, have not been doing so. Implementation status of few enterprises having business plan is also weak. It is imperative to formulate and implement operational action plan of essential aspects including human resource management, capital mobilization, demand and supply forecast, price fixation, market management, procurement system.
- 14.43 Public enterprises, with the entry of private sector organizations, should have made themselves competent by enhancing their skills but they have failed to do so. Private sectors continued to flourish while PEs started to deteriorate. Government industries could not sustain despite having capital, raw material, government protection, and the market. Private sector companies are moving aggressively ahead in the service sector while PEs have no strategies to compete with them. The situation of trade sector is getting more vulnerable. Such increased loss of business enterprises despite the availability of government grant is attributable to weak management.

15. Post-Earthquake Reconstruction and Recovery

- 15.1 The catastrophic earthquake of April 25, 2015 and subsequent aftershocks have resulted in huge loss of human lives, physical infrastructure, and natural resources. The death toll from such catastrophic trembler is estimated to have reached 8,790 while 22,300 people have sustained injuries with about 300 accounted as still missing. About 17,000 large livestock (quadruped) and some 40,000 small ones raised for rural household income perished in the earthquake. Likewise, 507,017 homes have been completely destroyed, while 269,190 homes have been partially damaged. The earthquake is estimated to have affected about one third (8 million) of the nation's population. It has affected 31 districts of the total 75 districts of Nepal. Of this, 14 districts bore the full brunt while 17 got partially affected. Majority of homes in the most affected Sindhupalchowk district have been completely destroyed while the rest also suffered damages. Search, rescue, relief and rehabilitation works have been carried out in highly affected 14 districts by prioritizing post- quake rescue and relief operations.
- 15.2 Infrastructures especially private and government buildings, cultural heritages, schools, health institution buildings, rural roads, bridges, drinking water, power houses and sports infrastructures have received damaged by the earthquake. Likewise, natural resources, agricultural lands, and tourists trekking routes have also suffered massive damages.
- 15.3 The government is engaged in reconstruction operations in earthquake damaged areas. In such extreme and special situation, the government is required to concentrate its total effort on post earthquake relief, rehabilitation, and reconstruction works while preparing the policy for the next year. The government has established a National Reconstruction Fund of Rs. 200 billion for rehabilitation, reconstruction, and recovery fund, and set aside Rs. 20 billion (for the fund).
- 15.4 Losses incurred from the devastating earthquake is estimated at Rs. 706.5 billion. Of this, properties worth Rs. 517.5 billion have been destroyed while production suffered a loss equivalent to Rs. 189.0 billion. The loss and damage together amount to about one-third of GDP, and is equivalent to hundred percent of the gross fixed capital

formation. The Nepalese economy is likely to have long-term impact as risks arising from the earthquake have greatly affected the capital city and its surroundings. Poverty situation is likely to escalate as nearly as 80-90 percent of rural homes belonging to low income families that were made from stones, clay and wood have been destroyed together with destructions of agriculture and livestock, which are their major occupations.

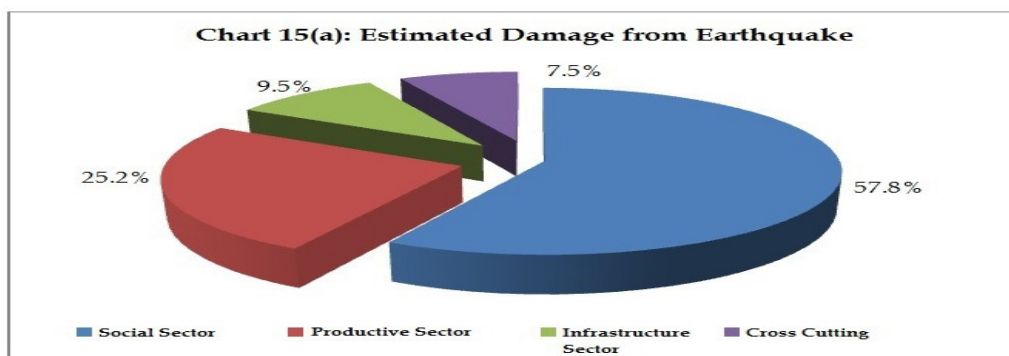
- 15.5 According to World Bank's estimate, the earthquake will drive 2.5 percent to 3.5 percent of Nepalese population back to poverty adding 700,000 more poor to the country's total poor by the end of FY 2015/16. Likewise, Multidimensional poverty is likely to receive grave impact owing to hurdles in drinking water and sanitation services, schools and health facilities, and increased food insecurity.
- 15.6 As a result of the catastrophic earthquake, GDP growth rate is estimated to rest at 3.0 percent in FY 2014/15. According to estimates made prior to the disaster, economy was expected to grow at 4.6 percent. The quake that destroyed production of Rs. 52 billion is attributable to such decline in economic growth rate. Though the quake has affected overall economy of the country, real estate business is estimated to have suffered more from it. The output of this sector is estimated to rest at 0.8 percent in FY 2014/15 as against 4.8 percent of the prior earthquake estimates. Likewise, claims against insurances have surpassed Rs. 16 billion while the quality on credit extended by banks and financial institutions is also likely to receive impact. Food products stored in rural areas and animal products together with livestock have been greatly damaged. Of the 10 cultural heritages of Kathmandu valley listed in world heritage sites, 7 are damaged while most of the trekking routes have been obstructed by the quake thus adversely affecting the tourism sector.
- 15.7 Revenue collection in FY 2014/15 is estimated to fall by 8.0 percent to Rs. 390 billion subsequent to the disaster from the earlier estimates of Rs. 423 billion. Likewise, total government expenditure is also likely to see some decline and rest at Rs. 494 billion. Similarly, export is expected to fall while trade deficit is likely to grow albeit lower import growth rate.

Table 15(a): Loss Incurred from Earthquake

Sector	Damage (In Rs. 10 Million)	Loss (In Rs. 10 Million)	Total (In Rs. 10 Million)
Social Sector	35502.80	5359.70	40862.50
Housing and Human Settlements	30363.20	4690.80	35054.00
Health	642.20	112.20	754.40
Education	2806.40	325.40	3131.80
Cultural Heritage	1691.00	231.30	1922.30
Productive Sector	5807.40	12004.60	17812.00
Agriculture	1640.50	1196.20	2836.70
Irrigation	38.30	-	38.30
Commerce	901.50	793.80	1695.30
Industry	839.40	1087.70	1927.10
Tourism	1886.30	6237.90	8124.20
Finance	501.50	2689.00	3190.50
Infrastructure Sector	5246.00	1432.30	6678.30
Electricity	1780.70	343.50	2124.20
Communication	361.00	508.50	869.50
Community Infrastructure	334.90	-	334.90
Transport	1718.80	493.00	2211.80
Water and Sewerage	1050.60	87.30	1137.90
Cross Cutting	5187.20	106.10	5293.30
Governance	1875.70	-	1875.70
Natural Disaster Risk Reduction	15.50	-	15.50
Forest and Environment	3296.00	106.10	3402.10
Gross Total	51743.40	18902.70	70646.10

Source: PDNA Report, National Planning Commission

- 15.8 Damage caused by the catastrophic earthquake is estimated at Rs. 706.5 billion. Of this, social sector accounts for 57.8 percent followed by the productive sector 25.2 percent, infrastructure sector 9.5 percent, and other cross cutting sectors by 7.5 percent. Likewise, private sector is estimated to have suffered loss/damage of Rs. 540 billion (76.0 percent) followed by the government sector Rs. 166.1 billion (24.0 percent).



- 15.9 Factors like low economic growth; high demand, expansionary budget; obstruction in supplies; and weaker governance efficiency could exert additional inflationary pressure. Likewise, consumer price will face pressure in the days to come with massive investment flow into the economy from the private and government sectors on reconstructions. Non-agriculture and service sectors also are likely to face pressure as well due to increased demand of construction materials and labor force. On the flip side, in a situation where adverse climate has already battered agricultural produce, the pressure is likely to hit on their prices as well. Cost-Push Inflation is expected due to possibility of price hike in goods and services sector as a result of accelerated wage rate led by labor shortage created by higher labor demand in construction sector.
- 15.10 Balance of Payment is estimated to receive negative effect as a result of increased imports against low export volume thus making the domestic production failing to meet higher demand of construction materials such as steel, fitting accessories, cement, bricks, and timbers.
- 15.11 It is a fact that tourism sector is likely to witness slackness as a result of the earthquake; there is likelihood of low credit flows from the banking sector in the short-term; and possibility of rise in risk exists in the banking sector due to heavy blow the real estate and housing sectors received. In spite of all these adverse factors, favorable climate for those crops that make major contribution to the agriculture sector; low impact of earthquake in major industrial areas of Terai; none or less impact of the tremor on country's major hydropower projects; possibility of greater activities in construction sector due to reconstruction and recovery projects; and probability of additional growth in wholesale and retail trades seem to have positive impact on the economic growth in future.
- 15.12 As per the preliminary estimate of the damage caused by the earthquake, Rs. 669.5 billion will be required for reconstruction and recovery, as estimated. Of this, social sector requires the highest amount of Rs. 407 billion (60.9 percent) followed by the productive sector Rs. 115.6 billion (17.3 percent), infrastructure sector Rs. 74.3 billion and other cross cutting sectors requires Rs. 71.9 percent (10.7 percent). Housing sector contributes most by 49.0 percent to reconstruction and recovery as the tremor has rendered huge damage to private, government and school buildings.



Table 15(b): Sources Required for Reconstruction and Recovery

Sector	Amount Required (Rs. in 10 Million)	Share (Percent)
Social Sector	40774.70	60.90
Housing	32776.20	49.00
Health	1469.00	2.20
Nutrition	503.60	0.80
Education	3970.60	5.90
Cultural Heritage	2055.30	3.10
Productive Sector	11561.80	17.30
Agriculture	1556.10	2.30
Irrigation	46.70	0.10
Commerce	2005.10	3.00
Industry	735.70	1.10
Tourism	3871.00	5.80
Finance	3347.20	5.00
Infrastructure	7426.60	11.10
Electricity	1858.60	2.80
Communication	493.90	0.70
Community Infrastructure	445.00	0.70
Transport	2818.50	4.20
Water and Drainage System	1810.60	2.70
Cross Cutting	7187.30	10.70
Governance	1844.20	2.80
Natural Disaster Risk Reduction	820.40	1.20
Forest and Environment	2519.70	3.80
Employment and Living Standard	1254.70	1.90
Social Security	639.80	1.00
Gender and Social Inclusion	108.60	0.20
Total	66950.5	100

Source: PDNA Report, National Planning Commission

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Table 1.2 : Gross Value Added by Industrial Division
(At 2000/01 Prices)

Rs. in ten million

Industries	Fiscal Year									
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14R	2014/15P
Agriculture and forestry	18026.0	18195.8	19251.4	19825.7	20219.6	21127.1	22095.0	22331.0	22964.3	23374.6
Fishing	275.5	283.8	304.5	320.7	332.1	351.6	378.1	388.3	407.4	433.1
Mining and Quarrying	234.8	238.3	251.3	253.1	258.5	263.7	277.0	282.5	297.6	300.2
Manufacturing	3889.8	3989.1	3954.5	3913.2	4029.1	4192.3	4344.5	4505.9	4788.8	4901.5
Electricity gas and water	1156.2	1306.5	1320.4	1275.0	1298.9	1356.4	1469.0	1473.1	1524.8	1542.5
Construction	3069.0	3145.3	3304.3	3337.1	3543.0	3712.6	3720.7	3811.9	4083.7	4229.3
Wholesale and retail trade	6809.9	6429.2	6696.2	7048.1	7523.7	7629.8	7896.7	8469.3	9232.7	9549.1
Hotels and restaurants	800.1	827.8	885.1	905.6	964.6	1024.4	1100.0	1160.5	1239.1	1288.4
Transport, storage and communications	4200.1	4409.4	4822.6	5158.5	5465.7	5750.4	6216.0	6691.5	7246.0	7625.1
Financial intermediation	1984.3	2210.3	2414.2	2463.2	2532.7	2616.3	2707.1	2682.5	2781.8	2819.8
Real estate, renting and business activities	3690.0	4124.0	4554.4	4642.1	4781.8	4889.4	5034.6	5296.1	5488.9	5531.3
Public Administration and defence	913.9	926.2	931.9	1001.2	1040.5	1080.6	1120.3	1182.2	1241.8	1313.4
Education	2864.0	3073.8	3271.6	3623.3	3863.8	3979.9	4201.9	4450.5	4664.6	4896.3
Health and social work	647.0	688.8	747.4	819.1	858.1	901.2	959.1	1002.1	1047.2	1152.3
Other community, social and personal service activi	1393.3	1664.3	1820.4	2052.0	2296.6	2459.9	2616.3	2741.6	2872.2	3025.2
Agriculture	18301.5	18479.6	19555.9	20146.4	20551.7	21478.6	22473.0	22719.3	23371.7	23807.7
Non Agriculture	31652.5	33033.1	34974.4	36491.4	38457.0	39856.9	41663.1	43749.6	46509.3	48174.6
Total GVA including FISIM	49954.0	51512.7	54530.3	56637.7	59008.6	61335.5	64136.2	66469.0	69881.0	71982.3
Financial intermediation indirectly measured	1910.5	2147.6	2304.3	2372.5	2432.7	2582.1	2672.5	2691.9	2883.0	2947.4
GDP at basic prices	48043.5	49365.1	52226.0	54265.2	56575.9	58753.4	61463.7	63777.1	66998.0	69034.9
Taxes less subsidies on products	3405.1	3838.8	4225.7	4745.5	5277.0	5216.0	5564.3	6018.3	6552.8	6989.4
Gross domestic product at producers price	51448.6	53203.8	56451.7	59010.7	61852.9	63969.4	67027.9	69795.4	73550.8	76024.3

P = Preliminary, R = Revised

Source: Central Bureau of Statistics

Table 2.2: Tax Revenue

Rs. in Ten Million

Revenue Heading		Fiscal Year					First Eight Months	
		2010/11	2011/12	2012/13	2013/14	2014/15*	2013/14	2014/15
11100	Taxes on income, profits and capital gains	4,135.03	5,130.30	6,418.67	7561.36	9101.83	3754.36	2444.62
11110	Payable by individual and sole traders	1,091.89	1,229.28	1,554.15	1943.40	2387.66	1111.54	1025.30
11120	Payable by enterprizes and corporations	2,393.11	3,049.44	3,706.72	4542.30	5090.81	2045.70	978.21
11130	Taxes on investment and other income	650.03	851.58	1,157.80	1075.66	1623.36	597.12	441.11
11200	Taxes on payroll and workforce	70.98	155.50	188.06	244.99	299.91	125.50	148.81
11210	Social Security Taxes on payroll	70.98	155.50	188.06	244.99	299.91	125.50	148.81
11300	Taxes on property	357.25	358.84	534.02	667.11	542.25	249.20	362.87
11310	Recurrent taxes on immovable property	0.0045	2.94	0.37	2.85	5.37	2.51	0.88
11340	Taxes on financial and capital transactions	357.25	355.90	533.64	664.26	536.88	246.69	361.99
11400	Taxes on Goods and Services	9,479.34	11,056.10	12,927.05	15771.84	19202.82	8914.70	10614.21
11410	VAT	6,166.36	7,093.04	8,341.84	10110.46	12173.07	5712.43	6473.50
11420	Excise	2,633.85	3,001.61	3,623.47	4541.26	5533.12	2502.55	3294.66
11440	Taxes on specific services	40.89	49.02	65.53	87.35	101.14	44.75	60.73
11450	Taxes on use of goods and on permission to use goods	638.24	912.43	896.21	1032.77	1395.49	654.97	785.32
11500	Taxes on international trade and transactions	3,571.35	4,339.06	5,693.18	6798.05	8066.93	3876.64	4815.71
11510	Customs and other import duties	3,431.40	4,090.59	5,432.79	6412.54	7661.95	3643.58	4540.34
11520	Taxes on exports	35.81	86.15	43.91	106.65	87.86	65.67	21.09
11560	Other taxes on international trade and transactions	104.14	162.32	216.48	278.86	317.12	167.39	254.28
11600	Other taxes	108.77	132.38	160.52	200.77	256.87	115.14	129.20
11610	Registration Fee	42.70	52.67	62.34	87.22	100.10		47.17
11620	Ownership Certificate Charge	66.07	79.71	98.18	113.55	156.78		82.03
	Grand Total	17,722.72	21,172.18	25,921.49	31244.13	37470.60	17035.54	18515.41

* Estimated

Note: Government of Nepal has started to record its revenue and expenses using Government Financial Statistic (GFS) 2001 since the fiscal year 2011/12. The Data of previous Fiscal Years may therefore differ

Table 3.4 (b) : National Salary and Wage Rate Index, first Eight Months

(Base Year 2004/05 = 100)

Commodities and Groups	Weights (%)	2010/11	2010/11	2011/12	2011/12	2012/13	2012/13	2013/14	2013/14	2014/15	Percent Change**	
		Mid March	Mid July	Mid March	Mid July	Mid March	Mid July	Mid March	Mid July	Mid March*	2013/14	2014/15
Overall Index	100.00	202.0	216.6	257.7	270.4	277.7	287.7	324.9	324.9	346.5	16.9	6.8
Salary Index	26.97	157.0	157.0	187.3	187.3	187.3	187.3	236.9	236.9	254.7	26.4	7.6
Civil Service	2.82	199.3	199.3	236.5	236.5	236.5	236.5	310.6	310.6	340.7	31.3	9.7
Public Corporations	1.14	164.1	164.1	210.0	210.0	210.0	210.0	268.9	268.9	288.1	27.6	7.5
Bank & Financial Institutions	0.55	204.1	204.1	290.6	290.6	290.6	290.6	429.1	429.1	447.5	47.7	4.3
Army & Police Forces	4.01	180.2	180.2	227.9	227.9	227.9	227.9	306.5	306.5	332.4	34.5	8.5
Education	10.55	174.5	174.5	207.8	207.8	207.8	207.8	271.2	271.2	295.8	30.5	9.1
Private Organizations	7.90	102.5	102.5	111.3	111.3	111.3	111.3	111.3	111.3	111.3	0.0	0.0
Wage Rate Index	73.03	218.6	238.6	283.7	301.1	311.0	324.8	356.9	357.4	380.4	14.8	6.6
Agricultural Labourer	39.49	251.9	279.8	320.1	345.4	360.2	380.5	400.1	400.1	431.8	11.1	7.9
Male	20.49	258.8	280.5	321.0	344.8	353.6	366.7	384.4	384.4	430.5	8.7	12.0
Female	19.00	244.4	279.0	319.2	346.2	367.2	395.3	417.0	417.0	433.3	13.6	3.9
Industrial Labourer	25.25	176.5	182.4	237.1	243.1	248.3	255.1	309.8	309.8	318.2	24.8	2.7
Highly Skilled	6.31	174.3	179.5	222.4	229.8	233.3	241.3	289.0	289.0	301.9	23.9	4.5
Skilled	6.31	171.4	178.3	232.6	237.2	241.5	251.8	306.8	306.8	314.5	27.0	2.5
Semi Skilled	6.31	171.5	176.9	236.7	242.3	247.7	249.3	307.0	307.0	315.9	23.9	2.9
Unskilled	6.32	188.9	194.9	256.6	263.1	270.7	278.1	336.2	336.2	340.4	24.2	1.2
Construction Labourer	8.29	187.9	213.7	251.9	266.8	267.8	271.9	294.4	299.3	325.0	10.0	10.4
Mason	2.76	177.8	201.8	238.2	245.5	248.4	250.3	272.7	278.4	302.8	9.8	11.0
Skilled	1.38	176.0	197.3	227.6	235.5	239.7	243.4	263.1	267.5	293.7	9.8	11.6
Unskilled	1.38	179.5	206.3	248.7	255.4	257.1	257.1	282.3	289.4	311.9	9.8	10.5
Carpenter	2.76	170.3	189.9	229.5	245.5	243.6	244.3	257.1	262.0	285.9	5.5	11.2
Skilled	1.38	168.5	185.7	218.4	236.2	235.1	236.4	247.8	253.3	279.1	5.4	12.6
Unskilled	1.38	172.1	194.2	240.7	254.9	252.2	252.2	266.3	270.7	292.6	5.6	9.9
Worker	2.77	215.7	249.3	288.0	309.2	311.3	321.0	353.4	357.4	386.0	13.5	9.2
Male	1.38	217.6	251.6	293.0	312.7	314.5	325.9	357.2	359.9	396.4	13.6	11.0
Female	1.39	213.8	247.0	283.0	305.7	308.1	316.2	349.7	355.0	375.8	13.5	7.5

* Provisional

** Point to Point Change (Mid March)

Source : Nepal Rastra Bank

Table 4.6 : Sources and Uses of Fund of Development Banks ("B"- Class FIs)

Rs. In ten million

Description	Mid-July									Percent Change	
	2002	2003	2004	2005	2006@	2007	2008	2009	2010	Mid-Jan 2011*	2009/10 2010/11**
Liabilities											
Capital Funds	214.30	346.40	284.70	367.40	279.50	406.00	655.11	1084.40	1521.10	1981.00	40.3 30.2
Deposits	2467.70	2880.20	2942.70	3395.80	879.10	1537.00	2574.99	4893.60	7744.90	8738.00	58.3 12.8
Borrowing	593.20	588.90	596.00	511.80	163.40	223.19	253.26	395.70	424.10	604.00	7.2 42.4
Other Liabilities	509.00	885.50	966.80	1506.60	70.10	166.61	565.34	499.40	956.04	1126.00	91.4 17.8
Profit and Loss A/c					11.50	-66.98	-61.83	40.30	226.18	121.00	461.2 -46.5
Assets = Liabilities	3784.20	4701.00	4790.20	5781.60	1403.60	2265.82	3986.87	6913.40	10872.32	12570.00	57.3 15.6
Assets											
Liquid Funds	362.90	414.90	405.40	456.30	238.50	373.13	996.78	1594.30	2627.80	2755.00	163.6 4.8
Investment	279.20	237.90	231.20	199.10	68.50	153.66	332.47	504.40	695.90	714.00	38.0 2.6
Loans and Advances	2755.50	3102.70	3190.50	2989.40	865.90	1537.38	2367.05	4307.80	6568.00	7816.00	52.5 19.0
Other Assets	386.60	945.50	963.10	2136.80	101.50	126.07	217.18	410.20	960.42	1257.00	134.1 30.9
Profit and Loss A/c					129.20	75.58	73.39	96.70	20.20	28.00	-79.1 38.6

* Provisional

** First six months

@ Excluding ADB/N form 2006

Source: Nepal Rastra Bank

Table 4.6 (a): Sources and Uses of Fund of Development Banks ("B"- Class FIs)

Rs. Ten Million

S. No.	Details	2012*	2013*	2014*	First Eight Month		
		Mid July	Mid July	Mid July	2012/13*	2013/14*	2014/15*
1	Total Deposits	12212.80	15522.49	20032.89	13248.01	17655.68	19839.26
2	Current	325.09	308.37	422.83	380.34	333.16	398.31
3	Savings	6076.73	8294.56	10835.75	6888.74	9601.67	10634.08
4	Fixed	3717.84	4502.83	5539.51	4016.61	5168.51	5591.08
5	Call	2075.34	2391.38	3204.05	1940.50	2524.53	3186.29
6	Margin	17.79	25.34	30.75	21.82	27.80	29.50
7	Borrowing from Nepal Rastra	0.00	57.00	0.00	0.92	0.00	0.00
8	Foreign Liabilities	33.21	0.00	0.00	0.00	0.00	0.00
9	Other Liabilities	3008.62	3192.94	3765.24	3251.91	3827.86	4342.53
10	Assets=Liabilities	15254.62	18772.43	23798.14	16500.85	21483.54	24181.79
11	Liquid Funds and Bank Balance	985.03	1183.04	1464.17	1023.66	1279.99	1463.41
12	Cash in Hand	360.85	478.71	612.57	382.95	502.49	578.45
13	Balance with Rastra Bank	599.10	677.32	822.14	621.40	750.71	844.31
14	Foreign Currency in Hand	3.71	5.09	8.84	4.44	5.48	14.14
15	Balance Held Abroad	21.38	21.93	20.61	14.88	21.31	26.52
16	Loans and Advances	14269.59	17589.38	22333.97	15477.18	20203.54	22718.38
17	Claims on Government	450.72	290.96	274.43	334.01	311.27	263.94
18	Claims on Government	28.17	24.23	27.37	25.11	25.30	32.85
	Financial	0.00	0.00	0.00	0.00	0.00	0.00
	Nonfinancial	28.17	24.23	27.37	25.11	25.30	32.85
19	Claims on Non-government	3457.63	4116.10	5051.45	3011.94	4611.15	4533.86
20	Claims on Private Sector	10333.07	13157.64	16980.71	12105.66	15255.82	17887.73
21	Foreign Bills Purchased and	0.00	0.45	0.00	0.46	0.00	0.00
22	Credit Deposit Ratio (in	113.20	111.40	110.10	114.30	112.70	112.70

* Provisional

Claims on Government not included

Source Nepal Rastra Bank

Table 5.3 : Source and Utilization of life and non-life Insurance Companies

(In Rs. 10 Million)

Source	Fiscal Year 2012/13		Fiscal Year 2013/14		Fiscal Year 2014/15*	
	Life	Non-Life	Life	Non-Life	Life	Non-Life
a) Paid-up Capital	279.08	180.47	466.46	323.88	466.46	347.75
b) Reserve Fund)	5703.76	885.42	7545.43	935.94	8318.38	1005.21
c) Other Liabilities	499.45	566.88	676.83	707.96	682.00	780.00
Total Sources	6482.29	1632.76	8688.72	1967.78	9466.84	2132.96
Application						
a) Cash at Bank and in Hand	177.01	144.76	119.49	130.24	135.94	147.31
b) Investment	5710.99	988.51	7914.59	1255.80	8592.90	1380.65
c) Fixed Assets	144.34	111.24	144.24	105.63	154.00	115.00
d) Other Assets	449.94	388.25	510.40	476.14	584.00	490.00
Total Application	6482.29	1632.76	8688.72	1967.78	9466.84	2132.96

*First Eight Month

Table 6.8 : Gross Foreign Assests of Banking System

Rs. in ten million

Year/Mid-Month		Nepal Rastra Bank							Commercial Banks			Total (1+8)
		Total		IMF Gold	Special	Foreign	Con-	Incon-	Foreign	Conver-	Inconver-	
		(2+3+4+5)	Gold	Tranche	Drawing	Exchange	vertible	vertible	Exchange	tible	tible	
					Rights	(6+7)			(9+10)			
		1	2	3	4	5	6	7	8	9	10	11
2003	July	8804.30	48.22	59.27	0.20	8696.61	7675.20	1021.41	2126.33	2024.92	101.41	10930.63
2004	July	10907.68	47.83	62.76	5.50	10791.59	9623.59	1168.00	2228.92	2073.48	155.44	13136.60
2005	July	10544.42	38.34	0.00	63.71	10442.37	10082.36	360.01	2547.27	2315.49	231.78	13091.69
2006	July	13303.63	40.50	0.00	66.37	13196.76	12414.72	782.04	3306.54	3179.07	127.47	16610.17
2007	July	13021.39	0.00	0.00	58.75	12962.64	12375.53	587.11	3549.96	3168.10	381.86	16571.35
2008	July	17031.42	0.00	0.00	63.06	16968.36	14284.88	2683.48	4293.99	3882.71	411.28	21325.41
2009	July	25578.66	3104.10	0.00	55.53	22419.03	20175.60	2243.43	6234.52	5875.03	359.49	31813.18
2010	July	24488.12	3319.46	0.00	631.53	20537.13	16599.27	3937.86	6353.58	5822.22	531.36	30841.71
2011	July	27209.01	5226.44	0.00	673.06	21309.51	16525.75	4783.76	5905.80	5550.33	355.47	33114.81
2012	July	39204.47	915.20	0.00	736.82	37552.45	28568.19	8984.26	6393.22	5714.40	678.82	45597.69
2013	July	47379.11	1420.17	0.00	659.49	45299.45	33994.00	11305.45	8030.25	7407.99	622.26	55409.36
2014	July	59375.30	1588.28	0.00	546.93	57240.09	42613.29	14626.80	9300.61	8737.23	563.38	68675.91
2015	March*	61549.70	1798.09	0.00	446.82	59304.79	42790.04	16514.75	11267.88	10685.47	582.41	72817.58

* Provisional

Source : Nepal Rastra Bank

Table 7.1 : Status of Foreign Employment by Country

S.N.	Country										
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*	2014/15**
A.	From 1993/94 to 2005/06										558675
B.	From 2006/07										
1	Qatar	59705	85442	76175	55940	102966	105681	103486	128874	84911	803180
2	Malaysia	74029	50554	35070	113982	105906	98367	158212	214149	152864	1003133
3	Saudi Arabia	39279	42394	48749	63400	71116	80455	96995	86876	67419	596683
4	U.A.E.	25172	45342	31688	33188	44464	54482	58447	54965	37364	385112
5	Kuwait	2441	1967	2291	8255	15187	24575	17273	19353	6639	97981
6	Baharain	1200	5099	6360	4234	4647	5865	4218	4185	3114	38922
7	Oman	509	2626	4247	3285	2442	3163	3973	3435	1488	25168
8	S. Korea (Including EPS)	765	146	2909	2532	3728	5627	4440	2125	2801	25073
9	Lebnan	0	2563	3379	3788	151	243	589	1117	527	12357
10	Israil	405	110	3378	316	273	574	140	674	342	6212
11	Afganistan	182	1400	1538	735	655	823	356	605	972	7266
12	Japan	0	1306	1827	516	603	1144	1228	2098	1551	10274
13	Other Countries	846	10102	2354	3923	2578	3666	4186	9358	4748	41761
	Total	204533	249051	219965	294094	354716	384665	453543	527814	364740	3611797

* First Eight Months

** Total Number of upto Fiscal Year

Source: Department of Foreign Employment

8.6. Use and Sales of Chemical Fertilizer

in metric ton

Description	Fiscal Year				Use (K.G./Hector)			
	2011/12	2012/13	2013/14	2014/15*	2010/11	2011/12	2012/13	2013/14
1. Chemical Fertilizer								
a) Urea (Metric Ton)	99196.00	108553.00	145622.00	118093.00	27.56	31.69	35.11	47.11
b) D.A.P. (Metric Ton)	43724.00	65722.00	81520.00	58105.00	7.12	13.95	21.26	26.37
c) Potash (Metric Ton)	2733.00	2688.00	5046.00	3924.00	0.81	1.20	0.86	1.63
Total	145653.00	176963.00	232188.00	188122.00	35.59	46.84	57.25	75.11

* First eight month estimation

Source: Agriculture Inputs Company Ltd and National Seeds Company Ltd.

Table 8.7 : Extension of Additional Irrigation Facilities

in hectare

Description	Fiscal Year									First Eight Mont	
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15*
1. Topography	18402.0	26967.5	16613.0	25850.0	30718.0	35748.0	47795.00	32180.00	19310.0	7948.0	7453.0
a) Hill	1620	2878	14099	2961	5304	6991	16403.00	12112.00	0.0	0.0	0.0
b) Terai	16782	23931.5	2514	22889	25414	28757	31392.00	20068.00		7948.0	7453.0
c) Not classified		158	-	-							
2. Types	18402.0	26967.5	14099.0	25850.0	30718.0	35748.0	47795.00	32180.00	19310.0	7948.0	7453.0
a) Canals	7764	5460	5390	6734	11384	10523	25235.00	15000.00	4175.0	0.0	0.0
b) Ground Water	10638	21024	8625	18815	19334	25225	22560.00	17180.00	15135.0	7948.0	7453.0
c) Not Classified		483.5	84	301							

* Provisional

Source: Department of Irrigation and Agriculture Development Bank

Table 8.8 : Price of Fertilizer

Rs. per metric ton

Description	Period										
	March 13, 2005	March 13, 2006	March 13, 2007	March 13, 2008	March 13, 2009*	March 13, 2010	April 13, 2011*	April 13, 2012*	April 13, 2013*	April 13, 2014	April 13, 2015*
Fertilizer											
a) Sulphate											
b) Urea	16000.0	16000.0	14200.0	24000.0	24000.0	12500.0	18000.0	18000.0	18000.0	18000.0	18000.0
c) Complex			19220.0	19220.0	19220.0	20560.0					
d) Compound											
e) D.A.P.	24000.0	24000.0	25000.0	25000.0	25000.0	27260.0	32000.0	32000.0	45000.0	45000.0	45000.0
f) Potash	13600.0	13600.0				14500.0	20000.0	20000.0	31000.0	31000.0	31000.0
g) T.S.P.											

* Price of Import Point.

Source: Agriculture Inputs Company Ltd.

Table 9.3 (a) : Present Status of the Industrial Estates
(Fiscal Year 2013/14*)

S.N.	Name of Industrial Estate	Date of establishment	Total area of ID (in ropani)	Developed land (in ropani)	Rented area of land to the industries (in ropani)	Investment from ID (Rs. In Ten Million)	Investment from industrialists (Rs. In Ten)	Investment in Fixed Capital	Number of Industries in operation	Number of closed industries	Number of industries under construction
1	Central Office										
2	Balaju Industrial Estate	2016	670	670	541	6.78	337.00	6.37	102	8	21
3	Hetauda Industrial Estate	2020	2829	2367	1925	6.00	499.00	6.35	73	8	11
4	Patan Industrial Estate	2020	293	293	217	4.15	171.00	4.22	101	8	6
5	Nepalgunj Industrial Estate	2030	233	233	185	0.98	112.00	112.00	28	1	5
6	Dharan Industrial Estate	2029	202	202	142	0.77	30.00	28.10	26	0	7
7	Pokhara Industrial Estate	2031	501	501	397	2.41	188.00	3.11	65	5	3
8	Butwal Industrial Estate	2032	434	407	376	2.39	270.10	2.24	63	7	2
9	Bhaktapur Industrial Estate	2035	71	71	58	1.41	59.00	0.01	28	8	0
10	Birendra Nagar Industrial Estate	2038	90	90	66	1.57	1.50	1.23	19	2	1
11	Dhankuta Industrial Estate	2041	63			0.56		0.11			
12	Gagendranarayan Singh Industrial Estate	2044	294	171	23	4.87	3.75	1.50	4	1	2
Total :			5680	5005	3930	31.89	1671.25	165.24	509	48	58

* Mid July

Source : Industrial Estate Management Limited

Table 9.3 (a1) : Present Status of the Industrial Estates
(Fiscal Year 2013/14*)

S.N.	Name of Industrial Estate	Employment in ID office	Employment created by industries	Total number of people employed	Number of shades constructed by industries	Number of buildings constructed by ID	Number of Shades rented to the industries
1	Central Office	39		38			
2	Balaju Industrial Estate	36	3500	3531	75	46	46
3	Hetauda Industrial Estate	37	4800	4836	378	13	13
4	Patan Industrial Estate	15	775	1541	56	61	61
5	Nepalgunj Industrial Estate	13	775	780	50	22	22
6	Dharan Industrial Estate	14	500	513	38	16	15
7	Pokhara Industrial Estate	12	1650	1665	148	14	14
8	Butwal Industrial Estate	15	1446	1463	90	11	11
9	Bhaktapur Industrial Estate	11	797	810	86	11	11
10	Birendra Nagar Industrial Estate	4	216	225	34	5	5
11	Dhankuta Industrial Estate	1		1			
12	Gagendranarayan Singh Industrial Estate	10	40	50		10	8
	Total :	207	14499	15453	955	209	206

* Mid July

Source : Industrial Estate Management Limited

Table 10.3 : Consumption of Petroleum Products

Description	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	First 8 Month	
											2013/14#	2014/15#
Petrol	67586	75989	80989	101911	100842	124169	162274	187640	199748	221676	161295	184239
High speed Diesel	299730	315368	294329	306687	302706	466468	612505	655127	648513	716747	489438	949279
Kerosene Oil	310826	239328	226637	197849	155215	70089	55788	49494	41808	24121	12708	12134
Light diesel Oil	577	100	290	-	-	-	-	-	-	258	-	-
Furnace Oil	12653	2639	3695	4557	-	-	-	-	-	2450	-	186
Aircraft Turbine Oil	64041	66825	64335	63777	68938	68965	82631	101314	109808	115786	82735	93788
L.P. Gas (M.T.)	66142	77594	81005	93562	96837	115813	141171	159286	181446	207038	151211	165975
Mineral Turpentine Oil												
Others												
Total	821,555	777,843	751,280	768,343	724,538	845,504	1,054,369	1,152,861	1,181,758	1288076	897387	1405601
Price in Ten Million	2260.00	2685.00	3244.96	-			-	-	-		-	-
Export based on goods												
Income of Petroleum Product	41.92	45.74	53.87	-			-	-	-		-	-
Percentage												

Provisional

Source : Nepal Oil Corporation

Table 11.2(Kha) Vechiles Registered up to mid March 2014/15

Fiscal year	Bus	Minibus/Min iTruck	Crane/Dozer /Excavator/ Truck	Car/Jeep /Van	Pickup	Microbus	Tempo	Motorcycle	Tractor/ PowerTiller	Others	Total	Total as of Now
1990/91	458	437	834	2353	0	0	856	5697	965	1549	13149	89527
1991/92	531	455	1524	2637	0	0	1207	9336	1342	435	17467	106994
1992/93	606	185	1491	2266	0	0	62	8513	751	381	14255	121249
1993/94	1168	121	1740	3049	0	0	213	10550	1396	372	18609	139858
1994/95	850	83	1629	3043	0	0	241	11401	1814	353	19414	159272
1995/96	486	82	1151	3974	0	0	117	12357	2183	58	20408	179680
1996/97	608	175	907	4521	0	0	185	15739	1278	352	23765	203445
1997/98	899	130	1291	4139	0	0	344	12306	1265	51	20425	223870
1998/99	872	19	978	2507	0	0	388	17090	2248	37	24139	248009
1999/2000	494	122	829	3647	0	0	789	19755	2542	102	28280	276289
2000/2001	1203	250	1271	5152	0	0	232	29291	3519	77	40995	317284
2001/2002	868	475	1798	4379	0	0	248	36117	3189	86	47160	364444
2002/2003	432	298	1212	2906	581	232	17	29404	2485	43	37610	402054
2003/2004	732	237	1477	7079	478	884	16	26547	2191	58	39699	441753
2004/2005	753	285	1592	4781	0	584	48	31273	1374	21	40711	482464
2005/2006	1528	663	2263	5114	36	66	60	44610	635	0	54975	537439
2006/2007	1564	806	3278	5156	736	138	12	72568	2942	1535	88735	626174
2007/2008	1419	1179	3594	4741	1588	31	18	68667	3297	206	84740	710914
2008/2009	1843	593	3643	6857	1287	128	20	83334	4663	202	102570	813484
2009/2010	1888	780	4524	12268	1975	145	9	168707	11460	31	201787	1015271
2010/2011	1610	1370	1969	8510	3087	115	2	138907	7937	133	163640	1178911
2011/2012	2085	1170	1333	8711	2981	155	10	145135	8413	91	170084	1348995
2012/2013	3263	1328	3332	9595	5422	158	57	175381	9795	152	208483	1557478
2013/2014	2776	1412	2789	11372	5668	178	17	163945	10070	116	198343	1755821
2014/2015*	2375	1288	2467	9054	3703	611	914	142241	6911	49	169613	1925434
Total	31311	13943	48916	137811	27542	3425	6082	1478871	94665	6490	1849056	

* First eight months

Table 13.7: Number of Students appeared and Passed in SLC

Year	Appeared No.	Passed No.	Passed %
2004	216303	83747	38.72
2005	225031	104653	46.51
2006	274210	160802	58.64
2007	307078	195689	63.73
2008	342632	234602	68.47
2009	385146	247689	64.31
2010	397559	220766	55.53
2011	419121	199714	47.65
2012	403936	167935	41.57
2012	403936	167935	41.57
2013	394933	173436	43.92
2014	405338	192267	47.43

Source: SLC Board

Table 14.1 : Financial Performance of Public Enterprises

Rs. in ten million

Types of PEs	Operating Profit of Various Fiscal Year										
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
Manufacturing	-15.75	-34.02	-18.01	-59.97	-78.43	-49.94	-54.35	-100.47	-56.98	-77.47	11.13
Trading	-264.10	-418.71	-190.17	-586.72	303.31	-26.96	-547.77	-1005.14	-155.34	-859.03	495.16
Services	74.04	-5.70	49.95	38.82	195.80	234.81	81.30	227.48	144.3	134.48	201.94
Social	4.33	4.79	-4.80	-17.45	-29.25	-12.41	-19.76	-4.27	-18.56	-0.02	56.04
Public Utilities & Others	234.42	397.91	688.78	788.65	503.24	707.28	539.84	-14.53	651.05	670.20	334.36
Financial	180.09	224.60	364.49	58.92	105.66	145.46	241.90	297.25	575.58	636.87	576.73
Total	213.03	168.87	890.24	222.25	1000.33	998.24	241.16	-599.68	1140.05	505.03	1675.36

Types of PEs	Net Capital Investment of Various Fiscal Year										
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
Manufacturing	395.14	545.88	-38.70	351.31	238.84	200.90	495.54	257.85	-24.81	-84.55	-67.65
Trading	53.10	-371.84	-353.29	-105.91	546.98	-152.98	-449.58	-1279.75	300.05	306.61	325.95
Services#	1079.21	1036.15	1112.14	1188.94	1173.35	2059.67	2086.28	2335.60	2421.07	2561.65	4439.09
Social	197.34	176.19	185.17	170.60	159.05	137.70	109.31	95.53	131.95	237.14	254.41
Public Utilities & Others	9747.37	10515.23	10452.40	10980.59	12153.94	13370.59	15016.01	15846.76	15419.07	16213.75	17786.68
Financial	6195.22	6944.81	4941.74	6312.50	7993.04	7754.87	9544.69	15252.36	8858.57	5252.81	4817.13
Total	17667.38	18846.42	16299.46	18898.03	22265.20	23370.75	26802.25	32508.35	27105.9	24487.41	27555.61

Types of PEs	Percentage of Net Capital Investment in Operating Profit of Various Fiscal Year										
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15*
Manufacturing	-3.99	-6.23	-	-17.07	-32.84	-24.86	-10.97	-38.96	-229.65	91.63	-16.45
Trading	-497.39	112.61	-	-	55.45	17.62	121.84	78.54	-51.77	-280.17	151.91
Services#	6.86	-0.55	4.49	3.27	16.69	11.40	3.90	9.74	5.96	5.25	4.55
Social	2.19	2.72	-2.59	-10.23	-18.39	-9.01	-18.08	-4.47	-14.07	-0.01	22.03
Public Utilities & Others	2.40	3.78	6.59	7.18	4.14	5.29	3.60	-0.09	4.22	4.13	1.88
Financial	2.91	3.23	7.38	0.93	1.32	1.88	2.53	1.95	6.5	12.12	11.97
Total	1.21	0.90	5.46	1.18	4.49	4.27	0.90	-1.84	4.21	2.06	6.08

* Estimated

The amount in service sector may differ due to the unavailability of revised estimate received from Nepal Civil Aviation Authority.

Source : Ministry of Finance