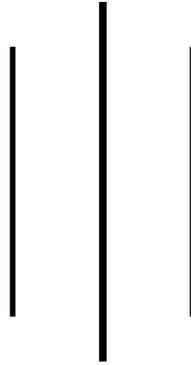
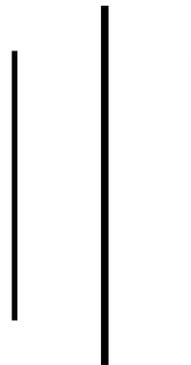


Unofficial Translation

ECONOMIC SURVEY



FISCAL YEAR 2010/11
Vol. I



GOVERNMENT OF NEPAL
MINISTRY OF FINANCE
July 2011

Preface

Economic Policy of Government of Nepal is guided by the fundamental economic objective envisioned in the Interim Constitution of Nepal 2063 to transform the national economy into an independent, self-reliant and progressive economy by preventing the economic resources and means available in the country from being concentrated within a limited section of the society, by making arrangements to ensure equitable distribution of economic gains on the basis of social justice, by making such provisions aiming at eliminating economic inequalities and prevent economic exploitation of any caste, sex, class, origin or individuals, and by giving priority and encouragement to national enterprises, both private and public.

Economic Survey 2010/11 has been prepared to communicate to all about the progress made on economic policies and programs of Government of Nepal. The economy has not achieved desired momentum despite the abundant possibilities available in the country. Double digit economic growth is easily possible to achieve if the available resources are properly utilized and managed.

I have the honour to present this Economic Survey consisting of present situation, changes, trends, achievements in the areas of economy and analysis of problems and challenges. Attempts have been made to make this publication as comprehensive, useful and analytical by analyzing economic situations of almost all sectors of the Nepalese economy. In addition, the publication consists of data covering past several years and upto 8 months of the current financial year.

I am confident that this Survey will prove useful to Honorable Members of the Legislative Parliament and leaders of Political Parties. Likewise, this document should also serve as a handbook for Intellectuals, Professionals, Researchers, Teachers, Students, Industrialists, Entrepreneurs, and other people interested on keeping track of the country's economic development.

Finally, I would like to thank all those involved in the preparation of this Economic Survey especially, the staff of Economic Affairs and Policy Analysis Division of the Ministry of Finance, the concerned officials of Nepal Rastra Bank, and experts of the subject matter. Likewise, I express my grateful thanks to all the line Ministries, Departments and other entities, which provided necessary data, information and other details in the process of completing this task.

July 2011

Bharat Mohan Adhikari
Deputy Prime Minister and Finance Minister

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Abbreviations

ADB	-	Asian Development Bank
ADSL	-	Asymmetric Digital Subscribers Line
AFC Net	-	Asian Film Communication Network
AIDS	-	Acquired Immune Deficiency Syndrome
AIP	-	Aeronautical Information Publication
ANNA	-	Association of National Numbering Agency
APAPI	-	Abbreviated Precision Approach Path Indicator
ASA	-	Air Service Agreement
ATC	-	Air Traffic Control
ATS	-	Air Traffic Service
Aus AID	-	Australian Aid
B.PHARMA	-	Bachelor in Pharmacy
B.Sc. Nursing	-	Bachelor in Science Nursing
B.Sc.	-	Bachelor in Science
BAMS	-	Bachelor in Aayurvedic Medical Science
BDS	-	Bachelor of Dental Service
BN	-	Bachelor in Nursing
BPH	-	Bachelor in Public Health
CAD	-	Cash Against Document
CAP	-	Corrective Action Plan
CCTV	-	Closed Circuit Television
CDMA	-	Coded Division Multiple Access
CDS	-	Central Depository System
CDU	-	Curriculum Development Units
COICAP	-	Classification of Individual Consumption According to Purpose
COP	-	Conference of the Parties
DaG	-	Disadvantaged group
DFID	-	Department for International Development, UK
DI Pipe	-	Ductile Iron Pipes

DME	-	Distance Measuring Equipment
DOTS	-	Direct Observation Treatments
DPMAS	-	District Poverty Monitoring and Analysis System
DPR	-	Detailed Project Report
DVOR	-	Dabbler Very High Frequency Omni Directorial Range
E-DV	-	Electronic Diversity Visa
EIF	-	Enhanced Integrated Framework
ENT	-	Ear, Nose and Throat
EOI	-	Expression of Interest
EPC	-	Engineering Procurement Construction
EPS	-	Employment Permit System
FEDAN	-	Foreign Exchange Dealers Association of Nepal
FM	-	Frequency Modulation
GAVI	-	The Global Alliance for Vaccines and Immunization
GMPCS	-	Global Mobile Personal Commutation System
GPRS	-	General Packet Radio Service
GSM	-	Global System for Mobile Communication
GIJ	-	German Aid Agency
Gyne	-	Gynecologist
HIV	-	Human Immune Deficiency Virus
IAEA	-	International Atomic of Energy Agency
ICAO	-	International Civil Aviation Organization
ICT	-	Information & Communication Technology
IFAD	-	International Fund for Agriculture Development
ILS	-	Instrument Lending System
INGOs	-	International Non Governmental Organization
IPOA	-	Istanbul Program of Action
ISSN	-	International Standard Serial Number
JICA	-	Japan International Cooperation Agency
JITCO	-	Japan International Training Cooperation Organization
KFW	-	German Development Fund
M.Phil.	-	Master in Philosophy
MBBS	-	Bachelor in Medicine & Bachelor in Surgery

MC	-	Minimum Conditions
MCPM	-	Minimum Conditions and Performance Measures
MDGS	-	Millennium Development Goals
MfDR	-	Management for Development Results
MIS	-	Management Information System
MS	-	Master of Science
MSA	-	Management Service Agreement
MW	-	Medium Wave
NDHS	-	Nepal Demographic and Health Survey
NDVS	-	National Development Volunteer Services
NECTRADE	-	Nepal Enhanced Capacities for Trade & Development
NGOs	-	Non Governmental Organization
NIU	-	National Implementation Unit
NLFS	-	Nepal Labour Force Survey
NLSS	-	Nepal Living Standard Survey
NTIS	-	Nepal Trade Integration Strategy
NTV	-	Nepal Television
Obst	-	Obstetric
OFID	-	OPEC fund for International Development
P.G. Medicine	-	Post Graduate Medicine
PBN	-	Performance Based Navigation
PBNS	-	Performance Based Navigation System
Ph.D.	-	Doctor of Philosophy
PMAS	-	Poverty Monitoring and Analysis System
PMM	-	Participatory Monitoring Mechanism
PPIS	-	Project Performance Information System
PPP	-	Public Private Partnership
PPP	-	Purchasing Power Parity
PRSP	-	Poverty Reduction Strategy Paper
PSTN	-	Public Switched Telephone Network
REDD	-	Reduce Emission from Deforestation and Degradation
RMDC	-	Rural Micro Finance Development Center
RMG	-	Risk Management Guideline

R-PP		Readiness Preparation Proposal
SAARC	-	South Asian Association for Regional Co-operation
SATIS	-	SAARC Agreement on Trade in Services
SDC	-	Swiss Development Co-operation
SDGS	-	SAARC Development Goals
SLC	-	School Leaving Certificate
SNA	-	System & National Account
STI	-	Second Tier Institution
STPs	-	Standardized Training Package
SW	-	Short Wave
TIFA	-	Trade and Investment Framework Agreement
TPR	-	Trade Policy Review
TRTA	-	Trade-Related Technical Assistance
UNCDF	-	United Nations Capital Development Fund
UNDP	-	United Nations Development Program
UNFCCC	-	United Nations Framework Convention on Climate Change
UNFPA	-	United Nations Fund for Population
UNICEF	-	United Nations Children's Fund
USAID	-	United State Aids
USAP	-	Universal Aviation Security Audit Program
VAGS	-	Visual Alignment Guiding System
VCCS	-	Voice Communication Control System
VFTC	-	Vehicle Fitness Test Centre
VHF	-	Very High Frequency
VOR	-	Very High Frequency Omni Range
VSAT	-	Very Small Aperture Terminal
WEO	-	World Economic Outlook
WHO	-	World Health Organization
WTO	-	World Trade Organization

Executive Summary

1. The world economy, which shrank by 0.5 percent in 2009, grew by 5.0 percent in 2010. The reason for such notable growth in the global economy can mainly be attributed to strong upsurge in demand in number of emerging economies and rapid economic growth of sub-Saharan African countries despite somewhat uneven rate of expansion and improvement. The growth process is still vulnerable to increasing trend in prices of goods including that of petroleum products. International Monetary Fund (IMF) has estimated the global economic growth rate to aggregate around 4.5 percent in 2011 and 2012. Of this aggregate, shares of developed and emerging economies are estimated to remain at 2.5 and 6.5 percents respectively.
2. From the economic growth perspective, majority of Nepal's neighbors made encouraging achievements in 2010 A.D. The growth rate of all countries in this region except Nepal and Pakistan remained above 6.0 percent. According to IMF published Global Economic Outlook, India achieved the highest growth rate of 10.4 percent in 2010, closely followed by China with 10.3 percent. Growth rates of these two countries are estimated to stay around 8.0 and 9.5 percent respectively in the years 2011 and 2012.
3. Initial estimate is that Nepal's economic growth rate in the current fiscal year will be limited to 3.5 percent in comparison to 4.5 percent GDP growth achieved in FY 2009/10. Major reason for such a decline in the growth rate is due to sluggishness in the economic activities of non-agriculture sector. Causes like labor issues, reduced electricity supply, decrease in expansion of bank credits, and dawdling remittance flow adversely affected economic activities of this sector.
4. Initial estimate is that Agriculture (Agriculture and Forestry) Sector in FY 2010/11 will grow by 4.1 percent in comparison to 1.2 percent in the previous year. Contribution of this sector to GDP is estimated to remain steady as a result of improved agriculture production. According to initial estimate, fishery sub-sector of the Agriculture sector is estimated to record a growth of 6.8 percent in FY 2010/11
5. Growth of the non-agriculture sector in FY 2010/11 is estimated to remain at 3.1 percent. Growth of two sub-sectors of non-agriculture

sector namely electricity, gas and water; and wholesale and retail trade are expected to be negative (4.0 and 0.2 percent respectively) in the current fiscal year Other sub-sectors that are expected to grow are: mines and quarry 2.1 percent; production industries 1.5 percent; construction 3.3 percent; hotel and restaurant 7.4 percent; transport, communication, and warehousing 7.1 percent; financial intermediation 3.9 percent; real estate, rent, and professional services 2.6 percent; public administration and defense 3.0 percent; education 2.9 percent; outputs of health and social work 5.9 percent; and other community, social and personal services 8.6 percent.

6. The structure of Nepal's GDP is gradually changing. Contribution of the primary sector as a value addition to the economy is estimated to have come down to 36.2 percent in FY 2010/11 from 37.0 percent in FY 2000/01 with a decrease of 1.8 percentage point over a decade. Similarly, contribution of the secondary sector is estimated to remain at 14.1 percent with a decrease of 2.8 percentage point over a decade. Contribution of services and other (tertiary) sector, however, is estimated to go up by 3.6 percentage point reaching 49.8 percent in FY 2010/11. The shares of agriculture and non-agriculture sectors to GDP in FY 2010/11 are estimated at 35.7 percent and 64.3 percent respectively. In aggregate, it is observed that contribution of the agriculture sector has slightly decreased by 1.0 percentage point over a period of 10/11 years with contribution that of non-agriculture sector gone up by the same proportion.
7. The ratio of consumption expenditure to GDP in FY 2010/11 accelerated by 5.0 percentage points from the previous fiscal year's 88.3 percent to 99.3 percent. In the same period, the ratio of fixed capital formation to GDP decelerated by 1.2 percentage point from 19.2 percent in the previous fiscal year to 18.0 percent in FY 2010/11. The share of gross investment to GDP is estimated to reach 30.2 percent in FY 2010/11.
8. The ratio of gross domestic saving to GDP at current prices is estimated to decrease slightly from the previous fiscal year's 7.4 percent and contained at 6.7 percent in FY 2010/11. The ratio of national savings to GDP is estimated to reach 30.9 percent in FY 2010/11.
9. The continuously increasing flow of remittance since last few years is reflected in the increased disposable income during the same period. In FY 2010/11, GDP at current prices is estimated to grow by 14.9 percent and gross disposable income by 14.3 percent as compared to respective

growths of 18.6 and 17.2 percents in FY 2009/10. The gross national disposable income in FY 2010/11 is estimated at 124.3 percent of GDP.

10. Gross expenditure of the Government of Nepal in FY 2009/10 increased by 18.2 percent totaling Rs 259.69 billion. Revenue mobilization during the same period grew by 24.5 percent totaling Rs 179.95 billion. Such growth was 33.3 percent in the corresponding period of its preceding year. Due to satisfactory growth in revenue mobilization, the ratio of revenue mobilization to GDP during the same period stood at 15.4 percent.
11. Comparison of outstanding debt to GDP reveals a decline in the review period. The total outstanding debt, which stood at 32.2 percent during the first eight months of FY 2009/10, has come down to 30.4 percent in the corresponding period of FY2010/11. In FY 2010/11 the ratio of foreign debt to GDP has been contained to 19.2 percent from 21.6 percent, and that of domestic debt from at 11.2 percent from 10.6 percent as compared to the corresponding period of the previous fiscal year. The outstanding debt in monetary terms grew by 8.3 percent totaling Rs 409.14 billion (Rs. 257.9 billion foreign, and Rs.151.24 billion domestic) by mid-March 2011 from Rs 377.59 billion (Rs. 253.13 billion foreign and Rs. 124.46 billion domestic).
12. Rate of inflation continued to remain high in the current fiscal year. The annual point-to-point aggregate CPI by mid-March 2011 rose by 10.7 percent as compared to 9.9 percent rise in the consumer inflation rate in the corresponding period of 2010. The Annual point to point change in prices of food and beverages category during this period recorded a rise of 17.3 percent by mid March 2011 as compared to 5.3 percent rise in non-food and services category during the same period.
13. The broad money supply expanded by 1.9 percent during the first eight months of the current fiscal year as compared to 7.2 percent expansion recorded in the corresponding period of the previous fiscal year. Decrease in net foreign asset and sluggish growth in net domestic asset are responsible for containing the rate of expansion of broad money supply. Similarly, narrow money supply shrunk by 2.1 percent in this period. The net foreign asset (with foreign exchange profit and loss adjustments) decreased by Rs.11.30 billion (5.3 percent) in the review period. Net domestic debt by the first eight months of FY 2010/11 grew by 5.0 percent.
14. Total deposits in commercial banks by Mid-March of 2011 reached Rs. 632.75 billion with Rs. 12.14 billion deposits collected during the first eight months of FY 2010/11. Credit flows of commercial banks during

the review period grew by Rs. 46.64 billion (9.9 percent). Such flows during the corresponding period of the previous fiscal year stood had increased by Rs. 67.57 billion (16.6 percent). Deposits collected and credit flows of the banks and financial institutions by mid July 2010 reached 67.9 percent and 53.1 percents of GDP respectively.

15. Overall condition of securities market has not been satisfactory in the review period of the current fiscal year. As compared to the previous year, securities market indicators like the NEPSE indicator, stocks transactions amount, and market capitalization have slid down. The NEPSE indicator, which stood at 444.76 points by Mid-March 2010, further fell to 373.20 points in the corresponding period of the current fiscal year. Similarly, the value of capitalized market which stood at Rs. 344.45 billion in Mid-April 2010 fell to Rs.331.14 billion by Mid-April of 2011. The amount of securities transactions also dropped by almost 50 percent during the review period.
16. The volume of export grew by 6.6 percent, while imports grew marginally by 1.4 percent during the first eight months of FY2010/11. Trade deficit has come down notably with such improvements in export trade and notable drop in imports. As such, trade deficit only marginally increased by 0.4 percent during first eight months of FY 2010/11.
17. Balance of Payment still remains notably deficit despite improvement in its situation during first eight months of the current fiscal year in comparison to the corresponding period of the previous year. Such deficit has come down to Rs. 11.30 billion by first eight months of the current fiscal year, which stood at Rs.19.12 billion in the corresponding period of the previous fiscal year. The private sector remittance flow recorded a growth of 12.3 percent in the review period totaling Rs. 161.62 billion as compared to inflow of Rs. 143.96 billion with 9.9 percent growth in the corresponding period of the previous fiscal year.
18. The gross foreign assets of the banking sector that stood at Rs. 268.91 billion dropped to Rs. 257.05 billion by Mid-July 2010 with a decline of 4.4 percent in first eight months of FY 2010/11. Based on the trend of imports during first eight months of the current fiscal year, the current level of foreign exchange reserve should be sufficient to cover import of goods for the next 8.3 months and 7.1 months for goods and services combined.
19. Nepal Living Standard Survey 2004/05 estimated 30.9 percent of the total population living below the poverty line. Based on estimates of the same survey, the population living below poverty line came down to

25.4 percent in 2008/09 with 5.5 percentage point drop over a period of five years. The Gini coefficient used to measure income disparity, however, revealed that such (disparity) rate increased from 0.41 in 2004/05 to 0.46 by 2008/09.

20. According to initial estimate, total agricultural production (paddy, wheat, maize, millet, barley, buckwheat) will increase by 10.4 percent in FY 2010/11. Overall cash crops production in this year is estimated to increase by 9.5 percent. Similarly, production of lentil crops is estimated to increase by 1.2 percent, fruits by 2.8 percent, and that of vegetables by 6.7 percent.
21. Industrial index in FY 2010/11 rose by 1.64 point reaching 101.64 as compared to 2009/10. In this year, indicators of mustard oil, soybean oil, pasteurized milk, wheat flour, livestock, biscuit, chocolate, noodles, processed tea, alcoholic beverages, beer, light drinks, cigarette, processed leather, lube oil, rosin, cement, and pipes rose, while that of rice, vegetable ghee, bread, sugar, yarn, jute goods, woolen carpet, paper, stone chips, and brick and tile has fell.
22. The number of visitors to Nepal between December 2009 and January 2010 is estimated to have increased by 18.2 percent as compared to the corresponding period of the previous fiscal year. During the same period, average stay per tourist in this year is estimated to have increased to 11.6 days from 11.32 days in the previous year. Total earning from the tourism sector recorded a nominal increase with Rs. 28.14 billion worth of foreign currency in FY 2009/10 as compared to FY 2008/09. Total foreign currency earning by the end of first six months of FY 2010/11 amounted to Rs. 13.51 billion. The share of foreign currency earning of this sector in first six months of FY is equivalent to 39.3 percent earning from total export of goods, 22.5 percent of goods and services exports combined, and 7.5 percent of gross national foreign exchange earnings.
23. Fixed asset of 36 the government owned public enterprises grew by 4.2 percent in FY 2009/10 amounting to Rs.139.36 billion. The share capital fund has increased by 30.8 percent totaling Rs. 79.92 billion. Of the total Public Enterprises, 22 are running in profit while 14 are operating at loss. The net profit of public enterprises in FY 2009/10 reached Rs. 10.56 billion. Dividend return from public enterprises is 5.8 percent of the gross government investments.

24. Energy consumption in FY 2009/10 totaled 9,911 Tons of Oil Equivalent (TOE) with an increase of 5.5 percent from FY 2008/09 with ratios of 84.4 percent, 14.9 percent, and 0.7 percent for traditional, commercial, and renewable energies respectively. Energy consumption for first eight months of FY 2010/11 reached 6,571 TOE with a ratio of 86.5 percent, 12.8 percent, and 0.7 percent respectively for the above-mentioned sources of energy.
25. A total of 697 Mega Watt (MW) of electricity was produced by various projects by the end of FY 2009/10. Of this total, 689 MW of hydro electricity has been connected to the national grid. A number of projects are under construction for producing hydroelectricity. Consumption of Petroleum Oil and Lubricant products (POL) in FY 2009/10 increased by 25.2 percent totaling 913,198 Kilo Liter (KL), while that of L. P.Gas increased by 21.9 percent totaling 141,171 Metric Tons. Consumption of POL in first eight months of FY 2010/11 further rose by 13.2 percent totaling 631,951 KL and that of L.P Gas rose by 16.4 percent totaling 100,540 MT.
26. On roads transport, a total of 21,455 Kilo meters (Km) of road has been constructed by Mid-March 2011 comprising 6,874 Km black topped; 5,036 Km graveled; and 9,545 Km fair weather roads. The number of different types of transport vehicles has reached 1,127,591 by Mid-March of FY 2010/11.
27. Notable progress has been achieved in the information and communication sector by Mid-March 2011 can be clearly observed. A total of 311 FM radio stations and 15 television channels are operating throughout the nation. Besides, 5,873 newspapers and magazines are being published.
28. As development of social sector remains a major priority sector of the Government of Nepal, it has been raising the level of investment in this sector. Consequently, the number of primary, lower secondary and secondary schools that stood at 30,924; 10,636; and 6,516 respectively in the academic year 2009 has gone up to 32,684; 11,939; and 7,559 respectively in the academic year 2010.
29. Government of Nepal received international award for its success in lowering the infant mortality rate to 14 per 1000 live births; and maternity mortality rate to 229 per 100,000 births by conducting various health programs for making easy access to basic health services for the people. Currently, there are a total of 4,393 health institutions, 7,049 hospital beds, and 82,994 health service workers. The number of health service specialists registered with the Medical Council totals two thousand.

30. Training programs on overseas employment and skill development are being conducted by the entities under the Ministry of Labor and Transport Management. Important achievement have been made in the areas of roads, drinking water, and housing development through implementation of programs like urban development, people's housing program, and activities for managing the water supply in the Kathmandu Valley.
31. Local bodies are conducting infrastructure related functions and other awareness oriented programmes of social development including construction of road, electricity, building, drinking water and irrigation projects by mobilizing their own resources and central grand to provide the services and facilities to public. Women, Children and Social Services Ministry and related organizations are running the programmes to improve the rights, welfare and the access of women, children, aged citizens and disabled.

Macro Economic Indicators

Description	Unit	Fiscal Year								
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*
Economic Activities										
<i>Real GDP (in Basic prices)</i>	Annual % Change	3.8	4.4	3.2	3.7	2.8	5.8	3.8	4.0	3.5
<i>Agriculture</i>	Annual % Change	3.3	4.7	3.5	1.9	1.0	5.8	3.0	1.3	4.1
<i>Industry</i>	Annual % Change	3.1	1.5	2.9	4.4	4.0	1.6	-1.4	3.3	1.4
<i>Services</i>	Annual % Change	3.7	6.8	3.3	5.6	4.5	7.3	6.0	6.0	3.6
<i>Real GDP at Producers' Prices</i>	Annual % Change	3.9	4.7	3.5	3.4	3.4	6.1	4.4	4.6	3.5
<i>Real Percapita GDP</i>	Annual % Change	1.7	2.4	1.2	1.1	1.1	3.8	2.1	2.3	1.2
<i>Per capita Gross National Income (at constant prices)</i>	Annual % Change	1.6	2.3	2.1	1.9	1.7	3.8	2.3	2.8	0.7
<i>Gross Domestic Products (at Current Prices)</i>	Annual % Change	7.1	9.0	9.8	11.0	11.3	12.1	21.1	18.6	14.9
<i>Gross National Income (at Current Prices)</i>	Annual % Change	7.1	8.9	10.5	11.5	11.6	12.0	21.4	18.1	14.6
<i>Gross National Disposable Income (at Current Prices)</i>	Annual % Change	7.6	9.3	11.1	14.0	10.1	16.5	24.1	17.2	14.3
<i>Per capita GDP</i>	US Dollar	261	293	328	350	390	464	465	556	642
<i>Per capita GNI</i>	US Dollar	261	292	329	352	394	469	471	561	645
<i>Per capita GNDI</i>	US Dollar	301	339	383	420	464	573	588	695	797
<i>Real GDP (in Basic prices)</i>	billion Rs.	429.70	448.65	463.16	480.43	493.65	522.26	541.96	563.49	583.03
<i>Agriculture</i>	billion Rs.	165.76	173.73	179.81	183.01	184.79	195.55	201.46	204.01	212.40
<i>Industry</i>	billion Rs.	76.49	77.58	79.92	83.49	86.79	88.30	87.09	89.98	91.24
<i>Services</i>	billion Rs.	199.87	213.50	220.61	233.03	243.54	261.44	277.13	293.87	304.46
<i>Real GDP at Producers' Prices</i>	billion Rs.	459.49	481.00	497.74	514.49	532.04	564.52	589.41	616.25	637.73
<i>Real Percapita GDP (at 2000/01 Prices)</i>	Rs.	18987	19441	19676	19893	20121	20881	21325	21807	22072
<i>Per capita Gross National Income (at 2001/01 constant prices)</i>	Rs.	18964	19406	19809	20194	20540	21313	21800	22416	22584
<i>Gross Domestic Products (at Current Prices)</i>	billion Rs.	492.23	536.75	589.41	654.08	727.83	815.66	988.05	1171.90	1346.81
<i>Gross National Income (at Current Prices)</i>	billion Rs.	491.56	535.10	591.05	659.04	735.26	823.61	999.80	1181.02	1353.27
<i>Gross National Desposable Income (at Current Prices)</i>	billion Rs.	567.09	619.95	688.75	785.16	864.25	1006.42	1249.29	1463.70	1673.60
<i>Per capita GDP at current price</i>	Rs.	20340	21694	23300	25290	27525	30171	35747	41469	46615
<i>Per capita GNI at current price</i>	Rs.	20312	21626	23365	25482	27806	30465	36172	41792	46838
<i>Per capita GNDI at current price</i>	Rs.	23433	25056	27227	30359	32684	37227	45198	51794	57925
<i>Gross Consumption/GDP</i>	%	91.4	88.3	88.4	91.0	90.2	90.2	90.6	92.6	93.3
<i>Gross Domestic saving/GDP</i>	%	8.6	11.7	11.6	9.0	9.8	9.8	9.4	7.4	6.7
<i>Gross National Savings/GDP</i>	%	23.8	27.3	28.4	29.0	28.6	33.2	35.9	32.3	30.9
<i>Gross Fixed Capital Investment /GDP</i>	%	19.9	20.3	19.9	20.7	21.1	21.9	21.4	20.2	18.0
<i>Government Investment/GDP</i>	%	3.0	2.8	2.9	2.7	3.4	4.0	4.5	4.5	3.8

Description	Unit	Fiscal Year								
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*
Private Investment /GDP	%	16.9	17.6	17.0	18.0	17.7	17.8	16.9	15.7	14.2
Gross Investment /GDP	%	21.4	24.5	26.5	26.9	28.7	30.3	31.7	35.0	30.2
Gap between Gross Domestic Saving and Gross Investment/GDP	%	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.3	-27.6	-23.5
Net exports of goods and Services (Export-Import)/GDP	%	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.2	-27.7	-23.6
Imports /GDP	%	28.5	29.5	29.5	31.3	31.7	33.3	34.7	37.4	32.2
Exports/GDP	%	15.7	16.7	14.6	13.4	12.9	12.8	12.4	9.8	8.7
Total Population	Million	24.2	24.7	25.3	25.9	26.4	27.0	27.6	28.3	28.9
Price										
<i>Consumer Price Index*</i>	% change	4.8	4	4.5	8	6.4	7.7	13.2	10.5	9.6
<i>GDP Price Deflator</i>	% change	3.1	4	5.9	6.9	7.3	5.6	16.1	12.4	11.2
Primary	% change	0.7	2.8	3.5	4.4	6.1	3.3	21.4	22.0	12.7
Secondary	% change	4.1	5.4	5.5	3.6	5.7	11.0	15.1	6.6	10.6
Tertiary	% change	4.7	4.5	7.8	9.9	8.3	5.3	12.9	7.8	10.3
<i>Wholesale Price Index@</i>	% change	3.8	4.1	7.3	8.9	9.0	9.1	12.8	12.6	10.1
<i>Salary and Wages Rate Index&</i>	% change				3.9	9.8	9.7	15.3	17.2	18.0
Salary	% change				0.3	6.3	10.9	10.5	20.2	0
Wages	% change				5.3	10.9	9.4	16.9	16.3	24.7
Public Finance										
<i>Revenues</i>	% change	11.5	10.9	12.5	3.1	21.3	22.7	33.3	25.4	14.7
<i>Total Government Expenditures</i>	% change	4.9	6.5	14.7	8.1	20.5	20.8	36.1	18.2	17.9
Recurrent Expenditure	% change	6.6	6.6	11.0	8.6	15.1	18.6	39.7	18.2	19.3
Capital Expenditure	% change	-9.8	3.3	18.4	8.1	34.2	34.7	36.6	23.5	19.8
Principle Payments	% change	48.6	12.9	25.4	5.4	17.4	-2.2	14.9	-2.1	-2.1
<i>Debt Servicing (Principal & Interest</i>	% change	32.6	7.1	13.9	3.4	12.2	-0.7	18.6	5.3	7.6
<i>Revenue /GDP</i>	%	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.4	15.3
Tax Revenue/GDP	%	8.7	9.0	9.2	8.8	9.8	10.4	11.8	13.3	13.1
Non-Tax Revenue/GDP	%	2.8	2.6	2.7	2.3	2.3	2.8	2.7	2.0	2.2
<i>Total Government Expenditure /GDP</i>	%	17.1	16.7	17.4	17.0	18.4	19.8	22.2	22.2	23.0
Recurrent Expenditure/GDP	%	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.9	13.5
Capital Expenditure/GDP	%	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.7	8.2
Principal Payment/GDP	%	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.6	1.3
<i>Debt Servicing (Principal & Interets)/GDP</i>	%	3.3	3.2	3.4	3.1	3.1	2.8	2.7	2.4	2.3
<i>Foreign Grants/GDP</i>	%	2.3	2.1	2.4	2.1	2.2	2.5	2.7	3.3	3.7

Description	Unit	Fiscal Year								
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*
<i>Budget Deficit/GDP</i>	%	3.3	2.9	3.1	3.8	4.1	4.1	5.0	3.5	3.8
<i>Foreign Loan/GDP</i>	%	0.9	1.4	1.6	1.3	1.4	1.0	1.0	1.0	1.1
<i>Domestic Loan/GDP</i>	%	1.8	1.0	1.5	1.8	2.5	2.5	1.9	2.6	2.5
<i>Grants and Loans Received/GDP</i>	%	3.2	3.5	4.0	3.4	3.6	3.6	3.7	4.3	4.8
<i>Total Outstanding Debt</i>	billion Rs.	308.1	318.9	307.2	328.7	320.4	366.0	399.8	403.9	430.6
Outstanding Domestic Loan	billion Rs.	84.7	86.1	87.6	94.7	103.8	116.0	122.8	147.7	174.7
Outstanding Foreign Loan	billion Rs.	223.4	232.8	219.6	234.0	216.6	250.0	277.0	256.2	256.0
<i>Per capita Outstanding Debt</i>	Rs.	12731	12911	12142	12708	12117	12331	13505	14292	14905
<i>Total Outstanding Debt/GDP</i>	%	62.6	59.4	52.1	50.3	44.0	44.9	40.3	34.5	32.0
*Outstanding Domestic Debt/GDP	%	17.2	16.0	14.9	14.5	14.3	14.2	12.4	12.6	13.0
*Outstanding Foreign Debt/GDP	%	45.4	43.4	37.3	35.8	29.8	30.6	27.9	21.9	19.0
<i>Outstanding Foreign Debt/Revenue</i>	%	397.4	373.5	313.2	323.7	247.0	232.3	193.1	224.46	208.7
<i>Outstanding Foreign debt/Export</i>	%	447.5	431.8	374.1	388.4	364.8	421.8	409.2	421.3	390.0
<i>Debt Service (Principal and Interest Payments)/Recurrent Expenditure</i>	%	31.1	31.2	32.0	30.5	29.7	24.9	21.1	18.8	17.0
<i>Outstanding Foreign Debt/Foreign Exchange Reserve</i>	%	206.4	178.8	169.1	141.8	131.2	117.6	98.9	93.1	97.3
Money and Banking										
<i>Domestic Credit</i>	% change	10.4	9.9	13.8	7.8	16.7	21.3	27.1	17.2	12.8
Private Sector	% change	13.2	14.3	14.2	14.4	18.9	24.3	29.0	14.2	14.6
Net Government Credit	% change	5.9	1.8	11.3	10.4	10.4	11.2	20.4	26.9	6.4
<i>Share of the Private sector in the Banking Sector credit</i>	%	67.4	70.1	70.3	75.5	75.8	77.7	78.9	76.9	83.0
<i>Narrow Money Supply (M1)</i>	% change	8.6	12.2	6.6	14.2	12.2	21.6	27.3	11.0	6.3
Currency	% change	2.2	11.1	8.8	13.3	7.4	19.9	25.5	13.0	5.6
Current Deposits	% change	25	14.4	2.2	16	22.8	25	30.5	7.6	7.5
<i>Broad Money Supply (M2)</i>	% change	9.8	12.8	8.3	15.6	14	25.2	27.3	14.1	9.2
Time Deposits including saving	% change	10.4	13.1	9.2	16.4	14.9	27	27.3	15.5	10.5
<i>Total Deposit (Commercial Banks)</i>	% change	10.3	14.7	7.7	15.8	15.3	26.0	30.6	12.7	9.1
<i>Total Deposits/GDP</i>	%	41.2	43.3	42.5	44.3	46.0	51.7	55.5	52.5	50.8
<i>Total Domestic Credit/GDP</i>	%	45.5	45.9	47.5	49.3	49.5	53.6	56.1	55.0	55.2
Private Sector Credit/GDP	%	30.7	32.1	33.4	37.2	37.6	41.7	44.2	42.3	43.1
Net Government Credit/GDP	%	11.9	10.7	10.8	10.9	10.8	10.7	10.7	11.3	10.6
<i>Narrow Money Supply/GDP</i>	%	17	17.5	17	17.5	17.4	18.9	19.8	18.4	17.4
Currency/GDP	%	11.6	11.8	11.7	11.9	11.5	12.3	12.7	12.6	11.3

Description	Unit	Fiscal Year								
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*
Current Deposit/GDP	%	5.5	5.7	5.3	5.4	6.0	6.6	7.1	6.1	6.1
<i>Broad Money Supply/GDP</i>	%	50	51.7	51	53.0	54.3	60.7	63.6	60.8	59.1
Time Deposit/GDP Fixed and saving deposit	%	32.9	34.2	34	35.7	36.9	41.8	44.0	42.4	41.6
External Sector										
<i>Export (Goods)</i>	% change	6.4	8	8.9	2.6	0.9	12.0	14.2	-9.7	7.9
<i>Import (Goods)</i>	% change	15.8	9.6	9.7	16.3	10.3	23.9	28.2	33.2	3.8
<i>Export/Import Ratio</i>	% change	40.2	39.6	39.3	34.7	30.5	26.7	23.8	16.1	16.9
Trade Deficit	% change	23.1	10.7	10.2	25.1	19.2	20.2	33.3	46.5	4.4
<i>Income from Tourism</i>	% change	35.7	54.5	-43.3	8.7	6	84.2	49.9	0.6	0.1
<i>Expenditure on Tourism</i>	% change	7.7	62.4	-3.3	23.4	32	32.2	50.5	2.8	-0.7
<i>Remittance Income</i>	billion Rs.	47.54	54.20	58.59	65.54	97.69	142.68	209.70	231.73	259.53
<i>Remittance Income</i>	% change	14	8.1	11.9	49	2.5	42.5	47.0	10.5	12.0
<i>Current Accounts Balance</i>	billion Rs.	11.62	14.60	11.55	14.23	-0.90	23.68	41.44	-28.14	-5.52
<i>Export/GDP</i>	%	10.1	10	10	9.2	8.2	7.3	6.9	5.2	4.9
<i>Import/GDP</i>	%	25.3	25.4	25.4	26.6	26.8	27.2	28.8	32.3	28.9
<i>Trade Deficit</i>	%	-15.1	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-27.1	-24.0
<i>Income from Tourism/GDP</i>	%	2.4	3.4	1.8	1.5	1.4	2.3	2.8	2.4	2.1
<i>Expenditure on Tourism/GDP</i>	%	1.3	1.9	1.6	1.8	2.2	2.6	3.2	2.8	2.4
<i>Remittance Income/GDP</i>	%	11	10.9	11.1	14.9	13.8	17.5	21.2	19.8	19.3
<i>Current Accounts Balance/GDP</i>	%	2.4	2.7	2	2.2	-0.1	2.9	4.2	-2.8	-0.4
<i>Balance of Payments</i>	Billion Rs.	4.36	16.01	5.74	25.60	5.90	29.68	41.28	-3.63	-8.0
<i>Foreign Exchange Reserves</i>	Billion Rs.	108.23	130.21	129.90	165.03	165.13	212.62	286.54	268.91	263.13
<i>Foreign Exchange Reserves</i>	% change	2.2	20.3	-0.2	27	0.1	28.8	34.8	-6.2	-2.1
<i>Capacity of Reserves to cover Import Goods</i>	Equivalent Months	10.4	11.5	10.4	11.4	10.2	11.5	12.3	8.7	8.3
Goods and Services	Equivalent Months	9	9.7	8.8	9.6	8.4	9.3	10.0	7.4	7.1
<i>Exchange Rate**</i>	USD = Rs.	77.79	73.79	72.06	72.32	70.49	65.02	76.88	74.54	72.39

* Annual Preliminary Estimates (Based on 8 month data)

Base Year 2005/06

@ Base Year 2001/02 = 100

& Base Year 2004/05 = 100

% Change = Annual change in percentage

** Annual Average of buying and selling rates, 11 months average of the current fiscal year.

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

Major Challenges of the Economy

1. Economic Activities

- 1.1 The economic situation of the country, a major indicator of economic development, has not been satisfactory. The nation has achieved average economic growth rate of 4 percent over a decade. In an environment where our neighbors have been successful in achieving the double digit economic growth, our nation could not achieve the rate as desired owing mainly to political instability overshadowing the economic issues. Besides, fragile peace and security situation, weak infrastructure including electricity, and uneasy labor relations etc also contributed to the cause. These conditions, as in the previous years, prevailed as major challenges to the economy for attaining the higher rate of economic growth.
- 1.2 Agriculture has been making notable contribution to the economy. Despite decline in its contribution of agriculture to GDP, its share is still more than two third. Agriculture production still remains erratic due to high dependency on monsoon owing to weak irrigation facility. Area under paddy cultivation, which has been contributing around 7 percent to GDP, is less than what it was 10 years ago while its production has increased merely by 5.8 percent (average annual growth of 0.5 percent) during this period. Likewise, statistics has shown that per hectare productivity of this crop is higher by 1.0 metric ton in areas with access to irrigation facility than in non-irrigated land. Hence, emphasis on developing agricultural infrastructure including irrigation is utmost necessary for raising the productivity of agriculture sector including the yield of major food crops and commercialization of this sector.
- 1.3 Nepal's agriculture sector has lost its competitive edge owing to dearth of fertilizers, seeds, irrigation and other facilities necessary for raising agricultural productivity in a situation whereby its neighboring countries have been providing subsidy and other facilities to this sector. Such a situation has created food security concern of the people dependent upon agriculture. The population dependent on agriculture would be pushed back below the poverty line if a situation arises for agriculture produces of the country losing the market. It is another

challenge to sustain competitiveness of the agriculture sector by giving continuity to emphasis on investment and subsidy facilities being provided to this sector.

- 1.4 Industry sector is on the continuous downslide. Industrial output is moving toward hopeless situation in absence of investment-friendly environment owing to a number of factors including political instability and lack of peace and security, energy crisis, and labor relations etc. This sector's GDP growth rate over past 10 years averaged only to 0.3 percent. Contribution of this sector from 9.0 percent in FY 2000/01 has slipped to 6.5 percent in FY 2010/11. Hence, raising the level of output and employment of the industry sector by attracting domestic and international investment through creation of investment-friendly atmosphere has become another challenge.
- 1.5 Another big challenge is the extreme energy crisis the country is facing. Failure to match the demand for electricity with production and supply has adversely affected all sectors including industry and the people of all walks of life like a housewives and students for example. This situation has adversely affected industrial production and production costs leading to deterioration of overall productivity of the country. Current priority of the country, thus, is to produce and supply electricity as per the demand through rapid development of hydropower by raising the level of investment in this area.
- 1.6 Millions of youth are compelled to heading for overseas seeking employment due to failure in creating employment opportunities within the country. Statistics for the last three years shows on average 250,000 people leaving the country annually for foreign employment, and the number is on rise. Although foreign employment remains a major source of foreign currency for the country, in the long-run it could fall in the remittance trap. It is another challenge of engaging the youths in the nation's development by creating employment opportunity within the country itself.
- 1.7 The country's economy is gradually becoming consumption oriented due to remittance income and other factors thereby causing hopeless plunge in savings and investment rates. Consumption to GDP that stood at 88.3 percent in FY 2000/01 has gone up to 93.3 percent by FY 2010/11.

As a result, the rate of domestic savings has come down to 6.7 percent from 11.7 percent during this period. Consumption oriented economy naturally leads to dependency resulting in the dearth of resource for investment. Hence, it is another challenge of creating the foundation for economic growth through enhancement of saving and investment levels by discouraging unnecessary consumption.

2. Public Finance

- 2.1 Revenue mobilization has not been to the extent of the size of the country's economy. Major challenges in the public finance is enhancement of revenue mobilization through: full automation of tax administration; carry out administrative reform for making the customs valuation system more objective; simplification of income tax procedures; expanding the scope of excise; and increasing efficiency of the overall tax system through removal of existing distortions.
- 2.2 Value Added Tax (VAT), despite bearing scientific, transparent, broad scope, and investment-friendly characteristic, its effective implementation has yet to be materialized. There is a suspicion of the practice of evading VAT by using fake bill/vouchers. Hence, it has become necessary to devise appropriate mechanism for mitigation of the problems surfaced so far while institutionalizing the achievements made on revenue mobilization in the past.
- 2.3 The level of capital expenditure in the country is not to the extent as desired. Development projects, the precursor for raising the level of capital expenditure could not be executed for reasons such as: delay in submission of regular budget; absence of elected representatives in the local bodies accompanied by minimum presence of staff; persistent delays in awarding contracts; and opposition of local people to development projects. Therefore, it is necessary to pay special attention towards raising the level of capital expenditure in the next fiscal year.
- 2.4 It has become imperative to give thrust to revenue mobilization from the perspectives of negative impact of excessive dependence on foreign aid for resources necessary for execution of development – construction of the government projects could negatively affect the long-term economic composition and overall economic balance. Besides, worth consideration

is that such dependency could cast potential risk to the health of development initiative, economic stability and strength of the economy. It is necessary to ensure optimum utilization of means through effective implementation of projects; raising the level productive foreign grants; and improving the management of recurrent expenditure while bringing efficiency for expanding the capital expenditure.

- 2.5 Government contribution to gross capital investment could not be increased on the one hand, while hampering regular development process in future owing to ever tipping balance between gross domestic saving and investment on the other beside adding complication in managing resources and servicing the foreign debt. Hence, paying special attention is necessary towards curbing the unproductive recurrent expenditure and enhancing productive utilization of development expenditure.

3. Price and Supply

- 3.1 The country is facing higher price rise since last two years with 13.2 percent and 10.5 percent hikes in FY 2008/09 and 2009/10 respectively. Inflation rate is expected to remain higher even in this year with a steady point-to-point price rise of 10.7 percent during first eight months of the current fiscal year. Although developed and emerging economies are also encountering the pressure of price rise, rate of inflation in Nepal is higher in comparison to those countries. Low economic growth rate accompanied by continued double digit inflation has been adversely affecting economic activities and the people's livelihood. Although, a number of causes of price rise are beyond control, today's challenge is to contain the price rise by improving the supply through proper demand management.
- 3.2 Price of POL has been constantly rising in the international market on the one hand, while supply of POL could not be eased on the other. It has become imperative to ease the import and supply of POL products through institutional reform of Nepal Oil Corporation (NOC), which is responsible for import and distribution of this product, and price adjustments. Absence of automatic price adjustments along the changes in international price on the one hand results in the pressure of price rise on consumers at once and also affects supply due to accumulation of losses to NOC on the other. It exerts price pressure on other

commodities as it causes black marketing, and encourages anarchy and chaos. There is no alternative to carrying out institutional reform of NOC, controlling leakages, and regular price adjustment along with implementation of recommendations of the GON constituted Task Force. There is also the need to start working for finding alternative to POL for lessening the high dependency on it. It is a challenge to properly managing the price and supply of POL as its price and supply situation gets reflected in prices of other commodities.

- 3.3 Higher price rise of food and beverage group of items is the major cause of higher rate of consumer inflation. Price of this group rose by 17.3 percent during first eight months of the current fiscal year. Prices vegetables and fruits in this group rose excessively in the review period with 73.1 percent rise in the price of Vegetables alone that carry the weight of 5.7 percent in the price index. There has been a rapid price rise of food items globally. Development of Agriculture sector, especially increasing vegetable production and developing storage facilities is posing challenge to us.
- 3.4 It is utmost necessary curbing all those kinds of undesired activities like monopoly and cartels, black market for creating artificial shortage of goods and commodities etc. that create hurdles in the smooth supply of essential goods. On the one hand it is necessary to completely curb the syndicate system on public transports and transportation of goods, and properly mobilize the cooperative institutions of the country for facilitating the supply of essential goods.
- 3.5 There could be no two opinions on the necessity of effective monetary management for maintaining price stability. Hence, there always remains a challenge of simultaneously sustaining both monetary, and demand managements for avoiding undesired pressure on the price level.

4. Money and Banking

- 4.1 The liquidity pressure in the banking sector continued into the current fiscal year. The liquidity crunch happened to affect a number of banks and financial institutions despite overall management of liquidity through the monetary instruments. A cautious monetary management approach was used to cope with the potential high risk to the banking sector emanating

from the BoP deficit of the previous year, higher price rise, and credit flows to the unproductive sector. Reason for the liquidity crunch in the banking sector is attributable mainly to the failure in boosting the public expenditure accompanied by decline in deposit collection rate. It is getting more of a challenge to managing liquidity amidst lower economic growth, higher rate of price rise, and the adverse BOP situation.

- 4.2 The financial system of the country is getting intensive, accompanied by the expansion of access to financial services with establishment of banks and financial institutions, and expansion of their branch offices. Banking business operates in an environment of risk due to its nature of work. As such, it is necessary to keep the financial sector as a whole strong and capable by protecting its financial stability from negative effects due to unhealthy competition with growing numbers of such institutions. For this, challenge is broadening the regulatory and supervision works, and enhancing the effectiveness and capacity of Nepal Rastra Bank. Besides, it is necessary for making the institutional governance and self-regulatory system effective.
- 4.3 Although financial condition of the two banks, one fully government and another partially owned, have improved as a result of their restructuring, the capital fund of both these banks is still negative. Making necessary arrangement for capital adequacy of these banks is a challenge. As measures for reducing the level of non-performing loans of the banking sector as a whole, strengthening of the Revenue Tribunal, and make necessary preparation for the establishment of Asset Management Company are other challenges.
- 4.4 It is necessary to adopt the deposit guarantee scheme in all banks and financial institutions through its expansion for: (a) encouraging mobilization of savings for national economic development; (b) encouraging the bank and financial institutions for mobilization of such savings to the productive sector; and (c) enhancing the confidence of the people towards these institutions while protecting the interest of the people and depositors.
- 4.5 There has been a notable growth in the number of development banks, saving and credit cooperatives, and NGOs engaged in micro-finance

transaction. As cooperative institutions occupy a major share in saving mobilization and credit flows, establishment of a second-tier supervisory institution with an arrangement for regulation, inspection and supervision of such institutions has become necessary. Besides, it has also become necessary to develop a structure suitable to geographical, economic and social condition of the country for increasing access to banking and financial services to the ultra poor, remote and rural areas for effectively addressing the issue of financial inclusiveness.

5. Capital Market

- 5.1 NEPSE index has been falling despite efforts on maintaining coordination between the regulatory entities of the financial sector and necessary amendments in securities related laws and regulations. As such, sustaining the confidence of investors towards the capital market remains a challenge.
- 5.2 Commodities exchange transactions are being conducted through some commodity exchanges. However, issues like lack of awareness among the investors toward such market system, unbridled trading practices, and lack of confidence has come in the way of the growth of this type of market. Institutional development of a regulatory system is felt necessary for the opportune promotion and safeguarding the rights and interest of investors.
- 5.3 There is a situation whereby excessive pressure is exerted on issuance of securities through listed agencies in the primary market at the face value as opposed to minimum sales transaction occurring in the secondary market. The process for establishment of a Central Depository System has already been initiated for expanding investment in the secondary market through a mechanism of liberal price setting for curbing the excessive fluctuation in the price (of securities) so as to make the securities market more transparent and trustworthy. In addition, the system would also ensure efficient transfer of right/ownership and easy recognition of investors for enhancement of transparency and dynamism in services of the secondary market. It is utmost necessary to make calculation of capital gains tax more simple and transparent in the 'netting' arrangement to be introduced under such depository system.
- 5.4 In view of the share of government bond with longer term maturity to be dismally lower as compared to the bond of short-term maturity and that

also without any set time-table for issuance. It is a challenging task of developing a system of bonds issuance of various maturity dates and interest rates through the introduction of “Government Bonds Yield Curve” for achieving the objectives of promoting the secondary market for government bonds, issuance of institutional bonds, and developing the secondary market.

- 5.5 It is necessary to bring effectiveness in transactions conducted through “Over the Counter (OTC) Market” in case of security transactions of small companies not listed in the securities market and those of liquidated companies.
- 5.6 It is a challenge of making institutional sector transparent by adopting the International Financial Reporting Standards (IFRS) to curb the practice of listed companies not conducting timely audits of their financial transactions; non-comparability of the audited financial statements of the organized institutions belonging to one another sectors; and the practice of disseminating sensitive notices and information with potential implications on the market prices to serve own interest.
- 5.7 There is the lack of lending instruments appropriate for institutional investors like the Citizens’ Investment Trust, Employees’ Provident Fund, Pension Plans, and Insurance Companies. Hence, there is the necessity of creating environment for investment for such institutional investors by availing appropriate instruments like issuance of debentures, group investment plan, and unitary plans etc.

6. External Sector

- 6.1 There was Balance of Payment (BoP) deficit in FY 2009/10 for the first time in the previous eight years. Observation of statistics for the first eight months of the current fiscal year reveals continuation of BoP deficit situation. It has caused gradual depletion of foreign exchange reserve since July 2009. As such, the capacity of sustaining import and export of goods and services for the nation is also diminishing. Such continued unfavorable BoP has exerted pressure with added challenge of sustaining the external sector.
- 6.2 There is the need of promoting exports through effective implementation of the Commerce Policy, 2009; and Industrial Policy, 2010. In addition,

promotion of export oriented industries, identification and market promotion of export potential items and enhancing the competitiveness of such goods is very much necessary. Besides, improving the slipping export trade by promoting the export of the Nepal Trade Integration Strategy, 2010 identified goods and services is the utmost necessity.

- 6.3 It is essential to produce the goods of international standard and for quality testing of such goods, construct a laboratory of international standard. Similarly, it is necessary to simplify the export trade through establishment of quarantine points of international recognition for testing agricultural products of Nepal.
- 6.4 Foreign employment is gradually getting a major source of foreign exchange earnings and sustaining the positive BoP. Therefore, it is necessary to make this sector more systematic and take additional initiative for the flow of remittance through the formal channel. It is a challenge of making institutional arrangement for imparting training and skill for raising the demand for the Nepalese labors at the international level, and guide the flow of remittance to the productive sector.

7. Poverty Reduction and Employment

- 7.1 Narrowing the ever widening poverty gap between the rich and the poor with implementation of poverty reduction measures is a complex national issue at present.
- 7.2 Employment opportunities could not be created for the 400,000 labor force added annually in the labor market. Opportunities for entrepreneurship, quality skill development, and creation of employment opportunities are dismally low in the country. Harmony could not be established between demand and supply for labor force. A situation exists whereby execution of prevailing policies and laws could not be effectively implemented lacking the measures for improvement in human resource and physical infrastructures of the labor offices. Business related security and health related pollution standards could not be adequately implemented in industrial enterprises.
- 7.3 Number of challenges this sector is encountering at present are: producing the skilled human resource capable of competing in the international labor market; providing necessary help and protection to

those going abroad for employment; updating of legal and institutional provisions for qualitative, coordinated training and skill development programs while keeping abreast with the new faced of labor, the growing informalization, and in line with the new managerial and organizational trend; and increasing access to employment opportunities for women, *Dalits*, ethnics, Tribes (*Janaajatis*) *Madhesis*, and Muslims, disables, and marginalized people.

- 7.4 Migratory pressure on cities and secured location with physical amenities has created the problem of urban poverty. Addressing this problem emanating from the desire for physical amenities and rise in the post-conflict mobility of the people is a big challenge.
- 7.5 The need of the day are: appropriate initiative for making the foreign employment secure and respectable amidst problems of the shrunk industrial sector, poverty due to landlessness, and increased dependence on remittance; identification of the country for foreign employment; and development and expansion of the sector that creates more employment opportunities.

8. Agriculture, Industry and Commerce

- 8.1 There exist a number of challenges in the industry sector, namely: timely accomplishment of the policy, legal and structural reforms necessary for discharging the trade liberalization responsibility resulting from the regional and industrial trade affiliation; gain international confidence in Nepal's exportable products by retaining their quality and standard; and establishing Nepal's exportable goods in the global market through products diversification by strengthening forward and backward linkages of such goods of comparative and competitive advantages. Challenge to Nepal's export sector is growing day by day amidst other SAFTA and BIMSTEC member countries in the region producing quality products of similar types with Nepal as its member is in competitively disadvantageous position in terms of export potential and competitive strength on such products.
- 8.2 Plethora of fundamental problems Nepal has experienced in its trade sector are: lack of investment and trade-friendly environments owing to weak peace and security situation, uneasy labor relations, and shortage of energy; absence of integration between the production-oriented industries and

other economic sectors (agriculture, forestry, tourism etc.); dominance of imported raw materials based exportable items; inability to develop adequate physical infrastructure for supporting exports, and under-utilization of available infrastructures; failure in maintaining the set quality and standard in the production of exportable goods; failing to identify niche products and niche market for export promotion; and Nepali products being limited to few products and limited markets.

- 8.3 A policy was adopted for attracting domestic and foreign investment through the establishment of Special Economic Zones (SEZs) in locations feasible for export-oriented industries. Such zones comprise export processing zone, special trade zone, tourism /entertainment zone, and banking zone. As per the provision set, industries established in such zones and using the facilities are required to produce goods of international standard and export up to 75 percent of such products. Absence of a law on SEZ, and dispute on land acquisition has caused set back the progress in the implementation of this program.
- 8.4 Some of the problems adversely affecting the agricultural production are: the farmers failing to collect improved seeds; their inclination towards the use of hybrid seeds of vegetables and other commodities except for food crops; and imports of low-priced, sub-standard seeds. Additional challenge is the inadequate availability of subsidized fertilizers in the context of imbalance between supply and demand forecast for fertilizers.
- 8.5 The tourism sector requires special emphasis while keeping in mind the effects of this sector on various economic activities of the county, and its role in foreign exchange earnings. For this, there is a need of conservation and expansion of the existing touristic locations with adequate publicity; and promotion of tourism through exploration, identification and expansion of new touristic sites. It remains a challenge of developing the country as a tourist destination by raising the number of the arrival of tourists by air, and extending their stay period.

9. Public Enterprises

- 9.1 Public Enterprises, some fully Government of Nepal owned and some under its partial ownership, totals 36. Of these, 14 were operating in losses in fiscal year 2009/10, while net worth of a number of such

enterprises is running in negative. The rise in already a large amount of unfunded liability creates huge economic burden to Enterprises; failure in preparing accounts and conduct auditing in a timely manner erodes public confidence on PEs combined adversely affecting their reform process. Similarly, lack in adoption of appropriate and new technologies, shortage of operating capital in PEs including operating in their self-capacity are some challenges in this area.

- 9.2 Implementing privatization of PEs also remains a challenge. There still remain issues of reconciliation and adjustments of accounts of some privatized PEs and managing the properties of a number of liquidated and dissolved ones. Gradual privatization of financially unviable PEs is stalled has stopped for some time. The process of privatization of PEs is getting additionally challenging due to various reasons including the Employees' Union.
- 9.3 There is a lack of clear-cut policy and mechanism for monitoring and evaluation of PEs. The concerned ministries do not conduct regular monitoring and evaluation of business plans and programs of PEs effectively. There is lacking of a system for monitoring of monthly progress, performance evaluation based selection and nomination of the Chiefs and Board Directors, and their Terms of Reference and signing of performance contract. There is a need for preparing objective-based performance evaluation criteria of the Chiefs of the PEs.

10. Energy and Forests

- 10.1 Challenges in development of renewable energy is facing are: lack of financial and physical resource; hardships during construction and implementation phases; and difficulty in moving ahead on PPP concept.
- 10.2 Project has been facing obstructions that various apolitical fronts create in the phases of the study, research, and implementation of schemes.
- 10.3 The Community Rural Electrification Project is facing the shortage of adequate funds in comparison to proposals and demands of the communities. Much time and resource has to be spent for coordination with institutions formed at the rural level as they lack telephone, fax, and other modern means of communication. There is the lack of adequate physical facilities for monitoring and supervision of community electrification work.

- 10.4 Nepal is facing the problem of managing the supply of POL products as the country could not import required quantities due to the financial constraint. Similarly, People's dissatisfaction is growing as timely import and smooth distribution of POL products is hampered by frequent closures of highways, agitation, strike, and chakka jams.
- 10.5 Management of forests is getting a challenging task due to various reasons including lack of means and resources in the forestry development and conservation sector; encroachment of forest areas; forestry related activities not receiving priority; illegal felling of trees and export of timber; and destruction of forests due to natural hazards including soil erosion etc.
- 10.6 The problem of destruction of forests remains with continued encroachment of forest are like in the past (88,000 ha. of forest area encroached so far). Encroachment of forests is on the rise despite special arrangement for curbing such practice due to failure in effectively implementing the provision.
- 10.7 The problem has emerged in the development and management of National Parks and Conservation areas owing mainly to: failure in rehabilitating the destructed physical structures; lack of skilled human resource; lack of studies and research; failure in curbing the poaching; and growing encroachment of the park-conservation areas.

11. Transport and Communication

- 11.1 There should be professionally skilled human resource for operating the highly technology based airlines safety equipment. Such equipment, however, are operated by the general personnel of Nepal Police. Hence, it is a challenge to develop human resources with such skills.
- 11.2 Considering the geographical structure and complexities, garnering financial resources and technical management necessary for the installation of modern navigational equipment aiming at attracting the maximum number of international airlines by extending the operating hours of the only international airport has become the utmost necessity.
- 11.3 Inadequacy of the Road Fund in comparison to overall funding requirement for repair and maintenance of roads remains a challenge.

The reason behind the discrepancy in the program and the progress in FY 2009/10 is non-submission of programs by the local entities against the funds made available to them, thus creating problem in the management of roads.

- 11.4 Challenges of the communication sector are: failure in managing human resource of the postal service and diversification of services as desired; lack of improvement in mobile telephone service; lack of expansion for improving accessibility of transmissions of the Radio Nepal and Nepal Television; problem in the operation of electronic media due to load shedding; non-receipt of timely information from the concerned government entities for updating information in the portal developed by Department of Information; and problem in collecting the film development fee.

12. Social Sector

- 12.1 Major challenges the education sector is confronting are: lack of permanency of supporting workers in child development centers; weakness in management of the center in absence of ownership of the community; lack of educational materials; lack of coordination; ineffective monitoring and evaluation; delay in the selection of schools at the district level under the physical infrastructure improvement program for schools accompanied by delay in submission of the completion report; lack of accurate data despite the policy provision for availing scholarships to children in regards to free education to the poor; and difficulty in addressing the increased demand for scholarship with boarding facility for economically weak students.
- 12.2 Major issues of the higher secondary education are: occurrence of policy changes affecting the functioning of the Council for Higher Secondary Education; adverse effect on quality education due to economic disparity between the private and community higher secondary schools; lack of qualified teachers; lack of quality in curricula; challenge in conducting qualitative and dignified examination; lack of equitable access to education; legal problem due to absence of consistency between law, rules and education regulation; lack of uniformity among the school management committee; and lack of coordination between the committee and academic leadership.

- 12.3 Major issues/challenges of higher education are: lack of a clear-cut policy on higher education; inadequacy of the government grant based on numbers of higher education institutions and students; lack of quality education; absence of development of physical infrastructure, monitoring and supervision; and lack of capacity development of human resource engaged in higher education, training and their professional development.
- 12.4 Due to difficult geographical terrain, making provision for easily accessible health facilities to the people of remote rural areas of the country poses difficulty and challenge. The health problem is found taking horrific turn especially in the remote rural areas due to carelessness arising from lack of the health sanitation and awareness, and (dogmatically) superstitious tradition. It is a challenge of sending the private sector run urban centered health institutions and doctors to remote areas by convincing them to serve the rural people with the service motive. Besides, MDG target on fight against HIV/AIDS, Malaria and other diseases could not be achieved as expected.
- 12.5 Problems in relation to physical infrastructure construction are disturbing the environmental balance, buildings constructed by flouting the housing policy; lack of timely repair and maintenance of constructed infrastructures; and time and cost overruns due to failure to complete development projects in time.
- 12.6 A number of problems and issues have come in the way of successfully achieving the local development targets including: in absence of the elected people's representatives in local bodies, the present arrangement of all-party mechanism could not be effective from tasks, duties, rights and accountability perspective; service provisions and development works affected due to failure in filling up the positions of secretaries in VDCs; Lack of work load-based skilled and adequate human resource; difficulty faced in the execution of development activities due to lack of security in the districts of Terai and Eastern Hills; problems in execution of projects owing to delayed receipt of budget ceiling and guidelines, and delays in approval of directives and procedures as prescribed in the budget speech; obstructions faced in the execution of the LSGA, 1999 due to failure in amending those laws contradicting the LSGA, 1999; and finally, failure in conducting internal and final audit in local bodies, indifference attitude towards responding to issues of advances and irregularities, and clearing those irregularities have resulted in increase in the volume of irregularities.

1. Economic Activities

World Economy

Economic Growth

- 1.1 International Monetary Fund (IMF) in the World Economic Outlook of April 2011, has mentioned the world economic growth in 2010 of 5 percent, which had shrunk by 0.5 percent in 2009. The global economy has improved more than expected following the economic recession that the world experienced during 2007-2009. The risk of double dip is much lower now as a result of gradual rise in the demand of private sector in developed economies whereas such rise was observed earlier in the demand of the government sector. Though the expansion and growth rates were not even, demand in most of the emerging economies had improved largely. While the world economy in 2010 witnessed substantial growth due to the speedy and sustainable economic growth in Sub-Saharan African countries. Growth process seems to be risky as a result of increasing price trend seen in commodities including oil. It is estimated that the earthquake and tsunami that claimed large number of human lives in Japan would have limited economic impact.
- 1.2 According to IMF projection, world GDP growth rate would remain close to 4.5 percent in the years 2011 and 2012. Similarly, economic growth rate of developing and emerging economies would remain close to 2.5 percent and 6.5 percent respectively. It is expected that there will be slight fall in the growth rate in coming two years than that of 2010 due to the weak real estate market in developed economies like euro region, increased prices in commodities including oil and overheating symptom observed in economic activities of emerging economies.

Table 1 (a) : World Economic Growth rate

(Annual Percentage Change)

	2008	2009	2010	Forecast	
				2011	2012
World Output	2.9	-0.5	5.0	4.4	4.5
Advanced Economies	0.2	-3.4	3.0	2.4	2.6
Emerging and developing Economies	6.1	2.7	7.3	6.5	6.5
Developing Asia	7.7	7.2	9.5	8.4	8.4
Middle-East Countries and North African Countries	3.2	-3.6	4.2	3.7	4.0
Centre and East European Countries	2.9	-0.5	5.0	4.4	4.5

Source: International Monetary Fund (World Economic Outlook), 2010

Consumer Price

- 1.3 The pressure in price is felt greater in 2010 than in the previous year due to the rapid recovery following the world economic recession and higher expansion in the world's gross demand than expected. This trend of price-rise in oil and food grains is likely to continue as a result of conflict in the Middle-East and North African countries. Hence, IMF expects the pressure in price to remain unchanged in 2011 before the situation slightly improves in 2012. In developed economies, inflation was 0.1 percent and economic growth was 1.6 percent. Consumer price has increased in all emerging economies, developing Asian, African and European countries in 2010 as compared to 2009.

Table 1 (b) : CPI Based Rate of Inflation
(Annual Percentage Change)

	2008	2009	2010	Forecast	
				2011	2012
Advanced Economies	3.4	0.1	1.6	2.2	1.7
Newly Emerged and developing Economies	9.2	5.2	6.2	6.9	5.3
Developing Asia	7.4	3.1	6.0	6.0	4.2
Middle East and North African Countries	13.4	6.5	6.9	10.0	7.3
Centre and East European Countries	8.0	4.7	5.3	5.1	4.2

Source: International Monetary Fund (World Economic Outlook), 2010

Net Aggregate Domestic Demand

- 1.4 The impact of global economic recession of 2007-2009 is experienced in aggregate domestic demand. As production and employment opportunities decrease during recessionary period, it causes adverse impact on income of the people, which is reflected in reduction of demand for domestic and external goods and services for consumption and investment thereby resulting decrease in aggregate demand, and ultimately stagnating the economic growth. There was reduction in aggregate domestic demand in most of the countries in 2009 while such demand has increased in 2010. IMF has projected that the growth in aggregate domestic demand in 2011 and 2012 will remain positive and close to the figure of 2010. The demand trends observed in some developed and newly industrialized economies are reflected in the table 1 (c) below.

Table 1(c): Net Domestic (Household) Demand
(Annual Percentage Change)

	2008	2009	2010	Forecast	
				2011	2012
Advanced Economies	-0.2	-3.7	2.8	2.0	2.3
United States of America	-1.1	-3.6	3.2	2.4	2.7
EU Countries	0.4	-3.4	0.9	0.8	1.3

	2008	2009	2010	Forecast	
				2011	2012
United Kingdom	-0.7	-5.5	2.4	0.9	1.6
Canada	2.5	-2.6	5.2	2.8	2.5
Newly Industrialized Asian Economies	1.7	-3.2	7.9	4.8	4.3

Source: International Monetary Fund (World Economic Outlook), 2011

- 1.5 There will be expansion in the dynamism of economic activities through the growth in aggregate demand thereby causing growth in trade, production and employment opportunity. The demand of Nepalese labourers will be high due to the expansion of economic activities of developed countries and countries that are especially major destinations for their works. The positive impact can be expected on the export of Nepali goods and services as a result of increasing trend observed in aggregate demand in 2010 continue to remain stable in the years 2011 and 2012.
- 1.6 The impact of growth experienced in aggregate domestic demand and significant improvement in world economy after global economic crisis has obviously been on world trade. The growth trend in export and import of developed, emerging and developing countries was experienced negative in 2009 while there has been significant improvement in such imports and exports in 2010. The world trade volume that had fallen by 10.9 percent in 2009 has increased by 12.4 percent in 2010. There has been significant growth in both imports and exports in 2010 among which the exports of emerging and developing countries have increased by 14.5 percent in 2010. Such exports had reduced by 7.5 percent in 2009. As per the projection of International Monetary Fund, exports of emerging and developing economies are expected to grow by 8.8 percent and 8.7 percent respectively in the years 2011 and 2012. Such growth rates are very high as compared to that of developed economies. Imports of both emerging and developing economies have increased by 13.5 percent in 2010. The growth rates of such imports are expected to remain 10.2 percent and 9.4 percent in 2011 and 2012 respectively. The trend and projection of world trade have been shown in Table 1 (d).

Table 1(d) : World Trade
(Annual Percentage Change)

	2008	2009	2010	Forecast	
				2011	2012
Volume of World Trade (Goods and Services)	2.7	-10.9	12.4	7.4	6.9
Exports					
Advanced Economies	1.9	-12.2	12.0	6.8	5.9
Newly Emerged and Developing Economies	4.0	-7.5	14.5	8.8	8.7
Imports					
Advanced Economies	0.4	-12.6	11.2	5.8	5.5
Newly Emerged and Developing Economies	8.8	-8.3	13.5	10.2	9.4

Source: International Monetary Fund (World Economic Outlook), 2010

Growth Rates of Neighbouring Economies

1.7 Economic growth rate for most of the neighbouring countries of Nepal has been encouraging for the year 2010. Among the nations of these regions, growth rate of all countries except Nepal and Pakistan has been less than 6.0 percent. As per the global economic outlook published by IMF in April 2011, the economic growth rate for India has been the highest in 2010 which is 10.4 percent while such growth rate for China for the same year stood at 10.3 percent. The growth rates for India and China in the years 2011 and 2012 are expected to remain at 8.0 percent and 9.5 percent respectively.

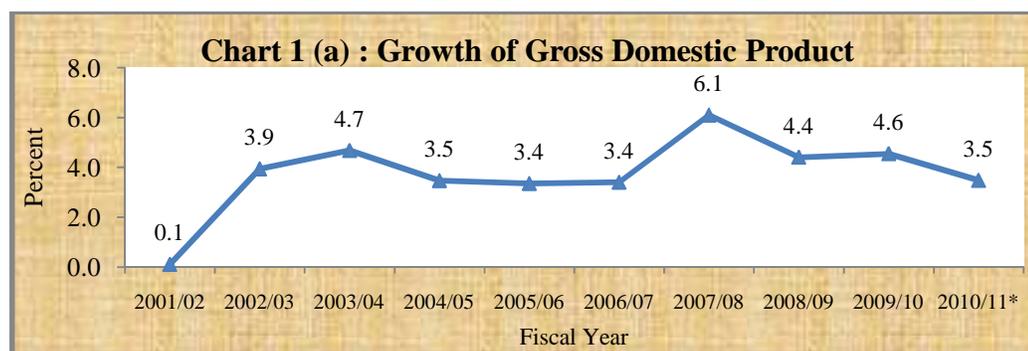
Table 1 (e) : Economic Growth Rates of Neighboring Countries
(Annual Percentage Change)

	2008	2009	2010	Forecast	
				2011	2012
China	9.6	9.2	10.3	9.6	9.5
Afghanistan	3.6	20.9	8.2	8.0	7.5
Bangladesh	6.0	5.8	6.0	6.3	6.6
Bhutan	3.0	8.7	6.7	6.5	6.0
India	6.2	6.8	10.4	8.2	7.8
Maldives	12.8	-4.8	8.0	6.0	5.0
Pakistan	1.6	3.4	4.8	2.8	4.0
Sri Lanka	6.0	3.8	9.1	6.9	6.5
Nepal	6.1	4.4	4.6	4.5	3.8

Source: International Monetary Fund (World Economic Outlook), 2010

National Economic Activities

1.8 The economic growth rate is less likely to be encouraging in FY 2010/11 with GDP growth estimated at 3.5 percent against the target of 4.5 percent. According to revised estimate, GDP in producers' price in the previous fiscal year grew by 4.5 percent. Such decline in GDP as against the target is due to the slow economic activities in the non-agriculture sector. Labour problems, inadequate electricity supply, less expansion of bank loans, sluggish remittance flow, and delayed government budget had adverse impact on the expansion of economic activities of non-agriculture sector.



Agriculture Sector

- 1.9 In the current fiscal year 2010/11, agriculture sector is estimated to grow by 4.1 percent. Such growth rate was estimated at 1.3 percent in the previous fiscal year while the average growth rate in the last five years remained at 3.0 percent. This sub-sector is expected to contribute 34.9 percent to the GDP in current fiscal year. Such contribution remained at 34.7 percent in previous fiscal year. Contribution of this sector to GDP is expected to rise nominally in the current fiscal year as a result of the satisfactory improvement observed in the production of this sector.
- 1.10 Preliminary estimates for FY 2010/11 show that paddy production among the major food crops under the agriculture sector will grow by 11.0 percent to 4.46 million metric tons. The major reason behind increase in production of this crop is the favourable monsoon period. It is estimated that the area under paddy cultivation has increased marginally by 1.0 percent in the current fiscal year. Likewise, amongst the other monsoon crops, maize production is estimated to grow highly by 11.5 percent reaching 2.06 million metric tons while millet production is expected to grow only by 1.0 percent.

Fisheries

- 1.11 According to preliminary estimates, the fisheries sector will grow by 6.8 percent in the current fiscal year 2010/11 as compared to the previous fiscal year. The sector recorded a 3.9 percent growth in the previous fiscal year. This sub-sector has attained an average annual growth rate of 5.3 percent for the last five years.

Non-Agricultural Sector

- 1.12 The growth rate of the non-agriculture sector in the fiscal year 2010/11 is estimated at 3.1 percent. This is slightly lower as compared to the growth rate of 5.4 percent attained in the previous year. The shortage of energy supply, weak monetary expansion, and delayed government budget has been the major factors affecting the growth rate of non-agriculture sector. As per the preliminary estimate, the growth rates of two subsectors including gas and water supply and wholesale and retail business sub-sectors will remain negative (negative by 4.0 percent and 0.2 percent) in the current fiscal year. According to estimates, industry, hotel and restaurant, transport, warehousing and communication, financial intermediation and health and social work subsectors are expected to grow in the current fiscal year than in the previous year while growth rates of other subsectors under non-agricultural sector are expected to fall.

Mining and Quarrying

- 1.13 As per the preliminary estimate, various sub-sectors among non-agricultural sector, mining and quarrying sector that recorded growth by 3.1 percent will grow by 2.1 percent in the current fiscal year. The average growth rate of this sub-sector remained at 2.6 percent in the last five years. The effect experienced in this year due to the control in the exports of gravel and sand has reflected in the production of this sector.

Manufacturing

- 1.14 The growth rate of production of manufacturing sub-sector that had been sluggish since last few years is expected to be normal with its production estimated to grow by 1.5 percent in FY 2010/11 as compared to 1.2 percent growth in the previous fiscal year. As per the Industrial Production Index, growth rate of this sector is expected to remain just about normal due to reduction in the production of goods such as mustard oil, biscuits, beer, soft drinks, jute, leather, papers and paper made products, plastics, concrete and hume pipe, iron rod, GI Pipes, electrical wires despite satisfactory growth rate of goods such as mustard oil, rice, wheat flour, readymade garments, lube oil, paints, medicines, soap, bricks. The average growth rate of this subsector recorded to be very marginal (0.3 percent only) for the last five years. As a result, the contribution of this sub-sector that was 9.0 percent to GDP in 2004/05 reduced to 6.5 percent in FY 2010/11 at constant price of FY 2000/01.

Electricity, Gas and Water Supply

- 1.15 In comparison to the previous fiscal year, production of this sub-sector is estimated to decline by 4.0 percent in the current fiscal year. This sector had recorded a growth of 5.4 percent in the previous year. Although this sub-sector has recorded an average annual growth of 2.4 percent for the last five years, it's contribution to the aggregate GDP has not increased significantly.

Construction Sector

- 1.16 The growth rate of this sub-sector is estimated to be at 3.3 percent in the current fiscal year 2010/11 as compared to 5.0 percent of the previous fiscal year. The growth rate of this sector is expected to decline in this current fiscal year as a result of the cautiousness adopted by banks and financial institutions on issuing loans for residential and commercial building construction, housing, increment in the interest against loan and inadequate increment in government's capital expenditure. This sub-sector has recorded average growth rate of 3.4 percent in the last five years contributing 6.0 percent to the GDP in an average.

Wholesale and Retail Trade

- 1.17 Growth rate of this sub-sector is expected to decline by 0.2 percent. This figure stood at 6.7 percent in the previous year. There was significant decline in import trade's growth rate in the current fiscal year whose impact is apparent on this sub-sector. Though the contribution of this sub-sector is highest among other sub-sectors of non-agricultural sector to GDP, the average growth rate has been 2.1 percent for the last five years.

Hotel and Restaurant

- 1.18 According to preliminary estimates, this sub-sector will attain satisfactory growth of 7.4 percent in its production in the fiscal year 2010/11. Such growth rate was 7.2 percent in the previous year. The hotel and restaurant sub-

sector felt positive impact of GDP due to the comparative improvement in peace and security situation since last few years and notable improvement in tourism sector as a result of decreased number of closures and strikes. Despite average growth rate of 5.5 percent of this sub-sector in the last five years, its contribution to GDP has been less than 2.0 percent.

Transport, Communication and Warehousing

- 1.19 Growth rate of this sub-sector during the current fiscal year 2010/11 is estimated at 7.1 percent. This sub-sector had recorded satisfactory growth (i.e., 6.1 percent) in the previous fiscal year. Growth is expected to rise in this fiscal year than that of previous fiscal year due to the declined in closures (Bandhs). This sub-sector has achieved significant growth rate of 6.9 percent in average with an average of 9.1 percent contribution to the GDP.

Financial Intermediation

- 1.20 This sub-sector is expected to record its production growth of 3.9 percent in the current fiscal year. This figure stood at 2.8 percent in the previous fiscal year. Financial intermediation sub-sector has average growth rate of 5.9 percent in the last five years. This sub-sector has been making significant contribution, directly or indirectly to the economic development of the country.

Real Estate, Rent and Commercial Services

- 1.21 This sub-sector is estimated to achieve the growth rate of 2.6 percent in the current fiscal year. This sub-sector had achieved growth rate of 3.6 percent in the previous year. Due to the policy arrangements made by Nepal Government to manage unusual price hike on land and buildings and their transactions, the growth rate of this sub-sector is expected to receive nominal decline. This sub-sector has achieved an average growth rate of 6.1 percent in the last five years with an average contribution of 8.2 percent to the GDP.

Public Administration and Defence

- 1.22 As per the preliminary estimate, Public Administration and Defence sub-sector's will have production growth rate of 3.0 percent. Such growth rate for the previous fiscal year was 4.4 percent. As per an estimate based on budgetary allocation and expenditure on public administration and defence of Central Government, this sub-sector's growth rate will be lower than that of previous year. Likewise, the growth rate of this sector has remained at 3.3 percent on an average in the last five years.

Education

- 1.23 In the fiscal year 2010/11, the outputs of this sub-sector is estimated to grow by 2.9 percent. This sub-sector had achieved growth rate of 7.3 percent in the previous fiscal year while this growth rate is expected to decline in this current fiscal year. This was estimated on the basis of government's expenses on education sector and the indices that have been identified after changes in

educational activities of private and non-government sector. The growth rate achieved by this sub-sector over the last five years has remained encouraging, averaging 6.9 percent with 6.3 percent contribution to GDP during this period.

Health and Social Works

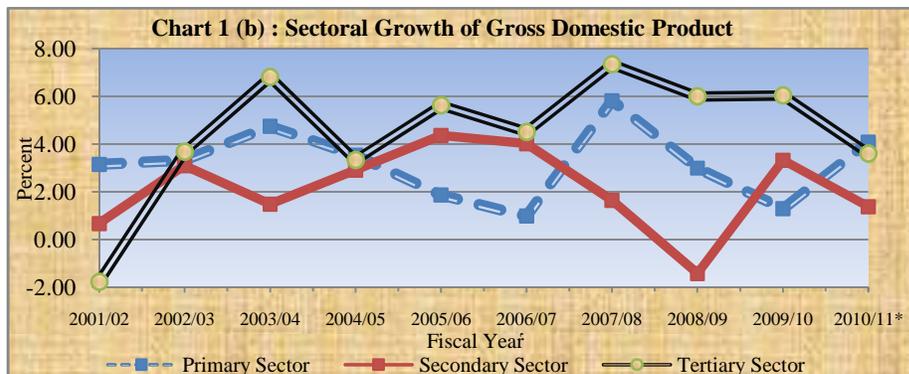
1.24 The outputs of this sector is expected to grow by 5.9 percent in the current fiscal year 2010/11. Such growth rate was recorded to be 4.3 percent in the previous fiscal year. Production of this sector is expected to rise due to budgetary allocation made for government’s health sector, increased expenditures and expanded private health services. The average growth rate stood at 6.9 percent in the last five years.

Other Community, Social and Personal Services

1.25 As per the preliminary estimate, the growth rate of this sub-sector will stand at 8.6 percent which is highest among the other sub-sectors of GDP. This sub-sector had achieved the highest growth of 11.8 percent in the previous year. This sub-sector comprises community services, other social and business services provided by the government. This sector has been able to achieve highest growth rate (average 12.4 percent) during last five years.

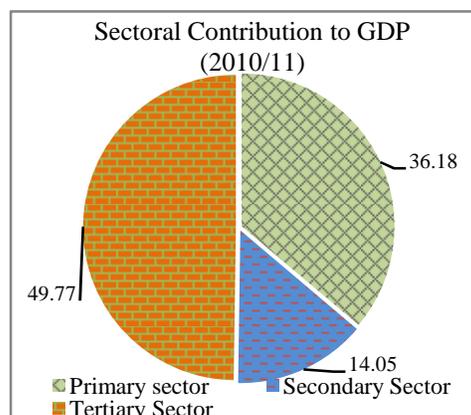
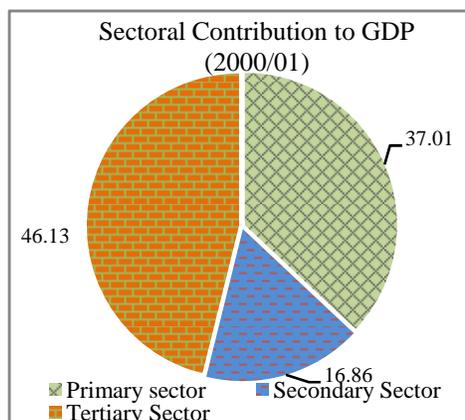
Sectoral Details

1.26 Based on analysis of the growth trend by classifying GDP in major three sectors (primary, secondary and tertiary), the growth rate of primary sector comprising agriculture and forest, fisheries and mining and quarrying is expected to remain high in current fiscal year as compared to the figures of last three years. The growth rate of this sector is expected to stand at 4.1 percent compared to 1.3 percent of the previous fiscal year. Likewise, the growth rate of secondary sector (Industrial Production, Electricity, Gas, Water Supply and Construction) is expected to remain at 1.4 percent in the FY 2010/11. Such figure stood at 3.3 in the previous fiscal year. Likewise, service related sub-sectors under tertiary sector is expected to grow by 3.6 percent. This sector had achieved satisfactory growth of 6.0 percent in the previous fiscal year.



Structure of Gross Domestic Product

- 1.27 There have been gradual changes in Nepalese economic structure. Mainly, the declining trend has been observed in the contribution of agriculture and industrial sectors while reverse trend is observed in the contribution of service sector. Viewing the later situation of GDP, contribution of the primary sector to GDP (agriculture, forestry and fishery and mining and excavation), which stood at 37.0 percent in 2000/01 is estimated at 36.2 percent in the fiscal year 2010/11 with a decline of 1.8 percentage points. Such contribution was recorded at 35.5 percent in the current fiscal year 2010/11. Nominal growth in the contribution of this sector has been realised in the current fiscal year than previous fiscal year as a result of the improvement in agriculture sector in current fiscal year.
- 1.28 The contribution of the secondary sector of GDP that comprises industries, electricity, gas, water supply and construction which is also called industry group is expected to stand at 14.1 percent only in the current fiscal year 2010/11 a reduction of 2.8 percentage points as compared to the figure of the fiscal year 2000/01. The major reason for this is due to the decline by 6.1 percent in the contribution of manufacturing sub sector in current fiscal year 2010/11 resulting in the reduction by 3.0 percentage point in this sector during this period.
- 1.29 The contribution of tertiary sector that comprises trade, transport, communication and warehousing, financial intermediation, real estate business, public administration and defence, education, health and other community, social and personal services and other sectors remained at 49.8 percent with the increment of 3.6 percentage point in GDP. However, such contribution in the current fiscal year is expected to be marginally lower than that of last four years. The contribution of service sector to the GDP has been in increasing trend due to the growth in the contribution of transport, public administration, education and other community service sectors among these sub-sectors.



- 1.30 As per industrially classified structure of GDP, it has been classified into two groups comprising agriculture sector and non-agriculture sector. The share of agriculture sector is expected to remain at 35.7 percent and 64.3 percent of non agriculture sector in the current fiscal year at current price. In aggregate, the share of agriculture sector has declined by almost by 1.0 percentage point in last 10-11 years. During this period, the share of agriculture sector was recorded lowest (ie, fell up to 31.7 percent) in FY 2007/08. There has been slight increment in its share in current fiscal year as compared to the previous fiscal year. The contribution of agriculture sector to GDP has improved due to the growth in agriculture production. There has been no significant change in the contribution of various sub-sectors under the non-agriculture sector in the current fiscal year than the previous fiscal year. The comparative status of primary, secondary, and tertiary sectors in the GDP in fiscal years 2000/01 and 2010/11 is presented in the diagram above.

Consumption

- 1.31 While analyzing expenditure based GDP structure, the consumption expenditure has climbed to 93.3 percent from 88.3 percent within a period of 2000/01 to 2010/11 through a growth of 5 percentage points. The share of gross fixed capital formation during this period fell from 19.2 percent reaching 18.0 percent with a reduction of 1.2 percentage points. Net export of goods and services as a share of GDP (balance after deducting imports from exports) in FY 2000/01 rose almost by 2 folds from the negative 10.7 percent reaching at negative 23.6 percent in FY 2010/11
- 1.32 On the consumption side, share of private consumption in GDP increased by 2.6 percentage points to 81.6 percent during the period of 10 years (FY 2000/01 to 2010/11). While during this period government consumption increased by 2.0 percentage points to 10.2 percent. In the current fiscal year, the shares of private and government sectors in total consumption is estimated to be 87.5 percent and 10.9 percent respectively while non profit making organization hold the remaining share. The share of domestic consumption on GDP has increased by 1.0 percent reaching 86.6 percent in this year. The rise in such consumption is mainly due to the increased remittance inflow and price hike.
- 1.33 Likewise, the share of net investment on GDP in FY 2010/11 is estimated to reach at 30.2 percent where as the share of fixed capital formation is 18.0 percent and the share of change in stock (including statistical error) has been 12.2 percent. The shares of private sector and government sector on net fixed capital formation stood at 78.8 percent and 21.2 percent respectively.
- 1.34 After the publication of new series of GDP, share of export of goods and services in GDP during the FY 2010/11 has declined by 1.0 percentage points reaching 32.2 percent. Such ratio is less than 5.0 percentage points as compared to that of previous year. Likewise, the share of export of goods and services is expected to decline by 14.0 percentage points to 8.7 percent from 22.6 percent. Such ratio is less by 1.0 percentage points than that of previous fiscal year.

- 1.35 The total consumption is expected to rise by 5.4 percent in the price of the FY 2000/01 to Rs. 653 billion in the current fiscal year as compared to the previous fiscal year. Of this, consumptions of government sector and private sector are expected to grow by 10.6 percent and 4.9 percent respectively. Total consumption stood at Rs 620 billion in the previous fiscal year. Among the total consumptions, the share of government consumption is expected to reach 10.8 percent in the current fiscal year with the nominal increment from 10.1 percent than that of previous fiscal year. Looking at the structure of GDP, the share of the consumption of food of the private sector in the fiscal year 2010/11 is 54.0 percent, 31.6 percent on non-food items, and 14.4 percent on services. Similarly, of the total private sector consumption of GDP in the previous year, shares of food grains, non-food items and services were 55.0 percent, 31.3 percent and 13.7 percent respectively. It shows that there has been no noticeable change in the consumption structure of the private sector during last two years with food items occupying major share in total consumption.

Savings

- 1.36 In the current fiscal year 2010/11, the gross domestic savings is expected to reach Rs 89.64 billion at current price with a growth of 3.5 percent. Such saving had decreased by 6.9 percent in the previous fiscal year. The ratio of savings with GDP was recorded 7.4 percent in the previous fiscal year while this ratio is expected to decline to 6.7 percent in the current fiscal year 2010/11. Saving ratio has declined in the current fiscal year due to high expenditure on consumption. The current rate of saving is lowest during the last eleven years. Likewise, the growth rate of national saving is estimated to be 10.1 percent in 2010/11 and ratio to GDP is 30.9 percent. The national saving rate is lowest in the past four years.

Capital Formation

- 1.37 In fiscal year 2010/11, gross capital formation at current price is expected to decline by 0.9 percent with the growth of 2.5 percent in gross fixed capital formation. As per the preliminary estimates, the share of gross capital formation and gross fixed capital formation to GDP is estimated to be 30.2 percent and 18.0 percent respectively in current fiscal year. It was 35.0 percent and 20.2 percent respectively in the previous year.
- 1.38 In FY 2010/11, the shares of gross capital formation and gross fixed capital formation are expected to remain 24.0 percent and 16.2 percent respectively in GDP at constant price. The share of gross fixed capital formation is less by 2.5 percentage points as compared to the previous fiscal year. The growth rate of such capital formation at fixed price is expected to decline significantly by 10.4 percent. The gross fixed capital formation that increased by 5.3 percent in the previous fiscal year had stood at 18.7 percent of GDP. The share of fixed capital formation in gross capital formation is 67.5 percent while the share of change in stock (including statistical error) accounts for 32.5 percent in current

fiscal year. The share of change in stock at constant price is estimated to be 7.8 percent of GDP. Out of the gross fixed capital formation in the fiscal year 2010/11, the share of government sector is 21.2 percent and that of the private sector is 78.8 percent. In the previous year the share of public sector was 21.8 percent while that of the private sector was 78.2 percent. This figure suggests that the government sector participation is likely to face slight decline in fixed capital formation in the current fiscal year.

Net Exports of Goods and Services

- 1.39 The GDP share on the net exports of goods and services accounts for 32.2 percent at the current price in the current fiscal year. Such share remained at 37.4 percent in previous fiscal year. The share of exports of goods and services to GDP recorded lowest at 8.7 percent in the current fiscal year 2010/11. Due to the decline in the growth rate of imports, the net export of goods and services deficit is expected to be 23.6 percent in GDP. Such deficit was 27.7 percent of GDP in the previous fiscal year.
- 1.40 It is estimated that the import of goods and services at constant price totalled Rs 236.12 billion and exports worth Rs 67.71 billion during the current fiscal year 2010/11. As a result, the trade deficit is expected to stand at Rs.168.41 billion at fixed price in the current fiscal year. According to Central Bureau of Statistics, the trade deficit that rose by 55.9 percent at constant price in the previous fiscal year is expected to fall by 3.6 percent in the review period. The exports, imports and trade deficit ratios with the GDP in current fiscal year at the price of FY 2000/01 are 10.6 percent, 37.0 percent and 26.4 percent respectively. Such ratios in the previous year stood at 11.4 percent, 39.7 percent and 28.3 percent respectively.

Gross National Disposable Income

- 1.41 Nepal has been experiencing continuous growth in remittance inflow since last few years and as a result its disposable income has continued to rise as well. The total source of income available to spend within the country is defined as Gross National Disposable Income (GNDI). At the current price, the GDP and Gross National Disposable Income are expected to grow by 14.9 percent and 14.3 percent respectively in current fiscal year 2010/11. Such growth rates were recorded 18.6 percent and 17.2 percent for GDP and Gross National Disposable Income in the previous fiscal year. The Gross National Disposable Income in current fiscal year is estimated to be 124.3 percent of GDP.
- 1.42 Based on proportion of GNDI, consumption out of gross national disposable income appears to be 75.1 percent with a gross national saving of 24.9 percent. These proportions in the previous fiscal year were 74.1 percent and 25.9 percent respectively. Observation of the growth trend indicates that Gross National Disposable Income, consumption and savings may decrease in the fiscal year 2010/11 as compared to its preceding year. Due to the higher

growth rate of gross consumption than that of gross disposable income, the saving growth rate is estimated to experience more decline.

- 1.43 National Accounts Statistics also provides insight into the distribution of income status of various sectors involved in national production. Looking from this perspective, out of the gross disposable national income, labours receive 28.7 percent as salary allowance, and wages while the business community shares 44.2 percent as profit or mixed income. Similarly tax excluding donations covers 7.6 percent and net transfer income occupies 19.1 percent of gross national disposable income while a negligible proportion of this income comes from net factor income. Of the gross national disposable income of FY 2000/01, salaries of labourers occupied 39.1 percent, 42.2 percent was that of income of business communities while 12.9 percent was the share of transfer income. Thus the share of labourers has declined while the shares of business communities and transfer income have grown in the gross disposable income during this 11 years period.

2. Public Finance

Structure of Government Finance

2.1 The total expenditure of Nepal Government in the fiscal year 2009/10 was Rs. 259.69 billion. Of this, 58.2 percent was recurrent, and 34.7 percent capital expenditure while 7.1 percent accounted for repayment of principal. Looking at the expenditure trend of the past years, the share of recurrent expenditure in total expenditure remained close to 60 to 62 percent between fiscal years 2002/03 and 2005/06 while such ratio has declined in subsequent years. This is a positive sign from the expenditure's point of view. The share of capital expenditure in total expenditure was about 26 percent between fiscal years 2002/03 and 2005/06 while it showed increasing trend in the subsequent years. Similarly, revenue mobilization covered about 63 to 70 percent of the total expenditure between fiscal years 2002/03 and 2009/10. During this period, gross revenue grew by 18.5 percent, while average growth rate of gross expenditure stood at 17.8 percent.

Table 2 (a): Ratio of Fiscal Heads to Total Government Expenditure

(In percentage)

Description	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Current	62.0	62.1	60.1	60.4	57.7	56.7	58.2	58.2
Capital	26.6	25.8	26.7	26.7	29.7	33.2	33.3	34.7
Principal Repayment	11.4	12.1	13.2	12.9	12.5	10.2	8.6	7.1
Receipts	80.4	82.3	82.4	77.7	77.5	79.3	77.3	84.1
Revenue	66.9	69.7	68.4	65.2	65.7	66.7	65.3	69.3
Foreign Grant	13.5	12.6	14.0	12.5	11.8	12.6	12.0	14.8
Saving (+) Deficit (-)	-19.6	-17.7	-17.6	-22.3	-22.5	-20.7	-22.7	-15.9
Foreign Loan	5.4	8.5	9.0	7.4	7.5	5.6	4.5	4.3
Domestic Loan	10.6	6.3	8.7	10.7	13.4	12.7	8.4	11.5
Change in Cash Reserves (-) Saving	3.6	2.9	-0.2	4.3	1.6	2.4	9.8	0.02

Source: Financial Comptroller General's Office

2.2 The average fiscal deficit increased by 16 percent from the fiscal year 2002/03 to 2008/09. During the same period, share of fiscal deficit in the total expenditure continued to decline from 19.6 percent in the fiscal year 2002/03 to 17.6 percent in 2004/05. Such share was 15.9 percent in

the fiscal year 2009/10. Of the resources to finance total fiscal deficit in the fiscal year 2002/03, the share of Domestic Borrowings was 54.0 percent while there have been fluctuations in the share of such borrowing in the subsequent years. The share of Domestic Borrowing stood at 72.6 percent during the fiscal year 2009/10. The Cash balance after repayment of foreign loans is reflected as change in reserve deficit.

- 2.3 The ratio of both gross expenditure and revenue to GDP has increased in the fiscal year 2009/10 as compared to that of 2008/09. The ratio of Government Expenditure stood at 22.2 percent in the fiscal year 2008/09. The revenue ratio in the current fiscal year is 15.4 percent against the 14.5 percent in the previous fiscal year. The gap between revenue mobilization and total expenditure fell to 6.8 percent in the fiscal year 2009/10 from 7.7 percent in 2008/09.

Table 2 (b): Ratio of Government Expenditure and Revenue to GDP

(In percentage)

Description	Fiscal Year							
	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	2066/67
Recurrent Expenditure	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.9
Capital Expenditure	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.7
Principal Repayment	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.6
Total Expenditure	17.1	16.7	17.4	17.0	18.4	19.8	22.2	22.3
Revenue Mobilization	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.4
Revenue and Expenditure Gap	5.6	5.1	5.5	5.9	6.3	6.6	7.7	6.8

Source: FCGO and CBS

- 2.4 Revenue surplus is considered as a sustainable source of financing the capital expenditure and principal repayments. The ratio of revenue surplus to the capital expenditure and principal repayments in the fiscal year 2008/09 was 17.1 percent while this ratio was 27.0 percent in 2009/10. Of the sources to finance capital and principal repayments, the share of foreign grants in the fiscal year 2009/10 increased by 6.8 percentage as compared to the FY 2008/09 reaching 35.5 percent. Similarly, such ratio of deficit financing in the fiscal year 2009/10 decreased by 16.7 percentage point and reached 37.5 percent as compared to the previous fiscal year.

Table 2 (c) Capital Expenditure and Principal Repayment and Sources of Financing

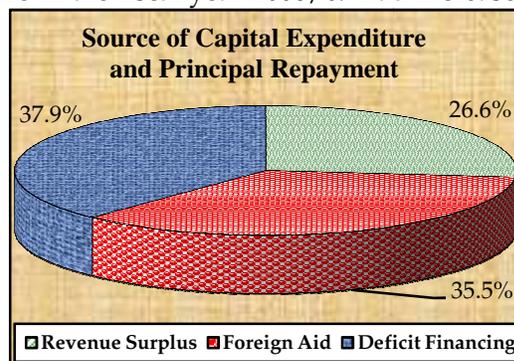
Heads	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Total Capital and Principal Repayment Expenditure (in billion Rs.)	338.905	408.740	438.714	564.822	699.030	919.230	1086.7
A. Capital Expenditure	230.956	273.407	296.066	397.299	535.161	730.889	902.377
B. Principal Repayment Expenditure	107.949	135.333	142.648	167.523	163.869	188.341	184.323
Expenditure Bearing sources (in percent)							
A. Revenue Surplus	20.0	20.6	12.0	18.7	23.1	17.1	26.6
B. Foreign Grant	33.3	35.2	31.5	28	29.1	28.7	35.5
C. Sources of Deficit Financing	46.7	44.2	56.5	53.3	47.8	54.2	37.9
A. Foreign Loan	(22.5)	(22.7)	(18.8)	(17.8)	(12.9)	(10.8)	(10.3)
B. Domestic Borrowing	(16.5)	(21.9)	(26.9)	(31.7)	(29.3)	(20.0)	(27.5)
C. Change in Reserves	(7.7)	(0.4)	(10.8)	(3.8)	(5.6)	(23.3)	(0.1)

Source: FCGO

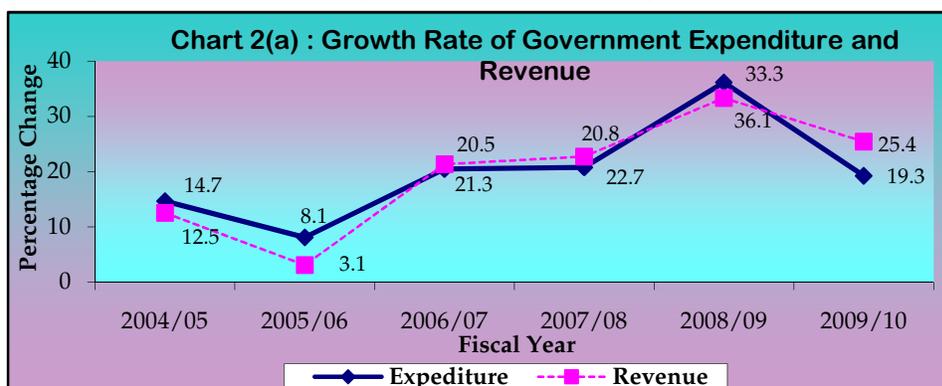
2.5 Of the sources of deficit financing, the share of foreign loan stood at 10.3 percent, share of domestic borrowings at 27.5 percent and the share of change in reserves 0.1 percent in the fiscal year 2009/10. The share of foreign loan was notable from the fiscal year 2004/05 up to 2006/07. In the fiscal year 2009/10, of the sources to finance capital and principal repayments, the share of revenue surplus stood at 26.6 percent, share of foreign grants 35.5 percent, and the share of deficit financing remained at 37.9 percent. The share of revenue surplus in the fiscal year 2009/10 is higher by 9.5 percentage points than that of previous year while share of foreign grants is more by 6.8 percentage point.

Government Finance

2.6 The total government expenditure in the fiscal year 2008/09 had increased by 36.1 percent compared to the previous fiscal year, while it increased by 18.2 percent in the fiscal year 2009/10. Of this, recurrent expenditure had increased by 39.7 percent in the fiscal year 2008/09 while in the fiscal year 2009/10 it increased by 18.2 percent. This increment is less



than half compared to that of the previous fiscal year. The capital expenditure in the fiscal year 2008/09 had increased by 36.6 percent while it increased by 23.5 percent in the following fiscal year. The principal repayment had increased by 14.9 percent in the fiscal year 2008/09 while this figure decreased by 2.1 percent in the following fiscal year.



- 2.7 The Government expenditure in the fiscal year 2009/10 totaled Rs.259.69 billion. Out of that total expenditure, revenue mobilization financed 69.3 percent, foreign grants 14.8 percent, foreign loan 4.3 percent, domestic borrowing 11.5 percent while change in reserves shared 0.02 percent. Among the sources of financing expenditure of Rs. 219.66 billion in the fiscal year 2008/09, revenue mobilization contributed 65.3 percent, foreign grants 12.0 percent, foreign loan 4.5 percent, domestic borrowings 8.5 percent and change in reserves shared 9.8 percent.

Recurrent Expenditure

- 2.8 Recurrent expenditure in the fiscal year 2008/09 totaled Rs. 151.19 billion which is 18.2 percent higher than that of the previous fiscal year, as compared to Rs.127.74 billion. Of the total recurrent expenditure, the share of constitutional bodies was 1.0 percent, general administration 13.0 percent, revenue and fiscal administration 1.0 percent, fiscal administration and planning 0.3 percent, judicial administration 0.7 percent and the share of foreign services was 0.9 percent. Likewise 11.0 percent went to defense, 41.3 percent to social services, 9.4 percent to economic services, 6.6 percent on principal interest repayments, and the share of miscellaneous expenditure was 14.3 percent.
- 2.9 Of the total recurrent expenditure in the fiscal year 2009/10, major portion of such expenditure (Rs. 62.43 billion) was on education, health, drinking water, local development, and other social services. Similarly, other major recurrent expenditures were on general administration

constituting Rs. 19.57 billion, defense Rs. 16.58 billion and economic services Rs. 14.93 billion. In the same fiscal year, expenditure on repayment of interest on principal was Rs. 9.98 billion.

- 2.10 Analyses of major recurrent expenditures show that expenditure on social services grew by 31.5 percent in the fiscal year 2009/10 as compared to the previous fiscal year. During the same period, such expenditures on defense rose by 20.6 percent, general administration by 16.1 percent, judicial administration by 29.5 percent, foreign services by 19.9 percent, economic services by 23.9 percent, revenue and fiscal administration by 21.2 percent, while miscellaneous expenditures dropped by 11.9 percent. Expenses on constitutional bodies, however, increased by 10.3 percent during this period and administration and planning expenses have increased by 32.2 percent. Expenditure on interest repayments increased by 22.4 percent in the fiscal year 2009/10 as compared to the previous fiscal year.

Capital Expenditure

- 2.11 Capital expenditure in the fiscal year 2009/10 rose by 23.5 percent as compared to the previous fiscal year totaling Rs. 90.24 billion. Such expenditure in its preceding year was Rs. 73.89 billion. Among the major components of capital expenditure, economic services expenditure remained at Rs. 42.97 billion, social services at Rs. 36.50 billion and defense at Rs.945.8 million. Likewise, capital expenditure on general administration stood at Rs. 2.66 billion, judicial administration Rs 319.0 million, loan and investment Rs. 3.32 billion, constitutional bodies Rs. 716.0 million, revenue and fiscal administration Rs.393.1 million, fiscal administration and planning Rs. 86.8 million, foreign services Rs. 86.2 million, and miscellaneous expenditure Rs 35.64 billion. On the total capital expenditure, economic services shared 47.7 percent, social services 40.5 percent, defense 1.0 percent, general administration 2.2 percent, judicial administration 0.3 percent, loan and investment 3.7 percent, constitutional bodies 0.1 percent, revenue and fiscal administration 0.4 percent, fiscal administration and planning 0.1 percent, foreign services 0.1 percent and miscellaneous expenditures 3.9 percent. When compared to the capital expenditure of the fiscal year 2009/10 to that of 2008/09, such expenses on social services increased by 7.2 percent, economic services by 34.3 percent, revenue and economic administration by 197.5 percent and defense rose by 32.7 percent. Similarly, expenditure on general administration has increased

by 12.6 and that of judicial administration by 0.1 percent while the expenditure of constitutional body has declined by 15.4 percent.

Principal Repayment

2.12 In the fiscal year 2009/10, principal repayment expenditure stood at Rs. 18.43 billion. Such expenditure was Rs.18.83 billion in the previous fiscal year. Of the total principal repayment expenditures, the share of principal repayment against domestic borrowing remained at 41.7 percent and that of foreign loan 58.3 percent in the fiscal year 2008/09. When compared to the previous fiscal year, principal repayment in the fiscal year 2009/10 against domestic borrowings has decreased by 11.8 percent while that of foreign loan has increased by 6.2 percent.

Expenditure Status of the First Eight Months of FY 2009/10

2.13 Based on disbursement and operation of current accounts, total expenditure dropped by 1.84 percent totaling Rs.143.55 billion in the first eight months of the current fiscal year 2010/11 as compared to the same period of the previous year. In the same period of the fiscal year 2009/10, such expenditure was Rs. 146.24 billion. Of the total expenditure in the review period of the current fiscal year 2010/11, recurrent expenditure accounted for Rs. 101.56 billion, capital expenditure Rs. 29.51 billion and principal repayment Rs. 13.48 billion. Recurrent expenditure for the first eight months of the current fiscal year 2010/11 totaled Rs. 101.08 billion, capital expenditure Rs. 35.0 billion, and principal repayment Rs.11.06 billion. When compared to the first eight months of the previous fiscal year, recurrent expenditure fell by 0.5 percent and capital expenditure by 13.5 percent while expenditure incurred on principal repayment has increased by 21.8 percent.

Revenue

2.14 Revenue mobilization, foreign grants and loan, domestic borrowings and change in cash reserves are used as fiscal instruments for financing government expenditures. When compared to the fiscal year 2008/09, revenue mobilization in 2009/10 grew by 25.4 percent to Rs.179.95 billion. In the fiscal year 2008/09, revenue collection had increased by 33.3 percent as compared to its preceding fiscal year. The Government revenue had financed 65.7 percent of the total government expenditure in the fiscal year 2008/09 while this source contributed to 69.3 percent of the total expenditure in the fiscal year 2009/10.

- 2.15 Of the total revenue, shares of tax revenue and non-tax revenue in the fiscal year 2009/10 stood at 86.9 percent and 13.1 percent respectively. Such shares in the previous year were 81.6 percent and 18.4 percent respectively.
- 2.16 Tax revenue grew by 33.5 percent in the fiscal year 2009/10 compared to that of the previous fiscal year. Such revenue had increased by 37.5 percent in the fiscal year 2008/09 compared to its preceding fiscal year. Of the total tax revenue in the fiscal year 2009/10, the share of customs duty was 22.5 percent while the share of tax on production and consumption of goods and services was 50.8 percent. Likewise, the share of land revenue and registration was 3.5 percent and that of the total of income, profit, and property tax was 23.2 percent.
- 2.17 Customs revenue collection grew by 31.2 percent on the tax revenue front in the fiscal year 2009/10 as compared to its preceding fiscal year while tax levied on production and consumption of goods and services rose by 41.9 percent. The total of income, profit, and property taxes increased by 24.5 percent while land revenue and registration fees dropped by 5.5 percent. Of the customs revenue, revenue from imports increased by 35.8 percent while that from exports rose by 14.9 percent, and Indian excise refund increased by 9.7 percent in the fiscal year 2009/10. Excise duty levied on the production and consumption of goods and services rose by 49.8 percent and Value Added Tax (VAT) by 38.3 percent.
- 2.18 Non-tax revenue decreased by 10.5 percent to Rs. 23.66 billion in the fiscal year 2009/10 as compared to that of the fiscal year 2008/09. Of the total non-tax revenue in the fiscal year 2009/10, the share of fees, fines, forfeitures was 21.1 percent; income from government service and sales of goods 23.6 percent; dividend 31.1 percent; sales of royalty and government's properties 12.5 percent; principal and interest 10.2 percent; and miscellaneous non-tax revenue 1.6 percent. On the non-tax revenue front, the firm registration fees increased by 1.6 percent while the total of administrative fees, penalties, fines and forfeitures decreased by 63.2 percent in the fiscal year 2009/10 as compared to the previous fiscal year. Dividend of service-oriented organizations rose by 39.8 percent and income of other government sectors by 5.1 percent. On non-tax revenue side, principal and interest obtained from companies and enterprises fell by 44.7 percent and 58.8 percent respectively in the fiscal year 2009/10 compared to the previous fiscal year.

Revenue Status in the First Eight Months of 2010/11

- 2.19 A total Revenue of Rs.123.6 billion has been collected in the first eight months of the fiscal year 2010/11. This figure stood at Rs. 105.61 billion in the same period of the previous fiscal year. Thus, the rate of revenue growth has been 16.5 percent in the first eight months of the current fiscal year 2010/11 as compared to the same period of the previous fiscal year. Of the total revenue collection, Rs.107.03 billion came from the tax revenue, and Rs.15.98 billion from non-tax revenues. The tax revenue growth rate registered 14.8 percent in the first eight months of the current fiscal year 2010/11 as compared to the same period of the previous fiscal year, while non-tax revenue grew by 29.0 percent.
- 2.20 Customs revenue, in the first eight months of the current fiscal year 2010/11, as compared to the same period of the previous fiscal, year grew by 6.3 percent totaling Rs.23.56 billion. During this period, tax collection on production and consumption of goods and services rose by 13.7 percent to Rs.55.65 billion as compared to the same period of the previous fiscal year. Likewise, tax collection from imports rose by 8.1 percent in the first eight months of the current fiscal year 2010/11 and the share of import revenue on the total customs revenue of this year stood at 88.8 percent whereas this share was 87.4 percent during the same period of the previous fiscal year. Export tax revenue fell by 56.0 percent and the Indian Excise refund by 9.2 percent. Likewise, income tax (public sector) increased by 52.7 percent and vehicles tax by 12.4 percent while registration fees decreased by 45.1 percent.

Foreign Aid

- 2.21 The foreign aid commitment in the fiscal year 2008/09 which had slipped by 2.5 percent as compared to its preceding fiscal year 2007/08 rose by 77.9 percent in the fiscal year 2009/10. In monetary term, committed foreign aid was Rs.47.98 billion in the fiscal year 2008/09 while this figure stood at Rs. 96.61 billion in the following fiscal year 2009/10. Of the total foreign aid commitment for the fiscal year 2009/10, bilateral assistance constituted Rs.26.90 billion, whereas the multilateral assistance totaled to Rs.59.71 billion. While classifying the foreign aid into grant and loan components for the year 2009/10, grants amounted to Rs.70.26 billion and loans to Rs.26.35 billion. Foreign grants during the fiscal year 2009/10 increased by 52.5 percent and loans by 276.9 percent as compared to the previous year.

- 2.22 The sector-wise classification of foreign aid commitment for fiscal year 2009/10 shows the share of agriculture, irrigation and forestry as 5.0 percent, electricity 13.3 percent, rural development 18.7 percent, education sector 27.2 percent, transport and communication sector 0.4 percent and others 20.8 percent.

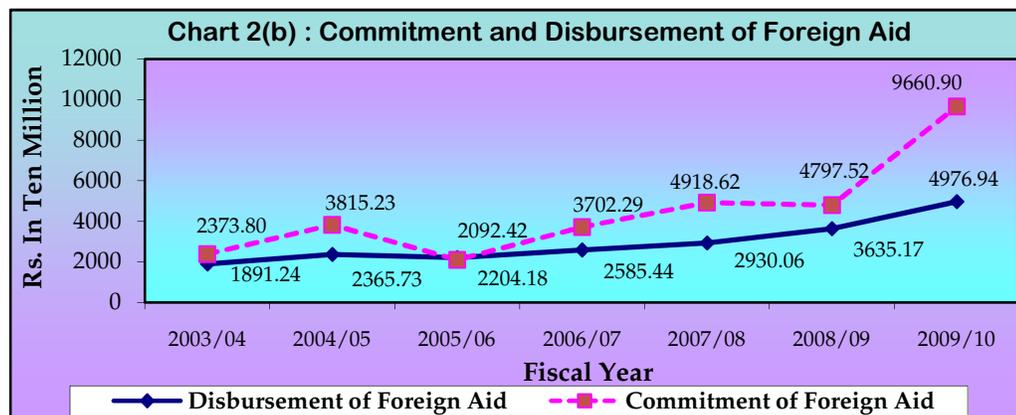
Grants and Loan

- 2.23 The total committed foreign aid in the first eight months of the current fiscal year 2010/11 stood at Rs. 72.93 billion which is less by 4.9 percent as compared to the corresponding period of the previous fiscal year. Of the total committed foreign aid, foreign grants constituted Rs 42.64 billion (58.4 percent of the total aid) while foreign loan stood at Rs.30.32 billion (41.6 percent of the total aid) in the review period. Out of the total foreign aid of Rs.76.73 billion committed during the first eight months of the fiscal year 2009/10, grant constituted Rs 58.34 billion with its share contribution of 76.0 percent and loan Rs.18.39 billion with 24.0 percent share contribution to the total aid.

Commitment and Utilization

- 2.24 In the first eight months of the fiscal year 2010/11, the share of bilateral assistance among the total commitment was 34.3 percent while that of multilateral assistance was 65.7 percent. In the same period of the previous year, shares of bilateral and multilateral assistance were 41.0 percent and 59.0 percent respectively. While analyzing sector-wise foreign aid commitment in the first eight months of the current fiscal year 2010/11, the share of electricity sector was Rs.7.18 billion (15.4 percent), education 9.11 billion (12.5 percent), and rural development Rs.4.19 billion (5.7 percent). Similarly, drinking water and sewerage shared Rs.5.47 billion (7.5 percent) agriculture, irrigation and forestry sector Rs 2.7 billion (3.7 percent), transport and communication Rs.11.27 billion (15.4 percent), health Rs.16.96 billion (23.3 percent) and other sectors Rs.14.96 billion (20.5 percent).
- 2.25 Utilization of foreign aid in the fiscal year 2009/10, as compared to 2008/09 increased by 41.9 percent to Rs 49.77 billion. Of the total foreign aid utilized in the fiscal year, Rs.38.55 billion (78.0 percent) was grants and Rs.11.22 billion (22 percent) loans. In the fiscal year 2008/09, foreign aid utilization totaled Rs.36.35 billion, of which Rs.26.39 billion (62.6 percent) was received as grant and Rs.9.97 billion (27.4percent) as loan. Of the total foreign aid utilized in the fiscal year 2009/10, Rs.26.87 billion (54 percent) was through multilateral assistance and Rs.22.90 million (46 percent) as bilateral assistance. Multilateral aid utilized

amounted to Rs.25.80 billion (73.56 percent) and bilateral Rs.9.27 billion (26.44 percent) in the previous fiscal year 2008/09.



- 2.26 Sector-wise analysis of the foreign aid utilization in the fiscal year 2009/10 reveals that the social sector received Rs.33.02 billion (66.5 percent), transport, electricity and communication Rs.11.79 billion (23.7 percent), agriculture, irrigation and forestry Rs.3.09 billion (6.2 percent) industry and commerce Rs.380.0 million (0.7 percent) and others Rs.1.39 billion (3.0 percent). Comparing foreign aid utilization of the fiscal year 2009/10 with its immediate preceding year on sector basis, utilization of aid in the social sector rose by 33.8 percent and transport, electricity and communication sector by 87.3 percent in the fiscal year 2009/10. Likewise, agriculture, irrigation and forestry grew by 34.5 percent with industry and commerce having highest growth proportion of 136.5 percent. However, the utilization of aid in other sectors fell by 48.7 percent.

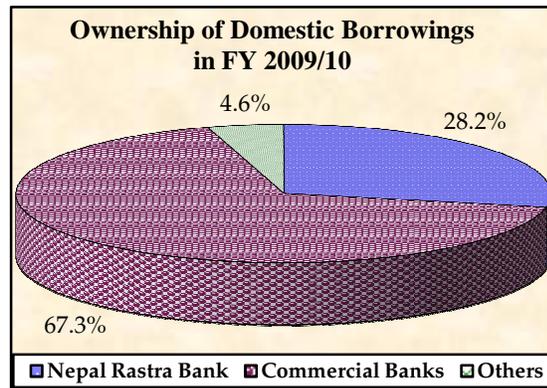
Net Foreign Loans

- 2.27 Foreign loan has been playing the vital role in the Nepalese economy. The net outstanding foreign loan that totaled Rs.277.04 billion in the fiscal year 2008/09, which declined by 7.5 percent in the fiscal year 2009/10 totaling Rs. 256.24 billion.
- 2.28 Net outstanding foreign debt by mid-March of the 2010 (adjusting gross borrowing and principal repayment) totaled Rs. 253.13 billion, which increased by 1.9 percent totaling Rs.257.90 billion during the same period of the year 2011.
- 2.29 As per the available data for the first eight months of the current fiscal year 2010/11, the ratio of net outstanding foreign debt to GDP stood at 19.0 percent. This ratio was 23.3 percent in the previous fiscal year 2009/10.

Net Domestic Borrowings

2.30 The outstanding domestic debt that totaled Rs. 125.67 billion in mid-July 2008 increased by 17.8 reaching Rs. 148.06 billion in the corresponding period of the year 2009. Of the total outstanding debt by mid-July 2009, the share of Nepal Rastra Bank was Rs.38.62 billion (26.1 percent), with Rs.82.99 billion (56.1 percent) that of commercial banks and other institutions and private sector shared Rs.26.44 billion (17.8 percent). On analyzing domestic borrowing by instruments, 68.9 percent was Treasury Bills, 24.0 percent Development Bonds, 3.5 percent Citizens Savings Certificates, and 3.6 percent Special Bonds.

2.31 Outstanding domestic debt grew by 21.5 percent by the end of first eight months of the current fiscal year 2010/11 as compared to the corresponding period of the previous fiscal year 2009/10. The net outstanding domestic debt that totaled Rs. 124.46 billion by mid-March of 2010 reached Rs. 151.24 billion in the same period of 2011. Of the total



outstanding debt at the end of the first eight months of the current fiscal year 2010/11, Nepal Rastra Bank held 24.1 percent; commercial banks held 54.6 percent and other non-bank institutions and private sector held 21.3 percent. Analysis of sources of domestic borrowing by the period of first eight months of the fiscal year 2010/11 shows Rs.98.27 billion (65 percent) in Treasury Bills; Rs.38.52 billion (25.5 percent) in Development Bonds; Rs.400 million (2.6 percent) in National Savings Certificates; Rs.5.13 billion (3.4 percent) in Citizen Savings Certificates and Special Bonds Rs.5.33 billion (4.7 percent). Comparing sources of domestic borrowings between the periods of first eight months of the fiscal years 2009/10 and 2010/11, Treasury Bills rose by 19.3 percent, development bond by 24.3 percent and Citizen Saving Certificates by 1.8 percent. The share of National Savings Certificate has significantly increased as this Certificate worth Rs. 400 million has been issued during the review period which was not issued after its issuance on 28 March 2005. The Special Bond has declined by 8.9 percent. The Foreign Employment Saving Certificates worth Rs. 4.0 million was issued in the first eight months of the previous fiscal year but these Certificates have

not been issued in the current review period. Comparing the ratio of GDP to domestic borrowing liabilities, it was 12.7 percent in the fiscal year 2008/09 and 12.6 percent in 2009/10. This ratio has remained at 11.2 percent until mid-march of 2011.

Fiscal Deficit

2.32 The persistence of fiscal deficit is due to less receipt of revenue and foreign grants as compared to the level of expenditure. Fiscal deficit that was Rs. 49.78 billion in the fiscal year 2008/09 dropped by 17.24 percent to Rs. 41.20 billion in the fiscal year 2009/10. The fiscal deficit that was on decreasing trend since fiscal year 2001/02 reversed again from 2004/05. The ratio of fiscal deficit to GDP, which was 5.0 percent in the fiscal year 2008/09 stood at 3.5 percent in 2009/10.

Table 2 (d) : Deficit Financing

Financial Year	Deficit Financing (Rs in Billion)	Proportion of Deficit Financing of GDP (In Percentage)
2000/01	24.19	5.5
2001/02	22.94	5.0
2002/03	16.44	3.3
2003/04	15.83	2.9
2004/05	18.05	3.1
2005/06	24.78	3.8
2006/07	30.09	4.1
2007/08	33.41	4.1
2008/09	49.81	5.0
2009/10	41.20	3.5

Source: FCGO & CBS

Sources of Fiscal Deficit Financing

2.33 Fiscal deficit, the result of imbalance between expenditure and the revenue is being financed through foreign loan, domestic borrowing and change in cash reserves. Of the fiscal deficit of Rs.41.20 billion in the fiscal year 2009/10, Rs.11.22 billion (27.24 percent) was financed through foreign loan, Rs.29.91 billion (72.76 percent) through domestic borrowing and remaining Rs.590.9 million through the change in cash reserves. Out of the total fiscal deficit of Rs.49.78 billion in the fiscal year 2008/09, Rs. 9.94 billion was borne through foreign loan, and Rs.18.42 billion through the domestic borrowing, the rest Rs. 21.42 billion from the change in cash reserves.

3. Price and Supply

Structure of Inflation

- 3.1 The higher demand caused by monetary expansion exerts extra pressure on price situation. On the other hand, supply and cost related causes also affect the price level. The price hike in many situations could be the result of both factors or either of these two. Several studies reveal that factors including production and supply situation in Nepal, foreign trade structure, exchange rate and structural arrangements play vital role in price rise. However, excessive monetary expansion has been obvious reason to exert additional pressure on the price of both tradable and non-tradable goods. Looking at the monetary expansion and price situation, the recent inflation is not due to monetary expansion but largely due to structural and external factors. Weak industrial production, closures, strikes, load shedding, excessive price rise in foods and petroleum products and Indian inflation have contributed for the price rise. Recent price hike in countries including China and India have also been a great concern. Due to the increase in the price of food grains and petroleum products as a result of conflict in middle-east and North African countries, most countries including Nepal have been experiencing excessive pressure on consumer price. Nepal has been facing a double-digit inflation since last two years. In this context, CPI based point to point annual inflation has still remained in double digits until the mid-march of the current fiscal year. Price situation is less likely to improve in the current fiscal year as prices of petroleum products and food grains have continued to rise.

Box 3 (a) Salient features of New Series of CPI

A new CPI has been published based since July FY 2010/11 on the Fourth Household Budget Survey conducted in FY 2006/07. As per the new series, 46.82 percent weight is assigned to food and drinks and 53.18 percent to non-food and service group by replacing 53.2 percent and 46.8 percent assigned to these groups respectively in the old series (base year 1997/98). In the past the Laspeyre's Weighted Arithmetic Average was used while

calculating the average national CPI, while the new system uses Laspeyre's Weighted Geometric Average. COICAP (Classification of Individual Consumption According to Purpose) is used while deciding the basket of goods and services. United Nations has incorporated this international classification system in its system of National Accounts (SNA) 1993. Prices are collected from 33 market centers by adding 12 centers while constructing the new index. The number of goods and services has also been adopted. The number of goods and services for price collection has been increased to 410 from the earlier 301. Representation of consumer market is ensured as a result of review in weight assigned to the expenditure on goods and services based on the latest Family Budget Survey Results, and increase in number of consumer goods (in the basket). In addition, the price index published under the new series has become more reliable and internationally comparable with improvisation in goods basket, and adoption of international standard.

Overall Consumer Price Situation

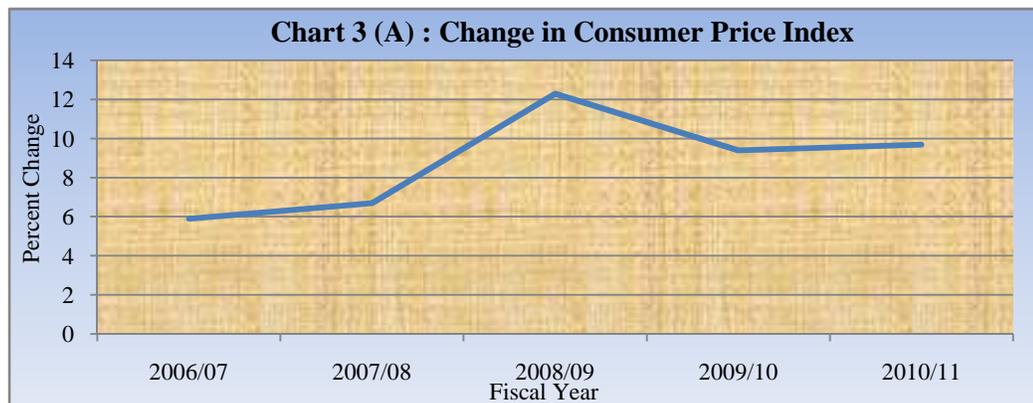
3.2 Consumer Price Index (CPI) is being published since current fiscal year 2010/11 as per the fourth household budget survey with 2005/06 as a new base year. According to this, in mid-March 2011, overall consumer price rise in the urban area remained at 10.7 percent. The inflation rate for the same period of the previous year was 9.9 percent.

Table 3 (a) CPI-based Annual point-to-point Inflation Rate

Months	2006/07	2007/08	2008/09	2009/10	2010/11*
Jul-Aug	4.5	5.6	11.8	10.1	9.5
Aug-Sep	5.5	6.1	12.4	9.1	8.6
Sep-Oct	6.5	5.4	13.2	8.5	8.9
Oct-Nov	6.4	5.3	13.7	9.1	8.4
Nov-Dec	5.8	4.6	13.4	10.2	9.6
Dec-Jan	4.6	4.8	13.8	10.7	11.3
Jan-Feb	5.1	5.2	13.2	10.9	10.2
Feb-Mar	5.4	6.0	12.9	9.9	10.7
Mat-Apr	5.6	8.0	7.1	8.1	
Apr-May	6.6	8.3	12.4	8.8	
May-Jun	6.7	10.1	12.0	8.2	
June-Jul	8.0	10.6	11.1	9.0	
Annual Average	5.9	6.7	12.3	9.4	9.7

* First Eight Months, Source: Nepal Rastra Bank

- 3.3 The average consumer price inflation rate in the first eight months of the current fiscal year 2010/11 stood at 9.7 percent while this figure was 9.8 percent during the same period of the previous fiscal year. The average consumer price inflation rate in the first eight months of the current fiscal year 2010/11 has slightly declined as compared to that of the same period of the previous fiscal year. As per the budget speech of the FY 2010/11 and the monetary policy published by Nepal Rastra Bank, the average CPI-based inflation rate was estimated to stay at 7.0 percent. However, the price of petroleum products has been revised twice during the review period as a result of price hike in petroleum products in the international market. The price of food items remained constant while the price of vegetables, fruits and spices received the effect of inflationary pressure thereby creating adverse effect on CPI-based inflation.

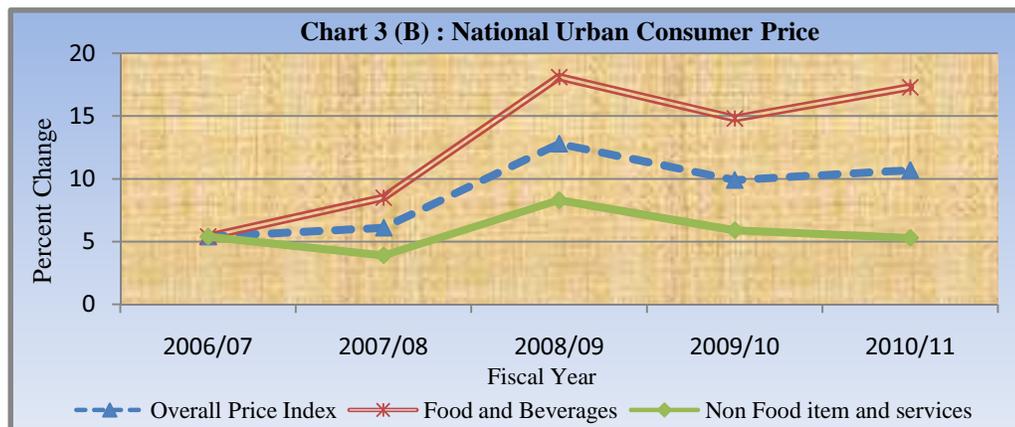


- 3.4 By geographical regions, the price index was 13.9 percent in Kathmandu, 7.9 percent in Terai and 11.6 percent in Hills in mid-March 2011 while these figures were 9.0 percent, 9.8 percent and 11.2 percent respectively in the corresponding period of the previous fiscal year. Inflationary pressure was felt highest in Kathmandu in this fiscal year while Hills had felt highest pressure in the previous fiscal year.

Food and Beverages Group

- 3.5 The price level of food and beverages group carrying 46.82 percent weight in the overall CPI rose by 17.3 percent in mid-March 2011 compared to 14.8 percent rise in the corresponding period of the

previous fiscal year. Such higher increment in the price index of food and beverages was mainly due to the effect of substantial increase in prices of vegetables (73.1 percent) fruits (33.4 percent), spices (22.1 percent) tobacco products (17.1 percent) hotel and restaurant meal (15.5 percent). The price of Lentil sub-group had increased by 30.0 percent in mid March 2010 declined by 8.1 percent during the review period. Except this, the price index of all the sub-groups under this group has increased.



Non-food and Services Group

3.6 Prices of non-food and services group carrying 53.18 percent weightage in the overall CPI increased by 5.3 percent in mid-March 2011 in comparison to the increase of 5.9 percent in the corresponding period of the previous fiscal year. Such increase is attributed to the increased in prices of garments and shoes and slippers (13.7 percent), transportation 11.3. In addition to this, except for the price of communication and recreation, all the prices in sub-groups have increased.

Table 3 (b) : Point to Point Change in National Urban Consumer Price Index

Base Year (2005/06=100)

Consumer goods	Weight (percent)	Fiscal year/ Mid March				
		2006/07	2007/08	2008/09	2009/10	2010/11*
Total A + B	100.0	5.4	6.1	12.8	9.9	10.7
Food and Beverage	46.82	5.4	8.5	18.1	14.8	17.3
Food and Food Products	14.81	6.1	15.3	13.1	12.1	13.4
Lentils (Pulses)	2.01	15.6	12.8	24.2	30.0	-8.1
Vegetables	5.65	-3.1	0.2	21.1	2.3	73.1

Meat, Fish and Eggs	5.70	8.5	5.5	24.9	24.5	7.7
Milk and Milk Products	5.01	7.1	7.8	16.5	13.4	10.5
Oil and Ghee	2.70	10.1	27.5	6.4	-3.1	3.1
Fruits	2.23	1.9	-4.7	19.7	21.3	33.4
Sugar and Sugar Products	1.36	-10.0	-8.3	53.3	60.7	7.0
Spices	1.46	21.0	-0.4	11.0	34.0	22.1
Soft Drinks	0.96	3.4	4.5	21.9	15.3	8.9
Beverages	1.72	4.9	2.1	13.0	12.4	2.1
Tobacco and Tobacco Products	0.85	6.4	10.0	17.5	11.4	17.1
Restaurant and Hotel	2.35	3.2	7.6	24.5	20.7	15.5
Non-Food Products and Services	53.18	5.4	3.9	8.3	5.9	5.3
Clothing/ Ready-made Garments and shoes/slippers	8.49	4.5	3.3	8.8	6.8	13.7
Household Goods	10.87	6.4	4.8	6.8	6.7	6.4
Household Decorative Goods	4.89	7.4	5.2	14.0	5.3	7.3
Health	3.25	2.9	7.2	4.4	2.4	2.9
Transport	6.01	8.7	1.1	13.9	-0.7	11.3
Communication	3.64	0.0	0.0	0.1	0.0	-10.4
Recreation	5.39	3.4	5.2	6.6	6.8	-2.0
Education	8.46	7.1	4.9	8.2	11.8	4.7
Other Essential Commodities	2.17	2.4	1.0	12.5	8.4	5.4

* First Eight Months, Source: Nepal Rastra Bank

Region-wise Consumer Price Situation

3.7 The price index in the Kathmandu Valley, 31.16 percent weight according to the base year 2005/06 on increased by 13.9 percent in mid-March 2011. The price index had increased by 9.0 percent in the same period of the previous year. Price index in Kathmandu valley for the food and beverage group rose by 21.1 percent whereas the index for the non-food item and service group increased by 7.7 percent in the review period. Among the food and beverages group, the price of vegetables increased by the highest rate of 104.0 percent followed by price of sugar and sugar products (63.6 percent). The prices of spices, fruits and other crops and their products also increased relatively at higher rates. During the review period, the prices of pulses, soft drinks and liquors declined. Likewise, among the non-food and service group, that recorded rise in prices during this period are entertainment (15.6 percent), clothes and readymade garments and shoes (13.0 percent).

- 3.8 As per the base year 2005/06, the price index of the Terai that stands with the highest weight index (42.85 percent) increased by 7.9 percent in mid-March 2011 as compared to increase of 9.8 percent during the corresponding period of the previous year. In the price index of food and beverages group, the vegetables recorded highest growth with the increase of 48.0 percent followed by fruits 42.1 percent. This rise in the price of tobacco products (28.0 percent), soft drinks (19.9 percent), spices (17.4 percent) resulted in the rise of average price index of this group by 13.7 percent. Likewise, in the non-food and services group, transportation attained 18.5 percent growth followed by garments and shoes (12.8 percent) and furnishing and household decorative goods (8.9 percent) while entertainment and communication attained negative growths of 14.3 percent and 11.8 percent respectively.
- 3.9 As per the base year 2005/06, the price index of the Hilly Region carrying the lowest weightage of 25.99 percent increased by 11.6 percent in mid-March 2011. It had increased by 11.2 percent in mid-March 2010. The price index of food and beverages group, vegetables attained highest growth of 84.2 percent followed by fruits 27.2 percent. Likewise, The prices of milk products and eggs increased by 19.0 percent, spices (18.0 percent), crops and their products (14.3 percent), hotel and restaurant (13.2 percent), tobacco products (13.1 percent) with the average price index growth of 19.0 percent of this group. Likewise, under the non-food and services group, transportation, garments and shoes, goods for household consumption rose by 16.1 percent, 15.9 percent and 6.7 percent respectively with the average price index growth of 5.2 percent.

Wholesale price index

- 3.10 National Wholesale Price Index (1999/2000=100) on year-on-year basis increased by 12.4 percent in mid-March 2011 that had increased by 12.2 percent a year ago. Of the National Wholesale price Index, the index of agriculture rose by 15.4 percent, domestically produced industrial goods by 8.2 percent, and imported goods group by 9.7 percent.

- 3.11 Among the prices of goods under agricultural group, the price of spices rose by 52.2 percent, fruits and vegetables by 29.0 percent and cash crops by 22.7 percent. Likewise, among the prices of domestically produced industrial goods, the prices of beverages, tobacco products and construction materials rose nominally whereas prices of imported goods like petroleum products and coal, means of transportation, machinery parts have increased comparatively higher rate.

Table 3(c): Point to Point Change In National Wholesale Price Index
(1999/00 = 100)

Group	Weight Percent	Fiscal Year				
		2006/07	2007/08	2008/09	2009/10	2010/11*
Total	100.0	12.2	6.6	12.3	12.2	12.4
Agricultural Goods	49.6	19.9	4.9	15.3	19.2	15.4
Domestically produced Industrial Goods	20.4	8.7	9.0	8.8	12.1	8.2
Imported Goods	30.0	3.7	7.8	10.0	0.2	9.7

* First Eight Months, Source: Nepal Rastra Bank

National Salary and Wage Rate Index

- 3.12 The year-on-year national salary and wage index (2004/05=100) increased by 19.1 percent in mid-March 2011 as compared to the rise of 13.7 percent a year ago. Under the National Salary and Wage Rate Index, though the salary index remained constant, the wage rate index recorded growth of 25.5 percent during the review period resulting in a higher average growth in price index. The salary and wage rate indices rose by 13.8 percent and 13.6 percent respectively in mid-March 2010. The increase in the salary index was mainly due to the significant rise in the salary of government officials including army, police, teachers etc. The increase in the salary and wage rate index was higher during review period due to the rise in wage rates of labourers working in agriculture and industrial sectors.

Table 3 (D): National Salary and Wage Rate Index
(2004/05 = 100)

Group/sub-group	Weight (percent)	Fiscal year/Mid- March			
		2007/08	2008/09	2009/10	2010/11*
Overall Index	100.0	9.0	19.3	13.7	19.1

1. Salary Index	27.0	10.9	16.8	13.8	0.00
1.1 Civil Service	2.8	23.5	28.1	14.6	0.00
1.2 Public Enterprises	1.1	8.8	21.9	11.1	0.00
1.3 Bank and Financial Institutions	0.6	50.5	18.2	1.3	0.00
1.4 Army and Police Force	4.0	9.3	30.9	13.0	0.00
1.5 Education	10.6	14.8	16.1	22.4	0.00
1.6 Private Institutions	7.9	-1.5	2.7	0.0	0.00
2. Wage Rate Index	73.0	8.4	20.1	13.6	25.5
2.1. Agricultural Labours	39.5	6.0	26.9	17.0	34.6
2.2 Industrial Labours	25.2	11.6	10.6	8.8	10.4
2.3 Construction Labours	8.3	10.9	18.1	10.6	20.4

* First Eight Months, Source: Nepal Rastra Bank

Supply Situation

- 3.13 Among the petroleum products, supply of petrol rose by 18.4 percent reaching to 123,707 Kilolitres (KL) and that of diesel by 13.5 percent reaching to 421,756KL in the first eight months of the fiscal year 2010/11 as compared to the corresponding period of the previous fiscal year while the supply of kerosene decreased by 27.4 percent reaching to 28,374 KL only. The supply of petrol, diesel and kerosene was 104,489 KL, 371,435 KL and 39,101 KL respectively during the same period of the previous fiscal year. Likewise, supply of aviation fuel rose by 14.4 percent to 64391 KL in the first eight months of the current fiscal year. Supply of LP gas increased by 16.4 percent reaching to 100,558MT in the first eight months of the current fiscal year as compared to the same period of previous fiscal year. During the review period, 122,433 KL of petrol, 410,398 KL of diesel, 32, 248 KL of kerosene and 66,872 KL of aviation fuel have been consumed.
- 3.14 The arrangement of fixing wholesale price (including VAT) for Petroleum Products based on Nepal Oil Corporation Depot sites or custom points still exists. Arrangements are made for the holesale distribution of petroleum products from Biratnagar, Birgunj, Amlekhgunj, Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dhangadi, Dipayal, Mahendranagar, and Janakpur. Under this system, wholesale and retail prices may vary from place to place. As per the price determined on March 24, 2011 wholesale price of petrol sold through Birgunj and

Biratnagar Depots is Rs.91.65 per litre while the price per litre in Dipayal and Surkhet is Rs 93.00. Average retail prices of diesel, kerosene, and LP gas in Kathmandu are Rs 97.00 per litre, Rs. 68.50, Rs. per liter and Rs. 1350 per cylinder respectively. Price for the aviation fuel is Rs 90 per litre.

- 3.15 Transportation of food grains to 30 remote hilly districts is continued in the review period of this fiscal year through Nepal Food Corporation under the policy of providing transport subsidy for ensuring smooth supply of food grains in those districts. During the fiscal year 2009/10, 19,212 MT of food grains were transported against the target of 17,790 MT. Likewise 9,290 MT of food grains was transported and supplied against the target set for transporting 14,510 MT in the first eight months of the current fiscal year 2010/11. In the first eight months of the previous fiscal year 12,047 MT of food grains was transported and supplied to those districts against the target of 12,960 MT. Similarly, the tender has been launched for the construction of go-down with the total capacity of 1700 MT in five districts including Birgunj of Parsa, Mugu, Dailekh, Humla and Kolti of Bajura. In addition to this, an accord to construct a modern laboratory under Nepal Food Corporation with the Government support has been signed.
- 3.16 In the current fiscal year 2010/11, the target is set to transport 47,274 quintals of iodised salt in 22 remote and remotest districts of the country. During the first eight months of the current fiscal year 27,825 quintals of iodised salt was transported and supplied against the target of 33,659 quintals in these districts.

Retail Prices of Some Major Commodities

- 3.17 While reviewing the average retail prices of ten agricultural commodities amongst the daily consumable goods (rice, wheat, black gram-lentil, lentil, mustard oil, clarified butter (ghee), mutton, potato, dried onion and ginger) the prices of almost every such commodity has increased. Prices of nine commodities out of ten have increased while the price of only one commodity decreased during the first eight months of the current fiscal year 2010/11 in comparison to the prices during the same period of the previous fiscal year. Among them, the price of dried onion rose by

37.8 percent followed by black gram lentil (16.2 percent), mutton (11.8 percent), course rice (10.9 percent), ginger (9.8 percent) and clarified butter (ghee) by 7.7 percent. The prices of lentil and mustard oil increased by less than one percent while the price of potato declined by 19.8 percent.

- 3.18 The region wise analysis revealed that the prices of the most of the commodities (7 out of 10) among rice, wheat flour, black gram-lentil, lentil, mustard oil, clarified butter (ghee), mutton, potato, dried onion, and ginger registered higher in the Hills than that in Terai. The dried onion recorded the highest price difference. The price of dried onion is Rs. 71 per kilo in the Hills in the mid March 2011 while its price is just Rs. 39 in Terai during the same period. The prices of lentil, potato and ginger registered decline in mid March, 2011 as compared to the prices of such commodities during the corresponding period of previous year while the prices of potato and lentil only have dropped in Terai during this period.

4. Money and Banking

Monetary Policy

- 4.1 Nepal Rastra Bank has been regularly formulating the Monetary Policy since 2002/03 as per the legislative provision of Nepal Rastra Bank Act 2002 every year. The policy includes subject matters such as credit, foreign exchange, micro-finance, regulation and supervision of banking sector. Monetary policies announced so far have given high priority especially to internal stability (price stability and financial sector stability) and external stability (favourable balance of payments) as their main objectives. In addition, Policies and Programs are designed with priority accorded to other objectives as mentioned in Nepal Rastra Bank Act. Monetary Policy of Financial Year 2010/11 and its Mid Term Evaluation were made public on July 27, 2010 and March 3, 2011 respectively.
- 4.2 Monetary Policy was formulated for FY 2010/11 giving due consideration to issues such as low economic growth situation, double digit inflation, high deficit on balance of payment, monetary constraint felt in Nepalese economy in the subsequent years, stability in financial system, productive utilization of credit, enhancing financial accessibility and credit guarantees. Likewise the policy had the strategy to provide support to achieve economic growth as envisaged by Three-Year Plan by securing overall economic stability in the country.
- 4.3 Monetary Policy was brought into implementation in the fiscal year 2010/11 amid challenges such as risk seen in external sector's stability due to balance of payment deficit, diversion of bank credit flow towards unproductive sectors due to existing unfavorable investment situation, monetary pressure, riskier situation in maintaining fiscal stability due to growing number of banks and financial institutions, possibility of capital flight and low motivation on saving due to lower interest rate and financial inaccessibility to rural sectors.

Box 4 (A): Salient features of Monetary Policy 2010/11

Provision is made for commercial banks and financial institutions to charge only 7 percent interest rate against refinancing facility to increase the investment in productive sector.

Banks are required to present their action plans with a target of financing 20 percent of their total credit flow in productive sector within three years.

Special refinancing rate is set at 1.5 percent, after integrating all the refinancing rates on loans made available to export, sick industries, small and cottage industries, and foreign employee seekers.

Simplified Standard Approach on capital fund for all 'A' class commercial banks implemented and made provision for all national level development banks to adopt this approach in parallel with those commercial banks from the beginning of fiscal year 2010/11.

Make necessary arrangements for managing the service and benefits provided to operators, chief executive officers and high level officials of banks and financial institutions in a way that the country's financial arrangement can afford to provide such benefits to them and make such benefits fully transparent.

The Trust Receipt Credit term has been expanded to 120 days from 90 days.

Actions such as ceasing passports and other actions are being made further effective to intentional bank defaulters with loan of Rs. 10 million and above.

Arrangements have been made for providing permits to those exporters of goods and services who are interested to open bank accounts anywhere abroad with the deposit not exceeding 5 percent of their total exports.

The ceiling for loan amount for poor and micro-enterprises has been raised from Rs. 60,000 to Rs. 90,000 and Rs. 150,000 to Rs. 200,000 respectively.

Arrangements have been made to provide interest free loan of Rs. 500,000 to those banks opening their branch offices in the head-quarters of government targeted 22 districts and up to Rs. 10 million to those banks opening their branch offices outside headquarters of these districts by Nepal Rastra Bank.

Arrangements have already been made to provide guarantee to the savings of up-to Rs 200,000 deposited in saving and term deposit account at 'D' Class banks and this provision have been made applicable to other banks and financial institutions gradually.

Provision has been made that the gap between interest rates provided to the depositors on different saving deposit accounts by any bank or financial institution should not exceed by two per cent

Economic and Monetary Targets

- 4.4 The main objectives of Monetary Policy for the fiscal year 2010/11 are to maintain the foreign exchange reserve at convenient level by achieving surplus balance of payment, keep monetary expansion in balance so as not to exert pressure on price, make necessary liquidity flow arrangement in order to facilitate economic growth. Target was set accordingly to achieve balance of payment surplus of Rs. 9 billion and maintain inflation rate at 7.0 percent. Broad Money Supply of 15 percent was projected on the basis of this assumption. The credit

growth rate of the domestic sector was estimated at 15.0 percent for the fiscal year 2010/11 of which, the growth rate of private sector was projected to remain at 17.8 percent. The inflationary rate was estimated to stand at 9.0 percent, 11.5 percent for monetary expansion while credit growth rate of private sector was 13.3 percent in the mid-term review of the monetary policy issued in mid-March, 2011.

Monetary Instrument Implementation Policy

- 4.5 Compulsory Reserve Ratio retained at 5.5 percent in FY 2010/11 considering inflationary rate, balance of payment and fiscal stability situations while bank rates that are viewed as the indicators of monetary policy guidelines has been increased to 7.0 percent from 6.5 percent.
- 4.6 With the objectives of maintaining the financial strength of banks and financial institutions and providing support to the liquidity management, review on Statutory Liquidity Ratio was done in the FY 2009/10. According to this review, commercial banks are required to maintain such ratio at 15 percent, 11 percent for development banks and 10 percent for financial institutions and 6 percent for financial institutions having no authority to operate current account. In the context of providing authority to mobilize deposits to 'D' class banks, 4 percent authorized liquidity ratio has to be maintained by such institutions that have already started deposit mobilization. There has been provision that bank and financial institutions can consider using amount that they have invested in Government Bonds, available cash in vaults, compulsory cash balance and amount higher than that for this purpose.
- 4.7 The system for the calculation of the interest of Standing Liquidity Facility (SLF) that is made available by Nepal Rastra Bank (NRB) to banks and financial institutions in their own initiative has been changed and now it is calculated by adding 3.0 percentage penal rate either to the weighted average interest rates applicable on latest 91-day Treasury Bills or the existing bank rate whichever is higher.
- 4.8 The banks and financial institutions those were provided refinancing facilities at 7.5 percent interest rate earlier has now been reduced to 7.0 percent so as to curb on the shortage of credit in productive sectors including energy and tourism sectors and promote export and help in import substitution. However, commercial banks and financial

institutions, enjoying such facility are not allowed to charge more than 10 percent interest rate from the borrowers under this provision.

- 4.9 Policy has been adopted to ensure the sufficient investment by encouraging commercial banks to increase their credit facility in productive sector specially agriculture, energy, tourism and small and cottage industries. For this provision, concerned banks are required to prepare and submit action plan that will double their average credit flow within three years in these sectors.
- 4.10 The bank rates for refinancing export industries, sick industries, small and cottage industries, government targeted people for foreign employment that were 1.5 percent, 1.5 percent, 2.5 percent and 1.5 percent respectively has now been set at 1.5 percent for all these beneficiaries. Under this provision, the chargeable interest rates of commercial banks and financial institutions to their clients should not be more than 4.5 percent. The interest rates provided to commercial banks against foreign currencies for refinancing exports has been kept at adding 0.25 percentage point on prevailing LIBOR rate.

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

<i>Instruments</i>	<i>Fiscal Year</i>				
	2006/07	2007/08	2008/09	2009/10	2010/11
<i>Bank Rate</i>	6.25	6.25	6.50	6.5	6.5
<i>Refinancing Rates</i>					
<i>Export (credit local currency)</i>	3.5	2.5	2.0	1.5	1.5
<i>Export Credit (Foreign Currency)</i>	3.25	3.25	*+0.25	*+0.25	*+0.25
<i>Sick Industry</i>	1.5	1.5	1.5	1.5	1.5
<i>Cottage and Small Industries</i>	3.5	2.5	2.5	2.5	1.5
<i>Productive Sector**</i>				7.5	7.0
<i>Cash Reserve Ratio</i>	5.00	5.00	5.5	5.5	5.5
<i>Standing Liquidity Facility (Penal rate)</i>	1.5	2.0	3.0	3.0	3.0

* LIBOR plus, ** Provision made through mid-term review of the Monetary Policy for 2009/10

Source: Nepal Rastra Bank

Situation of Monetary Aggregates

- 4.11 Broad Money Supply has expanded by 1.9 percent in the first eight months of the current fiscal year as against the rise of 7.2 percent in the previous fiscal year. The growth rate of Broad Money Supply has decreased due to the decline in net foreign asset with the low growth rate of net domestic assets. While the narrow money supply has decreased by 2.1 percent.

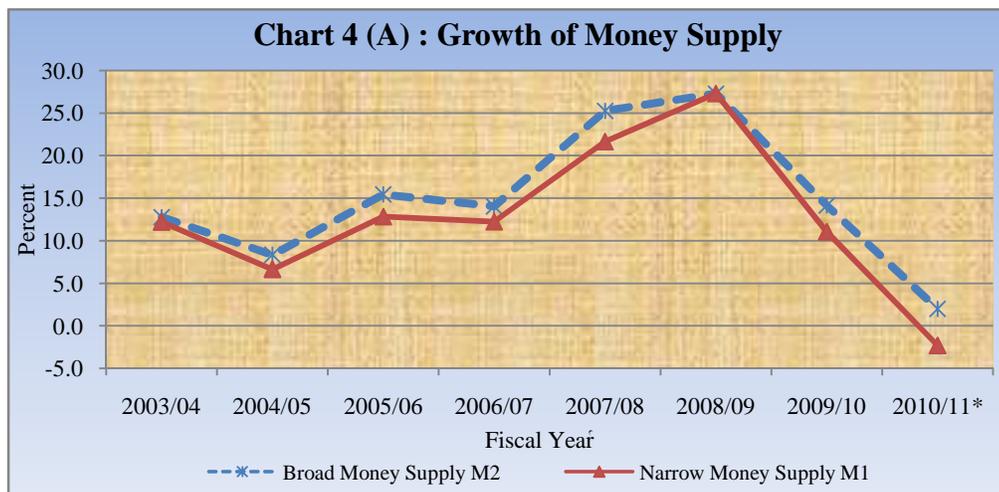


Table 4(b): Factors Affecting Money Supply

(Rs in ten million)

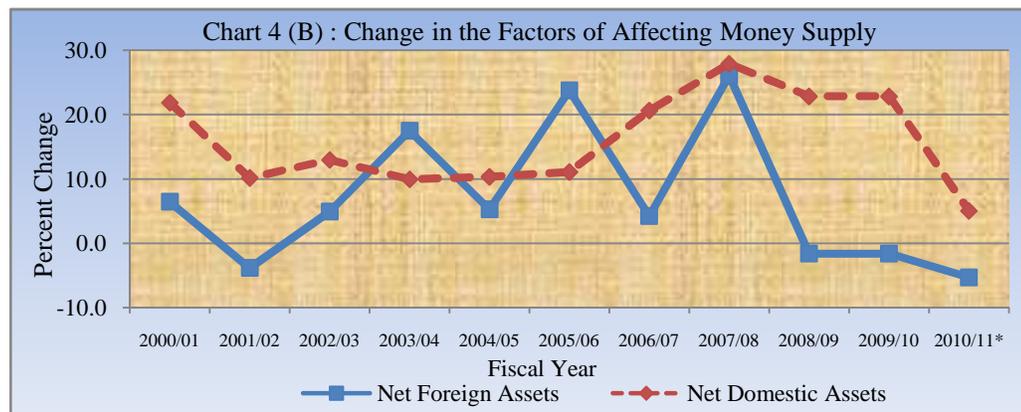
S.N.	Headings	First 8 months			
		2009/10		2010/11*	
		Amount	Percentage	Amount	Percentage
1	Net Foreign Assets	1911.5	-8.5	-1130.4	-5.3
2	Net Domestic Assets	6448.1	15.9	2514.7	5.0
3	Net Domestic Credit	5751.9	10.4	3259.4	5.0
4	Net Credit to Government	-1386.7	-13.2	-1947.9	-14.6
	a) Net Claims on Government	-1304.4	-12.4	-1924.7	14.5
	b) Government saving	82.3	-	23.3	-
5	Credit to Public Enterprises	15.4	3.0	-16.7	3.1
	(a) Financial	-152.8	-20.8	-90.6	-7.7
	(b) Non-Financial	8.5	6.2	18.1	7.2
6	Lending to Non-Financial Institutions	-161.3	-27.0	-108.6	-11.7
7	Claims on Private Sector	7276.0	16.6	5314.5	10.6
8	Net non-Monetary Liabilities	-696.2	-4.6	744.6	5.2
9	Money Supply M2 (10+11)	4536.6	7.2	1384.4	1.9
10	Money Supply, M1 (a)+(b)	998.8	5.1	-458.3	-2.1
	a) Currency	1458.4	11.6	-58.3	-0.4
	b) Current Deposits	-459.6	-6.5	-400.0	-5.3
11	Time & Saving Deposits+	3537.8	8.2	1842.6	3.7

*Provisional, +Margin Deposit as well

Source: Nepal Rastra Bank

Net Foreign Assets

4.12 During review period, the net foreign asset (including profit-loss adjustment on foreign exchange valuation) has declined by Rs. 11.30 billion (5.3 percent) while this asset had decreased by Rs. 19.12 billion (8.5 percent) in the previous fiscal year. Though the net foreign asset declined by low rate due to the improvement in trade deficit and remittance inflow during the review period as compared to that of first eight months of the previous fiscal year, however it still remained high.



Net Domestic Borrowing

4.13 During the first eight months of the fiscal year 2010/11, the net domestic borrowing grew by 5.0 percent against 10.4 percent growth in the same period of the previous fiscal year. Such lower growth rate of internal borrowing owes to the reduction in the net claim over Government, and reduction in growth rate of credit to private sector.

4.14 During review period, claim over the government decreased by 14.6 percent while such claim had declined by 13.2 percent in the corresponding period of the previous fiscal year. The reason for reduction in such claim is due to less government borrowing and availability of Government cash surplus of Rs 230 million during this period. The loan to non-financial government owned corporations also reduced by 3.1 percent during the same period. The borrowings of Janakpur Cigarette Factory, Nepal food Corporation, Nepal Airlines Corporation, Gorakhapatra Sansthan and Nepal electricity Authority have declined resulting in the reduction of total borrowings. The borrowings of Government financial institutions have increased by 7.2 percent while the claim over non-governmental financial institutions has declined by 11.7 percent.

4.15 In the first eight months of the current fiscal year, the claim over private sector has increased by 10.6 percent to 53.15 billion as against the growth by Rs. 72.76 billion (16.6 percent) during the same period of the previous fiscal year. The reduction in such claim is mainly due to strict policy adopted by NRB to curb the credit flow towards unproductive sector and the liquidity pressure on banks and financial institutions during this period.

Reserve Money

4.16 The reserve money has declined by 1.4 percent in the first eight months of the current fiscal year 2010/11 as against the growth of 2.9 percent during the same period of the previous fiscal year. Towards the sources of reserve money side, the net foreign asset of NRB has reduced by 2.7 percent while its net internal asset has increased by 16.2 percent during the review period. The increased claim of NRB over banks has been the reason for the rise in its internal asset.

4.17 Towards the money multiplier side, broad money multiplier has climbed by 3.3 percent reaching 3.402 points by mid-March 2011, as compared to the period until mid July, 2010 while narrow money multiplier saw modest reduction.

Table 4 (c): Change in Reserve Money

(in Million Rs.)

	Mid July 2008	Mid March 2008	Mid July 2009	Mid March 2010	Percentage Change in First Eight Months	
					2009/10	2010/11
Reserve Money	195575	201335	218547	21558	2.9	-1.4
Narrow Money Multiplier	10.05	10.25	09.98	09.91	2.1	-0.7
Broad Money Multiplier	32.24	33.57	32.93	34.02	4.1	3.3

*Provisional, Source: NRB

Implementation Status of Monetary Instruments

4.18 Net liquidity injection of Rs. 20.8 billion has occurred by the first eight months of the current fiscal year 2010/11 through Open Market Operation (OMO). Of this total, Rs. 21.00 billion liquidity was injected including Rs2.0 billion from outright sale auction of Treasury Bills, and Rs. 19.00 billion from Reverse Repo auction while liquidity injection totaled Rs. 41.8 billion from Repo auction. During the same period of previous fiscal year, a total of Rs.

8.44 billion was absorbed including Rs. 7.44 billion from outright sale auction of Treasury Bills and Rs. 1.00 billion from Reserve Repo auction while the liquidity absorption in the market totaled Rs. 69.13 billion of which Rs. 3.81 was absorbed from outright purchase auction and Rs. 74.19 from Repo auction.

Table 4 (d): Open Market Operations

(Rs in Million)

Description		2009/10		2010/11
		First 8 Months	Annual	First 8 Months
A	Liquidity Absorption	8440	8440	21000
	Sale Auction	7440	7440	2000
	Reverse Repo	1000	1000	19000
B	Liquidity Flow	77567	135059	41804
	Purchase Auction	3382	3382	-
	Repo Auction	74185	131677	41804
C	Net Liquid Absorption	69127	126619	20804

Source: Nepal Rastra Bank

4.19 During the review period, Nepal Rastra Bank (NRB) provided liquidity equivalent to Rs. 108.93 billion by procuring US \$ 1.50 billion from commercial banks through the foreign exchange market intervention. NRB provided liquidity flow of Rs. 55.17 billion by procuring US \$ 733.1 million from commercial banks during the same period of previous fiscal year. Due to improvement in the export trade and modest rise in the remittance inflow, the purchase of US dollars rose in the review period of this fiscal year than that of the same period of previous fiscal year.

Box: 4 (b): New provision in foreign exchange market intervention related process

In the process of creating opportunities to make the foreign exchange market intervention process more transparent, the opportunities that were being provided two times a week (Tuesday and Friday) for market intervention have been increased to three times (Monday, Wednesday and Friday) a week thereby giving continuity to the process of creating liquidity flow in banking sector. In addition to this provision, Foreign Exchange Market Intervention Guidelines, 2010, has been issued wherein provision of exchange of US dollars not less than 2 million at a time through Foreign Exchange Dealers Association of Nepal (FEDAN) is available.

4.20 During the review period, Indian Currency (IC) Rs 73.73 billion (equivalent to NPRs. 117.97 billion) was purchased by selling US\$ 1.62 billion as compared to the sale and purchase of US\$1.35 billion and

Indian Rs. 63.62 billion (about NPR. 101.80 billion) respectively in the same period of the previous fiscal year. The increasing trade deficit with India is the reason for increased purchase of Indian Currency.

Standing Liquidity Facility and Inter Bank Transactions

4.21 During the first eight months of 2010/11, interbank transaction of commercial banks totaled Rs. 252.70 billion. Interbank transaction of commercial banks was Rs 188.54 billion in the corresponding period of the previous fiscal year. During the review period, commercial banks have used Standing Liquidity Facility to the amount of 156.11 billion as against Rs 85.17 billion in the previous year.

Short-Term Interest Rate

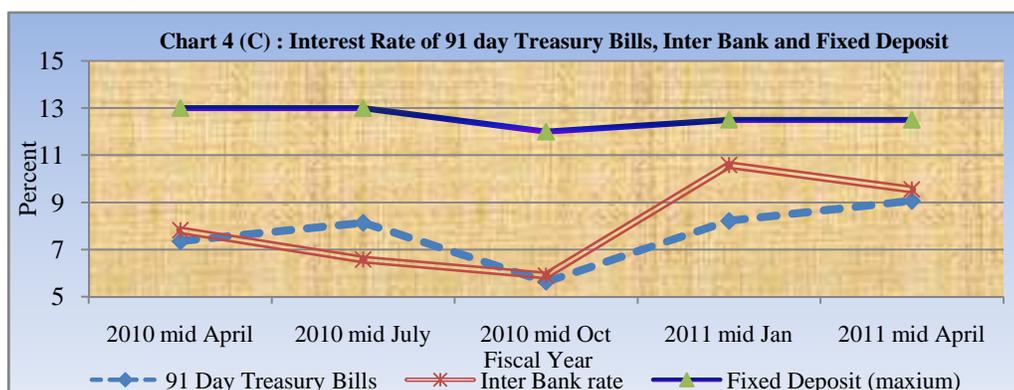
4.22 The monthly weighted average interest rate for 91-days Treasury Bills stood at 9.06 percent during the first eight months of the fiscal year 2010/11. Interest rate was 7.35 percent during the same period of the previous year. In the same period of the previous year, inter-banking weighted average interest rate was 7.81 percent, which remained at 9.1 percent during review period. In addition to the short term market interest rate, the interest rate offered by commercial banks on deposits has also increased. Compared to the interest rate of July 2009, annual interest rate on fixed deposits for 2 years and above is set up to 12.5 percent, remained same until mid-March 2011.

Table 4 (e) Interest on 91 Treasury Bills, Inter-bank and Fixed Deposits

(In Percentage)

Description	Mid-Apr 2010	Mid-Jul 2010	Mid- Oct 2010	Mid-Jan 2011	Mid-Apr 2011
91-days Treasury Bills	7.35	8.13	5.63	8.21	9.06
Inter-bank	7.81	6.57	5.89	10.58	9.54
Fixed Deposit (Maximum)	13.0	13.0	12.0	12.5	12.5

Source: Nepal Rastra Bank



Expansion of Financial Sector and Financial Inclusiveness

- 4.23 In the current fiscal year, though NRB decided not to accept new applications for the establishment of 'A' to 'C' class banks and financial institutions, such banks and financial institutions that had submitted their application prior to this decision of NRB, are coming into operation. According to this, the number of 'A' class commercial banks reached 31, 'B' class developmental banks 87, and 'C' class finance companies 81, and 'D' class microfinance institutions (MFIs) 21 by Mid-April 2011. Similarly, the number of cooperatives and non-governmental organizations authorized to carry out limited banking activities has reached 16 and 45 respectively. In addition to banks and financial institutions, by mid April 2011, there were 25 Insurance Companies, Employees Provident Fund, Citizens' Investment Trust, and Postal Saving Banks, making a total of 308 such Banks and Financial Institutions.
- 4.24 During review period, licenses were provided to 4 'A' class commercial banks namely Century Commercial Bank Ltd., Civil Bank Ltd., Megha Bank Ltd. and Commerce and Trade Bank Ltd to carryout banking transactions. In Development Banks, a total of 10 such banks (national level-1, operating area of 3 districts-5 and operating area of 4 districts-1) have been granted license to conduct banking transactions during the same period. After the verdict of the Appellate Court, Lalitpur for the immediate dissolution of Nepal Development Bank, the license to carryout banking transaction of this bank has been revoked. Likewise, during this period, 2 finance companies have been provided license to conduct banking transaction while Nepal Sri Lanka Merchant Finance Company Ltd., has been merged in Nepal Bangladesh Bank. Similarly, Birgunj Finance Ltd. and Himchuli Bikash Bank have been merged and provided approval in principle to become a national level development bank. During the review period, licenses are granted to 3 micro-finance development banks to carryout micro-finance transactions. Among the cooperatives that are authorized to carryout limited banking transactions, the license of one cooperative has been cancelled while *Rastriya Sahakari Bank Ltd.* has been granted permission to carry out limited banking transactions.
- 4.25 Similarly, Laxmi Bank Ltd. and ILFCO Finance companies have been provided approval in principle to establish their subsidiary companies

while such approval is provided to Nepal Micro-finance Bittiya Sanstha Ltd. to establish micro finance development bank. The steering committee of *Madyamanchal Grameen Bikash Bank Ltd.* has been suspended and the management of this bank is now under the control of Nepal Rastra Bank. The license of Rajashree Saving and Investment Cooperative Ltd. Malangwa, Sarlahi has been cancelled.

Table 4 (f): Number of Banks and Financial Institutions

Bank and Financial Intitutions	Mid-July 2008	Mid-Jul 2009	Mid-Jul 2010	Mid--Apr 2011
Commercial Banks	25	26	27	31
Development Banks	58	63	71	87
Finance Companies	78	77	79	80
Microfinance Institutions	12	15	18	21
NRB Lincsed Cooperatives (limited banking transaction)	16	16	15	16
NRB Lincsed NGOs (Dealing in Microfinance)	46	45	45	45
Insurance Conpanies	25	25	25	25
Employees Provident Fund	1	1	1	1
Citizens Investment Trust	1	1	1	1
Postal Saving Banks	1	1	1	1
Branches of Postal Saving Banks	117	117	117	117
Total	263	270	283	308

Source: Nepal Rastra Bank

- 4.26 License is granted to Mashreq Bank, PSC, Dubai, UAE to open their representative office in Nepal. Likewise, Nepal Clearing House Ltd., as provisioned in Section 1 and Section 103 of Nepal Rastra Bank Act, 2001, is provided pre-approval to carry out its operation with regard to foreign exchange bill clearing and settlements thorough automated system.
- 4.27 The number of banks and financial institutions and their collection of deposits and credit transactions have continued to grow subsequently providing foundation for facilitating financial inclusiveness and the growth of Nepalese economy. Among the financial indicators, the share of deposits and lending of banks and financial institutions has been continuously growing in proportion to GDP. However, the deposit share saw marginal decline in mid-July, 2010. The deposit and lending shares reached 67.9 percent and 53.1 percent to GDP respectively in

Mid July 2010. Though the share of commercial banks in deposits and lending remain significant, such share has declined as compared to the period until mid July 2010. The shares of commercial banks, development banks and finance companies stood at 79.4 percent, 9.7 percent and 10.0 percent respectively until mid July 2010. Their total lending shares remained at 74.2 percent, 10.6 percent and 12.8 percent respectively during the same period. Likewise, shares of transactions of development banks conducting micro finance activities, and governmental and non-governmental organizations with limited Banking activities are very low. Some indicators of financial activities of commercial banks and financial institutions are given in the Table below:

Table 4 (g): Some Major Indicators of Banks and Financial Institutions

Description	Mid-Jul 2008	Mid-Jul 2009	Mid-Jul 2010
Total Asset (in Billion Rs.)	604.5	833.5	996.1
Total Deposits (in Billion Rs.)	505.7	676.0	795.3
Total lending (in million Rs.)	358.1	495.2	622.6
Savings/GDP ratio (percent)	62.0	68.4	67.9
Loans/GDP ratio (percent)	43.9	50.1	53.1
<u>Market share of total deposits (percent)</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Commercial Banks 'A' Class	85.6	83.4	79.4
Development Banks 'B' Class	5.1	7.2	9.7
Finance Company Banks 'C' Class	8.5	8.4	10.0
Other Institutions	0.9	0.9	0.9
<u>Market Share of total lending (percent)</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Commercial Banks 'A' Class	78.6	76.8	74.2
Development Banks 'B' Class	6.6	8.7	10.6
Finance Company Banks 'C' Class	12.1	12.1	12.8
Other Institutions	2.7	2.4	2.4

Source: Nepal Rastra Bank

Branch Expansion of Bank and Financial Institutions

4.28 Banks and financial institutions are required to acquire license from Nepal Rastra Bank to expand their branches. In the fiscal year 2009/10, establishment of branches of these institutions has been growing rapidly. The number of branches of commercial banks, development banks and

finance companies stood at 752, 250 and 165 respectively totaling 1,167 until mid-July, 2010 which grew to a total of 1,589 branches including 966 branches of commercial banks, 358 of development banks and 265 of finance companies until mid-July of the current fiscal year. The commercial banks having only one branch are 18 until mid-March, 2011. Likewise, the number of branches of development banks reached 486, finance companies 271 and that of micro-finance enterprises stood at 427 in mid April, 2011. While looking at sector-wise expansion of banks and financial institutions, 250 branches in eastern region, 809 in central region, 363 in western region, 105 in mid-western region and 62 in far western region. Of this, the branches of commercial banks in these regions are 178, 500, 174, 66 and 48 respectively.

Table 4 (h): Branches of Banks and Financial Institutions (Mid July, 2010)

Development Region or Zones	Commercial Bank	Development Bank	Financial Company	Total
Eastern Development Region	178	48	24	250
Mechi	51	16	3	70
Koshi	94	28	16	138
Sagarmatha	33	4	5	42
Central Development Region	500	140	169	809
Janakpur	39	10	8	57
Naranyani	96	52	31	179
Bagmati	365	78	130	573
Western Development Region	174	126	63	363
Gandaki	83	57	36	176
Lumbini	71	62	17	150
Dhaulagiri	20	7	10	37
Mid Western Development Region	66	31	8	105
Rapti	23	14	4	42
Karnali	8			8
Bheri	35	17	3	55
Far Western Development Region	48	13	1	62
Seti	34	8	1	43
Mahakali	14	5		19
Total	966	358	265	1589

Source: Nepal Rastra Bank

4.29 A satisfactory progress has been observed while associating the number of branches of commercial banks and financial institutions with the total population of the country. The earlier ratio of 23,700 (36,800 of that commercial banks only) persons per branch by mid July 2009, has come down to 17,800 (29,300 of the commercial banks only) persons per branch by mid-April 2010. Some indicators showing the financial expansion and deepening position that of commercial banks is given in Table 4(i) below. Calculating deposits based on total deposits of commercial banks shows per capita deposit of Rs.19,500 in mid-July 2010 increased notably to Rs.20,100 by mid-March 2010. Similarly, per capita average credit channeled through commercial banks has reached Rs.16,700 in mid March 2011, against Rs.15,197 during the same period of previous fiscal year.

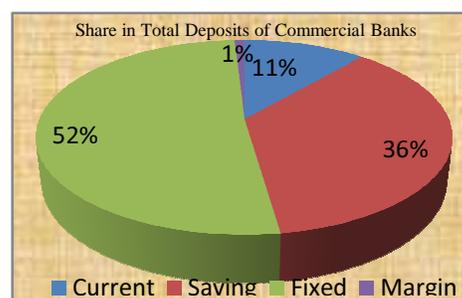
Table 4 (i): Indicators of Financial Expansion and Deepening Situation

	Mid July 2009	Mid-July 210	Mi- April 2011*
Commercial Bank Branches	752	966	1215
Population per Branch	36,800	29,300	23,800
Deposits in Commercial Banks (in billion Rs.)	495.8	569.0	590.9
Per Capita Deposit (Rs.)	17,900	19,500	20,100
Lending of Commercial Banks (in billion Rs.)	406.7	472.3	524.9
Per Capita Loan (Rs.)	14,700	16,700	18,000

Source: Nepal Rastra Bank

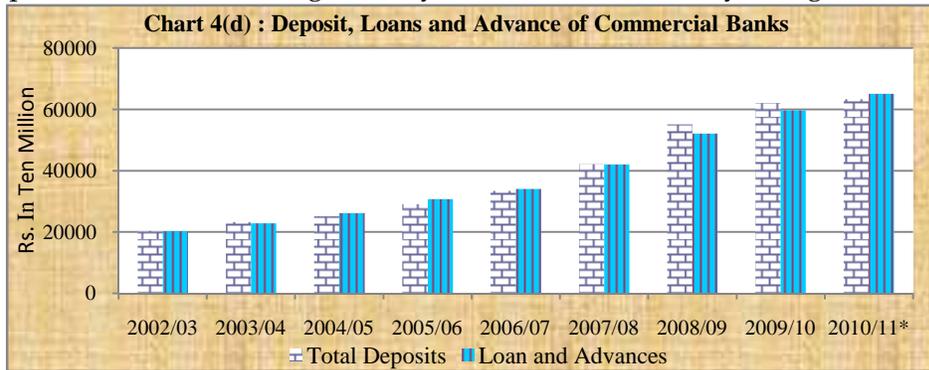
Deposit Mobilization and Credit Disbursement Status of Commercial Banks

4.30 During the first eight months of the current fiscal year 2010/11, the commercial banks have made deposits of Rs. 12.14 billion. The total deposits of commercial banks stood at Rs. 632.75 billion by mid-March, 2011 as against the increase of Rs. 21.77 billion (4.0 percent) with total deposit of Rs. 572.45 billion in the same period of previous fiscal year. Likewise, the credit that rose by Rs. 61.95 billion (11.9 percent) in the review period of previous fiscal year has climbed to Rs. 651.59 billion with an increase of Rs. 54.24 billion (9.1 percent) by mid March, 2011. Due to higher credit growth



rate as compared to that of deposit growth rate, Credit Deposit Ratio (CDR) rose to 89.9 percent by mid-March, 2011 from 82.2 percent of mid July, 2010. Liquidity deposit ratio is contained at 32.0 percent from 34.5 percent.

- 4.31 During the review period, credit flows from commercial banks to the private sector has grown by Rs.46.64 billion (9.9 percent). The same period of the previous year saw the growth of Rs 67.57 billion (16.6 percent). Out of the credit flow to the private sector, credit for productive sector has grown by Rs 19.21 billion this year against the



growth of Rs. 9.87 billion in the same period of the previous fiscal year. During the review period, the credit flow to the private sector for wholesale and retail trade grew by Rs 11.48 billion, construction sector by Rs 2.40 billion, agriculture by Rs 880 million while credit flow towards transport, communication and public service sectors reduced by Rs 1.63 billion during review period.

- 4.32 Liquid fund of liquid assets of commercial banks has decreased by 8.5 percent in review period owing to the depletion in deposits of commercial banks in Nepal Rastra Bank and foreign banks. The deposits of commercial banks have decreased by Rs 8.46 billion in foreign deposit and deposit in NRB by Rs 6.99 billion.

Status of Non-Performing Assets (NPA) of Commercial Banks

- 4.33 As per the statistical record maintained until mid-January, 2011, the non-performing assets of commercial banks and its ratio with the total assets has increased to some extent as compared to the period until mid-July, 2010. Such ratio rose to 3.3 percent from 2.5 percent between the period of mid July, 2010 and mid-January, 2010. The rise in overall NPA ratio of commercial banks is attributed mainly to the rise in NPA volume of government owned Rastriya Banijya Bank, Agricultural Development Bank and private sector owned Nepal Bangladesh Bank and Machhapuchhre Bank.

Table 4(j): Status of Non-performing Loan of Commercial Banks

(in Rs.10 Million)

Name of the Banks	Mid July 2008		Mid July 2009		Mid July 2010		Mid Jan 2011*	
	Bad Loan	Percent						
Nepal Bank Ltd.	195.2	12.38	105.19	5.4	124.1	4.98	129.9	4.99
Rastriya Banijya Bank	595.2	21.65	495.44	15.67	350.2	9.81	393.7	11.05
Agricultural Development Bank ltd.	428.1	11.69	342.79	8.96	323.6	8.22	371.0	9.17
Nabil Bank Ltd.	16.1	0.74	22.49	0.8	48.9	1.48	66.6	1.83
Nepal Investment Bank	30.9	1.12	21.39	0.58	25.4	0.62	40.3	0.94
Standard Chartered Bank	12.8	0.92	9.11	0.66	9.8	0.61	10.5	0.59
Himalayan Bank Ltd	47.7	2.36	55.1	2.15	102.5	3.5	121.9	3.78
Nepal SBI Bank Ltd.	300.5	31.73	31.59	2.02	26.5	1.47	27.2	1.37
Nepal Bangladesh Bank	48.8	3.83	176.24	19.3	39.6	4.38	147.7	14.39
Everest Bank Ltd	12.7	0.68	11.79	0.48	4.4	0.16	10.4	0.33
Bank of Kathmandu	23.7	1.86	19.03	1.27	25.7	1.51	37.6	2.16
Nepal Credit & Commerce Bank	86.7	16.42	19.71	2.74	22.8	2.72	33.3	3.69
Lumbini Bank	80	14.92	51.45	9.06	24.9	4.54	15.5	2.73
Nepal Industrial & Commercial Bank	9.8	0.86	12.92	0.93	9.2	0.72	10.9	0.76
Machhapuchhre Bank	9.3	1.04	35.72	2.75	30.9	2.07	113.5	7.16
Kumari Bank	15.2	1.33	6.43	0.43	6.0	0.40	13.5	0.89
Laxmi Bank	1.3	0.13	0.63	0.05	1.8	0.12	12.8	0.82
Siddhartha Bank	6.5	0.69	5.16	0.38	9.1	0.54	16.9	0.95
Global Bank	1.0	0.19	0.86	0.09	7.4	0.61	30.8	2.39
Citizen's Bank International			0	0	3.3	0.31	3.9	0.31
Prime Bank Ltd.			0	0	0	0	4.2	0.26
Sunrise Bank Ltd.			1.4	0.16	12.7	1.04	45.8	3.56
Bank of Asia Nepal Ltd.			0.04	0.01	3.1	0.27	6.4	0.53
Development Credit Bank Ltd.			10.23	1.58	10.9	1.44	10.8	1.26
NMB Bank Ltd.			2.57	0.49	5.6	0.70	4.7	0.47
Kist Bank Ltd.					2.4	0.19	8.2	0.63
Janata Bank Ltd					0	0	0	0
Century Commercial Bank							0	0
Civil Bank							0	0
Mega Bank Ltd							0	0
Commerce and Trust Bank Ltd.							0	0
Total	1921.5	6.30	1437.3	3.64	1230.8	2.48	1688.0	3.30

* Provisional, Source: Nepal Rastra Bank.

Sources and Usage of Funds of Financial Institutions

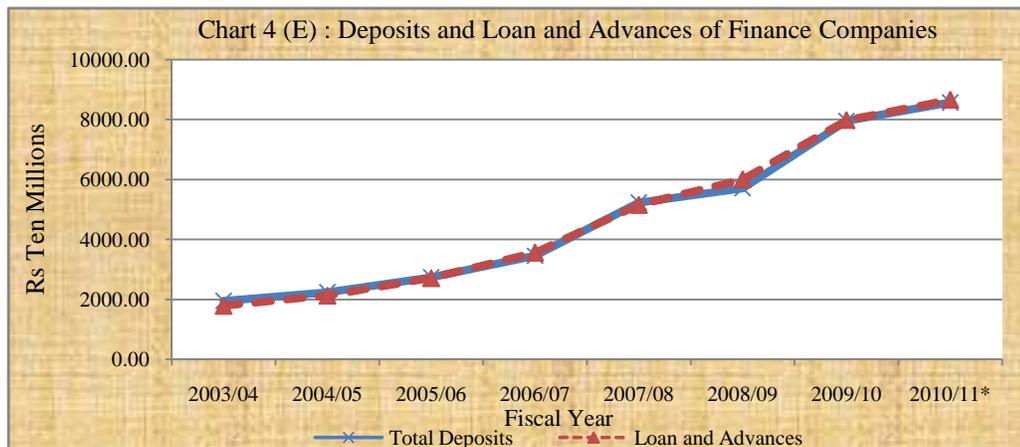
Development Banks ('B' Class Financial Institutions)

4.34 The aggregate sources of funds of development banks reached Rs.125.70 billion by mid-January 2010 with a growth of 15.6 percent. The total deposit which is the major source of sources for banks reached Rs. 87.38 billion in the review period. Likewise, the total capital fund of these banks reached to Rs.19.81 million with a growth of 30.2 percent during this period. Meanwhile, rate of total borrowing increased by 42.4 percent reaching Rs. 6.04 billion mid January 2011 as compared to the figure of mid July, 2010. Loans and advances that occupy a major portion in the utilization of resources increased by 19 percent to Rs.78.16 billion.

Finance Companies ('C' Class Financial Institutions)

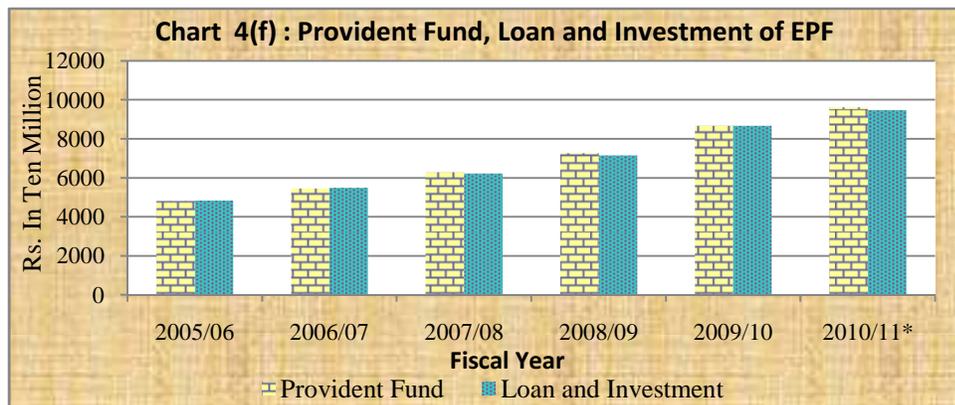
4.35 The aggregate sources of finance companies reached Rs. 123.68 billion with a growth of 7.1 percent in mid January, 2011 as compared to Rs 115.46 billion of mid July 2010. Deposits, the major source of finance companies have reached to Rs 85.69 billion marking a growth of 7.7 percent during the review period. Similarly, the capital funds of these companies increased by 5.9 percent to Rs 21.56 billion while the borrowing increased by 35.7 percent to Rs 4.44 billion in mid January 2011.

4.36 Loan and advances of finance companies increased by 8.5 percent to Rs 86.63 billion between mid-July 2010 and mid-January 2011. This sum had stood at Rs. 79.81 billion by mid-July of 2010. The investment grew by 37.0 percent and stood at 6.06 billion in the review period. The liquid asset, however, has declined by 7.7 percent and limited to Rs 20 billion million by mid-January 2011.



Employee Provident Fund

4.37 The Employees' Provident Fund was established in September 4, 1964 under the Employees Provident Fund Act 1964 (1964). The main responsibilities of this Fund is to manage provident Fund collected from civil servants, military and police personnel, teachers, personnel of public enterprises and some other employees in the private sector. In the first eight months of the current fiscal year 2010/11, a total of 450 thousand employees are associated with this fund with 5 thousand employees from 150 private sector organizations. In addition to providing loan facility to the employees associated with it, this Fund has been investing in hydropower projects as well.



4.38 The source of Employees Provident Fund reached Rs. 101.47 billion in mid March 2011. This amount had stood at Rs. 90.39 billion in mid July 2010. Likewise, the provident fund that was Rs. 86.70 billion in mid July 2010 at Rs. 96.08 billion in mid January 2011. Similarly fund's credit flow reached to Rs. 53.88 billion while its investment stood at Rs. 40.74 billion in mid March 2011.

Citizen's Investment Trust

4.39 Founded in March 18, 1990 under the Citizen Investment Trust Act 1990, the Trust is primarily involved in activities like collection and mobilization of deposits from individual and institutions, and providing credit and loans. Moreover, this has been working as the issue manager for facilitating share and bonds on behalf of various organized institutions. The Fund's asset/liability grew to Rs. 26.23 billion (15.8 percent) in mid March, 2011 from Rs. 22.65 billion of mid-July 2010. On the sources side, collection of fund rose by 17.3 percent to Rs. 23.62 billion while on the Fund's usage side, the fund's investment that had totaled Rs. 16.90 billion in mid July 2010 climbed to Rs. 18.41 billion in mid-March 2011.

Insurance Companies

4.40 By mid-March 2011, altogether there were 25 insurance companies in operation including 8 Life Insurance Companies, 16 Non-Life Insurance Companies and one company dealing with both life and nonlife insurances. From ownership prospective, 3 insurance companies are operating with full foreign capital investment while 3 of them are operating as joint venture of foreign insurance companies. Similarly, 18 companies are under private ownership and the government of Nepal owns one Insurance company. Total asset/ liabilities of these insurance companies increased by 17.4 percent to Rs. 55.7 million in mid-March 2011. Insurance companies have collected premium of Rs. 11.25 billion from life and non-life insurances by mid March, 2011 while such premium amount was Rs. 15.26 billion as of mid-July, 2010.

Postal Savings Bank

4.41 Postal Savings Bank, 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 were carrying out banking services by mid-March 2011. The total deposit of postal saving banks, which was Rs 1.103 billion in July 2010, has fallen slightly to Rs 1.05 billion by mid-March 2011. The total number of such postal saving bank accounts reached 45,944 by mid-March 2011.

Deposit and Credit Guarantee Corporation

4.42 Deposit and Credit Guarantee Corporation (DCGC) that guaranteed credits worth Rs. 227.9 million by mid-July 2010 stood at Rs.493.8 million by mid-January 2011. As per the Directives issued by Nepal Rastra Bank on 15th February, 2011, the development banks and financial institutions are required to get their individual deposit (amount deposited at saving and fixed accounts) up to Rs. 200,000 ensured with DCGC. According to this provision, the corporation has collected Rs. 20.69 billion from 69 development banks and Rs. 25.94 billion from 59 finance companies totaling Rs. 46.63 billion as insured deposit by April 28, 2011. The Government of Nepal has been making capital investments to develop DCGC into a strong body with the objective of making it focused on deposit and credit guarantee related works.

Credit Information Bureau

4.43 The Credit Information Bureau has made arrangements to provide on-line information from the current fiscal year, 2010/11. The number of

credit information recipients rose by 45 percent in the previous fiscal year. Likewise, the number of borrowers registered with this Bureau reached 72,651 in mid-March, 2011. The policy arrangement of Nepal Rastra Bank that requires registering the borrowers having more than 1.0 million loan helped increase the registered borrowers. The number of blacklisted defaulters of banks and financial institutions that reached 3,647 in mid July rose to 3,850 in mid March, 2011, while, 1,604 such defaulters have been delisted from the black list in the same period. The number of black listed defaulters increased during this period as banks' current policy incorporates blacklisted person in its list those whose cheques are bounced or overwritten.

Micro-finance and Deprived Sector Credit

- 4.44 Financial inclusion is a must for inclusive economic development. For this, it is necessary to expedite financial services to financial lacking areas and groups. Since microfinance program plays vital role for financial inclusion, it is imperative to bring proper policy and program for its effective expansion.
- 4.45 The draft of Microfinance Authority Act 2010, has already been prepared for the establishment of a separate monitoring and supervision body-National Microfinance Development Corporation as a Second Tier Institution (STI). This body monitors and supervises microfinance service institutions for their institutional development as provisioned by National Microfinance Policy issued on May 4, 2008, Likewise, a draft on National Microfinance Development Fund Acts has been prepared in order to institutionalize the existing Rural Self-Reliance Fund with as National Microfinance Fund with a view to provide resources for smooth delivery of microfinance services in a sustainable manner.
- 4.46 Enhancing Access to Financial Services Project has been implemented under the Microfinance Promotion and Supervision Department of NRB with the technical and grant assistance of United Nation Development Program and United Nations Capital Development Funds with a view to increase access to microfinance services to poor and backward communities. This project has been providing support for the enhancement of access to financial services in financial service lacking areas through 10 strategic partners and 8 innovative partners by seeking Letter of Intent from microfinance institutions engaged in poverty alleviation.

- 4.47 An agreement is reached between Nepal Rastra Bank and Asian Development Bank on 17th March, 2011 for the implementation of 'Income of Small and Medium Farmers Project' which aims at providing support to small and medium farmers of 10 districts of mid-western and far-western regions of Nepal so that their high price agriculture product will have easy access to market with low risk bearing situation. The project which is designed for about eight years focuses on backward linkages activities like establishing market linkage for high value agricultural products, mobilizing capital for seeds and seedlings, fertilizers, and forward linkages activities like capital for improved technology, storing, packaging, standardizing, processing and developing structure for raising the price of products.

'D' Class Micro Finance Institutions

- 4.48 Among the micro-finance companies, there are 5 rural development Banks, 16 Grameen Bank replicators, and 2 wholesale micro finance institutions. Rural Development Banks are operating in each region with the objective to avail necessary financial resources for rural ultra poor women in income generating activities through groups formation. Similarly, 16 Banks that are established as the replicator of Rural Development Banks are operating in the private sector. Likewise, Apart from 21 micro finance institutions, 2 Rural Development Banks, the Rural Micro-finance Development Center (RMDC) established on October 30, 1998 and Sana Kishan Vikash Bank Ltd. (Small Farmers Development Bank) established on July 6, 2001 with joint ownership of Nepal Rastra Bank, Commercial Banks, Micro-finance Development Banks, Deposit and Credit Guarantee Company are engaged in carrying out wholesale micro-finance transactions.
- 4.49 As per the preliminary data provided by 5 rural development banks established in 5 development regions of the country with the objective of improving the economic condition of the rural poor women, Credit amounting Rs. 23.48 billion has been disbursed to 166,656 rural women members through these banks by mid-January, 2011. Of this, Rs. 20.91 has been recovered while the Rs. 3.08 billion is yet to be recovered. These banks have been providing microfinance services through 5,598 centers established in 1,179 VDCs of 52 districts by mid-January, 2011.
- 4.50 Credit of about Rs. 50.00 billion has been disbursed through other microfinance development banks including Rural Development Bank by mid-January, 2011. Of this credit amount, Rs. 12.65 billion is still in investment while the rest of this amount has already been recovered.

These banks have significant contribution on reducing poverty and unemployment in rural sectors by creating employment opportunities through microenterprises and businesses. As of mid-January, 2011, the deposit and borrowings of these micro finance institutions stood at Rs. 2.91 billion and Rs. 12.52 billion respectively.

- 4.51 Among the microfinance institutions engaged in wholesale lending of micro finance activities, Rural Microfinance Development Center (RMDC) has already made loan investment of Rs. 5.35 billion to 92 microfinance partner organizations of which Rs. 3.22 billion has been recovered while the rest amount Rs. 2.13 billion is yet to be recovered. This Center has provided microfinance service of more than Rs. 1.1 million to economically deprived families. Likewise, Small Farmer Development Bank that is engaged in microfinance wholesale transactions has made investment of Rs. 6.0 billion by mid-March, 2011 of which Rs. 5.32 billion has already been recovered. This Bank has Rs.1.42 billion amount in investment.
- 4.52 RMDC has been providing wholesale credit facility up-to Rs. 1.0 million at 2 percent interest rate to every microfinance institution or branch established in country's mountainous and hilly districts so as to encourage these institutions to make investment in micro-financing programs. A total of 19 districts including Achham, Okhaldhunga, Kalikot, Khotang, Jajarkot, Jumla, Dolpa, Taplejung, Terahthum, Darchula, Bajhang, Bajura, Vojpur, Manang, Mugu, Mustang, Solukhumbu, Sankhuwasabha and Humla have benefited this program.

Rural Self-Reliance Fund

- 4.53 Rural Self-Reliance Fund that was established in 1991 has its paid-up capital of Rs. 443.4 million. As of mid-March 2011, the Fund has disbursed loan of Rs. 509.1 million to a total of 548 organizations including 53 non-governmental organizations and 495 cooperatives of which Rs. 252.4 million has been recovered and the rest Rs. 256.7 million is in investment. The recovery rate of the Fund is about 94.5 percent. The non-governmental and cooperatives are providing services in 57 districts through this credit facility provided by this Fund. Thus, the Fund has been providing benefits directly to a total of 26, 369 households of 57 districts through the execution of various income generating and self-employment oriented programs. Likewise, continuity is given by the Fund for providing wholesale credits to Agriculture Development Bank and microfinance development banks that require to long-term loan to run businesses like tea, cardamom and cold storage.

Table 4 (k) Transactions of Rural Self-Reliance Fund

Descriptions	<i>Mid-July 2008</i>	<i>Mid-July 2009</i>	<i>Mid-March 2010</i>
Credit Distributed Districts (Nos.)	51	54	57
Credit Recipient Institutions (Nos.)	404	496	548
Beneficiary Households (No.)	17990	22904	26369
Credit Distribution Amount (in million Rs.)	269.9	402.2	509.1
Repaid Amount in million Rs.)	14.19	20.34	25.59
Outstanding Investment (in million Rs.)	128.0	198.8	256.5
Overdue credit as percentage of outstanding credit (Recovery Rate)	7.48	6.23	5.50

Source: Nepal Rastra Bank

Cooperatives with limited banking transactions

- 4.54 The number of Co-operatives those are established under the Cooperatives Act, 1991 and carrying out limited financial activities by receiving license from NRB reached 16. The total Capital Fund of these Cooperatives which was Rs. 580 million by mid-July 2010 rose to Rs. 821.2 million in mid January 2011. As of mid-January 2011, the total deposits of these institutions reached Rs. 3.83 billion while loan and advances stand at Rs. 4.62 billion.
- 4.55 The number of saving and Credit Cooperative registered under the Cooperatives Act, 1991 with limited transactions, has exceeded 10,000 by mid March 2011. These cooperatives have contributed remarkably to increase the membership, deposits and lending.

Table 4 (l):Activities of Credit & Saving Cooperatives at a Glance

Description	Saving and Credit Cooperatives		Change	
	Mid April 2010	Mid April 2011	No/ Amount	Percent
No of Cooperatives	8888	10558	1640	18.79
No of Members	960648	1406021	445373	46.36
Share Capital (in millions)	7278.6	14222.0	6943.4	95.39
Savings (in millions)	42930.6	98453.8	55523.2	129.33
Investment (in millions)	48885.6	80700.0	31814.4	65.08

Source: Department of Cooperatives

Financial Sector Reform Program

- 4.56 The period of Financial Sector Reform Program (FSRP) that was brought into implementation in April 30, 2003 under the grant assistance of the World Bank, Department for International Development (DFID) of UK Government and Nepal Government is

until December 31, 2011. The main activities under the program include (1) re-engineering of NRB, (2) restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank (RBB) and, (3) capacity enhancement of the entire financial sector.

- 4.57 There have been some improvements in financial position of Nepal Bank Ltd and Rastriya Banijya Bank after undergoing restructuring program. Nepal Bank Ltd. that had been bearing loss of billions of rupees since the year 2000 brought down its net loss approximately to Rs. 250.0 million in the year 2003/04 and the bank started earning profit in the preceding fiscal years. As of mid-July, 2009/10, the bank has been able to earn profit of Rs. 330 million before tax.
- 4.58 Likewise, the Rastriya Banijya Bank that registered net loss of Rs. 4.84 billion in FY 2003/2004 started gaining profit in the subsequent years and is able to earn profit of Rs. 2.01 billion by mid July, 2009/10.
- 4.59 The negative net worth of both NBL and RBB is gradually improving. After undergoing restructuring program, the negative net worth of NBL Rs 9.8 billion in 2004 decreased to Rs 4.49 billion by July 2010. The provisional financial report of the Bank estimates negative net worth at Rs 4.36 billion by mid-January 2011. Similarly, the negative net worth of RBB, which totaled Rs. 22.39 billion in mid-July 2003, came down to Rs 13.48 billion by mid-July 2010. As per the provisional financial statement of the bank, its present net worth is estimated at negative Rs 9.08 billion by mid-January 2011.

Table: 4(m): Negative Net Worth

Mid July	Nepal Bank Ltd	Rastriya Banijya Bank
2003	9.80	22.39
2004	8.90	21.00
2005	7.16	20.00
2006	6.30	18.59
2007	6.25	17.21
2008	5.72	15.50
2009	4.88	13.48
2010	4.78	9.84
2011 Mid January	4.36	9.08

Source: Nepal Rastra Bank

- 4.60 Out of the total credit of NBL, Non-Performing Assets (NPA) had stood at 60.47 percent in mid July 2003, which has been gradually coming down in the subsequent years and arrived at 4.98 percent by mid-July of 2010. As per the bank's provisional financial report, such ratio remained at 4.99 percent by mid January, 2011. Though RBB's NPA, as such has not decreased in quantitative term as expected, its level however, is decreasing. As of mid-July 2003, the NPA of RBB was 60.15 percent of the total such assets fell to 9.81 percent by mid July, 2010. However, this ratio increased to 11.05 percent in mid January, 2011.

Table 4 (n): **Overdue Loan in Total Loan**
(percent)

Mid July	Nepal Bank Ltd	Rastriya Banijya Bank
2003	60.47	60.15
2004	53.74	57.64
2005	49.64	50.70
2006	18.18	37.00
2007	13.50	27.60
2008	12.38	21.65
2009	4.94	15.64
2010	4.98	9.81
2011 Mid January	4.99	11.05

Source: Nepal Rastra Bank

- 4.61 As per the Clause 1 (m) under Section 86 (C) of Nepal Rastra Bank Act, 2001, NRB has been taking the management of NBL under its control whose period was until mid-March 2011 has now been extended to mid January 2012. A team of NBL employees had accepted to take responsibility of handling bank management subsequent to the expiration of the agreement in July 21, 2007 between the Bank of Scotland (Ireland) Ltd., a consultancy firm that was appointed for the restructuring of NBL and ICC Consulting until new arrangement is made. Recently the management committee comprising Director of NRB as Coordinator and Director Generals of NBL is handling its management.
- 4.62 Terms of Reference (ToR) has been prepared to appoint executive director in the process of handing over its management to new steering committee by fully capitalizing it within mid January, 2012 in the NBL. Likewise, Procurement Expert has been assigned to provide facilitation

in hiring International consultant for carrying out Diagnostic Assessment of the Bank and in procurement related works while issuance of Expression of Interest (EOI) for carrying out such assessment is underway.

- 4.63 Contract periods of consultants of RBB management team were extended from time-to-time from January 16, 2003 to January 15, 2010. After this, a director of the bank has been appointed as a managing director following the resignation of other members excluding the Executive Office of this management team and the expiration of contract period of the executive officer. Likewise, documents including TOR of Chief Executive Officer (CEO) have been forwarded to this bank subsequently approving the criteria set for the CEO.
- 4.64 Under the Capacity Enhancement of Overall Financial Sector, progress so far includes (A) Second Stage Bid (Financial Bid) issued to the technically sound two contractors for mechanization of Credit Information Center Ltd. (B) initiation of facilitating works for a team comprising the members representing Ministry of Finance, NRB and National Information Center on the preparation of tender documents for them to issue bid publicly.

Regulation Regarding Banks and Financial Institutions

- 4.65 As per the decision of the Council of Ministers dated 15 December 2006, Grievance Management Committee has been constituted in the convenor ship of Deputy Governor of Nepal Rastra Bank and with representation from the Ministry of Finance and Chairperson of Bankers' Association as members and a representative of Federation of Nepalese Chambers of Commerce and Industry (FNCCI) remains as an observer for hearing grievance that may occur between bank and the borrower. Until mid-March 2011, 532 complaints were registered in the committee, of which 553 have been settled, while necessary actions have been taken against the concerned banks and financial institutions in regard to the remaining 9 complaints. Among the 51 complaints received from mid-April 2010 to mid-March 2011, the committee has settled 42 cases.
- 4.66 In a bid to revive the sick industries of the country, the arrangement of refinancing was continued in FY 2010/11 as well. However, the arrangement has not been that much utilized. Under the provision of proving general refinancing against the collateral of performing assets,

a refinance facility of Rs 3.4 billion has been made available during mid-April 2010 to mid-March 2011.

Box 4(c): Guidelines on Salary, Allowance and Other Incentives for Chief Executives of Bank/Financial Institutions

One of the key reasons of latest world financial crisis for inviting long term extreme risks by increasing short-term profits is attributed to the salary structure of chief executives of financial institutions. In this context, a scientific, transparent, competitive, practical and motivational standard and policy arrangement in terms of salary, allowance and financial incentives to the chief executives of banks and financial institutions is felt necessary to boost the people's confident on banking sector and the economy. In the global context, this issue is being discussed among the stakeholders and it has been already implemented in some countries. In Nepalese context, too, Nepal Rastra Bank has been making efforts for prosperous and stable financial sector for protecting public deposits and thus, increase people's trust. This guideline has been prepared in view of the fact that Nepal Rastra Bank, under certain standard, needs to regulate such facilities given to the chief executives.

The annual salary, allowance and other facilities/incentives received by chief executives of licensed institutions have been divided into 3 following parts:

(A) Fixed Annual Compensation

While calculated under the following standard, the amount must be the lowest.

- a) Maximum 5 percent of the average total expenses of employees of the licensed institution of the past 3 years.
- b) Maximum 0.025 percent of the total assets of the institution by the end of last year.

In the case of institutions which have not completed 3 years of operation, the minimum industry average of other institutions in the same category/area should be taken as the basis and the annual salary and allowance should not exceed that amount.

(B) Performance Based Pay

The performance based pay to the chief executive of the licensed institution should not be exceeded.

- a) Employee bonus incentives: To the maximum limit as fixed by the Bonus Act/
- b) Incentives to be made available as pronounced by Bonus Act, Labour Act or relevant existing Nepal Law.
- c) Motivational incentives based on profits: If there are provisions to provide incentives based on net profit/operating profit, such amount should be paid within the limits of section (A) above. If the amount exceeds the limits of Section (A), 40 percent should be paid immediately while the remaining amount should be paid within the next three years on a proportionate basis. If any loss incurred in those 3 fiscal years, difference amount of the previous years should be reversed and shown as the income.
- d) Performance based pay can be made available only if the institution's Regulation has such provisions.

(C) Other Perquisites

No facilities/incentives other than the ones mentioned below can be provided to the chief executives of the licensed institutions:

- a) One mobile and one telephone facility and its real expenses

- b) Vehicles that costs not more than 50 percent of the perks and benefits as mentioned in Section (A)
- c) Fuel and driver expenses for the vehicle as mentioned in (b).
- d) Among the shares allocated for all employees, the share facility entitled for the chief executive.
- e) Maximum 0.50 percent of the perks and benefits as mentioned in (A) for expenses on other professional membership, internet, newspaper, etc.

- 4.67 A provision is made to provide loan at zero percent interest rate as an operating expenses of Rs. 5 billion and Rs. 10 million to the "A" category and "B" category licensed banks and national level development banks if they open branches in 22 remote districts' headquarters and non-headquarters area respectively. A Lending Manual 2010 has been issued in this regard. From mid-April 2010 to mid-March 2011, commercial banks received Rs 25 million, while development banks received Rs 35 million, totaling Rs 60 million loans under this arrangement.
- 4.68 Among 355 borrowers that had taken action-against, including passport seizure by the government, the action against 37 of them has been withdrawn. The Intentional Action Monitoring Committee constituted by the Council of Ministers exerted moral pressure to recover Rs 595.4 million loans until mid-March 2011 from the defaulters. At the same time, the committee is also playing the role of a facilitator.
- 4.69 On policy arrangement front, various guidelines have been issued, such as Policy of Lender of Last Resort 2010, Policy for Upgrading o a high level licensed institution, 2010, Guidelines on Bank/Financial Institutions' Service and Service Charges 2010, Guidelines on Management Expenses and Salary of Executive Chief, Allowance and Other Financial Facilities in Licensed Banks/Financial Institutions and Guidelines on Risk Management so as to empower risk managing capacity of "A" category commercial banks. Similarly, a policy arrangement on merger is prepared and brought into discussion.
- 4.70 For the purpose of Clause 47 (1), Section (af) of Bank and Financial Institutions Act 2006, for the licensed "A" category banks, arrangements have been made to operate a Mutual Fund and some flexibilities have been made regarding renewal process and margin call on loan against a collateral of share. "B" and "C" category financial institutions are required to provide guarantee of deposit upto Rs 200, 000 in saving and current accounts of natural persons in their institutions with "Deposits and Credit Guarantee Corporation" .

- 4.71 The licensed banks and financial institutions (except those financial institutions allowed investing in only one economic sector) are allowed to lend maximum of 40 percent of the total outstanding loan in any one particular sector. In the case of credit against the promoters' share, a maximum 50 percent can be turned into collateral while its value is determined only on the basis of its market price.

Box 4(d): Provision on Expansion of Working Area

Under this provision, institutions can gradually (not at leaping level) expand working areas in the following manner: One level at once, i.e. 3 districts for "B" category institutions having 1 district working area, one level, i.e. 10 districts for institutions having 3 districts working area, one level, i.e. national level for institutions having 10 districts working area and only after 3 years of establishment or expansion of working area for "C" category institutions outside Kathmandu valley. As for "D" category institutions, they can apply for a national level working area if they are working at regional level or have expanded to 15 districts. For "D" category micro finance institutions working in only one district can expand to 4-10 districts or at regional level after 3 years of establishment.

- 4.72 Licensed banks and financial institutions are required to establish a separate desk under the Department of Credit for lending credits to micro, small and medium industries and increasing their access to credit facilities. Under the mandatory provision of providing credit to the ultra poor people based on their outstanding credits (including bills purchase and discounts) "A", "B" and "C" category licensed banks and financial institutions are required to extend 3 percent, 2.5 percent and 2 respectively credit in such sector.
- 4.73 A member of the Board of Directors in one licensed institution cannot be a member to the Board of Directors in another licensed institution concurrently. Such person cannot even be a member to the Board of Directors of credit and saving cooperative institutions operating under the Cooperatives Act 1991. Further, the licensed institution has to receive information from the Credit Information Centre on black listing of individuals so as to come up with a list of collateral valuers.

Box 4(e): Amendment in Housing and Real State Credit Provisions

For not to discourage housing construction works and ensure their access to finances, amendments were made in the real estate credit provisions and home loan of Rs 6 million has been removed from the list of real estate. Credit should be provided in a way that does not exceed 60 percent of the fair market value of collateralized house and real estate. However, in the case of credits to residential real estate, credits equivalent to two-third of the fair

market value of the collateral can be disbursed. Likewise, home loan, commercial building and residential apartment, commercial complex that starts generating income (including land purchase and plotting credits) should not be more than 25 percent of the bank/financial institution's total outstanding credits. Similarly, other real estate loan (including land purchase and plotting credit) has been limited at 10 percent of the total outstanding loan. In the case of credits already disbursed before the implementation of this guideline, should be brought the amount below the new limit.

Inspection and Monitoring of Banks and Financial Institutions

- 4.74 Owing to an increase in the number of commercial banks and the latest technologies and services introduced in the banking sector, the risk of overall financial sector is growing. In this context, realizing the need for an effective monitoring by identifying the risk areas and focusing on the supervisory resources, the NRB is introducing policy to implement Risk Based Supervision System. There is an existing arrangement for regular and need based supervision and monitoring in all banks, so as to increase the people's confidence on the overall banking system and make effective supervision.
- 4.75 As per the policy of conducting on-site inspection of all commercial banks at least once a year, until mid-March in FY 2010/11, one-site inspections of 22 commercial banks were performed. In the review period, 46 special inspections were also completed. Special inspections to study the status of Management Information System (MIS) in 27 commercial banks were also performed in the same period. Likewise, until mid-April 2011, overall field-inspection, special inspection, target inspection and follow up inspections of 119 "B" and "C" category financial institutions were also performed.
- 4.76 A Risk Management Guideline (RMG), meant for commercial banks to operate banking transactions being more sensitive to additional risks, has already been prepared and implemented. Similarly, a draft guideline has been prepared to execute risk based supervision system by mobilizing supervisory resources based on a bank's internal risk factors and gradually making monitoring process more effective. A study task force was constituted to study on Stress Testing, which is regarded as an important tool for risk management and also select the most appropriate methods for Nepal. For testing stress upon banks as per the concept of Forward Looking Approach in bank operation, a Stress Testing Framework was drafted, based on which a pilot quarterly Stress Testing of commercial banks is being performed. Likewise, under the Nepal Contingency Planning Project, Problem Bank Resolution Framework and Liquidity Monitoring Framework are being prepared.

- 4.77 In regard to the existing challenges in overall financial system and the potential problems and their solutions, a high level Financial Sector Coordination Committee has been constituted under the convenorship of honourable Finance Minister so as to coordinate among the regulatory bodies in financial sector. Other members of the Committee include Governor of Nepal Rastra Bank, Chairpersons of Security Board and Insurance Committee, Finance Secretary and Secretary at the Council of Ministers. To assist the Committee in its duties, a Technical Committee under the Nepal Contingency Planning Project has been constituted. Deputy Governor of Nepal Rastra Bank is the Convenor of the Committee, while other members of the Committee include executive directors of the Department of Bank and Financial Institutions Regulation, Department of Bank Monitoring and the Department of Financial Institution Monitoring, and a representative from the Ministry of Finance. After holding discussions on contemporary issues, the Technical Committee has been forwarding recommendations for necessary decisions.
- 4.78 As a part of preparation to bring national-level development banks into the BASEL II Framework, monitoring works related to BASEL II have begun. Likewise, a Financial Institution Resolution Task Force has been constituted to regularly monitor the troubled financial institutions and to minutely study their financial situation.
- 4.79 United Development Bank Ltd, Jitpur, Bara has been declared as a problematic bank from February 13, 2011, as the bank violated many directives of Nepal Rastra Bank and also that the institutional good governance of the bank was extremely feeble. The declaration was made according to Clause 86(b) of Nepal Rastra Bank Act 2001. As per the same Clause, Gorkha Development Bank, too, has been declared a problematic bank from March 25, 2011 for irregularly and irresponsibly working against the interest of share holders and depositors and also that the overall financial situation of the bank was deteriorating, according to a special inspection report of Nepal Rastra Bank. Similarly, Samjhana Finance Company Ltd, Banepa, Kavrepalanchok was declared a problematic financial institution from June 9, 2010 as per Clause 86(b) of Nepal Rastra Bank. Since the institution could not reform as per the various directives of the central bank, a petition has been registered in Patan Appellate Court on March 29, 2011 to liquidate the company according to Clause 85(6) of Nepal Rastra Bank Act 2001, Clause 74(1) (h) of Bank and Financial Institution Act 2006, and Clause 4(1), Section (f) of Insolvency Act 2006.

5. Capital Market

Primary Market

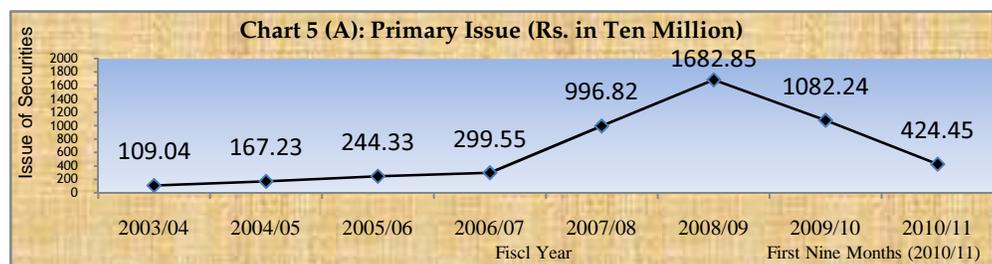
5.1 In the first nine months of the FY 2010/11, 31 companies issued securities and mobilized capital equivalent to Rs. 4.245 billion. Of the 31 companies, 10 companies issued ordinary shares while 21 companies issued right shares through the primary security market. This amount at the review period is 50.79 percent lesser than the amount mobilized through the issuance of securities in the same period of the previous year. In the first nine months of the FY 2009/10, 39 companies had mobilized capital equivalent to Rs. 8.625 billion by issuing securities. Of those 39 companies, 19 companies issued ordinary shares while 20 companies issued right shares through primary security market. In the review period, the capital through the issuance of other means of shares such as debenture and preference shares could not be mobilized.

Table 5 (a): Primary Market Trend

Rs. In ten million

Particulars	Fiscal Year								First Nine Months	
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10	2010/11	
1. Capital Mobilization	109.04	167.23	244.33	229.55	996.82	1682.85	1082.24	862.53	424.45	
a. Ordinary Shares	65.75	37.75	57.98	38.02	92.48	181.57	264.93	210.49	64.00	
b. Right Shares	7.00	94.93	101.35	126.53	609.34	1426.28	817.30	652.04	360.45	
c. Preference Shares	-	-	-	40	-	-	-	-	-	
d. Debenture	30.00	30	85	25	295	75.00	-	-	-	
e. Citizens Unitary Plan	100.38	100.38	148.63	170.23	98.00	95.34	100.88	37.80	32.17	
2. Number of Capital Mobilizing Companies	14	14	29	34	64	64	61	39	31	

Source: Securities Board of Nepal.



Secondary Market

5.2 In the first nine months of FY 2010/11, the total number of listed companies in Nepal Stock Exchange Limited (NEPSE) has reached 204. This figure in the corresponding period of the previous fiscal year was 169 while the number of such listed companies in NEPSE reached 176 in the end of same fiscal year. Likewise, the total number of listed development bonds in the review period has reached 18 with the listing of three new additional development bonds worth Rs. 8.74 billion. However, institutional bond has not been enlisted during this period. In the end of the first nine months of FY 2010/11, market capitalization of security fell by 3.86 percent reaching Rs. 331.15 billion while the value of such capitalization was Rs. 344.45 billion during the same period of previous FY 2009/10. The value of market capitalization which was Rs. 3.77 billion in the end of FY 2009/10 has been continuously dropping and arriving at this point.



- 5.3 Altogether, 17.89 million units of shares worth Rs. 4.64 billion weretraded in the first nine months of FY 2010/11 which is lesser by 52.97 percent as compared to the value of such share traded in the same period of the previous fiscal year. In the first nine months of FY 2009/10, altogether 25.99 million units of shares worth Rs. 9.86 billion were traded.
- 5.4 The paid-up value of listed shares rose by 30.73 percent reaching Rs. 97.88 billion in the first nine months of the current fiscal year 2010/11 as compared to Rs. 74.27 billion in the corresponding period of the previous fiscal year.

5.5 The number of share transactions conducted in the first nine months of FY 2010/11 rose by 40.16 percent totaling 229,083 shares as compared to the share transaction conducted 163439 in the same period of the previous fiscal year 2009/10.

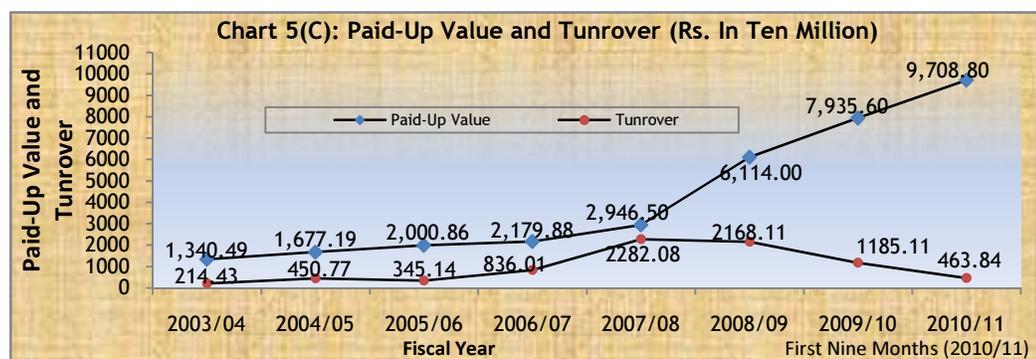
Table 5(b): Secondary Market Trend

Rs. in Ten Million

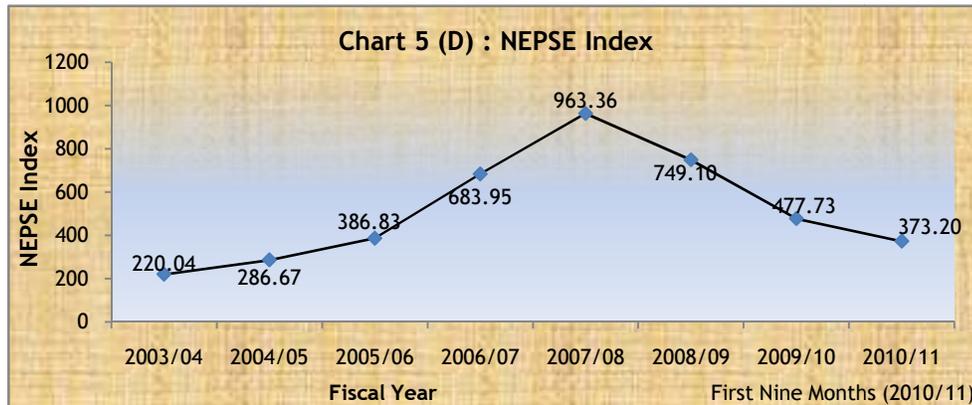
Description	Fiscal Year								
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	First Nine Months	
								2009/10	2010/11
Securities Transaction Amount	214.43	450.77	345.14	836.01	2282.08	2168.11	1185.11	986.21	463.84
Number of Securities Transactions ('000)	6468	18434	12222	18147	28599.77	30547.17	26231.35	20599.76	17897.12
Number Transactions	85533	106246	97374	120510	150800	209091	213733	163439	229083
Market Capitalization	4142.48	6136.59	9681.37	18630.13	36624.75	51293.90	37687.13	34445.08	33114.53
Percentage of Market Capitalization Transactions	5.18	7.34	3.56	4.48	6.23	4.23	3.14	2.85	1.40
Market Capitalization /GDP (Percent)	7.72	10.41	14.80	25.60	44.90	51.91	32.15	29.39	24.59
Paid up Price of listed Organized Institutions	1340.49	1677.19	2000.86	2179.88	2946.50	6114.00	7935.60	7426.60	9708.80
Number of listed Organized Institutions	114	125	135	135	142	159	176	169	204
Type of Securities Transactions (Script Traded)	92	102	110	116	136	170	198	179	212
NEPSE Index (Points) *	222.04	286.67	386.86	683.95	963.36	749.10	477.73	444.76	373.20

Source: Securities Board of Nepal, Nepal Stock Exchange Limited & Central Bureau of Statistics.

* Based Year 1993, Point 100



5.6 NEPSE index that indicates the status of entire secondary market stood at 373.20 points in the mid April of the fiscal year 2010/11. This figure declined by 16.09 percent in the current fiscal year as compared to the figure 444.76 points of the corresponding period of previous fiscal year.



Securities Board of Nepal (SEBON)

5.7 SEBON, during the review period, has brought out Central Depository Service Regulation, 2010 into effect from October 6, 2010 with a view to making the processes such as clearance, settlements and transfer of shares prompt and efficient. In addition to this, during the same period, necessary arrangements have been made to carryout study for the implementation of International Standard Serial Number (ISSN) after securing membership of Association of National Numbering Agency (ANNA) for the operation of Central Depository System. Likewise, SEBON has brought out the Mutual Fund Regulation, 2010 into effect from September 27, 2010 in order to register and operate Mutual Investment Fund Plan, make regulatory provisions for the issuance of operation licenses and establish duties, responsibilities and authorities of fund supervisors, fund managers and depositories. Formulation of Five-Year Capital Market Master Plan under the technical assistance of World Bank for its promotion and growth is underway.

Box 5 (a): Five-year Capital Market Master Plan

The Security Board of Nepal (SEBON) is set to formulate a Five-Year Capital Market Master Plan for the development and promotion of capital market with the inclusion of problems, challenges and opportunities seen in capital market development of Nepal. For this, World Bank has provided technical assistance amounting to US \$ 152,500. The draft on master plan that is being prepared with the technical assistance of World Bank was initiated in October 25, 2010

and is expected to complete by the end of this current fiscal year. The formulation of this master plan including steering committee other six groups were formed namely; Regulatory autonomous, accountability and good governances suggestion group, account and auditing exercise of accounting and descriptions suggestion group, market infrastructure treasury bond market suggestion group, issues of securities, listing and merchant traders suggestion group, law and law strengthening suggestion group and investment education and infrastructure development suggestion group submitted the report and the preparation of draft making of master plan is going onword.

- 5.8 SEBON, as provisioned in Share Trader (Merchant Banker) Regulation 2007, has brought Investment Management Guidelines, 2010 into effect from December 1, 2010 subsequently issuing the preliminary draft on guarantor's guidelines in order to regularize and manage share guarantee and portfolio management related tasks.
- 5.9 Under the scheme of securities data management system, developed on-line reporting system has been experimented successfully and request letters are being received from enlisted banks and finance companies for username and password to submit financial reports through websites. SEBON will be providing reports to enlisted financial institutions through on-line reporting system by the end of this fiscal year.
- 5.10 SEBON has implemented Bonus Share Issue Guidelines, 2010 in the review period in order to regularize and systematize bonus share issue. The Board has enforced first amendment on Securities Registration and Issue Regulation, 2008. According to this Regulation, companies engaged in infrastructure and productive sectors are required to set aside at least 10 percent of their issued capital for the local people in order to attract such companies to public issue within the construction period.
- 5.11 Securities Act, 2006 is being revised together with the preparation of commodity market regulation so as to improve share market monitoring and supervision system and regulatory provisions on commodity market by making SEBON fully autonomous body.

- 5.12 The SEBON, during the review period, has issued capital mobilization permits to 37 companies subsequent to the registration of shares worth Rs. 6513.2 million. In addition to this, SEBON has registered bonus shares equivalent to Rs. 4016.5 million of 50 companies and renewed 23 share brokers of Nepal Stock Exchange Limited and 7 merchant bankers during this review period.
- 5.13 Of the 204 listed companies, 136 such companies have submitted annual reports/financial reports to SEBON in review period. The Board, during this review period, has provided basic level trainings on various subjects related to security markets through training programs so as to enhance knowledge and awareness of share market investors, economic journalists, industrialists and students. In addition, the board has published Security Status Journal, 2010 and booklets in order to provide basic knowledge on share market and legal provisions adhered with this.
- 5.14 The Board has initiated investor training program in the current fiscal year. Under this program, interaction program was conducted jointly with National Judicial Academy on 4 March 2011 where securities market related issues were discussed with officials involved in judicial services and law workers. Likewise, training program was jointly organized on 12 March 2011 by Janakpur Chamber of Commerce and Industries and Nepal Rastra Bank in Janakpur, Dhanusha in the participation of investors and concerned people for the first time outside Kathmandu valley . Similarly, the Board organized an interaction program on March 2011 involving concerned people where problems and challenges of merchant banking business were discussed.
- 5.15 In the first nine months of the current fiscal year 2010/11, a total of two government bonds worth Rs. 7.00 billion including one development bond worth Rs. 3.00 billion and one national saving certificate equivalent to Rs. 4.00 billion was issued. Government treasury bonds worth Rs. 9.9792 billion including three development bonds and two citizen treasury bonds were as issued in the corresponding period of the previous fiscal year 2009/10

Nepal Stock Exchange Limited (NEPSE)

- 5.16 Under the program of establishing Central Securities Depository System (CDS) that makes the transfer of share ownership more prompt and efficient and protect ownership rights, necessary works are being done during the review period subsequent to the registration of CDS Clearing Ltd. Company under the sole ownership of NEPSE. CDS is expected to come under implementation in Nepal from the beginning of next fiscal year 2011/12.
- 5.17 In the review period, NEPSE has provided secondary market transactions facility by enlisting 28 more companies. In addition, NEPSE has expanded its Kathmandu centered share transaction facility in major cities of Biratnagar, Birgunj, Butwal, Pokhara and Narayangarh as well.
- 5.18 In the review period, NEPSE has organized investors awareness program together with interaction program entitled “Risk Management and Steering Committee” in participation of listed companies and other concerned bodies.
- 5.19 As per the provision of the Security Listing By-Laws 1997, 94 companies among the total number of listed companies are classified as Category ‘A’ by the first nine months of the current fiscal year 2010/11.

The Share Traders

- 5.20 By the end of first nine months of the current fiscal year 2010/11, the number of share brokers stood at 23 and merchant bankers 14 while such numbers were 23 for share brokers, 16 for merchant bankers and 7 for issue managers for the government treasury bonds in the corresponding period of the previous fiscal year. NEPSE has recommended 34 new share brokers against the requirement of 27 additional share brokers and SEBON has been carrying out necessary works for granting authorities to share traders.

Mutual Fund Plan

- 5.21 Trading of units of mutual fund plan is being carried out by NCM Mutual Fund through the secondary market. By the end of first nine months of the fiscal year 2010/11, the Net Asset Value of the

Fund stood at Rs. 338.698 million with per unit Net Asset Value of Rs. 33.87. Such figure stood at Rs. 377.147 million for the Net Asset Value of the Fund while per unit Net Asset Value remained at 37.71 in the corresponding period of the previous fiscal year.

Box: 5 (b): Mutual Fund Regulations

With the objective of mobilizing the scattered savings of the small investors and promoting institutional investment through the medium of Mutual funds, SEBON has implemented Mutual Fund Regulation, 2010. This Regulation consists of provisions such as fund promoter, fund supervisor, fund manager and depository. Likewise, other provisions in the Regulations are to establish fund by the fund promoter, supervise fund by fund supervisor, manage fund coming under projects by fund manager and perform securities related custodial tasks. Similarly, qualification, power, functions and duties of fund promoter, fund supervisor, fund manager and depositories, agreements and matters to be disclosed in agreements, potential investment areas, limitations for investment within and outside country and cancelation of scheme have also been provisioned in the Regulation.

Citizens Investment Trust

- 5.22 The Citizens Investment Trust (CIT), in addition to funds collected through the Citizens Unitary Plan together with other plans including the Employees Saving Increment Approved Retirement Fund, Gratuity Fund Scheme, Investor Accounts Scheme, Insurance Fund Scheme added 4889.2 million in the review period of current fiscal year 2010/11 as compared to the corresponding period of the previous fiscal year while the total saving mobilization reached Rs. 23.62 billion.
- 5.23 In the first nine months of the current fiscal year, 2010/11, investment portfolio of CIT stood at Rs.22.74 billion while this figure stood at Rs. 17.98 billion during the same period of previous fiscal year.
- 5.24 CIT, in its review period, has made share issue and sale arrangement of primary and right shares of total share value Rs. 1648.4 million. Likewise, the trust has made arrangements for issuance and sale of Chilime Hydropower Project's share for the first time during this period.

5.25 CIT, in its review period, has increased the interest rate to 7.5 percent on the interest provided earlier to the investors under employees saving increment approved retirement fund program while the interest rates on participatory borrowings and housing loan increased to 9.0 percent and 10.5 percent respectively. Likewise, the Trust has increased the interest rates provided against the insurance fund and teacher insurance fund from 4.0 percent to 6.0 percent. In addition, it has made provision to provide 9 percent of its total benefits generated through Citizens Unitary Plan to the investors who were provided such benefits on a regular basis.

Commodity Market

5.26 Commodities and Metal Exchange Nepal Ltd has been carrying out its operation in Nepal since its establishment in 2007 and 4 Commodity Exchange companies, registered as Public Limited Company during the first nine month period of the current fiscal year 2010/11, have been carrying out their operation. Other Commodity Exchange Companies include Mercantile Exchange Nepal Ltd., Nepal Derivative Exchange Ltd. and Nepal Spot Exchange Ltd. Of the major commodity exchange companies, non-clearing members in Mercantile Exchange are 72 with 3 clearing members, 300 sub-brokers and 2513 clients.

5.27 Mercantile Exchange Nepal Ltd. has 334,894 number of share transaction generating market capitalization worth Rs. 491.82 billion while this figure stood at Rs. 333.36 billion through the sale of 210,185 number of such transaction in previous fiscal year.

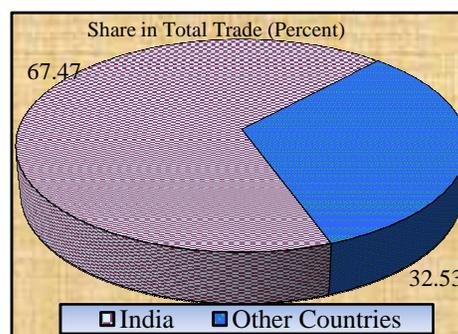
6. External Sector

Structure of the External Sector

- 6.1. The external sector situation in Nepal that used to be encouraging in the past has not been satisfactory since last fiscal year. In the previous year, the growth rate of export remained negative while that of import remained excessively high resulting in the rise of trade deficit. This trade deficit together with low growth rate of remittance flow has been the major factor for large current account deficit. The balance of payment and current account continued to remain deficit until the first eight months of the current fiscal year. Both current account and balance of payment deficit remained high previous and current fiscal year. though there have been some improvements in the first eight months of the current fiscal year as compared to the same period of the previous fiscal year. During the review period, the current account has not been able to attain growth as expected due to the fact that the trade deficit remained high as a result of small export base and very large import base, though this period saw high volume of imports and low volume exports. Despite having growth in trade deficit in previous years, transfers used to have significant amount of surplus due to remittance, pension and foreign grants, thereby giving positive influence to the current account. However, this did not happen in the review period. Due to negative balance of payment situation, the level of foreign exchange reserve also declined.

Foreign Trade

- 6.2. Total foreign trade rose by 2.1 percent to Rs 296.33 billion during the first eight months of FY2010/11 compared to the rise of 31.8 percent rise in such trade during the same period of the previous year. Total exports during the review



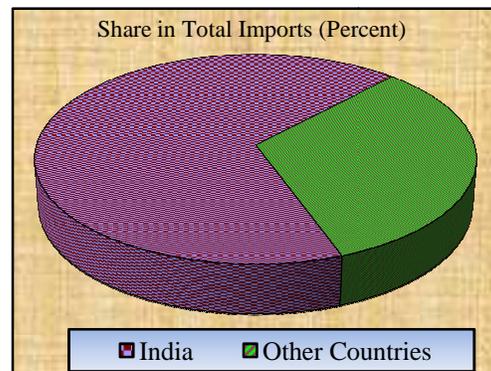
period increased by 6.6 percent while total imports increased marginally by 1.4 percent. Shares of imports and exports on total foreign trade during this period remained at 85.5 percent and 14.5 percent respectively. Shares of these components of foreign trade in the corresponding period of the previous year stood at 86.2 percent and 13.8 percent respectively. Trade deficit notably declined due to rise in exports and significant decline in the growth rate of imports. The growth rate of trade deficit during first eight months of FY 2010/11 has increased marginally by 0.4 percent as compared to a significantly higher 58.6 percent during the corresponding period of the previous fiscal year. The ratio of country-wide foreign trade statistics shows India's share in the current fiscal year grew to 67.5 percent from the previous year's 56.1 percent of the previous fiscal year while that of other countries fell to 32.5 percent from 43.9 percent during the same period.

Exports

- 6.3. Total exports that had declined by 8.5 percent during the first eight months of FY2009/10 rose by 6.6 percent totaling Rs. 42.85 billion during the same period of current FY2010/11. Although the growth rate of export to India was satisfactory during the review period, export to other countries saw a marginal decline. Of the total exports, share of export to India rose from 64.39 percent of the previous year to 66.92 percent this year while the share of exports to other countries fell from 35.61 percent to 33.08 percent. The total exports that dropped by 7.6 percent in terms of US Dollar in previous fiscal year increased by 10.4 percent. The growth rate of imports that had stood at 43.3 percent in terms of US Dollar in the previous fiscal year remained at 5.0 percent in the current fiscal year.
- 6.4. Region-wise analysis shows that, exports to India that had declined by 3.3 percent during first eight months of the previous fiscal year rose by 10.8 percent amounting Rs. 28.66 billion during the review period of this year. During this period, export to India specially of like Zinc Sheet, Jute materials, yarns, M.M. Pipe, plastic made utensils, juice, cardamom, wires, *Ayurvedik* medicines, clothes, tooth pastes, shoes and sandals, leather and

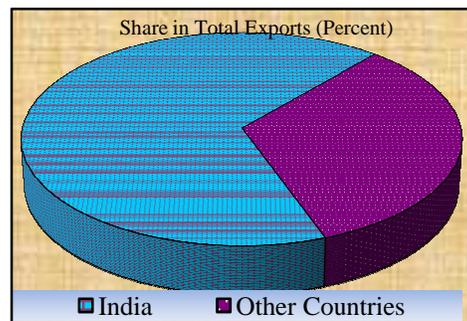
ghee increased. Observation of the group-wise structure of commodity exports to India reveals that proportion of primary and manufactured goods in first eight months of the previous fiscal year had stood at 27.2 percent and 72.8 percent respectively while such proportions during the review period stood at 27.5 percent and 72.5 percent respectively.

- 6.5. Export to other countries during the review period of this fiscal year dropped by 1.0 percent to Rs. 14.71 billion which had dropped by 16.8 percent in the same period of the previous year. Exports to other countries especially of items like woolen carpets, *Pashmina*, lentils, processed leather, tea increased while exports of silver made jewelries, herbs, Nepali paper and paper made goods and handicrafts and readymade garments declined. Observation of group-wise structure of commodity exports to other countries reveals that the proportion of primary and manufactured goods in the review period of the current fiscal year remained at 29.2 percent and 70.8 percent respectively as compared to 25.3 percent and 74.7 percent respectively in the same period of the previous fiscal year.



Imports

- 6.6. 6.6 Total imports grew marginally by 1.4 percent in the first eight months of the current fiscal year reaching Rs. 253.5 billion as compared to a growth of 41.8 percent growth in the corresponding period of the previous fiscal year. Of the total imports, the share of India rose from the previous year's 54.75 percent to 67.56 percent while that of other countries fell from



45.25 percent to 32.44 percent during this period. In US Dollar term, imports, which grew by 43.3 percent in the previous year, remained at 5.0 percent in the review period.

- 6.7. Imports from India recorded an increase of 25.1 percent in first eight months of the current fiscal year reaching Rs.171.27 billion. Imports had recorded significant growth of 38.0 percent in the same period of the previous year. Imports from India especially of petroleum products, M.S. billets, cold roll and hot roll sheets in coil, machines and their spares, chemical fertilizers, medicines, electrical goods, paper, coal, rice, dry-cell batteries, pipe and pipe fittings, fruits, sugar, have registered significant growth while exports of materials like wires, rods, coils, agricultural tools and their spare parts, garments, cement, vegetables, live animals, salt, aluminum bars declined during the review period. Imports from India through the payment of convertible foreign currency declined by 8.1 percent to Rs 31.96 billion during review period. Such imports had grown by 91.4 percent to Rs 34.76 billion during the same period of the previous fiscal year. Number of items allowed for import from India was 137 in mid-March 2010 while this figure has been raised to 157 in the review period. Analysis of group-wise structure of imports of primary and manufactured items from India in the first eight months of the previous fiscal year had stood at 36.8 percent and 63.2 percent respectively while these figures remained 42.5 percent and 57.5 percent respectively in the review period of the current fiscal year.

Table 6 (a) : Status of Foreign Trade
(First eight months)

Description	Percentage Change			
	2007/08	2008/09	2009/10	2010/11*
Exports: FOB	-2.9	16.2	-8.5	6.6
- India	-6.9	3.7	-3.3	10.8
- Other Countries	6.9	42.9	-16.8	-1.0
Imports: C.I.F.	19.2	26.3	41.8	1.4
- India	24.9	12.1	38.0	25.1
- Other Countries	10.5	50.9	46.8	-27.3
Trade Balance	30.2	30.1	58.6	0.4
- India	45.2	15.6	53.3	28.4
- Other Countries	11.7	53.4	65.0	-31.1
Total Trade	37.7	24.2	31.8	2.1
- India	15.0	10.2	29.3	22.8
- Other Countries	9.8	49.4	35.2	-24.4

Description	Percentage Change			
	2007/08	2008/09	2009/10	2010/11*
Share in Total Trade				
- India	64.4	57.2	56.1	67.5
- Other Countries	35.6	42.8	43.9	32.5
Share in Total Exports				
- India	68.2	60.9	64.4	66.9
- Other Countries	31.8	39.1	35.6	33.1
Share in Total Imports				
- India	63.4	56.3	54.7	67.6
- Other Countries	36.6	43.7	45.3	32.4
Share in Total Trade Balance				
- India	61.6	54.7	52.9	67.7
- Other Countries	38.4	45.3	47.1	32.3

* Unprocessed, Source: Nepal Rastra Bank.

- 6.8. Total imports from countries other than India that had increased by 46.8 percent in the first eight months of the previous fiscal has declined by 27.3 percent to Rs. 82.23 billion during the same period of current fiscal year. There has been a substantial decline in the import of goods especially of gold, readymade garments, steel rods and sheets, machineries and their spare parts, yarns, betel nuts, shoes and sandals, polythene granules, medicines, edible oil, and electrical goods. Imports of crude palm oil, textile dyes, M. S. Billets, transport equipments and their spare parts and soya bean oil increased. Analysis of group-wise structure of imports of primary and manufactured items from countries other than India in the first eight months of the previous fiscal year had remained at 14.2 percent and 85.8 percent respectively while these figure stood at 21.2 percent and 78.8 percent respectively in the review period of the current fiscal year. The quantitative restriction provision made for the imports of gold in the previous fiscal year has been continued in this fiscal year as well.

Trade Balance

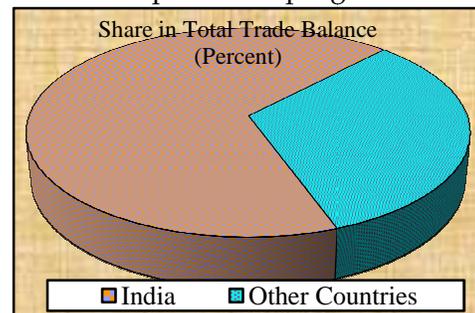
- 6.9. The growth rate of trade deficit decelerated significantly in the first eight months of the current fiscal year. The total trade deficit increased marginally by 0.4 percent to Rs 210.66 billion in the review period of the current fiscal year, while, this figure had gone up by 58.6 percent during the same period of the

previous fiscal year. Trade deficit fell significantly due to improvement in export situation and steep decline in imports. Trade deficit with India in the review period increased by 28.4 percent totalling Rs. 142.60 billion while such deficit with other countries totalled Rs. 68.60 billion with deficit reduction by 31.1 percent. Such deficit with India had increased by 53.3 percent while that with other countries had increased by 65.0 percent in the same period of the previous year.

- 6.10. The export-import ratio during the review period showed modest improvement as a result of significant decline in the trade deficit. The export-import ratio that had stood at 16.1 percent in the first eight months of the previous year reached 16.9 with marginal growth in the review period. Of this, the export-import ratio with India trade has declined while this ratio with other countries has increased.

Balance of Payments

- 6.11. The Balance of Payments is still in deficit despite some progress in the first eight months of the current fiscal year as compared to the corresponding period of previous fiscal year. Such deficit had recorded a deficit of Rs. 19.12 billion in the first eight month of the previous year while the corresponding period of the current fiscal year saw modest progress in such deficit with a drop to Rs. 11.30 billion. There has been a large deficit in balance of payment as the transactions of current account and financial account could not improve as expected.



- 6.12. The current account that had recorded deficit of Rs. 30.50 billion in the previous year has dropped by 70.9 percent to Rs. 8.87 billion in the review period. Such reduction in the current account deficit is attributable to two factors namely, the marginal rise in BOP due to substantial decrease in the growth rate of FOB based trade deficit and service account deficit. However, current account still could not be positive as the incomes from export trade, tourism, and remittance inflow has not been to the extent as expected.

Box 6 (a) SAARC Agreement on Trade in Services

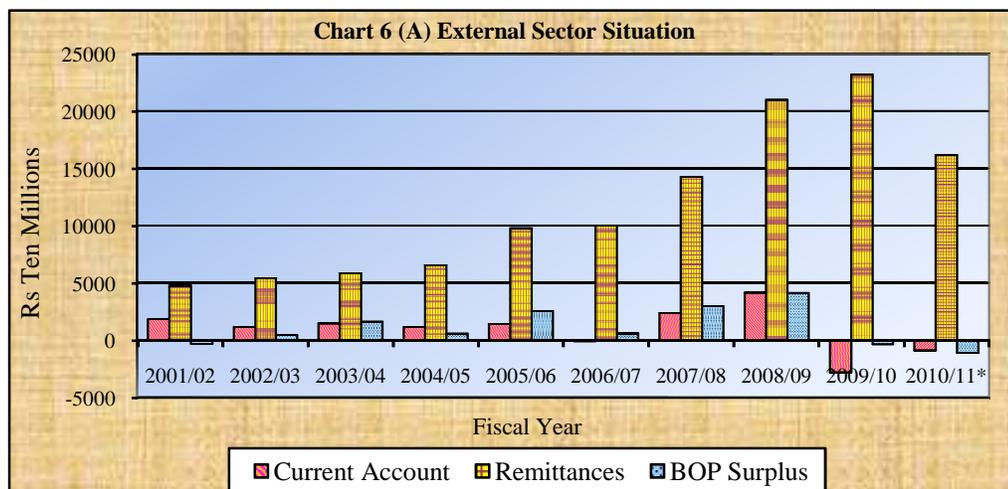
SAARC Agreement on Trade in Services -SATIS was signed on April 29, 2010 in Bhutan during the SAARC Summit with the objectives of promoting and enhancing trade in services among the member states in a mutually beneficial and equitable manner by establishing a framework for liberalizing and promoting trade in services within the SAARC region.

This agreement has provision for the commitments of member States to keep these regions open by keeping in view the States' national policy, level of economic development and their sizes of economies. The Agreement has the provision that the specific commitments can be made following the positive list and request-offer approaches. Among the other provisions stated in the agreement, all member States can avail special and more favorable treatment to the least developed member States, provide flexibility to such States for opening fewer sectors, liberalizing only fewer types of transactions, provide market access on the basis of their development situation, consider for providing special concessions to the least developed member states while making commitment on a request and offer basis and provide technical assistance to member States in order to enhance supply capabilities of their service sectors and infrastructure development, studies and research and competitive quality.

- 6.13. FOB based merchandise trade deficit that had increased by 60.5 percent in the previous year increased marginally by 0.2 percent reaching Rs. 203.35 billion in the review period. The export and import rose by 8.8 percent and 1.7 respectively during this review period. Such export had decreased by 10.0 percent and import increased by 41.6 percent in the previous fiscal year.
- 6.14. During the review period, travel income consisting income from tourism decreased by 20.7 percent with the receipt of only Rs. 16.44 billion. Such income was Rs. 20.72 billion in the first eight months of the previous fiscal year. The other income from service sector such as communication and insurance increased by 26.5 percent to Rs.13.33 billion in the review period while, this income was Rs. 10.53 billion in the previous year. On the payments for services side, both the transport and travel expenses declined by 25.1 percent and 10.6 percent respectively

in the review period as compared to the corresponding period of the previous year. Education expenses under travel expense declined by 45.3 percent with the outflow of Rs. 5.22 billion and as a consequence, service account expenditure fell by 8.1 percent during the review period. Net service account deficit fell by 22.2 percent to Rs. 7.54 billion as a result of higher growth rate of service income than that from service payment.

- 6.15. On the transfer side, income from remittance increased by 12.3 percent to Rs. 161.62 billion during review period as compared to the growth of such income by 9.9 percent in the previous fiscal year. During the same period of the previous fiscal year, the remittance flow had recorded at Rs. 143.96 billion. Likewise, grants rose by 11.0 percent during review period while income from pension grew by 9.4 percent. In the review period, net transfer income increased by 12.8 percent reaching Rs. 198.03 billion review period as compared to the corresponding period of the previous fiscal year. Despite the improvement in the current account due to the improvement seen in goods, service and transfer account could not enough to make the current account positive.
- 6.16. During the review period, under the capital account, a capital transfer of Rs. 9.48 billion was received. Capital account surplus, during the same period of the previous year, stood at Rs. 8.96 billion.



- 6.17. On the financial accounts side, foreign direct investment of Rs. 5.47 billion was received during the review period. Such investment for

the corresponding period of the previous fiscal year had stood at Rs 1.61 billion. Other investment assets that totaled Rs. 7.50 billion in the first eight months of the previous fiscal year has grown by two folds i.e Rs. 17.44 billion during the review period. On other investment liabilities side, the government debt totalling Rs 6.56 billion and repayment of the principle amounting to Rs 6.02 billion were recorded. The total foreign deposit liability decreased by Rs 590 million during the review period.

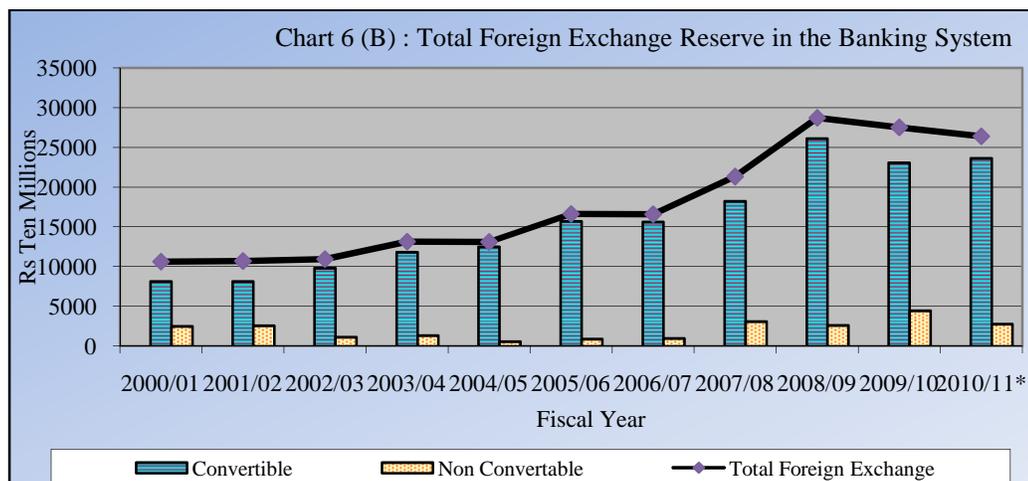
Foreign Exchange Reserves

- 6.18. The total foreign assets of the banking sector that had remained at Rs. 268.91 billion declined by 4.4 percent between mid-July 2010 and mid-March 2011 and contained to Rs. 257.05 billion. Such asset had declined by 14.7 percent in mid March, 2010 as compared to that of mid-July, 2010. The total foreign assets in terms of US Dollars declined by 1.3 percent to US\$ 3.57 billion. Foreign liabilities of the banking sector dropped by 1.3 percent reaching Rs. 61.36 billion between mid-July, 2010 and mid-March, 2011.

Box 6 (b) Agencies/Institutions Dealing With Foreign Exchange

The number of Companies dealing with remittance has reached to 53 from the previous year's 52 with two additions and closure of one. Currently, there are 385 money changer firms/companies in the country after additions and closures of 23 and 38 such firms/companies respectively from 400 in the previous year. Total number of money changer firms/company in Kathmandu valley has reached 193 from 190 until the previous year. As of mid March 2011, firms/companies licensed to conduct forex transactions total 3,197 comprising 280 hotels, 1,126 trekking, 1,381 GSA/PSA of foreign airlines, 293 cargo couriers, 66 various organizations/institutions, and 51 domestic and international airlines. Of this number, 176 were licensed in this year.

Similarly, Nepal Rastra Bank Money Changer Rules, 2010, Nepal Rastra Bank Remittance Rules, 2010, and Nepal Rastra Bank Foreign Exchange Transactions and Inspection Rules, 2010 were implemented for making the individual, firm, company, or institutions engaged in providing the foreign exchange transactions more organized and transparent.



6.19. Of the total Foreign Exchange Reserves in the first eight months of current fiscal year, Reserves of Nepal Rastra Bank dropped by 2.7 percent from Rs. 205 billion in mid-July to Rs.199.86 billion. Such reserves with commercial banks declined by 10.0 percent. A substantial amount of balance of payment deficit due to the rise in trade deficit thereby increasing India Indian currency purchase and decreasing the growth of remittance inflows resulted in the decline in total foreign exchange reserve.

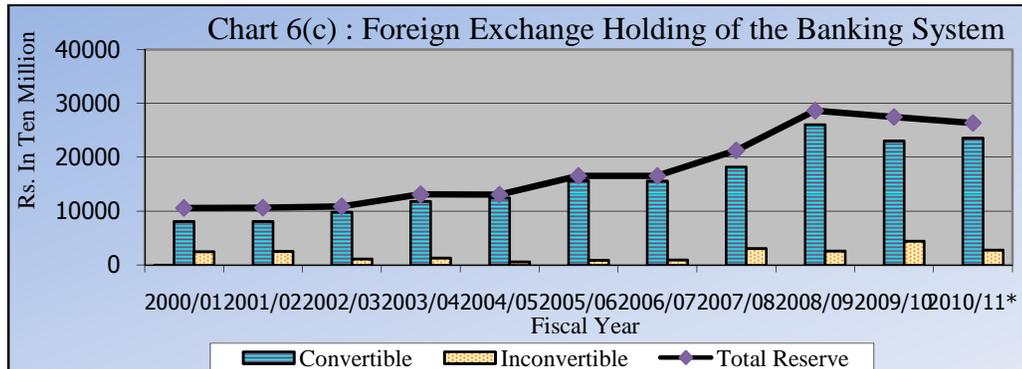
Table 6 (b): Total Foreign Exchange Reserves

(In Billion Rs.)

Description	Mid-June 2007	Mid March 2008	Mid-June 2008	Mid-March 2009	Mid-June 2009	Mid-March 2010	Mid-June 2010	Mid-March 2011	Percentage change Mid-June – Mid-March	
									2010	2011
Nepal Rastra Bank	129.62	144.29	169.68	218.46	224.19	185.91	205.37	199.86	-17.1	-2.7
Commercial Banks	35.5	37.69	42.94	52.34	62.35	58.38	63.54	57.19	-6.4	-10
Total Reserves	165.12	181.98	212.62	270.8	286.54	244.29	268.91	257.05	-14.7	-4.4

Source: Nepal Rastra Bank

6.20. Based on the trend of imports for the first eight months of the current fiscal year 2010/11, the present foreign exchange reserve is sufficient to cover 8.3 months of goods imports and 7.1 months of goods and services imports. Based on the trend of imports of mid-July 2010, foreign exchange reserves with the banks in the same period was estimated to cover imports of goods for 8.7 months and 7.4 months for goods and services.



Box 6 (c) Procedural Reforms in External Sector

Some of the procedural reforms adopted by Nepal Rastra Bank in FY 2010/11 in regard to the external sector are as follows

- If any exporter of goods and services wants to open an account in a foreign country for export promotion, s/he will be provided exchange facility not exceeding 5 percent of the gross exports and approval for opening foreign currency account.
- Earlier provision of Cash Against Document (CAD) or Bank guarantee for exports has been amended. According to which export permit can be issued for exports valued up to USD 500,000 with one percent deposit.
- Pre-shipment/Post shipment credit, that could be availed only on the basis of the receipt of export Letter of Credit (L/C), can also be availed against exports made through other mediums in practice.
- The number of industrial machinery, tools, and raw materials that could be imported through foreign exchange payments has been increased from the 137 till previous year has now been raised to 150 by mid-March of the current fiscal year with addition of 20 such items.
- Arrangement for exchange facility has been simplified and made transparent with the provision of availing the Indian currency exchange facility based on Documents of Necessity with the objective of providing continuity to such facility while curbing its misuse amidst the pressure of demand. An arrangement has been made to permit opening 'Nostro Account' in case of request from finance companies licensed to carry out such exchange transactions.
- Nepal Rastra Bank Remittance by-laws, 2010 has been put into practice from September 16, 2010 with the objective of making the remittance transactions more transparent and simple in regards to safely bringing in earnings of Nepalese abroad in simple, economic and secured manner. Provision for easy availability of foreign exchange to foreign employment agencies has been made for promoting their business; make payment of visa fees, and payment of commission against sending workers on foreign employment.
- 'Nepal Rastra Bank Money Changer by-laws, 2010' has been put into practice from August 25, 2010 for making the money changer related transactions more secure, transparent and simple. A provision of maintaining paid-up capital of Rs. 500,000 for

conducting Indian Currency exchange transactions, Rs. 1 million for convertible currency transactions, and Rs. 1.5 million for conducting both type of transactions. Additional Rs. 500,000 paid up capital shall be necessary for carrying out foreign exchange transactions against Nepalese passport holders visiting foreign countries. At least half of the stated fixed capital will be necessary in case of such transactions in specific rural and remote areas outside Kathmandu Valley. For existing licensed money changers, the stated provision shall be applicable from July 16, 2012 .

- ☉ ‘Gold import and sales procedures’ prepared under the consultation of Ministry of Commerce and Supplies and as per the decision of same ministry has been adopted in order to improve the existing arrangement related to imports of gold and silver. In case of silver, ministry of commerce and supplies has not made any decision towards controlling its import; hence it can be imported under the open market imports arrangement.

Exchange Rate

6.21 Nepalese Currency depreciated against the major currencies amongst the international currencies other than that of US dollar in the mid-March, 2011 as compared to the period until mid-July of the previous fiscal year. Nepalese currency appreciated by 3.3 percent against the US dollar between the period of July 2010 and March 2011 and contained at Rs 72.10. Nepalese currency had appreciated by 7.8 percent against the US dollar in the corresponding period of the previous fiscal year. Nepalese currency depreciated against Sterling Pound and Euro, and Japanese Yen by 1.6 percent, 4.8 percent, and 3.0 percent respectively in mid-March 2011 as compared with mid-June 2010.

Table 6 (c) Foreign Exchange Trend

Foreign Currency	Buying Rate (in Nepalese Rupee)					Appreciation (+) Depreciation (-) (percent Mid-July to Mid-March)	
	2008 Mid-July	2009 Mid-July	2010 Mid-March	2010 Mid July	2011 Mid March	2010	2011
1. US Dollar	68.50	78.05	72.40	74.44	72.10	7.80	3.25
1 Pound Sterling	135.89	126.78	108.99	113.71	115.55	16.32	-1.59
1 Euro	108.72	109.07	99.17	94.79	99.57	9.98	-4.80
10 Japanese Yen	6.42	8.39	7.99	8.45	8.71	5.01	-2.99

Source: Nepal Rastra Bank

Crude Oil and Gold Prices

6.22 Price of Petroleum Products (Crude Oil Brent) in the international market that was US\$ 79.43 per barrel in mid-March 2010 rose by 38.8 percent to US\$ 110.25 in the same period of current fiscal year 2010/2011.

6.23 Price of gold in the international market between mid-March of 2010 and 2011 has increased by 26.6 percent reaching US\$1400.50 per ounce. Price of gold had increased by 19.2 percent in the corresponding period of the previous year.

Table 6 (d): International Prices of Oil and Gold

	Mid-July			Mid-March			Percentage change			
	2008	2009	2010	2009	2010	2011	Mid-July		Mid March	
							2010	2011	2010	2011
Oil USD per Barrel*	143.3	61.5	76.4	45.2	79.4	110.3	-57.0	24.2	75.8	38.8
Gold USD per Ounce**	986.0	938.0	1189.3	928.0	1106.3	1400.5	-4.9	26.8	19.2	26.6

*Crude Oil Brent

**Based on London

Source: Nepal Rastra Bank

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 The on-going three-year Plan aims at creating opportunities for reputable and beneficial employments, reducing economic inequality, attaining regional balance and improving living standard of entire Nepalese people by eliminating social discrimination and bringing poverty line below 21 percent through sustainable economic growth in order to achieve Millennium Development Goal (MDG) by 2013. Likewise, 6 different strategies as follows have been adopted so as to achieve the objective of generating feelings of actual change among the people by bringing down the current situation of unemployment, poverty and inequality, and support for stabilization of sustainable peace in the country: 1) attain employment and poverty reduction oriented sustainable and broad-based economic growth on collective efforts of government, private, community and cooperative sectors; 2) support the foreseen federal structure of the country and develop physical infrastructures that support the inclusive and judiciously equitable economic growth; 3) give emphasis to social justice and inclusive development to attain sustainable peace; 4) provide support to the country's socio-economic transformation through the enhancement of economic and social services; 5) make effort for result oriented development by ensuring good governance and making service delivery more effective; and 6) improve economic growth and stability by mainstreaming private, community and cooperative sector development and industrialization, trade and service sectors with the country's development initiatives.
- 7.2 According to Nepal Living Standard Survey (NLSS), 2003/04, people with average annual income of Rs. 7,696 are defined as people below the poverty line, and with this assumption, 30.85 percent of the total population was below the poverty line in the

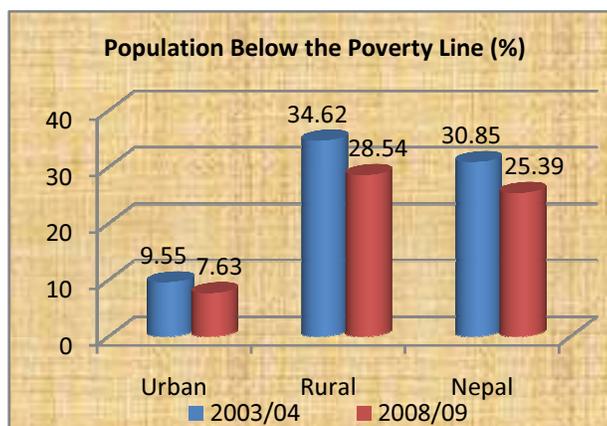
fiscal year 2003/04 while with the same assumption, this figure came down to 25.39 percent in the fiscal year 2008/09 from 41.76 percent in 1995/96. Based on the same survey, in terms of Purchasing Power Parity (PPP) calculated on the basis of an income of One US dollar a day, which is the internationally adopted measurement standard of adopted by the World Bank, around 24.1 percent population is still living below the poverty line. The World Bank, in 2005 has redefined US\$1.25 a day as the poverty line. Nepal's poverty situation seemed much weaker when compared on the basis of this assumption. Nepal is still following the earlier parameter.

- 7.3 The gap between urban and rural as well as various geographical regions and groups is still stunningly wide in Nepal. According to the Nepal Living Standard Survey (NLSS, 2003/04), on the whole poverty is reduced by 10.91 percentage points between 1995/96 and 2003/04. Major reasons for this are the income from remittance, rapidly growing urbanization, and increase in average wage in the agriculture sector, and growth in the number of economically active population. The increased income gap in this period, however, has widened between the rich and the poor. According to Gini coefficient, the indicator for income inequality, which was 0.34 in 1992/93 reached 0.41 in 2003/04 suggesting that the growth rate of income level of the rich has been higher than that of the poor. On the basis of this survey the rate has been reached by 0.46 of an estimation of 2008/09. It has necessitated to take the poor oriented policy-wide, structural and program-level measures accompanied by the creation of short as well as long-term income oriented employment opportunities and effective implementation of economic transfer programs.

Box 7 (a) Measuring Poverty

The poverty incidence indicates the percentage of population living below the poverty line while the poverty gap is the population of the poor measured in terms of gap between the poverty line and the people below it. Besides, Indicator of the Squared Poverty Gap shows the intensity of different levels of poverty amongst the poor.

7.4 According to estimates made in 2003/04 based on NLSS 1995/96 conducted for measuring poverty incidence, poverty rate has declined. Major reasons for this decline are: remittance income,



and increase in average wage in the agriculture sector. The estimated urban population living below the poverty line in FY 2003/4 was 9.55 which fell to 7.63 percent by 2008/09. Likewise, in the same period, the population below poverty line in rural areas dropped to 28.54 percent from 34.62 percent. Besides, poverty gap in Nepal that estimated at 7.60 percent in 2003/04 fell to 6.10 percent in 2008/09 while squared poverty gap dropped from 2.70 percent to 2.12 percent in the same period. The poverty rate that was 30.85 percent in the fiscal year 2003/04 is estimated to have come down to 25.39 percent in the fiscal year 2008/09. The on going three-year plan target is to down by 21.0 percent of this ratio.

Table 7 (a) Poverty Measures 2003/04 and 2008/09*

(In parentage)

Areas	Population below the poverty line		Poverty Gap		Intensity of Poverty	
	2003/04	2008/09	2003/04	2008/09	2003/04	2008/09
Urban	9.55	7.63	2.20	1.70	0.70	0.56
Rural	34.62	28.54	8.50	6.89	3.10	2.40
Nepal	30.85	25.39	7.60	6.10	2.70	2.12

Source: Central Beauru of Statistics.

* Estimates 2008/09

7.5 According to the NLSS 2003/04, poverty is disproportionately distributed at caste/ethnicity, regional and occupational levels. Among those under the poverty line, 67.0 percent are found engaged in agro-based employment and 11 percent as agricultural labourers. This indicates that prime means of employment for 78

percent of the total poor is the agriculture sector. Among various caste/ethnicity living below the poverty line, 46 percent are *Dalits*, 44 percent are hill ethnic groups, 41 percent Muslims, 35 percent Terai ethnic groups (Tharu) and 31 percent other minority groups. Similarly, 14 percent of Newars 18 percent of Bramin/Chetri and 21 percent of the Middle class in the Terai (Yadav) population live below poverty line. Out of the total poor, 29.4 percent of population lives in rural areas of Mid and Eastern hills. The percentage of Rural Poor is 23.6 percent in Western Hills, 23.5 percent in Eastern Tarai, 18.9 percent in Western Tarai, and 4.7 percent live in urban areas. Similarly, it is estimated that out of the total poor, 7.5 percent live in High Mountain Region, 47.1 percent in the Hills, and 45.4 percent in the Tarai. Urban poverty is estimated to have increased in recent years due mainly to growing population pressure migrating to urban areas seeking amenities and security.

- 7.6 The ongoing Three-Year Plan has adopted targets set by the 189 nations committed MDGs in its respective plans, policies and programs. Updating of the status of progress on SAARC Development goals (SDGs) is ongoing with positive and encouraging preliminary results. In this context, this Plan is prepared in a different way by following the maximum public participation procedure and focusing on the main objective of poverty reduction.

Table 7 (b) Nepal's Main Development and MDGs Indicators and their parameters

Indicators	Year (A.D)	Achievement Status
1. Population size (in millions Rs.)	2009	27.5
2. Average population growth rate (percent)	2009	1.94
3. Average life expectancy (years)_	2009	66.3
4. Per capita GNP (USD)	2008/09	472
5. GDP Growth Rate (percent)	2008/09	3.95
6. Rate of Inflation (percent)	2008/09	13.2
7. Human Development Indicator (Index)	2007	0.55
8. National Population below poverty line (percent)	2009	25.4
9. Number of children hildren below 5 years age (percent)	2006	38.6
10. Literacy rate (15 – 24 year group) (percent)	2008	86.5

Indicators	Year (A.D)	Achievement Status
11. Net enrollment in primary education (percent)	2009	93.7
12. Child mortality rate of children below 5 years of age (per 5000 live births)	2006	50
13. Maternal mortality rate (per 100,000 population live live births)	2006	229
14. HIV infected patients in 15 – 49 year age group (percent)	2007	0.49
15. Ratio of the Number of people using firewood as major source of energy (percent)	2008	68.4
16. Total are under forests (percent)	2009	39.6
17. ratio of the People with access to sustainable source of potable drinking water in both rural and urban areas (percent)	2009	80
18. Ratio of population with access to sustainably safe sanitation – toilet facility (percent)	2009	43

Source: Nepal MDGs Progress Report, 2010, National Planning Commission.

- 7.7 The ongoing Three-Year Plan has given emphasis to both physical and social development considering the foreseen federal republic structure to make the economic development more sustainable, broader and poverty reduction oriented. Similarly, plan has focused on improving economic growth of the country by giving priority to the development of agriculture sector, tourism, industry and export trades that create ample employment opportunity to the people. Likewise, the plan aims to invest more on providing support to the nation's development through the inclusion of target communities, sectors and gender in all its structures, areas and processes of development. Similarly, this plan has given priority to augment the level of investment on infrastructures like drinking water, electricity, roads, communications, foods, security, health, and education. The plan targets to provide prompt services at affordable price to the people through good governance and mitigate impacts of climate change through environmental protection. Similarly, the plan has accorded priority to those projects and programs, for their implementation, that have attained priority at national level and given high consideration to the utilization of opportunities providing immediate relief to the people.
- 7.8 Efforts are being made to make the budget 'women oriented' to the extent possible by scrutinizing the budget from gender perspective through the introduction of a separate gender budget code. Such practice has raised gender awareness and sensitivity

requiring its extension to estimate sources of public finance, receipts, budgetary allocation, expenditure and its effect, and outcomes. In the process, a number of programs targeted on female literacy; priority to scholarship; construction of toilets in schools for girl students; implementation of special program for women empowerment; exemption on ownership deed/ registration fee. Similarly, exemption on income tax on remuneration; priority in micro-finance program; 24 hour service in public hospitals; arrangement for regular health check-ups and maternity allowance service are some other gender equality targeted programs/activities. Additional programs and activities in this area are establishment of women health volunteer fund; Provision of allowance for female community health volunteers; arrangement of Rs. 500 monthly allowance to widows above 60 years of age; realization of the necessity for implementing of women development program covering all VDCs of the country, housing arrangements for *Baadi* women, special program for conflict affected and single women. Similarly, other programs in this area include operation of campaign against sexual and domestic violence and shelter to victims of violence in camps.

- 7.9 National Volunteer Development Service (NDVS) is implemented with the objective of reducing poverty among the ultra poor and backward class of people, and mobilizing youths. Volunteers are made available as facilitators for carrying out education, health, infrastructure development, and social mobilization activities for *Dalits*, poor, indigenous and socially excluded communities. Programs for income generation and poverty reduction are being carried out in participation of local bodies and communities. In addition to Model VDC Program, this service program is conducting activities like group formation, seed capital and savings mobilization, construction of common (*Sulav*) toilets and water taps, skill oriented training, literacy classes.
- 7.10 The Interim Constitution, 2007 has established the right to food-sovereignty as a fundamental right. The Interim Plan has addressed food security policy, strategy and programme as interrelated issues by accepting food production, availability, access, and stability as

dimensions of food-sovereignty. Food and nutrition security in Nepal is clearly evident due to factors like high population growth; nominal rate of agricultural production and productivity; livelihood issues; lack of nutritious food items; natural disasters; climatic adversity; poverty; illiteracy; very weak level of awareness; weaknesses in supplies, services and support system.

7.11 Programs at the local levels are being carried out by Ministries of Local Development, Agriculture, Supplies, Health, and Education, and various National and International Non-Governmental Organizations (I/NGOs), to address food security related issues.

7.12 In the Three-Year Plan, quantitative targets of major indices related to economic, social and infrastructure development have been set. Such targets with major indices have been depicted in the Table below:

Table 7 (c) : Quantitative Targets

S.N	Indicators	Status as of FY 2009/10	Target for Three-Year Plan 2010/11 – 2012/13
1.	Annual Average Economic Growth rate (percent)	4.4	5.5
2.	Annual Average Agriculture Sector Growth Rate (percent)	3.3	3.9
3.	Average Annual Growth Rate of Non-Agriculture sector (percent)	5.1	6.4
4.	Population below poverty line (percent)	25.4	21
5.	Average Annual Employment Growth Rate (percent)	3.0	3.6
6.	Women using health worker for maternity (percent)	29	60
7.	Contraceptive Prevalence Rate (percent)	50	56
8.	Total Birth Rate for 15 – 49 years of age (percent)	2.9	2.6
9.	Maternal Mortality Rate (per 100,000)_	229	170
10.	New Born babies mortality rate per 1000 live births	20	16
11.	Infant mortality rate per 1000 live births	41	36
12.	Child Mortality Rate (per 1000 live births)	50	40
13.	Population with access to drinking water (percent)	80	85
14.	Population with access to Sanitation facility (percent)	43	60

S.N	Indicators	Status as of FY 2009/10	Target for Three-Year Plan 2010/11 – 2012/13
15.	Net enrolment in primary level (percent)	93.7	98
16.	Districts headquarters connected with road (number)	71	75
17.	Telephone - including mobile – (per 100 density)	27	55
18.	Electricity generation (installed capacity)	691	972
19.	Population with access to electricity (percent)*	56.1	65
20.	Land under irrigation (Ha)	1227000	1425725
21.	Forest Covered Area (percent)	39.6	40
22.	Total length of Roads (Km)**	19447	20122

* Status as of FY2008/09, ** Excluding Rural Roads

Source: National Planning Commission.

7.13 The major problem that Nepal is still facing is the poverty though poverty reduction initiatives were taken putting this at the centre of planned development from the beginning of the Ninth Five-Year Plan (1997/98-2002/03) and the population below poverty line was expected to remain at 25.4 percent by the end of fiscal year 2008/09. Issues such as discrimination, inequality, structural vulnerability of Nepalese economy, narrow production base, low productivity, poor good governance, deprivation and discrimination, policy flaws and weaker distribution system, feeble targeted programs have hindered in attaining the set targets of poverty reduction program. The goals, objectives, strategies and working procedures have been developed for Poverty alleviation program so as to implement targeted employment and income generating programs effectively targeting women, *Dalits*, Indigineous people, minorities *Madhesis*, *people from* Karnali and remote areas, hilly and mountainous region, physically disadvantaged people, vulnerable groups in-terms of language, culture, religion and economy.

Inclusive Development and Targeted Programs

7.14 Social inclusion oriented programs are being implemented with objectives of freeing the people from poverty and backwardness, who are unable to get mainstreamed into the development

process due to socio and cultural, geographical, and economic reasons. These programs have incorporated women, *Dalits*, ethnic groups, minorities, *Madheshi*, people with different physical capacities and backward class, together with the rural people ultra poor and small farmers.

Poverty Monitoring

- 7.15 The earlier practice of monitoring and evaluation, limited to review of financial and physical progress monitoring arrangement was reformed during the Tenth Plan. In this context, establishment of Poverty Monitoring Analysis System (PMAS) at the central level and its institutionalization has completed. Against the previous practice of publishing only the mid-term progress reports, a practice has been initiated right from the beginning of the Tenth Plan of preparing reports based on definite PMAS Indicators and publishing it annually.
- 7.16 The Policy and Outcome Table is incorporated in the refined form as a built-in content of the Plan right from the preparation process of Three-year Interim Plan. Accordingly, continuity is provided to the publication of PMAS by revising it.
- 7.17 The Draft on District Poverty Monitoring and Analysis System - DPMAS was prepared and institutionalization process was initiated during the Tenth Plan period. Commitment was made for institutionalization of the system with support for capacity building from the centre during the Three-year Interim Plan period. Accordingly, the software has been updated with improvisation and incorporation of additional indicators.
- 7.18 Result-based Framework and Guidelines are prepared at the central level for National Planning Commission; and Ministries of Physical Planning and Works, Local Development, and Education under Managing for Development Results (MfDR) Project. Similarly, 4 districts namely Jumla, Dang, Dhanusha and Jhapa were selected, necessary DPMAS software developed, and training was imparted for using the software in the process of institutionalization of DPMAS at the district level in the previous year. In the process, implementation and strengthening of MfDR

approaches in 7 agencies have completed. Out of 7 agencies planned for MfDR, necessary preparations are underway for adoption of Result Based Budget in the Transport Management Department and Metropolitan Traffic Police Division.

- 7.19 Manuals have been prepared with the updates of PPIS for its re-implementation in the spirit of commitments made through the ongoing Interim Plan to institutionalize the Participatory Monitoring Mechanism as a medium for service recipients' participation in monitoring and analysis, and putting across their perceptions. The National Committee on Resolving Development Issues and Ministry level such Committees that remained passive in the past have been rejuvenated. Likewise, Result oriented Monitoring and Evaluation Manual have been enforced to ensure effectiveness in Monitoring and Evaluation works that are to be carried out by various agencies and levels.
- 7.20 Two consecutive surveys, namely Nepal Living Standard Survey-NLSS and Nepal Demographic and Health Survey-NDHS, have been completed. Results of these surveys have shown some improvements on both economic and human poverty situation in Nepal. Some results of NDMS conducted in 2001 and 2006 are given below:

Table 7(d) Comparative Indicators of Nepal Demographic and Health Surveys

S.N.	Demographic Indicators	2001	2006
1.	Total Fertility Rate	4.1	3.1
2.	Crude Birth Rate (per thousand)	33.5	28.4
3.	Contraceptive Prevalence Rate (all types, percent)	39.3	48.0
4.	Contraceptive Prevalence Rate (modern means, percent)	35.4	44.2
5.	Infant Mortality Rate (per thousand)	64.0	51.0
6.	Child Mortality Rate (per thousand)	29.0	15.0
7.	Children under 5 Mortality Rate (per thousand)	91.0	65.0

Source: National Planning Commission, CBS.

Poverty Alleviation Fund

- 7.21 Poverty Alleviation Fund established under the Poverty Alleviation Fund Act, 2063 (2006) is operational as an autonomous organization. The Fund's objective is extend direct

support to inclusive development and targeted programs as stipulated in PRSP and Three-Year Interim Plan of the Government of Nepal. In addition, the Fund provides support to programs targeted to the people below the poverty line.

- 7.22 The Fund guided by five Principles – Antodaya, Social inclusiveness, Transparency, Demand-driven Program, and Direct fund flow to the community - is carrying out the poverty-focused program in active participation of the ultra poor and backward class of the people. The program helps formation and institutionalization of Community Organizations (COs) involving the targeted poor communities for preparation of their own programs and implementation in their full participation. The Fund has been working in collaboration with local bodies, NGOs and COs and Private Organizations as its partner organizations to facilitate and cooperate communities as required.
- 7.23 Programs under the Poverty Alleviation Fund II are being carried out with grant assistance of US\$ 100 million from the International Development Association - IDA, (World Bank) US\$ 4 million from International Fund for Agriculture Development (IFAD), and matching fund from the Government of Nepal.
- 7.24 Facilitation works are ongoing for implementation of social mobilization, institutional development of communities, and preparation of community projects subsequent to signing of agreement with 417 Partner Organizations (POs). Programs have been implemented identifying ultra poor and backward people in some Fund's program implemented districts through the medium of poverty pocket. These programs are being executed in cooperation of these POs. These POs, in addition to social mobilization, capacity development and skill development training, institutional development community organizations, availing technical support and facilitation in preparation and implementation of community projects, also assist for maintaining contact and communication between Communities and the Fund.
- 7.25 Of the target of providing Rs. 1861 million grants to, 3,923 community projects in the current fiscal year 2009/10,

Agreements have been signed for implementation of 4,177 income generation and community infrastructure development projects during this period and grants worth Rs. 1850 million have been provided. Likewise, POs have been provided the sum of Rs. 475.8 million to these projects implementation.

- 7.26 During the first eight months of the current fiscal year 2010/11, the Fund channelled Rs. 1090.2 million for the implementation of 1,871 income generation and community infrastructure projects upon signing agreements with Community Organizations against the target of channelling Rs. 2283 million to 2,193 community-based projects for this current fiscal year. Likewise, POs have been provided with Rs 410.2 million during this period.
- 7.27 Between the period from beginning of the project to mid-March 2011, programs are being carried out by 17,444 COs in 1,335 VDCs of 49 districts through which 565,221 targeted households have already been benefited. Target is set to implement such programs in 50 districts by the end of current fiscal year.
- 7.28 Among the beneficiaries, 30 percent are *Dalits*, and 28.0 percent ethnic groups. Similarly, a greater percentage woman 75.0 percent among the CO members proves the Fund's commitment towards the socially excluded segment of the population. In addition, it is making a meaningful effort to reach directly to the poor and backward communities as targeted by the Three-year Interim Plan.
- 7.29 Tribhuwan University had conducted effectiveness assessment survey on the Fund's program in 2010 incorporating 3,000 households of 200 VDCs. The survey showed positive indication on the consumption capacity of the poor, food security situation, incomes, social development, school going trend among the school children and women empowerment. The study revealed that the beneficiary's consumption capacity has increased by 31 percent at constant price while the consumption capacity of those who have received financial support from 6 to 19 months has increased by 44.4 percent. The study has also shown that the food availability in poor rose by 10 percent. Likewise, social analysis

study showed 82.5 percent growth in the average income of beneficiary households.

Table 7 (e): Description of Poverty Alleviation Fund Grants Disbursements

S.N.	Fiscal Year	Disbursed Amount (in Thousand)					
		Income Generation Program	Small Infrastructure Program	Innovative Program	Total		
					Total	IDA Grant	GoN Grant
1.	2004/05	132,612	64,110	3,395	200,117	183,638	16,479
2.	2005/06	155,084	90,730	138,070	383,883	317,597	66,286
3.	2006/07	404,332	76,444	499,113	979,889	979,889	-
4.	2007/08	1,274,572	230,652	46,451	1,551,675	1,551,675	-
5.	2008/09	971,458	261,798	27,640	1,260,896	1,260,520	376
6.	2009/10	1,388,289	426,561	35,749	1,850,599	1,850,599	-
Total		4,326,346	1,150,295	750,418	6,227,059	6,143,918	83,141
7	2010/11*	888,429	190,436	10,289	1,089,154	892,336	196,818
Grand Total		5,214,775	1,340,731	760,707	7,316,213	7,036,254	279,959

* First Eight Month

Source: Poverty Alleviation Fund

Youth Self-Employment Program

7.30 This Fund was established in fiscal year 2008/09 with the objective conducting self-employment and vocational training programs for unemployed youths by providing them collateral free periodic loans at concessional interest rate through banks and financial institutions for the implementation of self-employment programs and vocational training, with the optimum utilization of productive labour to bring change in the traditional production system and for speedy growth of the country.

7.31 The primary objectives of the youth self-employment program is to provide Rs. 200 thousand per person at the maximum as collateral free loan in an easy manner so that economically deprived group, women, Dalits, ethnic and conflict affected people, unemployed youths and people having traditional skills will have opportunity to get engaged in agricultural, vocational and service oriented activities thereby making their lifestyle much easier through their increased

income. Loans are provided through this Fund to invest especially on commercial farming, agro-forestry and rickshaws to run self-employment programs. Similarly, Loans will be provided to the people with traditional skills such as Kami, Damai, Sarki, Dhimal, Rajbamshi including conflict victims, deprived ethnic people and women. Likewise, this program aims at providing loan to impart trainings to interested entrepreneurs to run self-employment programs and giving high priority to the schemes that utilize skills and local resources.

- 7.32 This program includes farming and agriculture, operation of Rickshaws, Carts services, traditional skills bearing programs, one-village one production program, skill-oriented program making unemployed to self-employed, coordination program with government and non-government organizations, banks and financial institutions.

Box: 7 (b): Features of Youth Self-Employment Program

- Banks and Financial Institutions are required to deposit one third of their total loan flow amount in the Fund;
- Fund acquires amount as a loan at 5 percent interest rate per annum;
- Deposited amount shall be re-financed through Banks and Financial Institutions for self employment programs at 7 percent interest rate;
- Banks and Financial institutions shall invest the amount receiving from refinance loan at 12 percent interest rate;
- Collateral free periodic loans up-to Rs. 200 thousand shall be easily provided to the public;
- The loan recipient may get up to 60 percent of the interest as subsidy upon on-time repayment of both the principle and interest as prescribed by banks and financial institutions;
- All loan recipients under self-employment program are required to be insured mandatorily and for this, Fund shall provide insurance fee and free of cost vocational trainings as needed for the loan recipient.

- 7.33 The details programs implemented under this Fund through banks and financial institutions until mid May of the current fiscal year 2010/11 are as follows:

Table 7(f) : Details of Bank and Financial institutions mobilizing the youth Self-employment Program

S.No	Bank / Financial Institution	Areas of Activities (Working Areas)	Investment Area	Numbers*	Investment ⁴	Remarks
1.	Kist Bank	All the Terai Districts, Programm-Operated Dhangadhi & Nepalgunj.	Rishaw	5000	10	2 years
2.	Small Farmer Development Bank	Birtamoda, Ithari, Janakpur, Heutada, Gaguri, Pokhara, Butwal, Nepalgunj, Other Places of 40 Districts.	Agriculture, Livestock, small & Micro Enterprises, Self-employment Business.	10000	100	3 years
3.	NDED Development Bank	Kavre.	Vegetables, Potato Farming, Dairy Production.	472	5	1 year
4.	Jyoti Bikash Bank	Khotang.	Vegetables, Dairy Product, Livestock.	700	5	2 years
5.	First Micro Development Bank	Chitwan. Makawanpura.	Micro Business Vegetables, Dairy Product, Livestock.	375	3	1 year
6.	Rising Development Bank	Chitwan, Navalparasi.	Agriculture, Sewing, livestock.	100	1	1 year
7.	Mid- western Rural Development Bank	Banke, Bardia Dang, Surkhet Dailekh, Jumla, Salyan, Pyuthan, Rolpa. Rukum.	Agriculture, Dairy.	300	2	1 year
8.	Eastern Rural Development Bank	Jhapa, Morang, Sunsari, Siraha, Saptari, Udayapur.	Cottage Industry, Agriculture, Livestock.	220	2	1 year
9.	Hamro Bikash Bank	Nuwakot.	Livestock, Dairy Product, Fishary.	100	1	1 year
10.	Prime Commercial Bank	Gorkha, Kaski.	Vegetables, Livestock.	500	5	2 years
11.	Mega Bank	Sarlahi.	Sugarcane Farming.	200	2	1 year
12.	Janata Bank	Rautahat.	Sugarcane Farming.	200	2	1 year
13.	Mission Development Bank	Rupandehi, Nawalparasi, Kapilvastu.	Agriculture, Livestock, Poltry firm, Fishary.	100	1	1 year
14.	Tourism Development Bank	Dhading.	Fruits, Agricultures, Fishary, Vegetables.	200	2	1 year
15.	Western-rural Development	14 Western Districts excluding Manang & Mustang.	Agricultures, Livestock, Service & Cottage Industry.	300	3	1 year
16.	Nepal Saving & Credit Cooperative Association	Dhading, Kavre, Dolakha, Morang.	Agricultures, Livestock, Small & Micro Enterprises, Self employment.	500	5	1 year

*Nos. of Self-employment (estimated), ⁴Investment in Ten Million.

Source Youth and Micro-enterprises Self-employment Fund, MOF

Employment

- 7.34 According to Nepal Living Standard Survey 2004, 74.3 percent of the population of 15 years of age and above were engaged in labour force while 2.9 percent of them were unemployed and 22.8 percent remained inactive. Likewise, of the total labour force, agriculture sector comprises 70.6 percent while non-agriculture sector comprises the remaining 29.4 percent. Similarly, labour force is expected to grow by 400,000 annually in labour market.
- 7.35 As per the findings of Nepal Labour Force Survey 2008 (NLFS) conducted to study employment and poverty alleviation under the financial and technical support of United Nation Development Fund and International Labour Organization by picking 16,000 household samples, persons working at least an hour a week assumed as employed, and 15 years and above as a labour force. According to the Survey findings, labour force participation rate is 83.0 percent; rate of employment is 97.9 percent or 83 percent economically active with rest 17 percent remaining inactive; 2.1 percent unemployed, and annual employment growth rate is 2.45 percent. As compared to the NLFS I (1999/2000) decline in labour participation ratio is noticed meaning the dependent population is in rise but the obligations and liabilities of economically active population is increasing. Likewise, out of the employed total, 16.9 percent are engaged in formal salaried/wage earning activities, while the remaining 83.1 percent are dependent on self-employment. Of the total employed in the age category of 15 years of age and above, 73.9 percent are employed in the agriculture sector, with the remaining 26.1 percent in the non-agriculture sector. Likewise, fully employed population is 66.8 percent with under-used employment rate is 30.0 percent, and wage discrepancy between male and female workers persists. The Survey findings are given in the following Table:

Table 7 (g): Nepal Labour Force Survey (NLFS) 2008 Findings

S.N.	Description	Percent
1.	Labour force participation rate	83.4
2.	Economically Active Population Rate	83.0
3.	Inactive Population Rate	17.0
4.	Employment Rate	97.9
5.	Unemployment Rate	2.1

S.N.	Description	Percent
6.	Employment Growth Rate	2.45
7.	Population Employed in the formal sector	16.9
8.	Self Employed Population	83.1
9.	Population Engaged in Agriculture Sector	73.9
10.	Population Engaged in non-Agriculture Sector	26.1
11.	Fully Employed Population	66.8
12.	Under-used Labour Rate	30.0

Source: Nepal Labour Force Survey, 2008; Central Bureau of Statistics, NPC.

- 7.36 The Foreign Employment Act, 2008 has been enacted for promoting the business of foreign employment while safeguarding the rights and interests of workers and foreign employment entrepreneurs by making it a safe, well managed, and dignified profession. Foreign Employment Department has is carrying out foreign employment related functions like rigorously curbing foreign employment related frauds in collaboration with the private sector; ensuring that conditions of contracts are enforced through effective monitoring in coordination with diplomatic missions abroad and see whether employees get the job and wages as stipulated in the contract. In addition, it is also responsible to make the employment agencies pay compensation to the persons made to return being stranded in foreign countries; strictly enforce the system of imparting orientation training before leaving for foreign employment; and arranging necessary facilitation to the outgoing and returning workers at the International Airport.
- 7.37 As per the information made available by Foreign Employment Department, a total of 1,964,383 workers have gone to different countries for foreign employment during the first eight months of the current fiscal year, 2010/11. The number of people visiting abroad through unauthorized means taking undue advantage of open border with India is assumed to remain at large. A separate Foreign Employment Department is established on 31 December 2008 to look after foreign employment related activities. An Employment Permit System (EPS), Korea Section is established in the Department and work is being carried out accordingly to send Nepalese workers to Korea under such (EPS) system. Beginning the fiscal year 2009/10, a separate Japan International Trading Corporation Organization

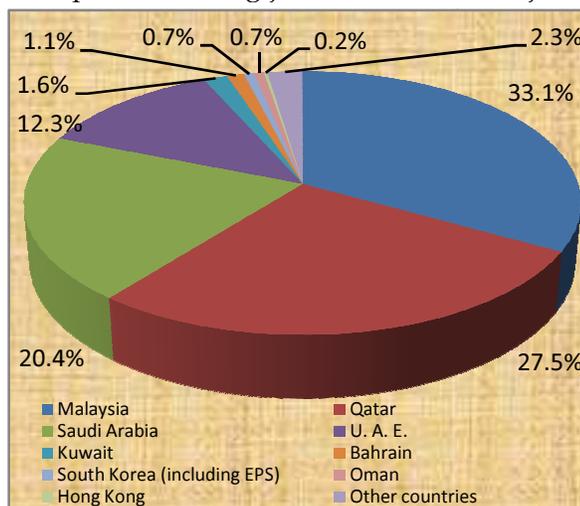
(JITCO) unit is formed for sending industrial trainees and Interns to Japan. A total of 210,663 workers have gone for foreign employment until mid-March of the current fiscal year, 2010/11 which is higher by 37,424 as compared to the same period of the previous fiscal year. Total number and country-wise description of workers gone abroad for employment is given below:

Table 7 (h): Country-wise employment situation

S.N.	Country/Area	Total	Total	The number by	Grand
1	Malaysia	464310	113500	72930	650740
2	Qatar	427711	57086	56119	540916
3	Saudi Arabia	296380	63391	40791	400562
4	U. A. E.	183441	33290	25244	241975
5	Kuwait	16197	8145	7165	31507
6	Bahrain	15299	4234	2902	22435
7	South Korea (including EPS)	9475	2532	1207	13214
8	Oman	8217	3285	1568	13070
9	Hong Kong	3968	102	60	4130
10	Other countries	34628	8529	2677	45834
	Total	1459626	294094	210663	1964383

Source: Department of Foreign Employment

7.38 Observation of the trend of Nepalese seeking jobs abroad, the majority of them, i.e. 650740 (33.12 percent) has gone to Malaysia followed by Qatar with 540,916 (27.5 percent). The third destination is Saudi Arabia with 400,562 (20.4 percent). Similarly, 241,975 (12.32 percent) to United Arab Emirates (UAE), 31,507 (1.60 percent) to Kuwait, 22,435 (1.14 percent) to Bahrain, 13,214 (0.67 percent) including EPS to South Korea, 13,070 (0.66) to Oman, 4,130 (0.21 percent) to Hong Kong, and 45,834 (2.34 percent) Nepalese have gone to other countries for employment.



Real Wage Rate

7.39 Wage Rate Index being higher than the consumer inflation, real wages remained positive than inflation rate. Consumer inflation rates during the first eight months of the previous fiscal year and current fiscal year (2009/10-2010/11) rose by 9.9 percent and 10.7 percent respectively while wage rate index rose by 13.6 percent and 25.5 percent during the same periods. Despite the fact that real wage tends to shrink with rising inflation, positive real wages has raised the workers' income level thereby helping reduce their poverty. Besides, the wage rate index with 73 percent weightage in the overall national salary and wages index, and agricultural labours occupying 40 percent share with higher real wage rate, especially the income level of agricultural labours has increased helping reduce their poverty.

Employment Information

7.40 Under the Department of Labour, Ministry of Labour and Transport, fourteen employment information centres have been established which have already started collecting the descriptions of unemployed people. As of mid-March of the current fiscal year 2010/11, descriptions of 27,154 unemployed people have been collected.

8. Agriculture, Industry, Commerce and Tourism

Agriculture

- 8.1 Given the role of agriculture in the country's economy, employment generation opportunities at rural level in agriculture sector, overall food security that the country receives from this sector and the present situation of the country where it awaits commercialization of agriculture, development of this sector has become an inevitable necessity of today. Based on available means and resources, this sector is accorded high priority in several periodic plans of the past. Special attention has been paid to this sector's implementation aspect by formulating relevant policies for its further development.

Box 8(a): Key Activities of Agriculture Sector

- 1. Mission Program:** With the objective of substituting import, programs on increasing production and promotion of onion, maize, lemon, fish and oilseeds are in operation since FY 2007/08. This program is operating in Sunsari, Sarlahi, Rautahat, Bara, Kavre, Chitwan, Nawalparasi, Rupandehi and Dang for maize; Saptari, Sarlahi, Siraha, Dhanusha, Bara, Parsa, Rupandehi, Banke and Bardia for onion; Sarlahi, Chitwan, Lamjung, Nawalparasi, Kapilvastu, Pyuthan, Dang, Surkhet, Banke and Bardia for oilseeds; and Tehrathum, Dhankuta, Bhojpur and Makwanpur for lemon. Positive impacts of this program have been witnessed in production and productivity, as it transfers advance agrotechnologies to the farmers.
- 2. Cooperative Poultry and Pig Farming Program:** This program initiated in FY 2008/09 in four districts targeting Dalits and socially poor and backward castes, ethnicities, women, squatters, marginalized and freed bonded laborers and landless farmers, has expanded to 26 districts (Kailali, Bardia, Banke, Dang, Saptari, Jhapa, Morang, Sarlahi, Udaypur, Ramechhap, Dhading, Sindhupalchok, Syangja, Dolakha, Kavre, Dhanusha, Bhaktapur, Nawalparasi, Lamjung, Parbat, Sindhuli, Parsa, Makwanpur, Mahottari and Baglung. This program has developed sensitivity toward cooperatives amongst farmers positively influencing the increment in income generating activities.

3. One Village, One Product: The one village, one product program based on public-private partnership concept has achieved remarkable success in fifth year of its operation. This program is in implementation in Ramechhap and Sindhuli, Nuwakot and Rasuwa, Bardia, Siraha, and Bhaktapur focusing on tangerene, rainbow trout fish, bel and lapsi production programs, and an agro-tourism program also is in operation in Lekhnath VDC of Kaski district. Similarly, Simbidian orchid, coffee and lokta (Nepali paper) programs are in operation respectively in Lalitpur, Syangja and Dolakha.

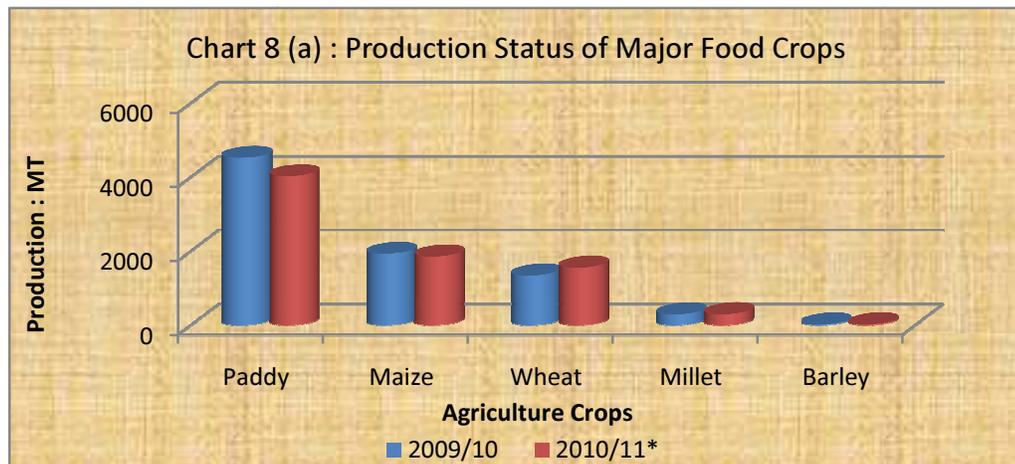
Source: Ministry of Agriculture and Cooperatives

Production Status

- 8.2 Production of major food crops (rice, wheat, maize, millet, barley, buckwheat) is estimated to increase by 800,000 MT or 10.36 percent in FY 2010/11 to become 8,566,000 MT from 7,762,000 MT in previous fiscal year 2009/10. The area covered by food crops is estimated to increase by 1.89 percent covering 3,447,000 hectares. Buckwheat has also been included as a food crop from this year onwards. This is just a preliminary estimate as wheat and barley were not harvested at the time of assessment.
- 8.3 Though oilseed, tobacco, jute, sugarcane, potato, etc. were generally considered as cash crops, all the crops that are sold and distributed in the market are considered as cash crops these days. For instance, green maize cobs (or hariyo makai in Nepali) can also be taken as a cash crop. However, production status of the traditional cash crops is as below this year: total area covered by cash crops was recorded around 468,000 hectares, production 5,719,000 MT, and productivity 12 MT per hectare. Compared to last year, 2.1 percent increase in the area under cultivation, 9.47 percent in production, and 7.01 percent in productivity of such crops were recorded.
- 8.4 According to preliminary estimates, production of lentils will increase by 1.23 percent by reaching 266,000 MT as compared to the previous year. Likewise, fruits production is expected to rise by 2.84 percent to 725,000 MT as compared to previous year's 705,000 MT. Similarly, green vegetable production is expected to climb up by 6.66 percent reaching 3,201,000 MT from 3,001,000 MT in the previous fiscal year.
- 8.5 In FY 2009/10, as a share to the production of major agro-produces, food crops comprised 44.94 percent, cash crops 30.25 percent and other crops 24.81 percent. In FY 2010/11, for the same produces, the figures are estimated to be 45.44 percent, 30.34 percent and 24.22 percent, respectively.

Production Status of Major Food Crops

8.6 **Paddy:** Production of paddy is preliminarily estimated to increase by 11 percent or around 436,000 MT and reach 4,460,000 MT in this fiscal year from the previous year's 4,024,000 MT. Major reason for such increased paddy production is attributed to the sustained monsoon season. Monsoon, which generally begins on June 10, began on June 17 in 2010; though totally active rain began in the end of July and beginning of August, monsoon remained active throughout September. Owing to these various reasons, paddy could not be planted in some 60,000 hectares of total paddy cultivable area. Despite all these factors, the total paddy cultivation area increased by 1 percent or around 15,000 hectares compared to the previous year. Since productivity of paddy has gone up, its overall production, too, has climbed up. Drought, flood and landslide and low rainfall have cast negative impact on some farmer families and paddy farming in some areas of Saptari, Siraha, Dhanusha, Mahottari, Rautahat, Panchthar, Ramechhap, Tehrathum and Okhaldhunga. Except in the districts as mentioned above, 25 districts have recorded paddy production this year at par with last year's production and, paddy production has gone up in all the remaining districts.



*Preliminary Estimate

8.7 **Maize:** Maize, the second food crop after paddy from production point of view, is preliminarily estimated to record a production rise of around 11.5 percent this year to reach 2,067,000 MT from last year's 1,855,000 MT. Maize cultivation area, too, has recorded a remarkable increase (of around 4 percent) this year. Though delay in monsoon rain coupled with various diseases brought the maize production down, increase in the cultivation area of off-season and spring maize contributed to the overall increase in production. It is also preliminarily estimated that maize's

productivity, the major reason for production increase, would rise by some 8 percent to yield 2,281 kg per hectare.

- 8.8 **Millet:** Millet production is preliminarily expected to rise by 1 percent in the current fiscal year from last year's 299,000 MT to 303,000 MT. Since millet is now being cultivated in areas of Terai and hills where other crops were previously planted, its production area has increased by 0.5 percent. As there is no practice of using technologies such as advanced seeds and fertilizers in millet farming, no significant rise in production has been recorded despite increase in cultivation area.
- 8.9 **Buckwheat:** Buckwheat which is a major food crop in some Himalayan areas has been included in national statistics from this year onwards. As per the data, buckwheat is cultivated in some 37 districts of the country. Area under this crop is estimated at 10,304 hectare with production of 8,841 MT, and productivity of 858 kg per hectare.
- 8.10 **Wheat:** As compared to the previous fiscal year, wheat is preliminarily estimated to record a production rise of around 9 percent to record 1,698,000 MT this year. With frequent winter rain and snowfall, wheat is expected to record significant increase in production. These estimates are preliminary as wheat was not harvested at the time of preparing this year's evaluation.
- 8.11 **Barley:** Barley is preliminary estimated to record 5 percent increase in cultivation area and 7 percent rise in production this year. Winter rain and frequent snowfall were the main reasons for production rise this year. These estimates are preliminary as barley was not harvested at the time of preparing this year's assessment.

Production Status of Cash Crops

- 8.12 **Sugarcane:** Cultivation area of sugarcane, a major industrial crop, increased by 7 percent this year totaling 65,000 hectare. Preliminary estimate says production will also increase by 13 percent and reach 2,932,000 MT this year. In the past, farmers were discouraged to continue with sugarcane farming as it was difficult even to get back production cost owing to problems in the sales of sugarcane, but now farmers are again attracted to sugarcane farming due mainly to excessive rise in sugar consumption and its price. Such a trend has led to some increase in cultivation area, production and productivity of sugarcane.
- 8.13 **Oilseeds:** Production of oilseeds (dark and yellow mustards (*sarsiyu*) sunflower, etc) is expected to rise by 17 percent reaching 175,000 MT in

the current fiscal year. Cultivation area, too, is preliminarily estimated to go up by 3 percent reaching 205,500 hectare. It is estimated that increase in sunflower production in the past few years has caused overall production of oilseeds.

- 8.14 **Potato:** As per the preliminary estimate, potato production will increase by around 5.6 percent reaching 2,597,000 MT. There will be a general increase of 2 percent in cultivation area totaling 186,000 hectare with productivity of 13,945 kg per hectare. Except last year, potato productivity has been significantly rising for the past few years. With all efforts on to be the key cash crop, potato production is estimated to record an ordinary growth this year. The seasonal market price of potato too, has increased a lot in the past few years.
- 8.15 **Tobacco:** Tobacco production is preliminarily estimated to decrease by 3.6 percent to settle at 2,400 MT this year as compared to last year. For the past few years, tobacco production and cultivation area are on a decrease. Decrease in cultivation area is estimated to continue this year as well to shrink to an area of 1,600 hectare.
- 8.16 **Jute:** Jute, grown only in 6 districts (Jhapa, Morang, Sunsari, Saptari, Siraha, Udaypur), is estimated to have lost cultivation area by 20 percent, production by 40 percent and productivity by 23 percent this year. Problem in the availability of jute seeds these days is attributed as the reason for a massive decline in jute cultivation area, production and productivity.
- 8.17 **Pulses:** The total production of pulses (lentils, black gram, pigeon peas, gram, soybean, and others) in this FY is expected to increase by around 1.24 percent to become 266,000 MT. With an ordinary growth in cultivation area, it is expected to become 325,000 hectare. Lentils which is grown in non-irrigated area, recorded a production rise owing to winter rainfall; however the low production of pigeon peas, gram, peas, etc. led to the negligible growth in overall pulses production. The production of summer pulses such as black gram, soybean, beans, etc. has gone up this year.

Production Status of Other Crops

- 8.18 **Fruits:** Fruits production is expected to rise from last year's 705,000 MT to 725,000 MT this year. Also expected is an ordinary growth in cultivation area from 70,653 hectare to 70,932 hectare. Increase in commercial banana farming and massive rise in orange production are

also the reasons that are estimated to contribute to overall fruits production. Mango production though, is estimated to decrease a little as compared to the previous year.

Table 8 (a): Productivity of Agricultural Crops

(Kg/Ha.)

Crops	Fiscal years	
	2009/10	2010/11*
Food crops	2295	2485
Paddy	2716	2981
Maize	2119	2291
Wheat	2129	2305
Millet	1116	1122
Barley	1037	1060
Lentil Crop	821	815
Horticultural Crops		
Potatoes	13472	13945
Vegetables	12902	13114
Fruits	9978	10221

* Preliminary Estimate

Source: Ministry of Agriculture and cooperatives, Agriculture Business Promotion and Statistics Division

- 8.19 **Vegetables:** Vegetable production this year is estimated to grow by around 7 percent from last year's 3,000,000 MT to 3,200,000 MT this year. The area covered by vegetable farming is estimated to remain 244,000 hectare. Due to the growing trend of off-season vegetable farming as a key cash crop, its cultivation area and production are continually growing. It is estimated that this has helped notably uplifting the living standard of farmers-involved in this area.
- 8.20 **Spices:** In FY 2010/11, except cardamom, the production and cultivation area of other spices have gone up. Among the spices, production of ginger has risen by 26 percent, garlic by 11 percent, turmeric by 12 percent and chilly by 7 percent. Accordingly, cultivation area and production ratio of these crops have also increased. Cardamom - a major export crop, witnessed a decline of around 4 percent in area and around 26 percent in production due to a spotty disease (*chhirke-phurke* in Nepali). As the production is down, price of cardamom has swelled up excessively.
- 8.21 **Tea, Coffee and Cotton:** Among the industrial crops of tea, coffee and cotton, coffee production has increased by 4 percent and tea by around 3 percent. Cotton farming was done in Dang, Banke and Bardia in around

148 hectare producing 110 MT cotton. Farmers are found attracted towards coffee especially because of its export to third country.

- 8.22 **Honey:** The number of beehives is expected to remain almost the same as last year, i.e., 125,000 units. Total honey production, however, is expected to rise by 9 percent to 1,200 MT this year. Despite increase in modern bee species such as Apis Cerana and Apis Mellifera, the decline in the beehives of wild bees like Mudhe and Khope has been observed.
- 8.23 **Floriculture:** About 600 nurseries in the country and flower shops in Kathmandu valley are estimated to have carried out the flower transaction of about Rs. 660 million. Such increase in transaction was due mainly to inflation in flower prices. The value of transactions in the previous fiscal year is estimated at nearly Rs 560 million.
- 8.24 **Mushroom:** Mushroom, which is getting popular mostly in urban areas, is estimated to record a production of 1,300 MT, comprising various species, this year. Mushroom production in the previous year was 1,100 MT.
- 8.25 **Silk Cocoon:** Silk cocoon production is expected to rise slightly as compared to last year to record a production of 38 MT in the current FY.

Production Status of Animal Products

Number of Animals/Birds

- 8.26 The number of cattle heads as compared to previous fiscal year is estimated to have increased by 0.37 percent in the current FY 2010/11, reaching 7,226,000 in total. Among all cattle, milch cows constitute 14 percent, i.e. 979,000 in number and its growth rate is 2.56 percent. Similarly, the number of buffaloes (male and female) is estimated to have reached 4,995,000 with a growth of around 3.28 percent. Among all buffaloes, milch buffaloes constitute 25 percent, i.e. 1,292,000 in number with a growth of 3.19 percent as compared to last fiscal year.
- 8.27 The number of sheep (male and female) is expected to be 805,000 and goats (male and female) 9,186,000. It is a growth of 0.46 and 3.87 percent respectively, as compared to last year. The number of pigs is expected to rise by 2.7 percent to reach 1,093,000 this year.
- 8.28 The number of fowls is expected to swell up by 53 percent from last year's 25,700,000 to 39,500,000 this year.
- 8.29 The number of duck is estimated to decline by 0.45 percent to settle at 378,000. Among the fowls, the number of egg layers is estimated to be

7,478,000 while among the ducks, the number of egg layers is estimated to be 175,000 – an increase of 2.58 and a decrease of 0.08 percent respectively, as compared to last year.

- 8.30 **Milk:** In the current FY, production of cow and buffalo milk (excluding Yak) is estimated to reach around 1,556,000 MT, which is 3.94 percent more than last year. Of the total milk produced, the share of cow and buffalo is estimated at 441,000 MT and 1,114,000 MT respectively.
- 8.31 **Meat:** Total meat production is estimated to increase by 10.57 percent to reach 276,000 MT in the current FY. Of the total meat produced, share of buffalo (male and female) is estimated at 167,000 MT, sheep (lamb) 2,713 MT, goat (non-castrated and castrated) 52,262 MT, pig 17,000 MT, fowl 36,052 MT and duck 224 MT. Previously, fowl population was taken only from the District Livestock Service Office; however from this year onwards, an improvised counting method was applied by the Department of Livestock Services bringing the broiler chicken, that is produced around 4 times a year, into counting. This was the main reason for the increase in fowl meat production in particular and in general, for the rise in overall meat production.
- 8.32 **Eggs:** In the current FY, egg production is estimated to climb up by 8.64 percent from 648.1 million units last year to 704.1 million units this year. Of it, the share of fowl egg is estimated to be 690.6 million units and that of duck eggs 13.4 million units.
- 8.33 **Fish:** Total fish production in the current FY is expected to rise by 4.16 percent to 51,080 MT. The fast-growing fish business recorded a negative growth two years ago but slightly grew last year and this year. Of the total fish produced, around 50 percent is estimated to have produced from fish ponds while the rest from other natural sources.
- 8.34 **Wool:** Wool production from sheep (male and female) is expected to grow marginally from 582,447 MT last year to 587,090 MT this year.

Impact of Weather

- 8.35 Monsoon that generally starts on June 10 was delayed by one week this year and though it was weak from mid-July to mid-August (Shrawan), it started becoming active from the end of mid-August. By the end of September and beginning of October (mid-Ashwin), adequate rainfall was received resulting in to good paddy crops in most parts of the country. However, east and mid-Terai districts of Saptari, Siraha, Dhanusha and Mahottari and hilly districts of Tehrathum, Panchthar,

Okhaldhunga and Ramechhap, etc. could not perform plantation in all cultivation area. Despite this, the overall paddy cultivation area and productivity both have surged up this year resulting in to increase in overall paddy production. According to various records of rain measurement units under the Department of Hydrology & Meteorology, 75 percent rainfall was recorded only in June, 115 percent in July, 122 percent in August and 114 percent in September. The rainfall was below average only in June; during the entire evaluation period, the amount of rainfall was recorded more than average and the distribution of rainfall, too, was good - these all factors thus left a positive impact on the overall production of crops like paddy, maize, etc.

Impact of Natural Disaster

8.36 Summer crops are generally affected by problems like flood, landslide, inundation, river-encroachment, etc.; however there was very negligible impact of these problems this year. Some districts, instead, were affected by very low rainfall. Only 1,100 hectare of land was destroyed by inundation, river-encroachment and sand. Likewise, paddy could not be planted in around 60,000 hectare due to draught and low rainfall. The destruction of summer crops caused by flood, landslide and inundation, etc. has been tabled here below:

Table 8(b) : Area Affected by Natural Disaster

(in Hectare)

Affected Agricultural Products	FY 2010*	FY 2009**	FY 2008****	FY 2007***	FY 2006**	FY 2005*	FY 2004*
Paddy	567	92000	30873	88800	120000	3585	116505
Maize	563	1700	549	4271	47	20	1293
Millet	13	0	3.2	1451	0	419	500
Total	1143	93700	31425.2	94522	120047	4024	118298

*Flood & Landslide, **Flood, Landslide and Draught, *** Flood & Landslide and inundation****Flood, Landslide & inundation and cutting

8.37 Around 400 hectare paddy crops were inundated and more than 100 hectare was encroached by river and/or covered by river sand. Research studies have proved that inundation of paddy field for a short-period does not have huge impact in production. Likewise, the destructions to maize crops were caused by hurricane in 532 hectare; and in 31 hectare, it was landslide sweeping away the land and/or sand covering the crops area. The destructions caused by natural disaster are very low this year compared to past few years. Though the winter cold wave was witnessed in various parts of Terai, it could have very less impact on crops, thanks to the rainfalls received from time to time.

Chemical Fertilizers and Improved Seeds

Chemical Fertilizers

- 8.38 Excessive growth has been witnessed in the sales and use of fertilizers in the current fiscal year as compared to previous fiscal year. Until mid-March, a total of 29,604 MT chemical fertilizers were used including 21,467 MT Nitrogen. In the same period of the previous fiscal year, this amount was 24,259 MT including 18,372 MT Nitrogen. In the previous fiscal year, a total of 42,178 MT chemical fertilizers were used. The sales of chemical fertilizers increased this year as the Government of Nepal provisioned limited subsidies on the purchase of chemical fertilizers from last year onwards. However, very less amount of fertilizer is being used in the country, if various studies and the target set by the long-term agriculture plan are taken into consideration.
- 8.39 In the first eight months of the current FY 2010/11, the National Seeds Company Limited has sold and distributed 3,609 MT seeds of various crops. In the same period previous fiscal year, this amount was 3,516 MT. In the entire previous fiscal year (2009/10), a total of 4,337 MT seeds were sold out, of which wheat seeds had a share of 3,487 MT. In the first eight months of the current FY, the sold amount of wheat and paddy seeds – two crops leading the sales, stood at 3,407 MT and 203 MT, respectively.

Irrigation

- 8.40 Irrigation facilities have expanded in FY 2009/10 as compared to FY 2008/09. Of the total 25,850 hectare command area in FY 2008/09, 2,961 hectare was in the hills and 22,889 hectare in Terai. Of the total 30,718 hectare command area in 2009/10; 5,304 hectare was in the hills and 25,414 hectare in Terai. It is a growth of 18.83 percent in the command area in FY 2009/10 as compared to FY 2008/09.

"People's Embankment Program" under the Water-Induced Disaster Control Program

- 8.41 This program has been mainly working in areas like flood, landslide, river-bank erosion, sedimentation flow and inundation. Among the programs in operation, small and large river-bank erosion control works are being performed under the river training program. People's embankment program began in FY 2009/10 aimed at carrying out training of 10 rivers in the Terai region. In the current FY 2010/11, two more rivers were added to make the figure 12 in total. The program is being implemented after designing a Master Plan aimed to study the impact of rivers from the foothills to Nepal-India border and training

and regulating the rivers gradually on a priority basis. A policy has been adopted that would combine engineering and bio-engineering technologies and carry out implementation.

Technical skills enhancement, awareness raising and various studies and activities are being carried out in areas of water-induced disaster reduction activities under the disaster reduction assistance program. Embankments are being made in Bagmati, Kamala and Lalbakaiya with Indian assistance. Under the structure protection program, protecting physical structures of Sindhuli-Bardibas Highway from landslide and sedimentation flow, soil erosion control, and landslide control programs have been completed.

Agricultural Credit

- 8.42 In FY 2009/10, the Agriculture Development Bank Ltd. disbursed a loan of Rs 15.24 billion and recovered Rs 14.92 billion. By the end of FY 2009/10, Rs 39.38 billion remained as arrears. In the first eight months of FY 2009/10, credit investment stood at Rs 13.68 billion while Rs 13.13 billion loan was recovered. During this period, the arrear totaled to Rs 39.4 billion. In the first eight months of FY 2010/11, credit investment stood at Rs 11.31 billion, Rs 10.62 billion loan was recovered and the arrears stood at Rs 40.31 billion.

Small Farmers Development Bank Ltd. (SFDB)

- 8.43 SFDB is involved in uplifting the economic and social status of small farmers and deprived people in the rural parts of the country. It is involved in empowering small farmers and the ultra poor through implementation of microfinance program and promotion of co-operatives in villages for the institutional development of stakeholders. Social mobilization, livestock insurance program, small farmers' institutional development program and micro-finance program are the major activities of SFDB. In the first eight months of FY 2009/10, a total of 232 cooperative organizations of 40 districts were affiliated with the Bank. For the same period in FY 2010/11, 11 more cooperatives were affiliated with the Bank, thus bringing the total number of cooperatives affiliated with the Bank to 243. With this, a total of 170,467 small farmer families, i.e. around 886,428 individuals affiliated with these cooperatives have been reaping the benefits. In the first eight months of FY 2010/11, Rs 933.9 million credit was disbursed, principal recovery stood at Rs 627.1 million

while interest recovery was recorded Rs 90.2 million. With the objective of substituting import by promoting meat-oriented livestock business and generating income for poor and small farmers, the Bank has started meat-oriented livestock credit program with Rs 1 billion credit assistance of the Government of Nepal. A target has been set that a total of 13,000 small farmer families will benefit from this program. Accordingly, the Bank has been preparing to start a youth and small entrepreneur self-employment credit program also.

- 8.44 From the Livestock Insurance Program operated with the subsidy assistance of the Government of Nepal, a total of 1,480 units of livestock worth Rs 25.8 million were insured in the first eight months of FY 2009/10. For the same period in FY 2010/11, a total of 2,924 units of livestock worth Rs 54.8 million were insured through local organizations.
- 8.45 The Small Farmer Institutional (Following) Program, which started in FY 2007/08 with the financial assistance of the Government of Nepal, has been expanded to additional 12 VDCs in the current FY 2010/11. Similarly, the Bank has embraced the policy of massively expanding micro-finance service to small farmers and poor people through capable micro-financing institutions. With the assistance of Asian Development Bank under the Rural Financial Sector Development Cluster Program, the tasks of restructuring the Bank as well as expanding micro-finance service in nine additional mountain and hilly districts have also been taken ahead.
- 8.46 In line with the objective of the Bank's establishment and to provision that the ownership of the majority shares remain with the small farmers' cooperative organizations, the Government of Nepal has already sold 200,000 units of shares it owned to the small farmers' cooperative organizations. As a result, the extent of ownership shares of 231 small farmers' cooperative organizations in the Bank has reached 60 percent.

Table 8(c): Description of loan disbursement and recovery of Small Farmers Development Bank Ltd.

(Rs. in million)

S.N.	Description	Fiscal Year								First eight months	
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10	2010/11
1.	Approved Loan		766.3	575.0	343.3	704.2	1,013.8	1,076.0	1080.4	642.0	818.5

2.	Loan Disbursement	107.1	489.3	537.8	641.3	1,077.0	912.3	634.9	955.8	681.6	933.9
3.	Recovery	92.1	261.8	380.0	541.7	657.3	846.4	1,327.6	592.4	337.9	627.1
4.	Outstanding Loan	474.9	702.4	860.2	959.8	1,379.5	1,445.4	752.7	1116.1	1,096.4	1422.8

*Estimate

Source: Small Farmers' development Bank

Nepal Agriculture Research Council (NARC)

8.47 In consideration with food security and food sovereignty, NARC has given continuity to the long-term agricultural plan targeted programs like crops, horticulture, industrial and exportable crops, livestock and research along with foundation seed production and genetic source conservation. The Council has been operating programs on productivity, production and processing technologies of food, pulses and oilseeds crops; bio and environment-friendly techniques for minimizing damages caused by diseases, insects, mice and grass to disease and insect resistance species of crops; micro-nutrients and soil fertility management technologies; gene conservation technologies and researches on socio-economic and market management aspects. On horticulture, studies and researches are conducted on identification and development of appropriate species of vegetable and fruit crops for seasonal and off-season farming, organic farming technology, bio-control of disease and insects and improved post harvest technology for drying and storage etc. Studies and researches are going on about identification of appropriate crops, organic farming, participatory variety selection, organic and environment-friendly management of diseases and insects, qualitative processing and market management so as to ensure special place for industrial and exportable crops like sugarcane, tea, coffee, cardamom, jute, cotton, ginger, turmeric, mushroom and medicinal herbs, etc. Similarly, programs on continuation of research about improving varieties of livestock and birds, their feed, pasture, grass crops and livestock health, identification, conservation and use of genetic characters of different local livestock and birds; and Elite Herd Maintenance program, etc. are also in operation. Studies and researches on expansion of commercial farming of Rainbow Trout Fish; identification, conservation and promotion of various local fish's bio-diversity, and paddy field and cage aquaculture, etc. are also going on. Under genetic source conservation program, more than 10,500 species and sub-species of plants found in Nepal have been preserved. The construction of a Gene Bank building has been

completed. In the previous fiscal year, the target of producing 710 MT source seeds exceeded slightly reaching 715 MT. In the first six months of the current FY, 607 MT has already been produced against the target of producing 800 MT in this year. Studies are going on to establish an accredited university under the Council. Concurrently, the concept of Modern Technology Village has also been put forth.

Status of Imports and Exports of Agro-Products

8.48 According to SITC group classification, food items, live animals, tobacco and beverages worth Rs 9.02 billion were exported during the first eight months of FY 2009/10. In the same period of the current FY 2010/11, export is estimated to have increased by 17.2 percent worth Rs 10.55 billion. In the previous fiscal year, food items and live animals worth Rs 13.16 billion and tobacco and beverages worth Rs 18.4 million were exported. In the same fiscal year, food items and live animals worth Rs 23.77 billion and tobacco and beverages worth Rs 2.85 billion were imported. In the first eight months of the current FY 2010/11, imports of food items and beverages shot up by 32.9 percent to reach Rs 19.75 billion. As compared to the same period of previous fiscal year, the imports of tobacco and beverages this year recorded a decline of 23.6 percent or Rs 1.42 billion. During the review period, trade deficit in agro-based products (i.e., food items and live animals, tobacco and beverages) totaled Rs 10.62 billion.

Cooperative Institutions

8.49 Engaging the cooperative community in business is considered an important method in social economy. The trend of starting cooperative institutions so as to engage in business areas such as, savings and credit, dairy, fair price shop, tea, coffee, vegetable and fruits, food crops, honey, sugarcane, tangarene (junar), herb, health, tourism and communication, etc, is ever increasing. The number of members involved in cooperatives has crossed 2.9 million, of which the number of women alone is 40 percent. By the end of mid-April 2010, the number of cooperatives had reached nearly 23,000. Among them, more than 2,500 cooperatives were solely operated by women groups – it distinctly shows that the development of cooperatives also contributes to women empowerment. It is clearly realized that the attraction towards cooperatives is growing in backward areas and communities. More than 50,000 individuals have received direct employment in this sector while more than 500,000 individuals have been indirectly employed in this

sector. As more than Rs 140 billion capital has been mobilized under all cooperatives across the country, this has significantly contributed to the promotion of trade, industry and agro-production from villages to cities.

- 8.50 Cooperative sector has shown potentials for the promotion of large, medium and small scale industries. By the sustainable use of areas possessing competitive advantages such as, tourism, water resources and forest; cooperative institutions can play a great role for the construction of an independent and strong national economy. With the development of industriousness amongst citizens involved in cooperatives, productivity has significantly swelled up, self-employment culture has emerged and contributions are made towards poverty alleviation as well.
- 8.51 The Department of Cooperatives has made the regulatory process stronger by circulating the standard for setting up and operating cooperative institutions in a well-managed way. It has been providing training to cooperative-affiliated individuals on pre-cooperative education, accounting, management, professional skill development, strategic planning, documentation management, etc., thus contributing towards their capacity enhancement. Participatory training programs, though limited in number, have been conducted for exercise on shouldering investments and for increasing program participation. Initiatives are taken to facilitate the capable cooperative institutions to conduct training, make training area wide and perform exercise on bearing responsibilities. Besides, various activities like interaction among cooperative-affiliated individuals, monitoring of cooperative organizations, mobile service for registration and training, cooperative farming promotion and cooperative awareness program, etc., are also in operation for facilitating the development of cooperativeness, good governance and coordination among cooperatives.

**Table 8(d): Description of Cooperatives Operating throughout Nepal
(As of mid-April 2011)**

(Rs. in '000)

Function	No. of Institutions	Female Member (No.)	Male Member (No.)	Capital	Savings	Investment	Total Profit	Total Expenditure
Savings & Credit	10558	573413	832608	14222004	98453830	80700002	2161665244	1048037
Multipurpose	4096	380330	518507	3761989	21337835	21798898	1381493284	635178
Agriculture	3144	128903	136072	306034	969540	1222045	684145600	205508
Milk Producer	1748	27979	61307	93916	91080	97179	702920691	654887

Vegetables & Fruits	161	3981	6082	10947	61602	56777	12897837	10254
Tea	104	2105	1096	15153	2132	632	5716000	5328
Coffee	67	1442	94937	1127	1916	1480	1652180	818
Herbs	73	983	1571	4059	3377	2791	841453	729
Beekeeping	51	524	848	943	768	653	1253674	1156
Consumer	1379	18819	31390	167654	49593	56467	36215162	33459
Electricity	371	10418	48411	42846	12792	6488	109136195	92897
Health	61	4867	1743	223154	129494	108637	30419620	30565
Others	833	45974	28804	1346447	717400	1401520	181723286	178492
Total	22646	1199738	1763376	20196273	121831359	105453569	5310080226	2897308

Source: Department of Cooperatives

**Table 8(e): Description of Women Cooperatives Operating throughout Nepal
(As of mid-April 2011)**

(Rs. in '000)

Function	Institutions (No.)	Member (No.)	Capital	Savings	Investment	Production	Last Year Profit
Savings & Credit	1641	245633	438130019	2870684453	4650349792	6759200	81449920.84
Multipurpose	536	109267	275001558	1602635761	1803908871	2037300	62650729.46
Milk Producer	20	747	1769500	31984320	31002670	29847890	2138272
Others	35	2173	2542600	13116039	24093513	1088503.2	112965
Health	1	61	114100	2800	10000	0	0
Fisheries	1	63	32000	28000	650000	0	0
Beekeeping	1	197	1970000	80604100	1186200	1186200	4817400
Tea/Coffee	1	42	4000	3000			1000
Consumer	31	882	893540	418860	484892	0	11684
Agriculture	268	54130	42360151	208211430	369109331	1213395	7022962.25
Vegetables & Fruits	9	302	278600	909882	1074000	0	3368
Total	2544	413497	763096068	4808598645	6881869269	42132488.2	158208301.6

Source: Ministry of Agriculture and cooperatives

8.52 By the end of mid-April, 2010, a total of 22,646 cooperatives were registered across the country. Capital share of these institutions totaled Rs 20.196273 billion and the number of total members was 2,963,114 (male members – 1,763,376; female members – 1,199,738). A total of Rs

121.831359 billion savings were collected while investment worth Rs 105.453569 billion was made from these institutions. Except the initial institutions, from central to district level of cooperative campaign, National Cooperative Association Ltd – 1, National Cooperative Bank Ltd – 1, Central Sector-wise Association – 11, District Cooperative Association – 66 and Sector-wise District Cooperative Association – 127, have been registered and are in operation.

Land Reform

8.53 In the FY 2009/10, land record details of 68 land revenue offices including 30 additional ones were computerized. Of the total 27,570 freed bonded laborer (kamaiya) families, 20,402 families were rehabilitated by the end of FY 2008/09. In FY 2009/10, of the remaining 7,168 kamaiya families, 2,139 families were additionally rehabilitated, thus making the total number of rehabilitated families 22,541. Land record details in 23 land revenue offices have been computerized and land ownership certificate distribution works have already begun. As for land measurement, 7 land measurement offices have completed the computerization process of land measurement / map. The works of re-recording land details in conflict-hit Palpa and Myagdi districts have come to an end while the works are undergoing in Khotang district.

Industry

8.54 The budget and program for FY 2010/11 have been implemented with the objectives of performing industrial development in the country, creating investment-friendly environment, increasing employment, production and productivity, substituting imports and minimizing trade deficit by promoting export-oriented industries. However, some uncomfortable situation seen in the country for the past few years like insecurity, problem in electricity supply, misunderstanding between entrepreneurs and laborers, etc., have been causing hindrance in achieving the target of industrial growth as set by the periodic plans. The new Industrial Policy 2010 has been introduced by replacing the Industrial Policy of 2049 B.S. mainly with the objective of improving the policy as per the time to attract domestic, private and foreign investments by improving the above-mentioned industrial environment, to increase industrial production and productivity, to create more employment opportunities, to substitute import through the promotion of export-based industries and to improve the Balance of Payment situation by minimizing trade deficit. The policy has already been approved and is in the implementation phase, while preparations are also

on to get approval for the Technology Transfer Policy 2010. Likewise, a Nepal Business Forum has also been constituted to create an investment-friendly environment and to maintain mutual trust and understanding amongst the government, private investors and stakeholders.

- 8.55 A high-level Carpet Industry Revival Recommendation Task Force was constituted to conduct study and forward recommendations on reviving the labor-intensive carpet industry taken as a Nepali identity internationally. The Task Force has already submitted its report with recommendations. In order to provide security guarantee to industrial enterprises (industries/academies), industrialists and entrepreneurs and to make industrial environment strong, secured, reliable and trustworthy, the government has decided to constitute an Industrial Security Force.
- 8.56 **Industrial Infrastructure Development:** Industrial Infrastructure Development Program was brought into effect in the FY 2008/09 as per the policy of developing physical infrastructure on behalf of the government to help set up and operate feasible industries in the country and create investment-friendly environment for industrialists and entrepreneurs. Under this program, road construction and electricity transmission line expansion works are undergoing in Udaypur, Makwanpur, Dhading, Lalitpur, Dang, Rolpa and Palpa districts where cement industries are supposed to be established.

Box 8 (b): Industrial Policy, 2010

The Industrial Policy, 2010 has been issued with the objective of bringing positive changes in the overall economic and social sectors of the country through speedy industrial development, after undergoing time-contextual policy improvements. It is anticipated that this policy will boost up industrial development activities, create employment opportunities extensively, increase people's income level and ultimately, ensure that the industrial sector contributes to the national economy as a leading sector.

Key Objectives

- Increase industrial products' exports and ensure a rise in national income and employment opportunities through an increase in qualitative and competitive industrial products and productivity,
- Boost up the contribution of industrial sector to national and regional development by mobilizing local sources, raw materials, skills and tools
- Make industry and business sector sustainable and reliable by utilizing latest technology and environment-friendly production processes

- Establish Nepal as an attractive investment site in South Asia and in the world by developing a pool of necessary productive human resources needed for industrial development, developing managerial capacity and thus, creating bases for solid investments
- Safeguard industrial intellectual property rights

Salient Features of the Industrial Policy

- With structural, methodological and work-related arrangements that incorporate capacity, responsibility and the rights; institutional arrangements for Investment Board, Industrial Promotion Board, Industrial Human Resource Development Academy, Industrial Sector Management Authority, National Productivity Council, etc, have been ensured. Such a move aims to make policy implementation effective, promote industrial sector, base regulatory works on efficiency and professional capacity and perform institutional strengthening works.
- Income tax exemption and other assistance are provided as per the nature of industry and business operation arrangements.
- Export-oriented industries and industries based in Export Promotion House and Special Economic Zone are entitled to get the declared facilities and assistance on customs duty, excise duty and VAT.
- Micro, cottage and small industries are entitled to get the declared facilities and assistance on customs duty, excise duty and VAT.
- Establish a high-level Investment Board, so as to accord high priority to broad industrial investment, to formulate integrated policies to protect, help and express commitments, to manage necessary resources required for promotion works and to provide all types of required services and assistance to the investors from one single place.
- Industries established in Special Economic Zone are entitled to get the declared income tax exemption, VAT-related facilities and assistance, and exemptions on customs duty and local tax.
- One Stop Service Centre will be constituted in the Department of Industry to provide facilities and assistance and infrastructure services as provisioned by the law without hassles from one single place and in time.
- An Intellectual Property Protection Office to be constituted incorporating all areas of intellectual property rights and responsibilities
- If women industrialists want to establish industries inside an industrial area, special priority will be accorded to them, industry registration fee will be exempted by 35 percent, and 20 percent exemptions will be made on the registration of industrial property patent, design and trademark.

- 8.57 **Special Economic Zone (SEZ):** Special Economic Zone Project started its operation in the FY 2003/04 with the objectives of increasing production of exportable goods, developing competitive capacity, earning foreign currency with an increase in export volume, creation of more employment opportunities and introducing new and advanced technology. Under this project, the construction works of physical infrastructure in Bhairahawa are in the last phase. Likewise, leveling of land for SEZ and construction of compound wall and access road are undergoing in Simara, while feasibility studies have been carried out in Dhangadhi, Panchkhal and Nuwakot. Similarly, detailed feasibility studies will be carried out in Jumla, Kapilvastu and Biratnagar in the current FY 2010/11.
- 8.58 SEZ was envisioned in the three-year Interim Plan to be established in some potential export-based industrial sites by attracting domestic and foreign investments for the program. In the SEZ Bill, it is provisioned that under a SEZ, export-related processing sector, special trade sector, tourism/recreational sector and banking sector also remain as the integral parts of SEZ. For consuming all facilities provided inside the Zone, the SEZ-based industries, in return, have to manufacture goods of international standard and have to export at least 75 percent of the total goods manufactured.

Micro Enterprise Development Program (MEDP)

- 8.59 The development of micro industry plays an important role in the creation of employment opportunities in rural areas, poverty alleviation and inclusive development. The main objective of MEDP is to develop industriousness in backward and poor target groups and create meaningful self-employment. The Ministry of Industry since 1998 has been conducting this program with the assistance of donor agencies. The first phase of this program (1998-2003) was implemented in 10 districts of Baitadi, Dadeldhura, Dang, Pyuthan, Nawalparasi, Parbat, Nuwakot, Dhanusha, Sunsari and Tehrathum. On the basis of success achieved by the program, its second phase (2004-07) was expanded to 15 more districts of Darchula, Kailali, Banke, Bardia, Myagdi, Ramechhap, Rasuwa, Sindhupalchok, Sindhuli, Udaypur, Kavrepalanchok, Siraha, Sarlahi, Saptari and Kapilvastu. In the third phase of MEDP (2008-11), it was expanded to 11 new districts of Baglung, Dolakha, Surkhet, Jumla, Kalikot, Dailekh, Rukum, Rolpa, Salyan, Rautahat and Mahottari, thus making the number of total districts covered 36.

8.60 MEDP has been implementing programs such as, micro industries establishment and social mobilization of micro industrialists for creating more job opportunities by upgrading the existing micro industries, development of industriousness and technical skills, development of inter-relationships amongst micro-entrepreneurs, their micro-enterprises and micro-finance institutions, development of proper technology and access to market, support and service for upgrading micro-industries for their sustainability, capacity building of the concerned parties and consolidation of monitoring and evaluation system, etc. MEDP has been implementing its programs mainly by targeting women, indigenous groups, *Janjati*, *Dalit*, *Madhesi* and backward classes. Under this program, various training on industriousness, technicalities, business management and gender awareness are being conducted. So far, the number of micro-entrepreneurs has reached 51,185. Of it, the number of female is 34,830, i.e. 68 percent, while it is 16,352 for male.

Status of Sector-wise Industrial Production and Industrial Indicator

8.61 Industrial production is estimated to rise in the current FY 2010/11 as compared to the previous fiscal year 2009/10. Most of the food items, beverages, chemical goods, plastic goods and cement are likely to record an increase in production. In the current FY under the food sub-sector, the production of noodles is estimated to grow by 840 MT, fruit drink (juice) by 786,000 liter and tea by 320 MT. Likewise, alcohol production is estimated to increase by 800,000 liters, shoes by 130,000 pairs, soap by 1,100 MT, plastic goods by 2,000 MT and cement by 12,030 MT. Besides, production of cigarette and *bidi* (leaf wrapped tobacco) are also estimated to record significant increase.

8.62 Sector-wise Industrial Indicators have been analyzed with FY 2008/09 as the base year. In the FY 2009/10, the Industrial Indicator recorded a growth of 1.64 and reached 101.64 as compared to FY 2008/09. In FY 2009/10, the indicators of mustard oil, soybean oil, processed milk, wheat flour, live animals, biscuits, chocolates, noodles, processed tea, alcohol, beer, soft drinks, cigarette, garment, processed leather, lube oil, rosin, cement and pipe recorded a growth while the indicators of rice, vegetable ghee, bread, sugar, thread, jute items, woolen carpet, paper, stone-chips and gravels, and brick and tiles recorded a decline.

Foreign Direct Investment (FDI) in Industry

8.63 A policy on FDI and technology transfer has been drafted to enhance FDI in the industrial sector and formulate investment-friendly

environment. The approval process of the policy draft is in the final phase. The proposed policy stresses on providing comparative advantage to private sector and be competitive in the global market by bringing simplicity in procurement and technology transfer and also to increase the flow of FDI. Accordingly, a Bilateral Investment Promotion and Protection Agreement has been signed with India with the objective of promoting Indian investment in industrial sector of Nepal, while preparations are also going on to sign similar agreements with other countries.

- 8.64 FDI and technology transfer is crucial in making the economy strong, consolidated, dynamic, competitive and self-dependent through maximum utilization of natural and human resources. FDI provides capital, advanced technology, management, technical skills, access to international market and helps in the development of competitive professional culture. In this course, among the industries approved in FY 2009/10, two were in agriculture sector, one in construction, five in energy, 37 in production, four in minerals, 72 in services and 50 in tourism.

Table 8(f): Industries Permitted for Foreign Investment (FY 2009/10)

(Rs. in million)

Industry Type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment Creation (No.)
Industrial Production	37	3751.5	3420.9	2605.4	1994
Service Industry	72	976.0	760.4	906.1	3205
Tourism Industry	50	1035.2	929.4	717.5	1537
Construction	1	20.0	15.7	20.0	36
Energy	5	9961.1	9765.1	4747.0	493
Agro-based	2	10.0	8.6	10.0	69
Mining	4	100.0	87.9	94.0	514
Total	171	15853.8	14988.0	9100.0	7848

Source : Ministry of Industry.

- 8.65 On country-wise investments, China has its investments in 58 industries, India in 27, South Korea in 20, UK in 6, USA in 10, Germany in 4, Australia in 5, Netherlands in 3, Japan in 4, Russia in 2, France in 2 and other countries in the rest 25 industries. The FDI receiving industries are supposed to have a capital worth Rs 9.10 billion and a total of 7,848 individuals were employed in these industries as of FY 2009/10.

Table 8(g): Foreign Investment by countries in Fiscal Year 2010/11

S.N.	Countries	No. of Industries	S.N.	Countries	No. of Industries
1.	India	27	11.	Russia	2
2.	China	58	12.	New Zealand	2
3.	Japan	4	13.	Australia	5
4.	USA	10	14.	Denmark	2
5.	UK	6	15.	Mauritius	2
6.	South Korea	20	16.	Canada	2
7.	Bangladesh	2	17.	France	2
8.	Germany	4	18.	Turkey	2
9.	Singapore	2	19.	Others	16
10.	The Netherlands	3		Total	171

Source: Ministry of Industry

8.66 Similarly, in the first eight months of FY 2010/11, a total of 120 foreign and joint venture industries were approved. Among such industries, 27 are in industrial production sector, 46 in service industry, 28 in tourism industry, 17 in agriculture and 2 in energy sector. These approved industries are estimated to have an FDI worth Rs 2.446 billion and are likely to provide employments to 4,678 individuals.

Table 8(h): Industries Permitted for Foreign Investment in FY 2010/11*

(Rs. in Million)

Industry Type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment Creation No.
Industrial Production	27	1899	1489	918	1670
Service Industry	46	344	278	299	1079
Tourism Industry	28	831	769	700	521
Construction	–	–	–	–	–
Agro-based	17	242	226	210	8230
Mining	–	–	–	–	–
Energy	2	1070	1050	319	578
Total	120	4386	3812	2446	4678

* First eight months

Source: Ministry of Industry

8.67 Among the industries which were granted approvals for FDI and joint investments in the first eight months of FY 2010/11, on a country-wise basis, 40 are from China, 15 from India, 11 from South Korea, 6 from

USA, 6 from Germany, 5 from Japan, 2 each from UK, Netherlands, Australia and Singapore and the rest 22 from other countries.

Table 8(i): Foreign Investment by Countries in FY 2010/11

S.N.	Countries	No. of Industry*	S.N.	Countries	No. of Industry*
1.	India	15	9.	Canada	–
2.	China	40	10.	France	7
3.	Japan	5	11.	Russia	–
4.	USA	6	12.	Switzerland	–
5.	UK	2	13.	Australia	2
6.	South Korea	11	14.	Singapore	2
7.	Germany	6	15.	Others	22
8.	The Netherlands	2	Total		120

* First Eight Months.

Source: Ministry of Industry

8.68 In a bid to attract foreign investment through the adoption of time-contextual, practical, liberal and open policy, a total of 2,018 industries were granted approval to set up under FDI until the first eight months of the current FY 2010/11. It is seen that these industries have an FDI worth Rs 60.44 billion in total and would provide employments to around 149,191 individuals.

8.69 By the end of FY 2009/10, a total of 1,898 industries were allowed to set up under FDI. These industries had an FDI worth Rs 57.9977 billion and provided employments to 144,513 individuals.

Table 8(j): Industries Permitted for Foreign Investment till FY 2009/10

(Rs. in Million)

Industry Type	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Employment Creation No.
Industrial Production	673	48342.2	35220.0	19459.9	75097
Service Industry	561	24932.0	20435.2	12054.3	28540
Tourism Industry	514	19208.3	18054.3	7216.0	23292
Construction	41	3455.3	2563.1	2612.8	2926
Agro-based	37	1201.1	702.6	526.2	2160
Mining	31	5049.0	4121.0	2836.7	5128
Energy	41	40641.2	38643.0	13291.8	7370
Total	1898	142829.1	119739.2	57997.7	144513

Source: Ministry of Industry.

Production Capacity Utilization of Some Industries

8.70 While analyzing the production capacity utilization of some selected industries, the production capacity utilization has recorded an increase in FY 2009/10 as compared to FY 2008/09. The industries, in particular, recording the increase were cigarette, beer, shoes and cement industries. Cigarette industry utilized 92 percent of its total production capacity. The figure was 80 percent for beer industry, 72 percent for shoe industry and 50 percent for cement industry. Likewise, sugar, matchbox and jute industries' capacity utilization in FY 2009/10 was 31, 58 and 66 percent respectively – these figures were almost at the level of FY 2008/09.

Current Status of Industrial Estates

8.71 Industrial Estates were established with the objective of supporting industrial development by providing physical infrastructures and other facilities required to establish, operate and promote industrial academies. By this date, 11 Industrial Estates – Balaju, Hetauda, Patan, Nepalgunj, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Dhankuta and Gajendra Narayan Singh Industrial Estate, are in operation in the country. Since long, the task of expanding Industrial Areas has been moving ahead, despite demands from various places to expand the Industrial Estates. In this backdrop, from FY 2009/10 onwards, the works on expanding Industrial Estates to Sunwal, Nawalparasi and Butwal, Rupandehi have been moving ahead.

8.72 Until the first eight months of the current FY 2010/11, a total of 3,837 ropani land inside the 11 Industrial Estates across the country was leased to industries based over there. By the same period as mentioned above, the Industrial Districts Management Ltd. had made investments worth Rs 299.3 million while the private industries' investments was worth Rs 18.4896 billion. During the evaluation period, 475 industries were operating inside the Industrial Areas while 50 industries were shut down. Likewise, 85 industries were in the construction phase.

Nepal Industrial Development Corporation (NIDC)

8.73 NIDC was established with the objective of achieving economic progress in the country by involving in qualitative and reliable banking and financial mediation service and financial transaction. An Action Plan has been prepared to develop NIDC as a professional institution. As per the plan, NIDC has started providing banking services. Banking transactions are in operation in regional offices of Biratnagar and Pokhara while two

more regional offices of Nepalgunj and Dhangadhi will start the same from the next FY 2011/12. In the previous fiscal year 2009/10, NIDC disbursed credits amounting to Rs 124.7 million, while it was Rs 147.1 million until mid-January in the current FY 2010/11. In the FY 2009/10, NIDC recovered credits amounting to Rs 264 million while until mid-January in the current FY 2010/11, NIDC recovered credits amounting to Rs 43.4 million. Likewise, in the FY 2009/10, NIDC recovered interests amounting to Rs 154.3 million while interests amounting to Rs 74.8 million were recovered until mid-January in the FY 2010/11.

Cottage and Small-scale Industries

- 8.74 In the FY 2009/10, a total of 13,020 cottage industries were registered while until mid-December in the FY 2010/11, a total of 8,184 industries were registered. In FY 2009/10, a capital amounting to Rs 15.3288 billion was invested in the 13,020 industries registered. Among the total cottage and small-scale industries registered until FY 2009/10, the number of private firms was 202,977, partnership firms 12,570 and private limited firms 13,020.
- 8.75 Under the Industrialist Development Program (Preparing Industrialists and Employment Generation Program), 305 new industrialists have been readied while for the purpose of generating self-employment, transferring the proper technologies through the purchase of machineries and tools as per the demand of the target groups, are going on. In the first eight months of the current FY 2010/11, under the Cottage and Small-scale Industries Development Program that is in operation in 27 districts, 1 to 6 months training on skills development was provided to 3,253 individuals, short-term skills development training to 2,070 individuals, special skills development training to 1,977 individuals, target group skills development training to 2,114 conflict-affected, Dalit, Janjati, disables and backward women, extensive skills development training to 1,041 and industriousness development training to 2,001 individuals.
- 8.76 In the first eight months of the current FY 2010/11, industrial and intellectual property awareness raising program, program on increasing environmental awareness and productivity for industrial development, consumer rights protection and awareness raising program and gender development and empowerment program were conducted. Industrial Information Centre has been established in 15 districts, identification and study on comparative advantage and goods of competitive capacity has been performed in 12 districts, while commodity development program has been completed in 10 districts.

- 8.77 **Industrial Enterprise Development Institute (IEDI)** The Institute was established with the objectives of conducting trainers' training for extending assistance in human resource development of organizations involved in the development of enterprise business, quality management, feasibility study and providing consultation services. Until the first eight months of the current FY 2010/11, the task of setting up a Business Development Centre was going on, while 203 individuals were provided training on entrepreneurship development, 11 training sessions were conducted for businessmen from various background on the themes of business management, double entry book-keeping system and marketing, etc. and 4 training sessions related to business were organized targeting women, *Dalits and Janjatis*.

Mines and Geology

- 8.78 As a result of the study and exploration conducted at the Departmental level to explore minerals in a well-organized way and set up a cement industry in each development region as per the concept of balanced regional development, limestone mines have been discovered in various parts of the country including Udaypur, Dhankuta, Makwanpur, Lalitpur, Dhading, Syangja, Arghakhachi, Surkhet, Dang, Salyan, Baitadi, Palpa, etc. The volume of total discovered limestone is 1.7 billion tons, of which 330 million tons are proven, 110 million tons are semi-proven and 630 million tons are feasible. Likewise, 316.0 million cubic meter of natural gas storage in Kathmandu valley, 180 million tons magnesite mine in Dolakha, 10 million tons each iron ore mine in Lalitpur (Phulchoki) and Ramechhap (Thosey), 4 million tons copper mine in Makwanpur (Kalitar) and Dadeldhura (Bawangaun), 5 million tons coal mines in Dang, Rolpa, Palpa and Arghakhachi and gold, copper and lead, etc deposits in Rolpa, Baitadi, Darchula and Bajhang, have been discovered. Similarly, deposits of polished stone, semi-precious stone, dolomite, marble, phosphorite, talc, etc have been discovered, that are economically beneficial.
- 8.79 Agreements have been signed with private investors to establish mines-based industries in Narpani, Arghakhachi (limestone); Chuladhugar-Gyampathumka and Haretar-Kholme, Udaypur (limestone); Nigale, Dhankuta (limestone); Kajeri, Salyan (limestone); Chaukune, Surkhet (limestone); Gandari, Dang (limestone); Baitadi (limestone) and Thosey, Ramechhap (iron ore). Likewise, for promoting industries based in natural gas in Kathmandu, copper mine in Kalitar, Makwanpur

and two gold mines in Rolpa, proposals received from the private investors are in the phase of evaluation, while preparations are also on to call proposals for developing industries based on gold mine of Rolpa, iron ore mine of Phulchoki, Lalitpur and copper mine of Bawangaun, Dadeldhura. Besides, exploration works are undergoing in Nawalparasi (iron ore), Palpa (limestone) and Salyan (limestone).

- 8.80 According to the policy of attracting private investors in exploration and production of small and medium sized mineral industries based on limestone, talc, marble, gemstones (kainite, tourmaline, quartz crystal), coal and also based on metallic minerals such as iron, copper and placer gold, a total of 74 certificates for mining and 497 certificates for exploration have been awarded.
- 8.81 Under the geo-scientific survey and research, the Department of Geology and Mines has completed the first phase of geological survey of all parts of Churia Range and Mahabharat Hills and some parts of the high-altitude Himalayan region, and has begun the second phase of geological mapping. Under this second phase so far, geological maps of various scales have been completed including total geological map of Nepal in 1:1,000,000 scale, whole Nepal's geological maps in 1:1 mile scale, 1:250,000 scale geological map of whole Nepal (except some parts of high-altitude Himalayan region and Karnali zone), geological map from Central to Far-Western Regions comprising an area of 19,500 sq. km. in 1:50,000 scale, landslide and geo-hazard maps from Central to Far-Western Regions comprising an area of 6,500 sq. km. in 1:50,000 scale. Similarly, for well-organized urban development and waste management, geo-engineering and geo-environmental exploration and survey works have been performed in Kathmandu valley, Pokhara, Butwal, Bhairahawa, Hetauda, Dharan, Biratnagar, Surkhet, Nepalgunj and Janakpur.
- 8.82 A Seismic Station has been established to study earthquake occurrence in the Himalayan Range. Works, such as regular monitoring, recording and collection of data on earthquake and analyzing these data to have knowledge on the probable earthquake's frequency, time and Himalayan geology, are in the progress.
- 8.83 Until first eight months of the current FY 2010/11, an agreement was signed with a private investor to promote cement industry in Gandari, Dang, proposals were received from private investors to promote industries based on two gold deposits in Rolpa district, geo-engineering and geo-environmental exploration works of Janakpur municipality were

completed, 497 certificates for mines exploration were issued and renewed, and for mines excavation, 74 certificates were issued and renewed.

Quality and Measurement

- 8.84 To bring qualitative and quantitative improvements in industrial production and productivity, to determine quality of any goods for people's welfare, make arrangements for the use of Quality Standard Marking on those goods, and strengthen and bring effectiveness in scientific, industrial and legal role of measurement in quality-standard related activities; works are in progress in the current FY 2010/11 to acquire accreditation for Chemical and Metrology Lab under the Department of Nepal Quality and Measurement. In this period, 7 labs of the country have been verified and a mandatory quality test has been provisioned and expanded in regard to the problems seen in the quality of cement products.
- 8.85 Policy-level discussions are going on to amend the existing Accreditation Act and Nepal Quality Standard laws. Projects on Quality Infrastructures are in the execution phase, while for promoting export-based trade, an understanding has been reached in written under the concept of public-private partnership in a tripartite involvement with the Nepal Handicraft Federation to establish a lab so as to test the quality (purity) of silver used in the silver jewelries and goods. Internal preparations are underway to make the Department of Nepal Quality and Measurement the National Focal Point in regard to Lab Accreditation with NABL India. Necessary preparations are going on to reach an understanding with Nepal Pashmina Association to test the quality of pashmina to be exported.
- 8.86 In FY 2009/10, a total of 7 tasks were performed on national quality determination while 12 quality standard certificates were granted, 1,534 samples were analyzed and 363 industrial measurement-fixation services were completed. Likewise, Lot Certification was done 17 times, interactions / trainings on quality standard were conducted 9 times and inspection and monitoring of 83 industries were performed.

Commerce

On Multilateral Trade

- 8.87 Nepal has completed 7 years of being a member of the World Trade Organization (WTO). Nepal was the first among the Least Developed Countries to access membership only after completing the negotiation rounds. In this context, as per the commitments expressed by Nepal at the time of being a WTO member, some new Acts and Rules have been

formulated and they are already in execution, while some Acts and Rules have been improved and amended to make them compatible with WTO. Some Acts are in the process of getting registered as the Bills in the Parliament, while some have completed the phase of initial drafting and are undergoing necessary discussions. In particular, the task of preparing the final draft on anti-dumping and counter-veiling laws has been completed after holding discussions and consultations with various stakeholder bodies.

- 8.88 An Inter-Ministerial High-level Directives Committee has already been constituted so as to bring in time-contextual improvements in competitive capacity of Nepal and thus enhance the country's identity in global trades, take ahead programs on national capacity enhancement, maximum utilize the available domestic and foreign resources and increase effectiveness in the coordination of technical assistance received in trade sector.
- 8.89 The Enhanced Integrated Framework (EIF) Directives Committee has been constituted and is operating under the convenorship of Chief Secretary of the Government of Nepal with the concerned ministry secretaries and private sector representatives as the members. The objective of the Committee is to coordinate and mobilize the assistance received under the EIF of WTO meant for enhancing the trade capacity of LDCs. As per the directives of the Committee, necessary preparations to collect proposals before receiving the assistance have already started. In this context, Nepal, on behalf of Asia Pacific LDCs, has been elected a member to the EIF Board and has been performing its duties efficiently.
- 8.90 For institutional capacity development in trade sector under the EIF, the EIF Board since April 2010 has approved Nepal's Tier 1 Proposal and has brought into effect a project on Nepal Enhanced Capacities for Trade & Development (NECTRADE). For this, an EIF National Implementation Unit (NIU) has been established and brought into operation under the Ministry of Commerce and Supplies. High-level technical committees have been formed and activated in the ministries of Finance, Law and Justice, Industry, Commerce and Supplies, and Agriculture and Cooperatives to extend necessary support to NIU works. An EIF-Asia and Pacific Regional Conference has also been performed in this context.
- 8.91 German Aid Agency GIZ has been selected as the EIF Donor Facilitator (DF) for effectively mobilizing Aid for Trade and EIF Program and coordinating among the development partners based in Nepal. An

agreement has also been signed between the Government of Nepal and GIZ on December 31, 2010 to conduct a separate project to assist Nepal in fulfilling WTO commitments expressed at the time of acquiring membership.

Box 8 (c): Nepal Trade Integrated Strategy – NTIS, 2010

The NTIS 2010 could be taken as a revised version of Nepal Trade and Competitiveness Study 2004. NTIS 2010, made public at a time of Nepal's shrinking export trade, is supposed to be crucial in Nepal's trade development and in particular, in the promotion of exports. The strategic report has determined the useful priority order required for the development of Nepal's trade competitive capacity and has also identified inter-relationships amongst various cooperating sectors of trade for the development of the priorities identified. The report has also put forth practical and relevant recommendations on how Nepal's trade could be integrated with the global economy and how Nepal could benefit from the multi-lateral trade regime. The strategic report has prioritized 19 commodities and service sectors having comparative advantage and has also underlined potentials of significant benefits that Nepal could reap by developing and exporting those commodities and services. Seven of the 19 exportable commodities and services identified – cardamom, ginger, honey, lentils, tea, noodles and medicines, and concentrate (*saaryukta*) oils, are related to agro-food sector. Five commodities – handmade paper, silver jewelries, iron and steel, pashmina and woolen products, are related with craft and industrial sector. The seven remaining sectors are related with service trade. They are tourism, labor, information and technology, health services, education, engineering and hydro electricity. Placing these 19 commodities and services in the export priority list, the report has forwarded recommendations to come up with separate Action Matrix to boost up exports. The report has further identified 10 major potential markets for each commodity and service as mentioned above. The report has also included solutions on how to overcome barriers on the way to getting benefits from the global trade regime. The strategic document says Nepal basically needs to address four major challenges to make the country's exports competitive. They are: certainty of access to market, setting up internal cooperating institutes to create a trade-friendly environment, strengthening of exporter's supply capacity and proper mobilization of international assistance received for trade capacity development.

If the strategy that targets the upcoming 3 to 5 years' period could be implemented successfully, Nepal's exports trade will have a far-reaching positive achievements and the contribution of trade sector to the country's economy will also be concrete. It is believed that the successful implementation of the strategy would also contribute significantly to achieve the target of export-led economic growth which the country has embraced and alleviate poverty through inclusive economic development.

However, proper mechanism, adequate resources and strong coordination among inter-bodies should be in place to implement the strategy. The most challenging factor among all is to manage economic resources for implementation. The Government of Nepal alone cannot contribute to it; the assistance of private sector and development agencies / bodies is also equally anticipated. For this, it is imperative to mobilize the Trade-Related Technical Assistance (TRTA) under the Enhanced Integrated Framework (EIF) and Aid for Trade (AfT).

- 8.92 The NTIS 2010 is in the execution phase after completing studies. Various programs on the development of exportable commodities and services identified by the policy paper, VAT and export facilitation are in operation. In the current FY 2010/11, the Government of Nepal, along with mobilizing international assistance, has also allocated Rs 30 million for the NTIS's implementation. With this amount, works have been started to register Collective Trade Mark for Nepali tea and coffee in international market, improve quality of gold, silver and other export-based handicraft commodities, improve cardamom production and processing procedures, arrange necessary equipments to bring cold storage at Tribhuvan International Airport to operation, establish lab to improve the quality of carpet and pashmina and involve in other trade promoting works.
- 8.93 A high-level interaction program was organized to implement NTIS 2010 effectively by mainstreaming Nepal's trade sector into national development policy and sector-wise policies. In the program, the concerned bodies were informed about the prominent provisions of NTIS 2010 and their roles expected in the implementation of the strategic document. An EC-Nepal WTO Assistance Program is in operation under the joint assistance of European Union and UNESCAP. Under this program, works like strengthening WTO Reference Centre and developing curriculum about World Trade Organization and

international trade, etc. have been taken ahead. Likewise, to disseminate information at people's level about WTO's provisions, two regional-level symposium-interactions were organized and publicity was done among the general people and stakeholders on WTO through the publications of relevant books and booklets.

- 8.94 The Trade Policy Review (TPR), which Nepal has to perform as a WTO member, has started. TPR is scheduled to be completed by January 2012. From time to time, awareness raising program on WTO are being conducted among general people, industrialists and entrepreneurs; the benefits Nepal can get from it and the challenges the country faces.

On Bilateral and Regional Trade

- 8.95 In view of service trade's growing role in national economy and to include service trade along with commodity trade under the South Asian Free Trade Area (SAFTA) agreement, Nepal has already signed the SAARC Agreement on Trade in Services. In a bid to make trade simple, easy and meaningful by liberalizing commodity trade among the SAARC countries, the process of removing 20 percent commodities from the list of Sensitive Commodities has been taken ahead. Similarly, to effectively implement the Trade Policy 2008, the task of formulating an Action Plan has been accomplished.
- 8.96 A Trade and Investment Framework Agreement (TIFA) has been signed between Nepal and USA to expand trade and investment relations, contribute to Nepal's export trade promotion and make Nepal's exportable items' access to the US market easy and simple. Financial assistance has been provided to register Nepal's collective trade mark for *pashmina* products in the international market. The trade mark has been registered in 37 countries so far. The task of distributing the collective trade mark of "*Chyangra Pashmina*" to *pashmina* industries fulfilling certain criteria and exporting *pashmina* abroad, has begun.
- 8.97 The 10th SAARC Trade Fair was organized in Kathmandu on December 15-19, 2010. The participant industrialists and entrepreneurs from 6 countries - Nepal, Bangladesh, Bhutan, India, Pakistan and Sri Lanka publicized and sold their products in the fair. With the aim of publicizing and increasing market access of Nepali exports, Nepali industrialists and entrepreneurs were provided opportunities to partake with their products in international trade fairs like Domotex 2011 in Hannover, Germany on carpet, India International Trade Fair in New Delhi and Bio Fach Fair in Nuremberg, Germany, etc.

Tourism

- 8.98 Analyzing the tourists' number visiting Nepal, growth rate and their stay period in Nepal, the number of tourists has been found to have increased by 18.21 percent from 509,956 individuals during January 2008 to January 2009 to 602,867 individuals during January 2009 to January 2010. During the first period as mentioned above, the average stay period per tourist was 11.32 days while for the second period as mentioned above, the average stay period per tourist reached 12.67 days. During January 2009 to January 2010, 10.46 percent tourists came for recreation, 11.65 percent for trekking and mountaineering, 16.81 percent for pilgrimage, 3.55 percent for business, 4.37 for official visit, 1.6 percent for meeting/seminar, 0.12 percent for rafting, 41.88 percent for other purposes and 9.56 percent for reasons unknown. During this period on a country-wise basis, 19.30 percent were from India, 7.6 percent from Sri Lanka (including tourists on a one-day visit to Lumbini), 6.2 percent from USA, 5.9 percent from UK, 4.1 percent from France, 3.9 percent each from Germany and Japan and 9.3 percent from Switzerland. For the same period in the previous fiscal year, 18.4 percent tourists came from India, 7.1 percent (including tourists on a one-day visit to Lumbini) from Sri Lanka, 6.3 percent from USA, 6.9 percent from UK, 4.3 percent from France, 3.8 percent from Germany, 4.4 percent from Japan and 1 percent from Switzerland.
- 8.99 As for the hotels, during January 2008 to January 2009, the number of star hotel was 97, which became 103 during January 2009 to January 2010. Apart from the star hotels, the number of tourist-level hotel, lodge and resorts has reached 686. The number of beds possessed by star hotels increased by 244 compared to previous fiscal year and reached 9,125 in total, whereas the number of beds possessed by tourist-level hotels, lodges and resorts increased by 1,093 to reach 20,217.
- 8.100 In the government sector, Nepal Tourism and Hotel Management Academy has been active in building up the required human resources for the development of tourism sector and contribute to rural poverty alleviation through self-employment. The Academy has been conducting training programs to promote tourism in rural sector while in urban sector, with the objective of supplying capable human resources to all small and large tourism-based industrialists and entrepreneurs; it has been operating three-year academic courses from FY 2003/04 on Bachelor in Travel and Tourism Management and Bachelor in Hotel

Management. Concurrently, the Academy has been providing hotel management training and mobile training on tourist guide, travel agency and ticketing, cook, water travel guide, hospitality and home stay management, etc. Targeting Nepal Tourism Year 2011, the Academy has been conducting home stay and local guide training at the local level according them the high priority. In FY 2008/09, the Academy provided various training to 1,575 individuals, while in FY 2009/10, the number of trainees reached 2,007. In the first eight months of the current FY 2010/11, the Academy provided various training to 1,466 individuals. The number of human resource built up by the Academy has crossed 29,000 as of the review period.

- 8.101 As for the number of mountaineering team and mountaineers, the number of such team increased by 33 to total 269 during January 2010 to January 2011. In the same period, the number of mountaineers rose by 423 to total 1,942.
- 8.102 Nepal Tourism Board and private sector participated in various international tourism fairs organized in India, China, USA, UK, Germany, Japan, Netherlands, Spain, Italy, Thailand, Bangladesh, and Singapore for promoting and marketing of tourism. With the participation of private sector, Tourism Sales Mission was organized in India and China. In Nepal, International Conference, such as UFTAA Congress, Kathmandu and PATA Responsible Tourism Conference and Adventure Mart were organized along with promotional fair/celebrations across the country.

Box 8 (d): Key Activities of Tourism Sector

Nepal Tourism Year (NTY) 2011: To regain the lost trust in **tourism** sector, publicize Nepal in international tourism market, promote new tourist destinations and enhance capacity of tourism sector for these activities and basically, ensure the arrival of 1 million tourists, the NTY 2011 was officially declared by Honorable President Dr Ram Baran Yadav with the slogan of "Together for Tourism". A conclave program participated in by UNWTO generally secretary, Asian tourism ministries and secretaries was organized to make the NTY campaign a success by mutually co-working in tourism sector. Likewise, in 72 districts excluding Kathmandu valley, District Tourism Coordination Committees were formed under the chairmanship of Chief District Officer. Mr. Khagendra Thapa Magar - the then Guinness world record holder in the shortest adult man category, Miss Nepal Sadikshya Shrestha, Indian (singing) Idol Mr. Prashant Tamang and international mountaineers who have scaled Mt.

Everest were appointed as the goodwill ambassadors to the NTY campaign. National and international tourism expos and fairs were participated in, while agreements to be signed with international media such as CNN and BBC for international publicity of NTY were in the process at the time of preparing this evaluation.

Second International Airport: For the construction of second international airport in Nepal proposed to be built in Dumarwana, **Nijgadh** of Bara district, a South Korean company Land Mark Worldwide has presented a detailed feasibility study report of the project. As per the report, the airport will be constructed in two phases, the first phase of which will come to an end by 2015 and can also come into operation by that time. Total investment in the project will be US \$ 650 million and after the completion of both the phases, the airport will have developed the capacity to handle 60 million passengers and 600,000 tons cargo every year. In the airport to be built in 3,000 hectare, four terminals in two-story building, 6 boarding gates, 34 check-in counters, 35 immigration counters, 8 customs counters and 6 baggage claiming counters have been proposed after the first phase of construction. Also proposed is a whole Airport City that would have residential area, business centre, dry port, industrial area, and tourism and recreational areas. As tourist arrivals in Nepal can be sustained only with the construction of the new proposed airport, it is highly necessary to give momentum to the project by starting the construction works at the earliest.

South Asia Tourism Infrastructure Development Project: To upgrade the Gautam Buddha Airport in Bhairahawa and develop it as a regional airport, conserve and manage heritages in Lumbini and conduct Community Development Program – all with financial assistance from the Asian Development Bank (loan and grant), a project agreement **was** signed between the ADB, the Government of Nepal, Nepal Civil Aviation Authority and Lumbini Development Trust. The project to be effective from 2010 to 2015 will have the investment of US \$ 46.05 million. For inter-ministerial coordination, a National Steering Committee has been constituted and the project works, too, have already begun.

Home Stay Program Execution: To bring the income generated by tourism sector unto rural area, provide additional accommodation and hospitality, increase self-employments and well-manage the establishment and operation of home stay, a Home Stay Operation Procedures 2010 has been introduced and implemented. A national workshop to exchange experiences on home stay operation and constitute professional network has been organized, while more than 100 home stay schemes have been registered and are in operation across the country.

Civil Servants' Mt. Everest Ascending Program: To promote tourism in NTY 2011, boost up the morale of civil servants and study climate change patterns in the Himalayan region, a team of 15 civil servants **decided** to scale Mt Everest. Of them, 9 civil servants ascended the highest peak on earth in this spring for the first time in the history of civil service, thus making a historical record.

Table 8 (k) : Targets and Achievements of the Ministry of Tourism and Civil Aviation

S.N.	Description	Status as of mid-Jan 2010	Target for mid-Jan 2011	Progress as of mid-Jan 2011*
1.	Tourists Arrival	509956		602867
2.	Tourist Duration of Stay (days)	11.32	11.5	12.67
3.	Earning from Tourism (Ten Millions Rs.)	2796		2498.88
4.	Income per Tourist (Rs.)	54828		41449.61
5.	Spending by Tourist Per Day (Rs.)	2835.59		3271.40
6.	Average Exchange Rate/USD	76.88		70
7.	Tourist Spending per Day (USD)	63		46.73
8.	Foreign Exchange Earnings (Million USD)	215.29		357.01
9.	GDP (Rs in Ten Million)	118268.00		134681.6
10.	Contribution to GDP (Percent)	2.4		-
11.	Direct Employment ('000)	90		110
12.	Regular International flight arrivals to Nepal (No.)	22		27

* Preliminary Estimate,

Source: Ministry of Tourism and Civil Aviation.

8.103 The foreign exchange earning during FY 2009/10 increased slightly to become Rs 28.1390 billion as compared to FY 2008/09. In the first six months of the current FY 2010/11, foreign exchange amounting to Rs 13.51 billion was earned. This amount was 39.3 percent of foreign exchange earned from the total commodity exports, 22.5 percent of foreign exchange earned from the total service exports and 7.5 percent of the total foreign exchange earned by the country.

Civil Aviation

8.104 Nepal signed an Aviation Service Agreement with Turkey on September 24, 2010, thus making the number of countries with whom Nepal has such agreement, 36. As per the agreement, under a multiple designation,

2,800 seats weekly and 72,800 seats annually will be brought into use between Nepal and Istanbul. A Memorandum of Understanding reached with India has been taken a milestone in civil aviation. As per the MoU, the existing 6,000 seats per week were increased to 30,000 seats per week; no restriction on seat capacity was provisioned for flights to Indian cities and cargo flights, too, were completely opened without restriction. From this year onward, 4 additional international airlines started operations in Kathmandu, thus making the number of airlines flying in international route sector from Kathmandu, 27. Likewise, the number of seat capacity of international flights per week has reached 42,368, which is 12.84 percent higher as compared to the last year's figure of 36,660.

- 8.105 In the past one year, additional 5 airlines companies have been granted the Airlines Operation Certificate (AOC). With the aim of increasing access of airlines companies in the remote areas and as per the policy of allowing single engine aircrafts and helicopters to operate passenger and cargo charter services, helicopters and fixed-wing single engine aircrafts have been operating flights to and from various remote hilly districts of the country.
- 8.106 Among the 86 aircrafts registered in the Authority's aircraft registry, 69 are in operation. Under aviation sports, among AOC issued 8 companies, 5 are in operation. Aviation sports were started to make them a major tool for tourism promotion through recreational activities. They were mostly based in Pokhara, but from this year onward, such flights are operated in Kathmandu, Bandipur and other tourist spots as well, so as to lay stress on the development of new tourist destinations.
- 8.107 The number of airports in Nepal has reached 53 including one international and five under-construction domestic airports. Of them, 34 are in regular operation, while 14 of them are capable of conducting flights round the year.
- 8.108 Significant progress has been made in the construction of runway and taxiway overlay in Tribhuvan International Airport. To minimize the congestion problem in international parking, one more parking bay has been constructed and now, 9 jet aircrafts can use the parking facilities concurrently. Additional baggage trolleys have been arranged to further facilitate the international passengers. The Sterile Zone that comes after the final security check up, has been expanded to 350 passenger capacity hall and the construction of Arrival Walkway has also been completed. To minimize the congestion at domestic apron, a separate helicopter

parking that can accommodate both large and small helicopters – 13 at one time, has been constructed and brought into operation.

- 8.109 For upgrading Simikot airport, the required land acquisition works have been completed while the blacktopping of runway is in progress. In Tumlingtar airport, the blacktopping of runway, taxiway and apron is going on. Construction of runway in the newly built Manmaya Rai Khanidada Airport in Khotang district has been completed and the airport has been brought into operation. In Nepalgunj airport, the works of fixing simple approach and airfield lighting have been accomplished while in Manang, in the land acquired for expanding the airport, security chain-link fence construction works have been completed and works have been initiated to blacktop the runway, taxiway and apron. In Surkhet airport, expansion of apron meant for fixed and rotor wing aircraft is going on. In Dhangadhi airport, a contract agreement has been signed and works, too, have started to construct new terminal building, control tower and office building. The reconstruction of infrastructures like terminal/tower building, police residence and civil servants' quarter are in the final phase in various airports damaged or destroyed by conflict in Bhojpur, Phaplu, Lamidada, Dolpa, Rukum (Salley), Rukum (Chaurjahari), Bajhang, Jumla, Bajura and Saafebagar etc. Of them, reconstruction works in Lamidada, Bhojpur, Bajhang and Bajura have come to an end, while runway expansion and upgrading works are going on in Taplung. In Khanidada, Thamkharka and Kagedada airports of Khotang, terminal and tower building constructions are underway. In Rara (Mugu) airport, orientation and gradient improvement works of runway and parking apron construction are moving on. In Biratnagar airport, the construction of partial parallel taxiway so as to increase the runway capacity is in the final phase.

9. Public Enterprises and Privatization

Overall Review

- 9.1 Public Enterprises have been established with objectives of delivering goods and services to the public easily at reasonable prices by making the public services more efficient. The objectives of the public enterprises are to enhance national economy, mobilize public savings, create employment opportunities, help control private sector's monopoly; eliminate the discriminatory practice in the society; and utilize and safeguard national resources and heritages. In overall, public enterprises are established to assist in achieving national economic, social and political goals. This section reviews performance of 36 public enterprises (some fully government owned or some majority shares owned by the government) for fiscal year 2009/10.
- 9.2 **The net fixed Assets of the Enterprises:** The net fixed assets of 36 enterprises that total Rs.133.740 billion in the fiscal year 2008/09, reached Rs.139.365 billion by the end of the fiscal year 2009/10 with the increase of 4.2 percent. Though the net fixed assets of public enterprises involved in business, service and financial sectors has increased during the review period, but for those under the Industry, Social and Public Utility Sectors have not increased.
- 9.3 **Shareholder's Fund:** The total shareholders' Fund of 36 public enterprises totaled Rs. 79.918 billion in fiscal year 2009/10, with appreciation of 30.8 percent from the previous fiscal year. These enterprises saw sign of improvement due to the overall growth in their reserve funds. This is mainly due to the fact that the shareholders' fund of the financial enterprises remained positive with Rs. 3.5 billion during review period and the shareholders fund of public utility sector rose by Rs.13.215 billion though this

fund remained negative with Rs. 80.460 million in the previous fiscal year. Based on information from the FCGO, the Government's share on those 36 PEs, stood at Rs. 82.76 billion in FY2009/10 while its total loan investment on these PE remained at 84.92 billion. Such figures stood at Rs. 86.13 billion and 74.60 billion respectively in the previous fiscal year. From this, the share investment of the Government decreased by 3.9 percent while loan investment rose by 13.8 percent.

- 9.4 **Operating Income:** The net operating income of 36 PEs has increased by 21.36 percent reaching Rs. 130.98 billion in the current fiscal year. Service sector organizations registered highest growth with 70.2 percent in such income during review period as compared to the previous fiscal year. Likewise, the industrial sector recorded lowest growth with 4.2 percent as compared to the previous fiscal year.
- 9.5 **Profit Loss Situation:** During FY 2009/10, 22 PEs earned net profit, whereas 14 PEs recorded loss. While analysing the entire profit and loss of these 36 PEs, the net profit of Rs. 10.550 billion they had earned in fiscal year 2009/10 grew by Rs. 8.3 million in the fiscal year 2010/11.
- 9.6 **Government Investment and Dividend:** Government of Nepal had received dividend worth Rs. 3.470 billion in fiscal year 2008/09 received Rs. 4.809 billion in the preceding fiscal year 2009/10, which is equivalent to 5.8 percent of GoN investments. Although the dividend amount increased in absolute term, in comparison to four PEs paying dividend in the previous fiscal year, only two PEs namely the Industry Sector Management Ltd., and Nepal Telecom. Ltd, were able to pay dividend to the Government in FY 2009/10.
- 9.7 **Comparing PE's Contribution to revenue and GDP:** The share of dividend received from PEs was 2.7 percent to the Government's gross revenue collection in fiscal year 2009/10. Dividend is lower than the existing interest rate as a result of lower output of 5.8 percent received against the GoN investment in this sector. The share of net operating income of the PEs to GDP has been 11.2

percent. Among the PEs, the operating income of business sector has made highest contribution (5.2 percent) to GDP while its lowest contribution to GDP comes to 0.1 percent. The loan flow from the government in the fiscal year 2009/10 has been 4.2 percent of the total government expenditures and 11.9 percent of capital expenditure of the review period.

- 9.8 **Human Resource Management, privileges and tendencies:** Analyzing the contribution of human resource engaged in PEs based on operating income, contribution of the employees of business sector is the highest, while that of industrial sectors is the least. The employees appointed by the management of PEs at executive level stood at 33,603 in FY 2008/09, while this figure dropped slightly to 33,526 in the succeeding fiscal year. The average monthly expenditure of these employees, which was Rs. 27,110 in the fiscal year 2008/09 rose by Rs. 1,606 reaching Rs. 34,126 in its succeeding fiscal year.

Sector-Wise Analysis

Industrial Sector

Profit-Loss Situation

- 9.9 The operating income of seven, PEs operating in this sector, has grown by 4.2 percent to Rs. 4.726 billion in the review period as compared to that of previous fiscal year. The operating income of Nepal Drugs Ltd, and Herbal Production and Processing Company Ltd., appeared to have dropped by 55.3 percent and 24.8 percent respectively as compared to that of previous fiscal year. On the contrary, operating incomes of Udaypur Cement Industry Ltd., and Dairy Development Corporation grew by 22.2 percent and 19.8 percent respectively during the same period. Though these industries saw growth in their total operating income, the PEs of this sectors have incurred a loss of totaling Rs. 467.4 million. Among the PEs of this sector, Hetauda Cement Industry Ltd. made the highest profit of Rs. 117.0 million while the Janakpur Cigarette Factory Ltd., has incurred the highest loss of Rs. 500.9 million. Though Dairy Development Corporation that showed loss in the previous year has now earned profit in the review period.

Debt, Assets and Shareholder's Funds

9.10 The fixed asset of PEs of this sector is equivalent to Rs. 4.444 billion with a decrease of Rs. 212.7 million from that of the previous year. The total outstanding debt of the industry sector that remained at Rs. 3.689 billion in the previous year has reached Rs. 4.362 billion with an increase of 671.0 million by the end of the review period. The shareholder's fund of this sector has shown the negative balance of Rs. 1.827 billion. The shareholders' fund showed additional negative balance of Rs. 409.4 million as compared to the previous fiscal year. It reveals the trend of declining progress in the entire industrial sector.

Business Sector

Profit-Loss Situation

9.11 In the fiscal year 2009/10, though all six PEs under the business sector category were able to increase their operating income by 20.3 percent from Rs. 60.936 billion in the previous year, this sector still incurs the loss of Rs. 556.9 million. The total operating income happens to register its growth mainly due to rise in the operating income of Nepal Oil Corporation and Agricultural Inputs Company. The operating income of National Trading Company Ltd., has declined by 32.4 percent thereby pushing this company into loss by two folds. The operating income of Agricultural Inputs Company has increased by ten folds due to the fact that this company increased its operating income by purchasing agricultural inputs through government subsidy and loans in the previous year. The Agriculture Inputs Company that had incurred loss of Rs. 113.0 million in the previous year has now earned profit of Rs. 113.5 million in the review period. In total, entire sector is in loss due to the huge loss of Nepal Oil Corporation.

Debt, Assets and Shareholders' Fund

9.12 The total debt of PEs of this sector that stood at Rs.12.273 billion in the previous year has dropped to Rs. 11.700 billion with a slight decrease in fiscal year 2009/10. Nepal Oil Corporation has the highest outstanding debt of Rs. 11.441 billion while the

Timber Corporation of Nepal showed the lowest debt figure of Rs. 547 million. The Agricultural Inputs Company Ltd. and National Seeds Company Ltd. have not borrowed any loan from the Government of Nepal. The net worth of fixed assets of 6 PEs under this sector stood at Rs. 2.019 billion and of total assets, Agriculture Inputs Company Ltd. holds the highest share of Rs. 758.5 million while that of National Trading Ltd., has the lowest figure of Rs. 289 million. Although the overall shareholders' fund remained negative by Rs. 7.049 billion, such funds of Agricultural Inputs Company Ltd., National Seed Company Ltd., and the Timber Corporation of Nepal Ltd remained positive.

Service Sector

Profit and Loss Situation

9.13 The total operating income of PE's under the service sector has increased by 70.2 percent to Rs.8.101 billion in fiscal year 2009/10 as compared to that of previous fiscal year. Nepal Airlines Corporation has the highest operating income of Rs. 5.349 billion. The rise in such incomes is mainly due to the rise in international aviation services and incomes from the ground handling charge. Such operating income of Nepal Engineering Consultancy Services Centre Ltd, has stood at the lowest figure of Rs. 2.4 million. PEs in this sector registered the net profit figure of Rs. 360 million in the fiscal year 2009/10 against the net loss of Rs. 593.4 million in previous fiscal year. Nepal Civil Aviation Authority that had incurred loss of Rs. 591 million in the previous fiscal year has earned profit of Rs. 221.1 million in this fiscal year. Likewise, the profit figure of Nepal Transit and Warehousing Management Company stood at Rs. 460 million.

Debt, Assets and Shareholders' Fund

9.14 The net worth of fixed assets of service sector enterprises has been Rs. 11.119 billion. The shareholders fund of Nepal Airlines Corporation remained negative with Rs. 1.178 billion while such fund of the rest six enterprises remained positive. In overall, the shareholders' fund of the service sector enterprises has remained positive by Rs. 9.650 billion. Among the service sector's

enterprises, Nepal Airlines Corporation, Civil Aviation Authority, Nepal Transit and Warehousing Management Company Ltd., have received loans from the Government of Nepal. The total loan investment in this sector has reached Rs. 2.875 billion. Of this, Nepal Airlines Corporation has a debt of Rs. 1.084 billion, Civil Aviation Authority of Nepal Rs. 1.753 billion, and that of Nepal Transit and Warehousing Management Company Ltd. Rs. 2.875 billion.

Social Sector

Profit and Loss Situation

9.15 The total operating income of 5 PEs in the social sector totalled Rs. 1.491 billion in the previous fiscal year, which dropped by 13.8 percent to Rs. 1.285 billion in the review period. During the fiscal year 2009/10, Nepal Television and Cultural Corporation have increased their operating income by 37.9 percent and 15.9 percent respectively while operating income of Gorakhapatra Sansthan, Janak Education Materials Centre Ltd. and Rural Housing Company Ltd. have dropped as compared to the previous fiscal year. Net loss of such enterprises that totalled Rs. 283.2 million in the previous fiscal year has come down to Rs. 152.2 million in this fiscal year. Gorkhapatra Sansthan and Rural Housing Company Ltd., have earned profits while the remaining three enterprises are in loss. Rural Housing Company has earned profit as a result of price hike of the land.

Debt, Assets and Shareholders' Fund

9.16 The total debt obligation of social sector enterprises stood at Rs. 234.6 million of which, Cultural Corporation owes Rs. 194.6 million, and Gorkhapatra Sansthan Rs. 40 million. The net fix assets of these enterprises stood at Rs. 986.5 million in the fiscal year 2009/10 with the drop of Rs. 80 million from the previous fiscal year's total of Rs. 1.067 billion of previous fiscal year. Likewise, shareholder's fund that amounted to Rs. 1.181 billion in the previous fiscal year dropped to Rs. 1.15 billion during the year in review. The shareholder's fund of all PEs in this category remained positive except that of Cultural Corporation with a

negative figure of Rs. 119.0 million. The overall situation of this sector has not been satisfactory due to decrease in operating cost, losses incurred, and decline in shareholder's fund.

Public Utility Sector

Profit and Loss Situation

9.17 The total operating income of three PEs, under the Public Utility Sector, rose by 20.3 percent from the previous year to Rs. 42.485 billion in FY2009/10. Among these PEs, Nepal Telecom records highest operating income of Rs. 25.06 billion while Nepal Water Supply Corporation Kathmandu registered the lowest such income of Rs. 261.7 million. The net profit of the PEs under this sector that stood at Rs. 4.574 billion in the previous year grew by 44.5 percent reaching Rs. 6.607 billion. Nepal Electricity Authority (NEA) has incurred the loss of Rs. 4.05 billion while Nepal Water Supply Corporation registered the loss of Rs. 118.1 million. The Nepal Telecom, which earned profit of Rs. 10.775 billion has pulled this sector to the profit pool.

Debt, Assets and Shareholders' Fund

9.18 By the end of the FY2009/10, the net worth of fix assets of this sector's PEs stood at Rs. 119.09 billion against Rs. 114.407 billion in the previous fiscal year. The reason for the rise in fix asset of the sector is due to their heavy investment in infrastructure development. The shareholder's fund of all enterprises in this sector remains positive with the total fund amount Rs. 74.492 billion. The net debt liability of these enterprises stands at Rs. 58.837 billion of which, NEA has Rs. 58.025 billion while Nepal Water Supply Corporation has the debt share of 812.2 million.

Financial Sector

Profit and Loss Situation

9.19 The total operating income of 8 PEs in the financial sector has increased by 23.1 percent from 10.93 billion of previous year to Rs.13.45 billion in this review year. Among these sector enterprises, Citizen Investment Trust has increased its operating income by 128.9

percent to Rs. 173.3 million as compared to the previous fiscal year. Likewise, Credit and Investment Guarantee Corporation Ltd. and Agriculture Development Bank have increased their operating income by 122.7 percent and 33.4 percent respectively. The operating income of Nepal Industrial Development Corporation (NIDC) dropped by 80.7 percent as compared to that of previous fiscal year. Similarly, such income of Nepal Stock Exchange Ltd has fell by 15.9 percent. The recessionary trend seen in the securities market has been the major reason for such decline in the operating income of Nepal Stock Exchange. While analysing the profit and loss situation of this sector, the net profit of this sector that stood at Rs. 4.329 billion in the previous year has increased by 10.1 percent to Rs. 4.768 billion during this period. Rastriya Banijya Bank has earned a profit of Rs. 1.910 billion, Agriculture Development Bank Rs. 1.892 billion followed by Nepal Housing Finance Ltd. registering the lowest profit earning. It had earned a profit Rs. 217 million in the previous year, which came down to Rs. 138 million by the review period.

Debt, Deposit Investment and Share Holders' Fund

9.20 The outstanding debt of PEs in this sector that stood at Rs. 4.154 billion in the previous year increased to Rs. 6.340 billion in this review period. Of this outstanding debt, Agriculture Development Bank owes Rs. 2.300 million while Rastriya Banijya Bank shared Rs. 4.040 billion. The accumulated deposits of such PEs from the people that totalled Rs. 104.596 billion in the previous year has dropped to Rs. 103.766 billion in the review year. The lower government expenditure as against its higher savings has influenced deposits of banks and financial institutions. The credit flow of PEs of the financial sector that stood at Rs. 97.474 billion in FY 2008/09 came down to Rs. 64.689 billion in the review period. The Agriculture Development Bank has raised its both credit and investment amount in the review year than that of the previous year while Rastriya Banijya Bank has lowered its credit amount by a great extent than of the previous year. The shareholders' fund of the sector that stood negative with Rs. 804.6 million in FY 2008/09 rebounded to a positive figure of Rs. 3.504 billion during the review period. The shareholder's fund of Rastriya Banijya Bank

that remained negative by Rs. 13.472 billion in the previous year is still negative by Rs. 10.056 billion. There has been gradual improvement in the shareholder's fund of Rastriya Banijya Bank after the Bank was brought in operation on the Management Contract under the Financial Sector Reform Program in 2003 with the World Bank Assistance.

Status of Auditing

- 9.21 Despite the legal provision to conduct annual audit of PEs, in practice some PEs still ignore their responsibility of getting their accounts audited within the stipulated time-frame. Of 36 PEs, 16 of them have completed auditing of their accounts of FY2009/10, whereas 12 of them have made it up to 2008/09, 2 of them have completed their audits only up to FY 2007/08. The following table presents the poor performances of some of the PEs failing towards fulfilling their legal responsibilities for annual auditing:

Table 9 (a): PEs failed to complete annual auditing

S.N.	Name of the Public Enterprises	The last year audit conducted
1.	Nepal Oriental & Magnesite (P) Ltd.	2000/01
2.	Rastriya Beema Sansthan	2002/03
3.	Udayapur Cement Factory	2004/05
4.	National Productivity and Economic Development Center	2004/05
5.	Gorakhapatra Sansthan	2006/07
6.	Janakpur Cigarette Factory Ltd.	2006/07

Source: Ministry of Finance, Corporation Coordination Division

Reform in Corporations' Board of Directors

- 9.22 The Government has endorsed a policy of appointing competent, enterprising and professional individuals to represent the Board of the PEs limiting their size to 5 members and most of the PEs have adopted such a policy. However, the number of Board of Directors of some PEs as specified in the policy could not be actualized as Acts and Regulations of some PEs have specific provision on the number of Board members. Names of such PEs with more than 5 Board members are given in Table 9 (b) below:

9.23 Two category of human resource work in PEs, namely the top level management and the functioning staff. Management of these PEs recruit functional level human resource to operate and facilitate company's managerial tasks while Government of Nepal appoints Executive Chairman, Managing Director at top level management. Although Government of Nepal has endorsed the policy for representation of competent, skilled, expert, professional individuals on Boards, and Company Heads (Chair person, Chief Executive and Managing Director) by appointing qualified and deserving persons having managerial skills through competition and performance contract basis, its implementation part has remained weak. The chiefs of four PEs under the Ministry of Finance, namely National Insurance Company (Rastriya Bima Sansthan), Citizen Investment Trust, Nepal Stock Exchange and Employees' Provident Fund have been appointed through competition on performance contract basis by inviting applications through issuance of public notice. Appointments of the Heads of the rest of the PEs, however, are made without any competition and performance contract.

Table 9 (b) : Number of Board Directors in some Public Corporations

S.N.	Name of the Public Enterprises	No. of Directors
1.	Nepal Water Supply Corporation	8
2.	Nepal Electricity Authority	8
3.	Nepal Housing Development Finance Company Ltd.	8
4.	Nepal Oil Corporation Ltd.	8
5.	Nepal Airlines Corporation	7
6.	Nepal Transit and Warehouse Management Company Ltd.	7
7.	Grameen Aawas Company Ltd.	7
8.	Nepal Telecom Ltd	7
9	Dairy Development Corporation	7
10	Udayapur Cement Industry Ltd.	7
11	Nepal Stock Exchange Ltd	6
12	Nepal Food Corporation	6
13	Nepal Oriental Magnesite (P.) ltd	6

Source: Ministry of Finance, Corporation Coordination Division

The Government of Nepal's Share and Loan Investments

9.24 Government's share investment in Government owned PEs totals Rs. 82.757 billion which is lower by 3.378 billion as compared to the

fiscal year 2008/09. Likewise, the loan investment of the government stands at Rs. 84.916 billion with domestic loan of Rs. 19.574 billion and external loan of Rs. 65.342 billion by the end of FY 2009/10. This figure stood at Rs 74.603 billion in its immediate previous fiscal year. The companies with additional debts owing to the Government are: Janakpur Cigarette Factory Ltd., Herbs Production and Processing Company Ltd., Nepal Drugs Company Ltd., Nepal Orind and Magnesite (P) Ltd., National Trading Ltd. Nepal Oil Corporation, Nepal Transit and Warehouse Management Company Ltd., Civil Aviation Authority of Nepal, Nepal Water Supply Corporation, and Nepal Electricity Authority.

- 9.25 The discrepancies observed in the details provided by PEs and FCGO on the government's share and its loan investments to these PEs since last few years still persist, and remain yet to be tallied. Such discrepancies that prevail for a long period will certainly make the auditing tasks more and more complex and blur the picture of financial conditions of the PEs. A Committee, formed to reconcile the accounts, has begun the work.
- 9.26 Discrepancies in details on Government's loan investment to the PEs on the reports of PEs and FCGO are presented below:

Table 9 (c): Discrepancies in Government Accounting of Share Investments in Public Enterprises

(In Rs.'000)

S.N.	Name of the Public Enterprise	As shown by the PE	As shown by FCGO	Difference
1	Nepal Herbs Production and Processing Co. Ltd.	27500	39700	-12200
2	National Seeds Company Ltd.	118500	110100	8400
3	Nepal Food Corporation	990500	999300	-8800
4	Nepal Oil Corporation Ltd.	95100	290800	-195700
5	Nepal Engineering Consultancy	4200	3800	400
6	Nepal Airlines Corporation	162300	379300	-217000
7	Civil Aviation Authority of Nepal	11085400	12173400	-1088000
8	Jankak Educational Material Center. Ltd	450000	456400	-6400
9	Grameen Aawas Co. Ltd.	23300	2700	20600
10	Nepal Water Supply Corporation	347600	1407700	-1060100

S.N.	Name of the Public Enterprise	As shown by the PE	As shown by FCGO	Difference
11	Nepal Electricity Authority	38640300	35800400	2839900
12	Nepal Telecom Ltd.	13724000	13724200	200
13	Agricultural Development Bank Ltd.	9437500	8062800	1374700
14	Rastriya Beema Sansthan	61200	49900	11300
15	Nepal Industrial Development Corporation	412700	349200	63500
16	Deposit and Credit Guaranteed Corporation	32200	46000	-13800
17	Nepal Aawas Finance Ltd.	17600	16100	1500

Source: Ministry of Finance, Corporation Coordination Division

Table 9 (d): Discrepancies in Accounting of Government Lending to Public Enterprises

(In Rs. '000)

S.N.	Name of the Public Enterprise	As shown by the PE	As shown by FCGO	Difference
1	Hetaunda Cement Factory Ltd.	386100	151100	235000
2	Janakpur Cigarette Factory	805500	260000	545500
3	Nepal Drugs Ltd.	182100	217700	-35600
4	Udayapur Cement Industry Ltd.	1730000	2225000	-495000
5	Nepal Oriental Magnesite Pvt. Ltd.	1182700	684000	534700
6	National Trading Ltd	488400	100000	388400
7	Nepal Food Corporation	204300	4200	200100
8	The Timber Corporation of Nepal	11441000	8511000	2930000
9	National Construction Co. Nepal Ltd.	54700	57800	-3100
10	Nepal Airlines Corporation	000	1000	-1000
11	Civil Aviation Authority	1084200	355300	728900
12	Nepal Water Supply Corporation	1753300	2311600	-558300
13	Saanskritik Sansthan	194600	226300	-31700
14	Gorakhapatra Sansthan	40000	94600	-56400
15	Nepal Water Supply Corporation	812100	4111000	-3294900
16	Nepal Electricity Authority	58025300	62731900	-4706600
17	Nepal Telecom Ltd.	0	104300	-104300
18	Agricultural Development Bank Ltd.	2300000	2695900	-395900
19	Nepal Industrial Development Corporation Ltd.	0	6500	-6500
20	Rastriya Banijya Bank	4039700	0	4039700

Source: Ministry of Finance, Corporation Coordination Division

Human Resource Management

9.27 The number of employees recruited totalled 33,603 at the functional level in FY 2008/09. This number stood at 33,526 in FY2009/10. The average monthly expenditure of an employee reached Rs. 34,126 in 2009/10 from Rs. 27,110 of FY 2008/09. These PEs have a common pressure of over-staffing, but the production and delivery of goods and services of these PEs have not improved in comparison to growth in the number of staff, workers, and productivity of their counterparts of similar nature in the private sector. PEs are more likely to enter into financial crisis in future due to excessive demand of the employees once the organization shows annual profit. The employees lack sense of competition and feel unaccountable towards their duties on one hand, while they tend to enjoy the privilege on the other. In the later period, employees have been making demands to increase the facilities like gratuity and pensions receivable upon retirement instead of demanding in-service facilities.

Unfunded Liabilities

9.28 Most PEs have not covered various payment liabilities such as gratuity, medical expenses, payments against accrued leave, etc. in their fund due to the lack of financial discipline, getting burdensome for unanticipated potential obligations. The unfunded liabilities of PEs and existing potential liabilities have grown by 10.2 percent reaching Rs. 29.381 billion as compared to the previous fiscal year. Thus, the financial position of the concerned companies may not be able to bear the annual accumulation of their unfunded liabilities which in turn would be accounted in the Government liabilities later on. Hence, a serious deliberation in this regard is necessary to find a solution for resolving this problem.

Table 9(e) : Unfunded Potential Liabilities of Public Enterprises

(In million Rs.)

S.N.	Name of the Public Enterprise	Unfunded	Potential Liability	Total
1.	Dairy development Corporation	443.3	0	443.3
2.	Herbs Production and Processing Company Ltd.	202.8	0	202.8
3.	Hetauda Cement Industry Ltd.	119.7	0	119.7

S.N.	Name of the Public Enterprise	Unfunded	Potential Liability	Total
4.	Janakpur Cigarette Factory Ltd.	761.9	0	761.9
5.	Nepal Drugs Ltd.	147.7	0	147.7
6.	Udaypur Cement Industry Ltd.	66.0	0	66.0
7.	Nepal Oriental Magnesite Pvt. ltd.	17.2	182.0	199.2
8.	Agricultural Inputs Co. Ltd.	198.9	1.5	200.4
9.	National Trading Ltd.	139.5	0	139.5
10.	Nepal Food Corporation	571.5	0	571.5
11	Nepal Oil Corporation Ltd.	0	52.6	52.6
12	Industrial Sector Management Ltd	15.2	0	15.2
13	National Construction Company of Nepal Ltd	13.5	0	13.5
14	Nepal Transit & Warehousing Co. Ltd.	6.9	0	6.9
15	Nepal Airlines Corporation	549.3	90.0	639.3
16	Civil Aviation Authority	0	348.7	348.7
17	Sanskritik Sansthan	10.3	5.0	15.3
18	Jankak Educational Material Center. Ltd	185.0	10.0	195.0
19	Nepal Television	1590.0	0	1590.0
20	Grameen Aawas Co. Ltd.	28.0	0	28.0
21	Nepal Water Supply Corporation	349.3	0	349.3
22	Nepal Electricity Authority	4684.2	8405.9	13090.1
23	Nepal Telecom. Ltd	3118.3	0	3118.3
24	Agriculture Development Bank	0	3804.1	3804.1
25	Rastriya Banijya Bank Ltd.	414.8	2848.1	3262.9
	Total	13633.3	15747.9	29381.2

Source: Ministry of Finance, Corporation Coordination Division

Disinvestment, Liquidation and Termination of PEs

9.29 Government of Nepal initiated the process of privatization, liquidation and termination of PEs in 1993 with the objectives of raising the private sector's productivity through their skills enhancement, ease the Government's financial and administrative burden, increase the private sector participation, and ensure effective and efficient delivery of goods and services. Since then and between the fiscal year 2009/10, the Government

has divested 30 PEs through adoption of various modalities including the sale of businesses assets, partial disinvestment of shares, sale of current assets, leasing of buildings and land, management contract, liquidation, and termination, etc. The details of such disinvestments are given below:

Table 9(f) : Divested and Liquidated Public Enterprises

S.N	Name of Enterprise	Year of disinvestment or liquidation (A.D.)	Privatization Process	Shares Disposed (Percent)	Amount received through Disinvestment (in million Rs.)
1.	Bhrikuti Paper Factory	1992	Business and Assets \sale	-	22,980
2.	Harisiddhi Brick & Tile Factory	1992	Business and Assets \sale	-	21,48,3
3.	Bansbari Leather Shoes Factory	1992	Business and Assets \sale (except Land)	-	29,85.4
4.	Motion Picture Development Company	1993	Shares Disinvestme	51.0	64,66.2
5.	Balaju Textile Industry	1993	Shares Disinvestme	70.0	17,71.6
6.	Raw Hide Collection and Sales Center	1993	Shares Disinvestme	100.0	39,9.0
7.	Nepal Bitumin & Barrel Industry	1994	Shares Disinvestme	65.0	13,12.7
8.	Nepal Lube Oil	1994	Shares Disinvestme	40.0	31,05.7
9.	Nepal Jute Development and Trading Co.	1993	Liquidation	-	-
11.	Tobacco Development Co.	1994	Liquidation	-	-
12.	Nepal Metal Co.	1996	Shares Disinvestme	51.0	14,47.3
13.	Raghupati Jute Mills	1996	Shares Disinvestme	65.0	82,20.4
14.	Nepal Bank Ltd.	1997	Shares Disinvestme	10.0	12,51,4
15.	Agriculture Project Services Center	2001	Liquidation	-	-
15.	Nepal Tea Development Corporation	2000	Shares Disinvestme	65.0	26,71,0.5
16.	Biratnagar Jute Mills	2002	Management Contra	-	-
17.	Himal Cement Industry Ltd.	2002	Liquidation	-	-
18.	Cottage Handicraft Sales Emporium	2002	Liquidation	-	-
19.	Nepal Coal Ltd.	2002	Liquidation	-	-
20.	Hetauda Textile Industry	2002	Liquidation	-	-
21.	Nepal Transport Corporation	2002	Dissolve	-	-
22.	Butwal Power Company	2003	Shares Disinvestme	75.0	87420.0 and US\$ 1 Million US
23.	Birganj Sugar Factory Ltd.	2003	Liquidation	-	-

S.N	Name of Enterprise	Year of disinvestment or liquidation (A.D.)	Privatization Process	Shares Disposed (Percent)	Amount received through Disinvestment (in million Rs.)
24.	Agricultural Tools Factory Ltd.	2003	Liquidation	-	-
25	Bhaktapur Brick Factory Ltd.	2004	Assets sale and renting out	-	14,50.0 from assets sale and 31,90.0 and from 10 years rent
26	Lumbini Sugar Mill	2006	Assets sale and renting out	-	78,60.0 from asset disposal and Rs.42,1.2 from annual rent
27	Nepal Rosin and Terpentine Ltd	2006	Assets sale and renting out	-	11,01,0.0 from asset disposal and 30,12 from annual rent
28	Agriculture Lime Industry Ltd.*	2006	Liquidated		
29	Nepal Drilling Company	2006	Liquidated		
30	Nepal Tele-communication Company Ltd.	2008	Shares sale	8.53	4,26,41,3.9

Source: Ministry of Finance, Corporation Coordination Division

*No longer registered with the Company Registrar's Office

- 9.30 Monitoring of privatized PEs could not be carried out. Some PEs are closed after privatization, and employment opportunities have been curtailed due to failure on enhancing investments, production, and productivity of even those in operation. In this process, the Task Force formed to explore the exact situation of government owned and privatized PEs has already submitted its report with its findings and recommendations.
- 9.31 In the current fiscal year 2010/11, the shares government in Small Farmer Development Bank has been sold to the Small Farmer Cooperatives and the amount received from the sale has already been deposited in the Government's revenue account.
- 9.32 With regard to capital restructuring process of Agriculture Development Bank, Government of Nepal has granted approval to the Bank in principle to implement capital restructuring plan in line with the objectives of its establishment and areas of interest. For this, the Government has agreed to divest its 30 percentage points of its total 50.78 percent share to a strategic partner while holding the maximum of 21 percent share to ensure the Bank's vibrant presence in rural finance sector.
- 9.33 No process for privatization has moved ahead in FY2009/10. Among the privatized PEs, the liquidation process of Agriculture

Lime Industry Ltd. is completed and removed from the record of the Company Registrar's Office.

- 9.34 The Government had to bear huge financial liability for carrying out the task of privatization. Besides, it has also borne liability for settling the liabilities of the divested and liquidated PEs. There is a situation whereby the Government has to bear even greater financial burden in carrying out unaccomplished liquidation, dissolution or disinvestment tasks. The details of the Government investments for payment of liabilities of those dissolved PEs are given below:

Table 9 (g) : Investment of Government of Nepal on Divested or Liquidated Public Enterprises

(Rs. in Lakh)

S.N.	Name of the Public Enterprise	Up to FY 2008/09	In 2009/10	Total
1	Himal Cement Company	4302.00	0	4302.00
2	Bhaktapur Brick Factory	2062.31	0	2062.31
3	Birganj Sugar Factory	7094.40	30.29	7124.69
4	Agricultural Tools Factory	544.76	16.40	561.16
5	Nepal Rosin & Turpentine Ltd.	1808.12	0	1808.12
6	Lumbini Sugar Factory	5089.67	0	5089.67
7	Agricultural Lime Industry Ltd.	825.86	0	825.86
8	Nepal Coal Ltd.	83.91	0	83.91
9	Nepal Transport Corporation	4977.53	0	4977.53
10	Hetauda Textile Industry	5360.35	0	5360.35
11	Cottage Handicraft Sales Emporium	810.33	0	810.33
12	Nepal Tea Development Corporation Ltd.	1190.02	1.36	1191.38
13	Butwal Thread Factory Ltd	0	4722.45	4722.45
14	Biratnagar Jute Mill	4514.09	5872.19	10386.28
	Total	38663.35	10642.69	49306.04

Source: Corporation Coordination Division, MOF

10. Energy and Forestry

Energy

- 10.1 Energy consumption in FY 2009/10 rose by 5.5 percent as compared to FY 2008/09 totalling 9,911 Tons of Oil Equivalent (TOE). In the first eight months of current FY 2010/11, consumption totalled 6,571 TOE.
- 10.2 In FY 2009/10, the ratio of traditional, commercial and renewable energy consumption was 84.4 percent, 14.9 percent and 0.7 percent, respectively. In the first eight months of FY 2010/11, this ratio was recorded as 86.5 percent, 12.8 percent and 0.7 percent, respectively. The data reveals that Nepalese economy's high dependence on traditional energy has not changed.
- 10.3 In FY 2009/10, among the consumption of traditional energy, the share of firewood was 75.3 percent, agricultural residues 3.6 percent and livestock residues 5.6 percent. In the first eight months of the current FY 2010/11, estimated ratio for the same items were 77.1 percent, 3.6 percent and 5.7 percent respectively. In FY 2009/10, Consumption of commercial category of energy in stood at 9.7 percent, 2.9, and electricity 2.3 percents for POL, coal, and electricity respectively. while in the first eight months of FY 2010/11, the share of these items were 8.2, 2.4 and 2.2 percents respectively.

Coal

- 10.4 In FY 2009/10, coal consumption rose by 61.8 percent as compared to the previous FY and totalled 292 TOE. In the first eight months of the current FY 2010/11, its consumption rose by 1.8 percent as compared to the same period in the last FY 2009/10, totalling 157 TOE.

Electricity

- 10.5 By the end of FY 2009/10 from all projects across the country, 697 MW of electricity has been generated. Of the total electricity generated, 689 MW has been connected to the national grid, while for the rest, the stand-alone micro hydro-electricity centres have been supplying them at the local level. Likewise, including the thermal electricity centres' production of 53.4 MW and solar centres' production of 100 KW, the total electricity production has reached 751 MW.

- 10.6 Until the first eight months of the current FY 2010/11, construction works at the Rahughat Hydro Electricity Project (HEP) (32 MW) in Myagdi district was going on. Construction works of the power house and 4.06 km tunnel is underway. In Chameliya HEP (30 MW) in Darchula district of Far-West Region. In Makwanpur district, construction work of Kulekhani III HEP (14 MW) has been ongoing. As for Upper Tamakoshi HEP, debt agreements have been signed with various entities with the aim of managing investments solely from domestic sources. The project has been converted into a company and construction works have already begun. To ensure reliable electricity supply in Humla and Mugu which are dependent only on solar electricity, Heldung and Gamgaad micro-HEPs of 500 and 400 KW capacities respectively were initiated. Of the two, construction works of Heldung micro-HEP has been completed.
- 10.7 As in previous years, involvement of the private sector in electricity production in the current FY 2010/11 too, was not as expected. Some electricity projects developed by the private sector, however, are gradually coming into operation after completion of construction works. In this context, 4.2 MW project of Unique Hydel Company and 2.4 MW of Himal Dolakha Hydro Power have completed constructions and have started operation in the current fiscal year. Likewise, Paati Khola (0.996 MW) and Seti II (0.979 MW) also have started operation after completing the construction works. Similarly, it is expected that Ridi Khola (2.4 MW), Uppder Haadi Khola (0.991 MW), Lower Piluwa Khola (0.99 MW) and Mai Khola (2.4 MW) will start production by the end of this FY after completion of construction works. Similarly, Power Purchase Agreement (PPA) has already been signed with Charanawati (0.980 MW), Golmagaad (0.580 MW), Bhairav Kunda (1.850 MW), Sipring Khola (9.658 MW), Lower Modi I (9.900 MW), Jiri Khola (0.990 MW), Chakey Khola (0.990 MW), Dapcha Roshi (5 MW) and Upper Puwa I (0.985 MW).
- 10.8 By the end of FY 2009/10, in the process of extension of power grids, 2,033 Circuits Km under high voltage transmission line of 132 kV, 482 Circuits Km of 66 Kv and 3,440 Km line at the level of 66 kV and 33 kV combined are in operation. Construction works of Thankot-Chapagaun-Bhaktapur 132 kV transmission line under the loan assistance of Asian Development Bank is in the final phase. The project was initiated with the objective of strengthening electricity transmission capacity of Kathmandu valley by building 132 kV capacity "Ringmen"

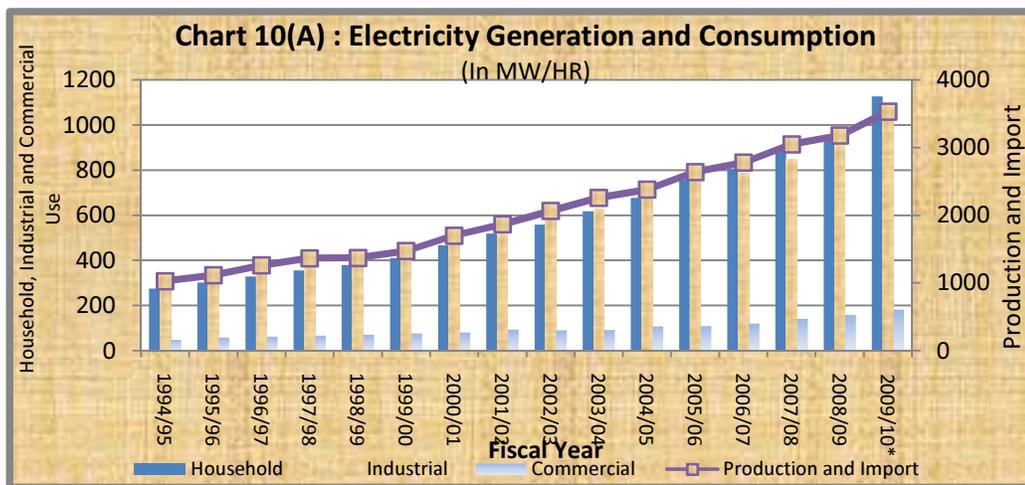
transmission lines, where urbanisation is growing. Construction of Khimti-Dhalkebar 220 kV transmission line (75 km) is ongoing under the World Bank's assistance to transmit electricity generated by Khimti HEP and other projects to be built in the area. Under 33 kV, the projects of Ilam-Phidim-Taplejung (90 km), Sitalpati-Musikot (50 km), Wuipa-Okhaldhunga (33 km), Chhinchu-Rakam-Jajarkot (70 km), Ghorahi-Holeri (45 km), Udipur-Beshi Sahar- Manang (90 km), Dipayal-Saafe Bagar-Manma-Jumla (155 km) and Dhankuta-Hiley-Leguwa-Bhojpur (40 km) are under construction. As per the Agreement in principle between Nepal and India to increase electricity exchange capacity, necessary studies and preparations are going on to set up transmission lines at 3 points of Nepal-India border at Dhabhi-Jogbani, Butwal-Sunauli and Dhalkebar-Bhittamod.

- 10.9 In the process of rural electrification, a total of 247,547 household families are connected to electricity services in their homes through participation of 242 community-based organizations under the people's participation-based Community Rural Electrification Program. The electrification process is moving on with the expectation that around 70,000 additional households will be able to receive electricity services in their homes by the end of the current FY 2010/11.
- 10.10 Feasibility and detailed studies are being carried out for the development of hydro electricity. The work to identify other necessary projects that would be able to meet the demand for electricity are also going on. To address the existing seasonal imbalance of demand and supply in the national electricity system, reservoir-based projects are felt necessary. Based on studies conducted so far, the Upper Seti Reservoir-based Project of 127 MW capacity is found quite attractive. A consultant has already been appointed to perform a detailed study on the project. Operating license has been granted and other works are ongoing for 60 MW Upper Trishuli III (A). The study on Rahughat HEP to be built with Indian assistance is being updated. As for other projects, detailed studies have begun on Nalsyaugaad, Maadi Ishaneshor and Seti-Trishuli reservoir-based projects.
- 10.11 In FY 2009/10, of the total 3,689.27 Giga Watt Hours (GWH) electricity supplied, the share of hydro electricity production was 2,104.52 GWH, thermal was 13.12 GWH, power purchased from private sector was 959.74 GWH and electricity imported from India was 612.58 GWH. Of the total electricity supplied (3,689.27 GWH), 2,603.35 GWH were consumed domestically while 74.48 GWH was

exported to India. In the current FY 2010/11, a total of 3,557.51 GWH electricity was produced, of which the share of hydro electricity was 2,831 GWH, thermal electricity was 5.43 GWH and electricity imported from India was 721.08 GWH. Of the total electricity available, 2925.35 GWH is estimated to be consumed internally (within Nepal).

10.12 In FY 2009/10, on a sector-wise basis, industries consumed 37.7 percent of electricity, while the households consumed 41.4 percent, business sector 7.2 percent, non-business sector 2.8 percent and miscellaneous sectors 10.9 percent. In FY 2010/11, industries are estimated to consume 37.44 percent of electricity, households 42.74 percent, business sector 7.7 percent and miscellaneous sectors 12.1 percent.

10.13 The number of customers receiving electricity service is growing every year. By the end of FY 2009/10, the number of customers had reached 1,790,819 while by the end of mid-January in the current FY 2010/11, the number of customers increased by 9.02 percent and reached 1,952,505.



* Estimates of Mid-February

Petroleum Products (POL)

10.14 In FY 2009/10, consumption of Petroleum Products (POL) rose by 25.2 percent totalling 913,198 Kilolitres (KL) while LP Gas consumption went up by 21.9 percent totalling 141,171 Metric Tons (MT). In the first eight months of FY 2009/10, the consumption of POL and LP gas was 558,114 KL and 86,403 MT, respectively. For the same period in the current FY 2010/11, the consumption of POL increased by 13.2 percent reaching 631,951 KL and LP gas by 16.4 percent totalling 100,540 MT.

- 10.15 Majority share of POL consumption has been occupied by diesel, kerosene, petrol, and aviation fuel. In FY 2009/10, except for LP gas, the consumption share of diesel, kerosene, petrol and aviation fuel in overall POL were 67.1 percent, 6.1 percent, 17.7 percent and 9.1 percent, respectively. In the first eight months of the current FY, the consumption share of diesel, petrol, kerosene and aviation fuel in overall POL was 64.9 percent, 19.4 percent, 5.1 percent and 10.6 percent, respectively.
- 10.16 Nepal Oil Corporation (NOC) has been importing, storing the necessary amount and distributing POL across the country in a hassle free manner. To bring simplicity in the distribution of POL, internal works are underway to lay pipeline and import POL from Raxaul Depot of Indian Oil Corporation to Amlekhgunj Depot of NOC. Likewise, works are in progress towards increasing the storage capacity of existing Depots and adding new Depots. Initiatives are also on to implement the recommendations put forth by various Commission / Committees in the past years to take ahead structural reforms.

Alternative Energy

- 10.17 Alternative Energy Promotion Centre (AEPC) has been established with the objectives of sustainably developing alternative / renewable energy technology in Nepal and supplying it to rural sector, bringing improvements in the livelihoods of specially the rural citizens by operating various mini industries and enterprises based on alternative energy technology, alleviating poverty and conserving the environment. To achieve these objectives, the Centre has been involved in extending necessary assistance and consultation to the government on formulation of policies on alternative energy technology and planning, setting up short term and long term policies, implementing programs through coordination with various organisations related with energy, and quality control, monitoring and evaluation.
- 10.18 A Rural Energy Fund has been set up under the AEPC to mobilise economic resources received from the Government of Nepal and donor agencies in a well-managed, simple and speedy way so as to invest in micro hydro electricity projects, solar energy electricity system and improved bio-fuel system and to coordinate with banks to manage necessary credits. The establishment of the Fund has increased the access of rural citizens unto new and sustainable energy systems, has taken ahead electrification process where national electricity

transmission is not possible, has brought improvements in education and health and has directly contributed in income generation and employment. Likewise, to increase the access of low-income people unto bio-gas (*gobar gas*), AEPC has been disbursing credits under the assistance of KfW establishing a separate Bio-gas Credit Unit.

Table 10(a) : Status of Alternative Energy in Nepal

S.N.	Activities	Progress	
		2009/10	2010/11*
1.	Solar Dryer/Cooker distribution (Nos.)	318	18
2.	Gobar Gas Plants Installed (Nos.)	19511	6774
3.	Improved (iron) Cooking Stoves Installed	8000	1537
4.	Improved (clay) Cooking Stoves Installed	60000	28529
5.	Home Solar Energy System Installed (Nos.)	36135	41884
6.	Improved Water Mills Installed (Nos.)	986	243
7.	Micro Hydro Electricity Production (Kilowatt)	867	3660
8.	Research Related with Alternative Energy	13	-
9.	Training Related with Gobar Gas Technology	23106	-
10.	Micro Hydro Electricity Plant	828	-
11.	Solar Lamp	-	4077

* First Eight Months, Source: Alternative Energy Promotion Center

Forestry

- 10.19 Forest areas in Nepal are managed with the following objectives: (a) Maintain ecological balance through scientific management of forests, plants, watersheds, conservation of biodiversity, and protected areas; and at the same time empower ultra poor and voiceless communities socio-economically by ensuring their access and rights to forestry products through sustainable enhancement of forest resources; (b) Promote domestic and export markets by creating employment opportunities through the promotion of forestry products based industries and businesses; and (c) support in poverty reduction and creation of equitable society through judicious distribution of forestry products by raising the level of income of men and women belonging to ultra poor *Dalits*, indigenous groups, *Janjatis*, *Madhesis*, downtrodden, physically challenged and other backward communities.

10.20 Strategies, according to which, the overall forestry management works are being adopted are:

- Conservation of bio-diversity and genetic resources including forests, plants, insects, wildlife
- Enhance people's participation with special emphasis on soil and water resource conservation in the Siwalik area, and scientifically manage the government managed forests
- Conduct test on scientific management of partnership forestry through selection of appropriate area of the national forest and formation of group of local people
- Make timber and wood (raw materials) available to timber-based industries
- Make necessary arrangement that agencies, organisations or entrepreneurs, who will be handed over leasehold forestry ensure appropriate management of forest, wildlife and plants with special emphasis for expansion of eco-tourism
- Strengthen plant research, monitoring and evaluation, and information and data flow system
- Enhance livelihood opportunities for ultra poor (below the poverty line) through expansion of leasehold forestry
- Expand community, leasehold and partnership forestry, and
- Enhance participation and access especially of ultra poor, women and *Dalits* to such forests, sustainable management of Non-Timber Forestry Products (NTFP), make their proper utilization, promote the private sector investment, and promote export (of forestry and NTFP) products.

10.21 Works are being done in the sector of forestry and soil conservation as per the objectives of poverty alleviation, sustainable management and exploitation, maintaining at least 40 percent forest land, maintaining biodiversity and protecting the environment. For this, the working style adopted has been participatory, environment-friendly, playing the role that of a promoter, facilitator and regulator, decentralised and focused on uplifting poor, *Dalits* and the disadvantaged groups.

Box 10 (a): Policy and Working Policy Adopted in the Management of Forestry Sector

- Effectively manage already formed and to be formed community groups by strengthening capacities of forest user groups.
- Develop and expand forestry technology through establishment of forestry management demonstration plots in public participation and enhance the participation of women, *Dalits* and marginalised groups in decision making processes.
- Develop, manage and make proper utilization of private trees, plants and forests and manage the supply of fuelwood to the people.
- Provide the marginal groups opportunity for managing community forests.

- Encourage private sector participation for keeping high value wildlife and birds through appropriate legislative arrangement.
- Form partnership forests in the periphery of the government managed forest, and also manage such (partnership) forest on pilot basis.
- Increase the number of community forest user groups of the people below poverty line and make them effective; make the process of handing over leasehold forestry for eco-tourism transparent and simple.
- Prepare inventory of herbs and non-timber forest products available in all types of forests and integrate them into Action Plans.
- Assist in the establishment of micro and small industries based on important herbal plants and non-timber species of plants and expand the farming of valuable herbal plant species.
- Develop management plan and market for herbal plants, non-timber woods and plants and forest products to increase employment opportunities and income of poor, women and backward groups.
- Increase effectiveness of plant research site management by ensuring participation of local communities.
- Ensure effective participation of local consumers in community integrated watershed management.
- Give priority to Churia Range conservation works with the participation of local stakeholder organisations and consumer groups, also provide priority to watershed conservation in Churia Range and agro-forestry program.
- Effectively implement National Park and Conservation Area Action Plan and implement Buffer State Management Plan ascertaining people's participation.
- Implement the Terai Landscape Program also through people's participation.
- Involve in the registration of biodiversity, study and research on forestry, plant, biodiversity, soil conservation and watershed management so as to develop and expand forestry related technology and conduct awareness raising program.
- Prepare and execute Monitoring Strategies and Directives, develop Information and Statistics Dissemination System, enforce integrated Monitoring and Evaluation System, implement bottom-top approach of planning and perform evaluation on effectiveness of forestry programs from independent bodies.

Table 10(b) : Forest Resource Data

Particulars	Area	Percentage
Forest Area	4.27 Million Ha.	29
Bush and Shrubs	1.56 Million Ha.	10.5
Total Stem Volume	388.0 million Cubic Meter	-
Shorea Rubusta (Sal) in Total Volume	-	28
Total Biomass	429 Million Ton	-
Average Stem Volume	178 Cubic Meter per Ha.	-
Average Number of Trees	408 per Ha.	-

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

- 10.22 A total of 100,000 plants have been planted on 12 places of Bagmati river bank while plantation was also done in Gokarna area. Extensive awareness campaign has been conducted inside Chitwan National Park about the *mikenia* species of grass.

Box 10(b): Forestry at a Glance	
Community forestry	
Number of Community Forest User Groups	15256
Area of Handed Over Community Forests	1350655 Hectares.
Number of Beneficiary Household	1782550
Leasehold Forestry	
Number of Leasehold Forests User Groups	5206
Area of Handed Over Leasehold Forests	25534.37 Hectares
Number of Beneficiary Households	44197
Partnership Forestry	
Pilot Program Operating Districts	Bara, Parsa, Rautahat, Mahottari, Sarlahi
No. of Partnership Forests	9
Areas of Partnership Forests (Ha)	22730 Hectares
Number of Beneficiary Households	224386

- 10.23 The meeting of the Council of Ministers was organized in Kalapatthar Everest Base Camp on December 4, 2009 with the objective of showing the commitment to mitigate Global warming, Climate change and protect environment. Nepal has participated in the Mass Campaign with the Slogan of "Summiteers' Summit to Save Himalaya" that took place in Copenhegan on December 11, 2009. Similarly, UNFCCC COP 15 programme was also participated. For the publicity of environmental protection, 15 School students were honoured "Green Ambassadors" under the orientation Programme, a study visit was organized for them on September 4, 2010 in Bangkok.
- 10.24 A three-day Tiger Conference was organised in Kathmandu on 27-29 October, 2009 for Tiger conservation,. Likewise, Nepal also participated in the First Asian Ministerial Conference on Tiger Conservation in Thailand on 28 January, 2010. The First SAARC Expert Group Meeting on Wildlife Crime was conducted in Kathmandu on 17 May, 2010. In the current fiscal year, International Symposium on Community Forestry organized in Pokhara.

- 10.25 Nepal and Finland have signed a grant agreement worth Euro 4.7 million for conducting survey study on forest resources in the country. An Agreement worth USD 200,000 has been signed with the World Bank on Carbon Trade Project, and a Readiness Preparation Plan (RPP) has been formulated. A Technical Assistance Agreement worth USD 3.5 million has been signed with the Government of Finland for leasehold forestry and pasture development program. Documentation works have begun that would pave the way to start a new forestry program under USD 100 million assistance of DFID/SDC. An agreement for Japanese Yen 600 million has been signed with the Government of Japan for REDD and other forest conservation programs. On June 3, 2010, Nepal and China signed a Memorandum of Understanding on biodiversity conservation and the control of illicit trade of forest produces and wild animals. A Letter of Agreement has been signed with ICIMOD for Kailash Sacred Landscape Conservation Initiative to be implemented in 3 countries of Nepal, India and China.
- 10.26 The Council of Ministers has approved **CITIS** Bill in the current FY 2010/11. The fourth National Biodiversity Report has been prepared and sent to the Biodiversity Convention Secretariat in Canada. A guideline on biodiversity documentation has also been prepared. Similarly, a bilateral meeting was held with the Government of India on biodiversity conservation.
- 10.27 In this FY 2010/11, two additional Conservation Areas and one National Park, namely Apinampa Conservation Area in Darchula, Gaurishankar Conservation Area in Ramechhap, Dolakha and Sindhupalchok districts and Banke National Park in Banke and Dang districts have been declared. It is expected to contribute to environmental and wildlife conservation.
- 10.28 To control wildfire, a "Wildfire Control Strategy 2066 B.S." has been approved. Action Plans have been prepared as per this Strategy to control and manage wildfire in 37 districts. Likewise, "Forest Encroachment Control and Management Strategy 2066" has also been announced this year.
- 10.29 A Churia Conservation Taskforce has been constituted and is in operation in order to come up with a Churia Conservation Action Plan, while a guideline has been prepared for biodiversity documentation. To provide relief to victims of animal attacks on local people and settlement and the loss of lives and properties, a "Guideline on Relief Assistance to Destruction from Wildlife 2066 BS" has been formulated.

Table 10(c): National Parks at a Glance

S.N.	National Parks	Declared Year	Area (Sq. Km)
1	Chitwan National Park	1973	932
2	Langtang National Park	1976	1,710
3	Sagarmatha National Park	1976	1,148
4	Rara National Park	1976	106
5	She-Foksundo National Park	1984	3,555
6	Khaptad National Park	1984	225
7	Bardiya National Park	1988	968
8	Makalu Barun National Park	1991	1,500
9	Shivapur National Park	2002	144
Total			10,288

Table 10 (d): Wildlife Reserves at a Glance

Reserves	Declared Year	Area (Sq. Km)
Shuklaphanta Wildlife Reserve	1976	305
Koshi Tappu Wildlife Reserve	1976	175
Parsa Wildlife Reserve	1984	499
Dhorpatan Game Reserve	1987	1,325
Total		2,304

Table 10 (e): Conservation Areas at a Glance

Conservation Area	Declared Year	Area (Sq. Lm)
Anapurna Conservation Area	1992	7,629
Kanchanjangha Conservation Area	1997	2,035
Manaslu Conservation Area	1998	1,663
Total		11,327

Table 10(f): Buffer Zones at a Glance

Buffer Zone	Declared Year	Area (Sq. Km)
Chitwan National Park	1996	750
Bardiya National Park	1996	328
Langtang National Park	1998	420
She-Foksundo National Park	1998	1,349
Makalu-Varun National Park	1999	830
Sagarmatha National Park	2002	275
Shuklaphanta Wildlife Reserve	2004	243.5
Koshi Tappu Wildlife Reserve	2004	173
Parsa Wildlife Reserve	2005	298.17
Rara National Park	2006	198
Khaptad National Park	2006	216
Total		5,079.67

Source: Ministry of Forests & Soil Conservation

- 10.30 The resettlement works of 56 landowners, from Rambhauri Bhata settlement located inside the Parsa Wildlife Reserve in Parsa district to Sonbarsha VDC of the same district, were initiated with the distribution of land ownership certificates to them. An Emergency Soil Conservation Fund Guidelines has been prepared to re-establish agricultural land and settlements damaged by landslide and provide immediate relief. Under the Public-Private Partnership, **Chaklaa** Forest Management Guidelines and Professional Tree Plantation Guidelines have been prepared. The **chaklaa** forest management works have begun in Morang, Bara, Nawalparasi, Rupandehi, Banke and Kailali districts.
- 10.31 In the current FY 2010/11, various programs, such as prevention of 404 gully erosions and landslides with works performed in 119 km, 84 river banks conservation, conservation pond construction, agro / forestry friendly farmland conservation in 506 hectares and income generating conservation works for 1,750 households, etc were performed. Likewise, Bio-Diversity Hot Spot Mapping works were performed in Kailali and Kanchanpur districts.
- 10.32 Under the Leasehold Forestry and Livestock Development Program, 683 groups were formed in FY 2009/10. A total of 6,480 households benefited from the program, as 3,227 hectare forest land was handed over to them. So far, 3,439 consumer groups have been formed and 15,787 hectare forest area has been handed over to them. A total of 31,943 households have benefited from the program.
- 10.33 Under the Community Forestry Development Program, 431 groups were formed in FY 2009/10. To date, 14,604 user groups have been constituted and 1,247,025 hectare forest area has been handed over to them. A total of 1,680,270 households have benefited from the program.

11. Transport and Communication

Road Transport

11.1 By the end of FY 2009/10, a total of 6,669 km blacktopped, 5,007 km gravelled and 9,417 km earthen road totalling 21,093 km roads were constructed. By the end of mid-March of FY 2010/11, a total of 205 km blacktopped and 29 km gravelled roads were upgraded while 128 km new roads were constructed. Accordingly, the total length of road to date is estimated to have reached 21,455 km. As per the target of connecting Manang district headquarters with motorable road, construction works are in progress.

Table 11 (a): Road Networks in Nepal

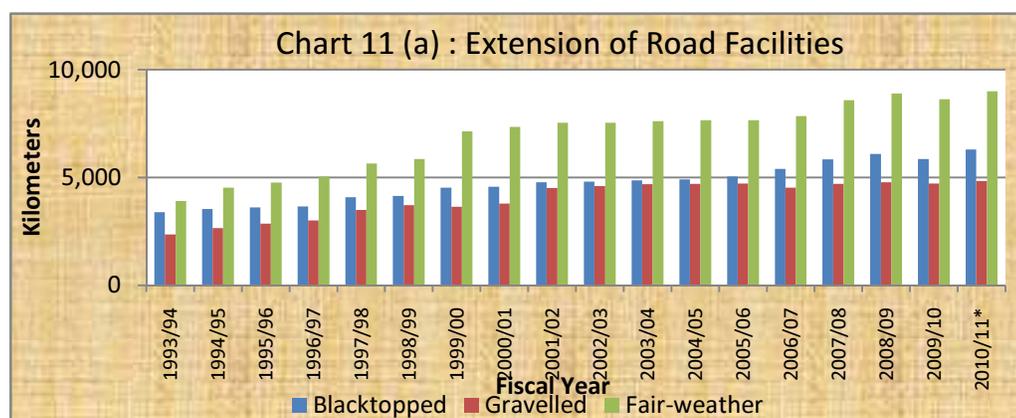
(In Km)

S.N	Types	Fiscal Year			
		2009/10	2010/11*	Until FY 2010/11**	
				Total	Share/Percent
1.	Black Topped	6669	205	6874	32.08
2.	Gravelled	5007	29	5036	23.37
3.	Fair-weather	9417	128	9545	44.55
Total		21,093	362	21,455	100.00

* Extended road length up to mid-March of FY 2008/09, ** Total by mid-March 2008

Note: Only the roads constructed by Department of Roads are included

Source: Department of Roads, Kathmandu



*First eight month of 2010/11

Vehicles

11.2 From FY 1988/89 to the end of FY 2009/10, number of vehicles in the country totalled 1,015,271, while in the first eight months of the current FY 2010/11, it increased by 11.06 percent, i.e. by 112,320 reaching a total of 1,127,591. By the end of the mid-March of the current FY, the average number of vehicles on per kilometre of road of the country grew to 53 from 45 in FY 2009/10.

Table 11(b): Number of Vehicles

Type of Vehicle	Fiscal Year		Total**	Growth percent First (8 months)
	FY 1990/91 - FY 2009/10	FY 2010/11*		
<i>Bus</i>	23243	1094	24337	4.70
<i>Minibus</i>	8877	1019	9896	11.48
<i>Car/Jeep Van</i>	113391	5665	119056	4.99
<i>Tractor</i>	56827	4769	51596	8.39
<i>Motorcycle</i>	744727	95683	840410	12.85
<i>Tempo (3 Wheeler)</i>	7382	2	7384	0.02
<i>Microbus</i>	2208	56	2264	2.54
<i>Dozer/Crane</i>	10367	555	10922	5.35
<i>Pick Up</i>	6681	2625	9306	3.97
<i>Truck Tripper</i>	35594	764	36358	2.15
<i>Others</i>	5943	88	6062	1.48
Total	1015271	112320	1127591	11.06

*Added Till mid-March of FY 2009/10, ** Total since FY 1989/90 through mid-March 2009/10

Source: Department of Transport Management, Tinkune, Kathmandu.

Policy and Institutional Progress

11.3 The Ministry of Labour and Transport Management has been working as per its policies to prevent road accident, compensate the victims of accident, arrange insurance, make transport facilities available to the people in a simple and easy manner and make transport service strong, capable and effective. For this, the works involving computerization of vehicles' record and driving license, monitoring the practical trial process of driving license through CCTV, construction of a high-tech Vehicle Fitness Test Centre for scientific check pass of vehicles, embossing number plates of vehicles, implement the concept of third party insurance and maintaining transparency in service delivery have been taken ahead.

- 11.4 There are 3 transport management offices in Bagmti zone and one each service centres in Sano Bharyang, Kathmandu and Sallaghari, Bhaktapur, under the Department of Transport Management, totalling 5 offices in the capital valley. There are Transport Management Offices in every zone except Karnali. In Narayani zone, there are 3 service centres, one each in Hetauda, Narayanghat and Gaur. In this way, 15 offices in 13 zones and 5 service centres have been catering to the need of the people.

Box 11(a): Works Performed under Transport Management

- Fixation and implementation of scientific fare rates in 429 routes of vehicles carrying public passengers.
- Fixation and implementation of highly scientific fare rates on 47 roads for goods carrying vehicles, each with 10 tons of load capacity.
- Establishment of a highly advanced computerised Vehicle Fitness Test Centre at Teku, Kathmandu; the Centre to be operated soon.
- Monitoring works being taken ahead by setting up a Monitoring Unit under the Department to control indiscipline in transport management and cheating of passengers by collecting more than fixed fares.
- Entry of driving licenses in all transport management offices (904,000 units) into computer records performed.
- Uploading of driving licenses issued by Transport Management Office, Bagmati into the official website.
- Information about vehicles' tax payment to be provided, if requested in the SMS number of 4321.
- Arrangements made for voluntarily substituting three-wheeler tempo with mini bus in Kathmandu valley.
- CCTV monitoring launched in Transport Management Offices of Bagmati and Gandaki zones so as to make the driving license trials transparent.
- Third Party Insurance system introduced in August-September 2009 (Bhadra, 2066 BS) to control frequent traffic jams caused by accidents and to safeguard the rights of the pedestrians.
- Implementation of e-billing and VRS (Vehicle Registration System) to make service delivery transparent and simple and to curb the attitude of evading vehicle tax.

- 11.5 Under the policy and institutional reforms, transport management offices have been networked, while significant progress has been achieved in revenue collection through introduction of e-billing system as it has discouraged tax evasion. Besides, driving licenses have been uploaded on a website so that the general people could also see it, paper-based details of vehicles have been computerised thus transferring them into electronic database and a Vehicle Fitness Test Centre has been set up for modern check pass of vehicles.

- 11.6 A Road Maintenance Fund has been set up for properly managing the road maintenance works as per the National Transport Policy and various periodic plans. The Road Board has been performing maintenance works, minimizing maintenance costs and making the works transparent and effective by properly mobilizing the Fund.
- 11.7 The Road Board of Nepal has been performing road maintenance works on regular, repeated and emergency basis with the amount deposited in the Board's Fund from various sources, such as fuel tax, vehicle registration tax and road tax, etc.
- 11.8 In the Road Board Act 2058 B.S., an Executive Committee with representation of road users belonging to various sectors has been provisioned. All prioritised programs/works proposed by various road-related bodies is to be approved by the Executive Committee before they are implemented by the same proposing bodies.
- 11.9 Fund is made available to the local bodies (District Development Committees and Municipalities) from the financial sources of the Road Board for maintenance of road networks of Strategic Road Network (SRN) and local road networks. DDCs and Municipalities are authorised to keep 20 percent and 30 percent matching fund, respectively, while performing road maintenance works at the local level. For regular and repeated maintenance of road networks of strategic importance, the Department of Road has been assured of total monetary costs involved in the works. As for the local road networks, money has been made available to the works based on road length, what type of road level it is, number of vehicles plying and the work progress achieved.
- 11.10 For maintenance works of local road networks, the process of providing conditional subsidies to local bodies as per the principle of guarantee has been initiated. Arrangements have been made to make the allocated amount directly available to those bodies involved.

Air Services

- 11.11 In this FY 2010/11, the Government of Nepal has approved "Nepal Civil Aviation Authority; Construction, Development and Operation of Infrastructure, Regulation 2066 B.S." with the objectives of developing foundations for Public-Private Partnership in civil aviation sector, as the Civil Aviation

Authority alone cannot take ahead development works in a sector that requires huge economic investments. Likewise, under the Authority, "Airport Service Tax Regulation 2067" B.S. has also been approved by the Government of Nepal this year. The new version of Aeronautical Information Publication revised by the International Civil Aviation Organisation (ICAO) has also been published this year. A report on Investment Plan, Policy, Priorities and Modalities has been prepared to provide clear-cut direction to the Authority's traditional investment policy. A task force has been constituted to take ahead the implementation of Performance Based Navigation System (PBN) so as to introduce the latest civil aviation technologies of world level in Nepal as per the demand of the time.

- 11.12 An analysis of the past 10 years reveals that the number of passengers travelling by air route was 1100,331 in 1999. In 2009, this number reached 1,715,949. Likewise, in 1999, the number of aircrafts landing in Nepal was 8,426 and grew to 13,979 in 2009. In the past 10 years, it was a growth of 56 percent in air passengers volume and 66 percent in aircrafts landing in Nepal. If the international air traffic arrival in 2009 is to be considered, the data shows that the number of passengers in 2008 was 1,830,630 which in 2009 increased by 11 percent reaching 2,027,147. Similarly, in 2008, the number of aircraft arrivals was 14,276 which in 2009 rose by 10 percent totalling 15,701. In 2010 as compared with 2009, passenger and aircraft arrivals increased by 19.8 percent and 23.7 percent respectively. Nepal's domestic terminal has received almost the equal number of passengers and aircrafts arrival as in the international terminal, while cargo handling slumped a little. The international air traffic arrival at Tribhuvan International Airport is significantly high as compared with the global and regional growth forecasts of ICAO as well as the statistics of ASI on global and Asia Pacific level. The growth witnessed in the number of flights to and from the TIA is a positive signal at a time when campaigns are on to increase the number of visitors. However, given the single runway, 18 hours per day operation of aviation services, traditional landing system,

existing infrastructure, limitation of land and air space and congestion at the TIA, it is an extreme case of maximum capacity utilization with 431 takeoffs and landings a day.

- 11.13 Nepal's flight security audit was performed on May 5-14, 2009 under the Universal Safety Oversight Audit Program of ICAO. The audit came up with a Corrective Action Plan in regard to existing Civil Aviation Laws, structure of Nepal Civil Aviation Authority, human resource development, flight security monitoring, licensing, certification and operations. Works are in progress as per the audit report. Likewise, under the Universal Aviation Security Audit Program (USAP) of ICAO, the second phase of audit was completed on November 22-29, 2010. Preparations have begun to take ahead the reformative action plan (CAP) by implementing the recommendations as pointed out by the audit's initial report. To make the air security monitoring system more effective, 175 high-tech CCTVs attached with camera have been fixed at the TIA. Two additional x-ray machines meant for cabin baggage x-ray of passengers are going to be installed at the TIA. Beginning the current FY 2010/11, excluding TIA, domestic airports across the country were supposed to get security equipment. Accordingly, "hold baggage x-ray machine" has been installed at Pokhara Airport under this program and security personnel have been provided on-the-spot training on Pre-Board Passenger Screening.
- 11.14 In the process of revising the Nepal-India Air Service Agreement (ASA) and Memorandum of Understanding (MoU) for adding contemporary provisions, the Civil Aviation Authorities of the two countries have signed the ATS Letter of Agreement. In the document, both the countries have agreed for ATS Coordination, Air Route, Flight Level and exchanging assistance in technical sector if required. The new air route "L626" which is 4/5 minutes shorter than the existing air route "B345" was endorsed on November 19, 2009 and is in operation. Both the routes are for international flights to New Delhi, Middle East and Europe passing through Nepal's western areas. At present, Nepal Airlines

Corporation, Jet Airways and other 13 international airlines companies have been operating flights through this new route.

- 11.15 The regular Flight Calibration works of equipment meant for air navigation, air route guidance and monitoring at various airports have been performed recently. New DVOR/DME equipment are fixed and brought into operation at TIA and Biratnagar airport. Additional Foam Tenders have been received to strengthen fire fighting and life rescue services at TIA, while among the domestic airports, the fifth category fire fighting facilities have been installed in Bhairahawa, Pokhara, Nepalgunj, Biratnagar and Simara. The task of expanding these facilities to various airports is moving on as per the availability of sources.
- 11.16 The Government of Nepal and Asian Development Bank on May 25, 2010 have signed a Loan and Grant Assistance Agreement to take ahead the first priority works under the first phase of TIA Master Plan 2028 for enhancing flight security and air transport capacity at TIA under the ADB's loan and grant assistance. The following works will be performed under this program:
- Expand TIA runway by 300 metres in the south
 - Install centre-line light in the runway
 - Install new approach light of Category 1
 - Construction of a new domestic terminal building
 - New parallel taxiway of 750 metre length capable of operating aircraft as per ICAO Code E
 - Three link taxiway of total 797 metres
 - Apron of 515 × 152 metre area
 - Hanger site development for the relocation of hanger of Nepal Airlines Corporation and Nepal Army to the east of runway
 - Reconfigure and refurbish international terminal building so that it could handle passenger flow until 2015
 - Install Simple Approach Light to the north and ILS localiser to the south of runway
 - Install VCCS/VHF Communication and weather forecasting equipment in operations building
 - Establish new emergency Operation Centre

- Purchase additional Foam Tender to place life rescue and fire fighting service into 9th Category
- Install waste processing equipment, establish drainage processing mechanism, set up drinking water processing centre, etc
- Besides, under the loan and grant assistance program, the following works have been moving ahead in a speedy way:
- Install terminal/tower, communication, aviation, air route guide and weather forecasting equipment at Simikot airport, Humla.
- Blacktop runway, taxiway and apron and install terminal/tower, communication, aviation, air route guide and weather forecasting equipment at Rara airport, Mugu
- Install Visual Alignment Guiding System/Abbreviated Precision Approach Path Indicator (APAPI) at Lukla airport, Solukhumbu for increasing flight security.

11.17 As per the Government of Nepal policy to build a suitable regional-level airport at Chhinney Hill of touristic city of Pokhara, the task of land grading has been performed after removing the terrains. In a bid to sign the Engineering, Procurement, Construction (EPS) Contract to operate the existing Pokhara airport under the Turnkey Plan with Chinese assistance, the Civil Aviation Authority of Nepal, on behalf of the Government of Nepal, has prepared and forwarded the project proposal, cost and contract papers to the Government of China. Such a decision has been taken given the traffic congestion at the Pokhara airport and the lack of resources to build a new airport. Similarly, under the South Asia Tourism Infrastructure Development Project, a loan Agreement worth USD 6.41 million has been signed between the Government of Nepal and ADB to develop Gautam Buddha Airport in Bhairahawa as a regional international airport. A 2,600 metre length runway, international parking, international terminal building, domestic terminal building, new control tower, cargo building, drinking water facilities, sewerage and drainage will be constructed with this assistance, while communication and flight equipment, ILS, and Airfield Lighting will be installed.

11.18 Following the affiliation of Civil Aviation Training Academy with the TRAINER PLUS program of ICAO for upgrading training programs and under the Management Service Agreement (MSA) with the international civil aviation body, the

ICAO TRAINAIR Expert services are now available. All preparations, such as CDU establishment, STPs preparation, necessary training, manual readying, etc. have been done and all works including Certification are moving ahead in a speedy way.

Information and Communication

11.19 In every district, a district level mechanism and in centre, a central level mechanism led by the Minister for Information and Communication – both under the Ministry of Information and Communication, work towards delivering services and facilities in a coordinated manner.

Box 11 (b): Works Performed in Information and Communication Sector			
S/N	Details / Works	Permission Granted	In Operation/ Transmission
1	FM Radio	373	317
2	TV	30	15
3	Cable TV	690	-
4	DTH Transmission	9	2
5	Foreign Channel Signal Distribution	5	-
6	Foreign Channel Downlink	88	-

11.20 A task force constituted to study the institutional development arrangements for equitable distribution of information is in operation. As per the People's Welfare Advertisement Distribution Standard Guidelines 2066 BS, notice has been published for electronic media institutions to involve in the advertisement broadcast works.

Postal Service

11.21 Postal service is the oldest means of information and communication, mostly used by the people in general and having institutional network even in the remote rural areas. Apart from carrying the letters and piles of documents, the Department of Postal Service and its offices publish postal ticket and operate postal saving bank, money order, E-DV facilitation, fill up forms, express courier and electronic postal services, etc.

Table 11(c): Geographical Distribution of Postal Services

<i>Postal Service</i>	<i>Mountain</i>	<i>Hill</i>	<i>Tarai</i>	<i>Total</i>
<i>Regional Postal Directorate</i>				5
<i>District Postal Office</i>				70
<i>Ilaka Postal Office</i>	170	372	300	842
<i>Additional Post Offices</i>	492	1,541	1041	3,074
<i>Grand Total</i>				3,991

Source: Department of Postal Services

- 11.22 Four postal services directorates and a General Postal Office (*Gowhwara Hulak*) and district level post offices have been working in Kathmandu. Under this Department in Kathmandu, there are Central Money Order Office, Central Ticket Counter, Postal Training Centre and a Philatelic Bureau. By the end of mid-March 2010, multi-purpose Tele Centres were established in 230 postal service offices that included 58 District Postal Service Offices and 172 Area Postal Service Offices. Of the 117 postal service offices granted permission to operate Postal Saving Bank in the same period, 68 of them have been operating such services.

Telecom Service

- 11.23 There has been quantitative and qualitative growth in telecom services mainly due to the growing number of telecom service providers and service receivers and the introduction of latest and high-tech telecom services in the country. A total of 3,915 villages across the country have now telecom services. In the first eight months of the current FY 2010/11, telephone lines of various technologies numbering 11,442,318 were distributed. By the end of mid-March 2010, telephone density was at 40.30 percent.

Table 11(d): Description of telecommunication services users/ service providers by mid March 2011

<i>Type of Service</i>	<i>Customers (No.)</i>	<i>Service Type</i>	<i>Customers (No.)</i>
PSTN	5,93,685	CDMA Fixed Phone	2,40,157
GSM Prepaid	90,05,898	VSAT Phone	96,654
GSM Postpaid	1,64,981	GMPCS	1,742
CDMA Prepaid Mobile	8,25,841	Limited Mobility	4,68,581
CDMA Postpaid Mobile	44,779	Other Technologies (3G Mobile)	699
<i>Total:</i>			1,14,42,318

Source: Ministry of Information & Communication.

- 11.24 By the end of mid-March 2011, the number of Internet, ADSL, GPRS, CDMA and CDMA Sky Data and Internet users was 65,327; 43,547; 1,977,421; 181,536 and 2,267,821 respectively.
- 11.25 Likewise, the total number of license holder institutions providing services on Landline Telephone, GSM Mobile, Network Service, VSAT Service, Internet Service, GMPCS, Rural Telephone, Limited Mobility, International Trunk Call Service, Rural VSAT and Rural Internet Service is 3, 2, 9, 106, 47, 3, 2, 109, 2, 8 and 6, respectively and 297 altogether.

Table 11(e): Telephone lines distributed by mid-March 2011

Service Provider	Telephone liens distributed (No.)
Nepal Telecom	63,26,068
Spice Nepal Pvt. Ltd.	44,79,021
United Telecom Limited	5,38,833
STM Telecom Sanchar Pvt. Ltd.	5,185
Smart Telecom	91,469
Nepal Satellite	77,238
Others	1,742
Total	1,15,19,556

Source: Ministry of Information & Communication.

Information Dissemination

- 11.26 Under the Ministry of Information and Communication, the institutions disseminating information through print media are Department of Information, Gorkhapatra Corporation, National News Agency (RSS) and Press Council of Nepal. Under the campaign of building a New Nepal campaign, Gorkhapatra Corporation has been publishing news and articles, etc. in 30 national languages.

Details on Print Media	
Type	Number
Daily	420
Half-weekly	23
Weekly	2174
Fortnightly	399
Monthly	1934
Bi-monthly	234

Quarterly	510
Four-monthly	26
Half-yearly	70
Yearly	83
Total	5873

Source: Ministry of Information & Communication.

Number of Publications Based on Language		
1	Nepali	4,067
2	Nepali/English	990
3	English	427
4	Newari	33
5	Maithili	21
6	Hindi	21
7	Tharu	9
8	Tamang	6
9	Bhojpuri	6
10	Urdu	4
11	Rai	2
12	Limbu	2
13	Doteli	2
14	Sanskrit	2
15	Tibetan	2
16	Others	279
17	Total	5873

Source: Ministry of Information & Communication.

- 11.27 As per the objective of classifying newspapers/publications which have filled up the assessment form published regularly by Press Council of Nepal, the classification works were completed in FY 2008/09, while the works for FY 2009/10 have already started. Likewise, for the publications' long-term security, old publications have been scanned and put into CDs. In this process in the first eight months of the current FY 2010/11, a total of 2,268,374 pages of newspapers/publications have been converted into CD copies.

TV Transmission Service

- 11.28 Of the total 30 governmental and private sector owned TV channels granted licenses, 15 are in broadcast operation. With the establishment of Rolpa Transmission Centre of Nepal TV, the access of viewers from Rukum, Salyan, Dang, Pyuthan, Baglung, Arghakhachi and other districts from Rapti, Bheri, Dhaulagiri and Lumbini zones to national transmission has increased. After renovation, the trial transmission has resumed in Hetauda Transmission Centre damaged during the past armed conflict.

Jaleswor and Sarangkot Transmission Centres have been strengthened. The transmission access of Nepal TV has now reached to 50 percent land territory and 72 percent population of the country. Similarly, transmission access of NTV-2 covers 25 percent of the land territory and 40 percent population of the country.

Radio Broadcasting Service

11.29 There is one radio transmission station owned by the government and 373 licensed FM radio transmission stations owned by the private sector. Of the total FM radios, 317 are in operation. The government owned Radio Nepal has been broadcasting through SW, MW and FM. The access/coverage area of Radio Nepal across the country is 85 percent from MW, 40 percent from FM and 100 percent from SW. In a bid to make Radio Nepal's access countrywide, works have been initiated in Bhedetar of Dhankuta and Harrey of Surkhet to set up FM stations and relay stations. Works to establish relay centres each in Gulmi, Gorkha, Darchula, Bajhang and Rolpa are going on. Likewise, under the inclusive program, Radio Nepal has been broadcasting news and programs based on various national languages.

Cable TV Transmission Service

11.30 In the first eight months of the current FY 2010/11, an additional 56 cable TVs were granted operating licenses, thus making the total number of license holder cable TVs 690.

Printing Service

11.31 The Department of Printing has been printing Nepal Gazette, stickers of Department of Immigration and Department of Foreign Employment and other documents.

Film Sector

11.32 Nepal has received the membership of Asian Film Communication Network (AFC Net). Insurance Program has been introduced in consideration of the security of film line personnel. The program operates an Insurance Fund Account to register insurance policies for them during the period of shooting. National Film Awards were distributed to mark the anniversary of Film Development Board. Similarly, by the end of mid-March 2010, permission was granted to produce 37 international movies while 122 regular movies and 121 advertisements were granted the check pass.

12. Social Sector

Education

12.1 With the objective of expanding equitable access to education, improving quality and enhancing capacity, the Ministry of Education under its sub-ordinate bodies, autonomous institutions and universities has been conducting various programs, such as implementation of pre-primary education, school education, higher education, technical and vocational education, and informal education; overall management of education, policy and program formulation, program implementation and monitoring works, etc. Likewise, under the Department of Education, overall management of school education and other related aspects is being performed through 5 Regional Educational Directorates, 75 District Education Offices at district level and 1,052 resource centres at local level below the districts. Similarly, the specialised works of education sector are being performed by specialised agencies, such as the work of developing curriculum and text books is the task of Curriculum Development Centre; develop necessary human resources in school and education management is the task of Education Human Resource Development Centre; teachers management in school education, teachers' service commission, exam and evaluation are the works of Teachers' Service Commission; holding exam and evaluation is the work of Exam Controller's Office. Similarly, Informal Education Centre performs the tasks of informal education; Technical and Vocational Training Council works on technical and vocational training sector; higher education management works are performed by Higher Secondary Education Council while overall management, policy formulation and program implementation on higher education are being conducted by the University Grant Commission in various universities. Work execution and management of the above mentioned sectors are done based on various laws and policy level arrangements.

Box 12 (a): Educational Indicators and Achievement

S.No.	Indicators	Unit	Achievement			
			2007/08	2008/09	2009/10	2010
1.	Share of Education Budget					
	GNP	%	2	2.1	2.1	-
	GDP	%	3.5	3.6	3.6	4.46
2.	Share of Education Budget	-	-	-	-	-
	Basic Education	%	70	71	71	-
	Secondary Education	%	9	9	9	-
3.	Enrolment at Grade 1					
	New entrants with ECED experience	%	33	36	41	-
	Gross Intake Rate	%	141	148	144	142.4
	Net Intake Rate	%	78	81	83	89
4.	Gross Enrolment Rate					
	ECED/Pre-primary	%	60	63	67	-
	Basic Education	%	116	123	125	124.4
	Secondary Education	%	36	40	43	46.2
5.	Net Enrolment Rate					
	Primary Education	%	89	93	94	94.5
	Basic Education	%	71	73	75	86
	Secondary	%	20	21	22	27.1
6.	Teachers with Required Qualification & Training.					
	Basic Education	%	62	66	70	-
	Secondary Education	%	74	77	80	-
7.	Teachers with Required Certification.					
	Basic Education	%	90	91	92	-
	Secondary Education	%	90	91	92	-
8.	Pupils Teacher Ration					
	Basic Education	Ratio	44	43	41	-
	Secondary Education	Ratio	42	39	37	-
9.	Repetition Rate					
	Grade 1	%	28	18	12	22.6
	Grade 8	%	13	11	9	6.6
10.	Survival Rate by cohort Method					
	Grade 5	%	54	58	61	80.6
	Grade 8	%	37	41	45	-
11.	Coefficient of Efficiency					
	Basic Education	Ratio	0.46	0.49	0.52	-
	Secondary Education	Ratio	0.3	0.33	0.36	-
12.	Learning Achievement					
	Grade 5	%	50	53	56	50

S.No.	Indicators	Unit	Achievement			
			2007/08	2008/09	2009/10	2010
	Grade 8	%	44	46	48	-
13.	Pass Rate					
	SLC	%	60	62	64	-
	Higher Secondary	%	23	25	28	-
14.	Literacy Rate					
	Age Group 15-24	%	73	75	78	-
	Age Group 6+years	%	63	69	76	-
	Age Group 15+Years	%	52	56	60	-
15.	Literacy GPI (15+)	Ratio	0.61	0.74	0.92	-

Source: Ministry of Education.

School Management

12.2 As per the policy of gradually handing over the rights of community school management and operation to local communities in participation of the stakeholder communities, such a task is being performed since the FY 2002/03. In the last FY 2009/10, a total of 10,254 managements of various levels and until mid-March of the current FY 2010/11, an additional 1,090 managements of various levels have been handed over to communities. The progress in this regard from FY 2002/03 to mid-March of the current FY, have been presented here below:

Table 12(a): Schools Transferred to Communities in Different Fiscal Year

<i>Fiscal Year</i>	<i>Target</i>	<i>Progress</i>	<i>Percentage</i>
2002/03	100	93	93
2003/04	1000	907	90.7
2004/05	1500	1092	72.8
2005/06	1600	241	15.06
2006/07	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	1090*	20.19
Total	20600	-	-

* First eight months of FY2010/11, Source: Ministry of Education.

Pre-primary Education and Child Development Program

- 12.3 The overall development of pre-childhood phase of children belonging to 3-5 years group, providing care to them and socialising them so that they could be readied for primary level education, continuity of study and enhancing capacity, among others, are the objectives of the Pre-primary Education and Child Development Program that was developed in FY 1999/2000 is ever expanding. In particular, as per the policy of targeting children of backward communities and expand child development centres based on communities and schools, a total of 26,773 such centres came into operation as of FY 2009/10. From mid-April to mid-May of the current FY 2010/11, an additional 2,000 such centres will start operations. In this way, the number of child development centres operated under public investment will reach 28,773. Besides, targeting 2-3 year old children, private educational institutions numbering 4,316, have also been conducting pre-primary education classes.
- 12.4 As per the target of making the admission rate of children to such classes/centres 99 percent by 2015, the total admission in these private and community based pre-primary centres have reached 1,018,543, of which 488,916 are girls and 529,627 are boys. In Academic Year 2010, the admission rate has reached 70 percent (girls 69.2 percent and boys 70.9 percent). The admission status in pre-primary education/child development centres until 2010 has been as follows:

Table 12(b): Region wise child Development Center/Pre-primary Education 3-5 Year Group & Total enrolment

Geographical Region	3-5 year Group			CDC/Pre-primary Student Number			Enrolment rate		
	Girl	Boy	Total	Girl	Boy	Total	Girl	Boy	Total
<i>Mountain</i>	52809	54165	106973	32971	34011	66982	62.4	62.8	62.6
<i>Hill</i>	264322	286904	551226	169384	180088	349472	67.1	62.8	63.4
<i>Kathmandu Valley</i>	39610	41295	80905	46634	52052	98686	117.7	126.1	122.0
<i>Terai</i>	350225	364688	714942	239927	263476	503403	68.5	72.2	70.4
Total	706996	747051	1454046	488961	529627	1018543	69.2	60.9	70.0

Source: Ministry of Education

- 12.5 Likewise, the admission ratio of *Janjati* and *Dalits* in these pre-primary education/child development centres until 2010 has been as follows:

Table 12(c): Total Number of Dalit & Janajati Student in Pre-primary/Child Development Centre

Student	Number of Student in Preprimary Education/Child Development Centre			Perecent in Total Student	
	Total	Dalit	Janajati	Dalit	Janajati
Girl	488916	90839	193454	18.6	39.6
Boy	529627	91803	205243	17.3	38.8
Total	1018543	182633	398697	17.9	39.1

Source: Ministry of Education

- 12.6 In this Academic Year, the number of children admitted to Grade 1 has reached 52.1 percent as compared to 49 percent last year. In 2004, children's admission to this Grade was 513,000, which recorded an average annual growth of 16.4 percent to become 1,018,543 in 2010. Last year, the growth was 98.5 percent. The progress details of the community-based children development centres for the past few years have presented here below:

Table 12(d): Progress of Community Based Child Development Centres

Fiscal year	Target	Progress	Easy enrolment rate of child	Enrolment Number child
2004/05	-	7023	39.4	512151
2005/06	6000	6000	69.9	922557
2006/07	3500	3500	41.4	553983
2007/08	3500	3500	60.2	823106
2008/09	4750	4750	63.4	881247
2009/10	2000	2000	66.2	947278
2010/11*	2000	Class commences from April 14/ May, 2011	70.0	1018543

* First eight months of FY2010/1, Source: Ministry of Education.

Scholarship Program

- 12.7 Various scholarships have been made available in different levels of school education so as to encourage school admissions, bring improvements in study continuity and sustainability and expand equitable access in school education. The scholarship amounts

have already been allocated and released to the target groups through the concerned District Education Offices, as these amounts are annually made available to students selected by the school they study, as per the scholarship criteria. The details of scholarships made available in FY 2009/10 and 2010/11 have been as follows:

12 (e): Scholarship details for School Students

S.N.	Types of Scholarship	Fiscal Year	
		2009/10	2010/11
1.	Class 1-8: Scholarship for Dalit Student (Per student annual Rs 4 hundred)	1133835	1015508
2.	Class 1-8 Scholarship for Girls (Karnali Package) (Per student annual Rs 4 hundred)	229374	1213870
3.	Scholarship for Martyr's child (Primary Rs 10 thousands, Lower secondary 12 thousands, Secondary Rs 12 thousands, Higher Secondary Rs 18 thousands) per head annually.	58	58
4.	Scholarship for Extinction Victims (Primary Rs 10 thousands, Lower Secondary RS 12 thousands, Secondary Rs 14 thousands & Higher Secondary Rs 16 thousands) per head annually.	8000	8000
5.	Efficiency development & Scholarship for Kamlari (General Rs 1 thousands, Boarding (Residential) Rs 15 thousands per head annually)	12000	12000
6.	Scholarship for students who live in Himali hostel (Per head Rs 4 hundred annually)	437	337
7.	Scholarship for students who live in FEDER Hostel (Per head Rs 15 thousand annually)	400	400
8.	Scholarship for Model School (Per head Rs 5 thousand 4 hundred annually)	148	175
9.	Scholarship for Himali boarding school student (Per head Rs 3 thousand 6 hundred annually)	140	210
10.	Secondary School Scholarship (Per head Rs 1 thousand 7 hundred annually)	60000	60000
11.	Dalit Scholarship Class 9-10 (per head 5 hundred annually)	55650	55650
12.	Disabled student Scholarship class 9-10 (A group Rs 15 thousands, B Group Rs 5 thousand, C Group Rs 3 thousand & D Group Rs 5 hundred Per head annually)	4940	4845
13.	Scholarship for Marginalized & backward (bonded labours, Haliya & Charuwa family) Per head Rs 1 hundred annually.	14012	150000
14.	Scholarship for disabled student class 1-8 (A Group Rs 15 thousand B Group Rs 5 thousand, C Group Rs 3 thousand & D Group Rs 5 hundred per head annually)	65830	35003
15.	Scholarship for Targeted Group student studying in Primary level (Janajati & marginalized groups, bonded labours Haliya & Charuwa family) Per head Rs 5 hundred annually)	108046	85927
16.	Scholarship for Under Privileged & Financially weak targeted to Secondary School student (Per head Rs 3 thousand annually)	12500	-

Source: Ministry of Education

Educational Human Resource Centre

- 12.8 Based on Policy Guidelines on Teachers' Development and Policies Related to Development of Human Resource Working in Education Sector, both approved by the Ministry of Education, works are being performed by the Educational Human Resource Development Centre and its subordinate training centres, in terms of organising various training for capacity enhancement of school teachers, educational management training to the employees of Education Service and leadership and capacity development training to school principals. The existing 10-months verification training program has met its target and from FY 2009/10, training to teachers for continuous professional development has been prepared in new format and is in implementation thereafter.
- 12.9 Capacity Development Training for enhancing capacity of private school principals has begun in last FY 2009/10 under the public-private partnership. Likewise, as per the policy of mainstreaming *madrassa, gumba* (Monastery) and *gurukul* into education, teachers of those schools and teachers teaching in mother tongue have also been provided training from last FY. These programs have been given continuity in the current FY 2010/11 as well. Besides, to develop managerial capacity of human resource working at various levels of Education Service, a one-month Educational Management Training is being conducted. The newly appointed gazetted third class employees are imparted 10-day orientation training. The Centre's progress details are as follows:

12 (f): Programme & Progress conducted Under Centre

S.No	Programmes	2009/10		2010/11	
		Target	Progress	Target	Progress
1.	School based Teacher Training (First & Second) Secondary Level	1791	1791	-	-
2.	1 month Teacher training (First/third) through Educational Training Centre.	1731	1731	-	-
3.	2.5 month Primary Teacher Training (First)	4909	4909		
4.	Educational Vocational Training (1 month) For Technical Assistance.	20	15	20	20
5.	Leadership Capacity Development Training For	1200	285	2000	Continue

	Headmaster.				
6.	1 month Educational Vocational Training for agitated 3 rd Class.	20	20	40	46 Person
7.	1 month Educational vocational Training agitated 2 nd Class.	20	13	20	-
8.	TDP (Teacher professional Development) Training for Secondary level Teacher.	1846	1760	10912	Continue
9.	Mulit-Languages Teaching Training (Umray, tharu, Santhal, Rajbanshi, Magar)	120	135	150	Continue
10.	Open School	-	129	75	Continue
11.	Teacher Teaching for Gumba & Gurukul.	-	50	300	Continue
12.	Teacher Roaster Preparation for TDP implementation.	7000	6676	1429	Continue
13.	Teacher Teaching.	1429	1398	-	-
14.	TDP Training Primary Level Teacher.	30000	30000	86644	Continue

Source: Ministry of Education

Teacher Management

12.10 Teachers' Service Commission was set up with the following objectives, which it has been performing since then:

- Recommend for permanent appointment in teachers' vacant posts of community schools through a competitive examination system
- Recommend for teachers' promotion through internal practical tests
- Provide teaching license required to be a teacher to aspirant candidates
- Recommend a teacher's service-related terms and conditions to the government

The Commission's progress details in summary have been presented here below:

12 (g): Progress Details For Teacher Management

Tasks	2008/09	2009/10	2010/11	
			Target	Progress
1. Permanent Teaching Licence				
Primary.	14356 Person	16964 Person	Preparation for Advertising 0.1 million	NA
Lower Secondary.	53035 Person	18139 Person		
Secondary.	18996 Person	42281 Person		
2. Promotion By Performance Evaluation (75%)				
Primary- Second	1995 Person	459 Person	Preparation for Advertising 193 person	NA
Primary- First	233 Person	119 Person		
Lower Secondary-Second	386 Person	161 Person		
Lower Secondary-First	177 Person	92 Person		
Secondary-Second	439 Person	206 Person		
Secondary-First	75 Person	38 Person		

3. Internal Competition Promotion.				
Primary- Second	631 Person	-	Preparation for Advertising 193 person	NA
Primary- First	84 Person	124 Person		
Lower Secondary-Second	104 Person	26 Person		
Lower Secondary-First	25 Person	30 Person		
Secondary-Second	108 Person	07 Person		
Secondary-First	3 Person	34 Person		

Source: Ministry of Education

Curriculum and Textbook Development

12.11 The development, writing and improvements of the overall school level educational curriculum and textbooks are performed by the Curriculum Development Centre. Besides, the Centre is also involved in the development and publication of textbook-relevant Reference Materials, subject-wise Teachers' Guidelines for guiding teaching learning, Evaluation Guidelines, and the Curriculum Textbooks in mother languages. The works performed by the Centre have been presented here below:

SNo	Tasks Performed in FY 2009/10	Tasks Ongoing in Current FY 2010/11
1	Curriculum of Grade 4 developed in <i>Rajbanshi</i> and <i>Sunuwar</i> languages, curriculum development for grade-iii Yakkha languages, grade-ii Mugali Language and grade-i Tamang language (Sambota script)	Curriculum in 7 mother tongues – <i>Rajbanshi, Sunuwar, Yakkha, Mugali, Tamang, Dhimal</i> and <i>Magar</i> , developed printed and distributed
2	Reference Materials developed in Urdu, Sherpa and <i>Bantawa Rai</i> languages	Curriculum of Grade 3 of <i>Gurukul</i> and 3 subjects of Grade 1 of <i>Madrassa</i> improved and developed
3	Curriculum of 4 subjects of Grade 2 in <i>Gurukul</i> improved	Curriculum development and distribution of Grade 6-8 in <i>Gurukul</i> and <i>Madrassa</i> each
4	Regular Student Evaluation Guidelines	Curriculum of Grade 6-8 developed and subject-wise curriculum expanded
5	Grade 5 Teachers Guidelines developed	Grade 6 textbook writing completed
6	Curriculum of 20 subjects of Grade 9-10 expanded	Learning Outputs of primary level children having special requirements determined
7	Curriculum format of Grade 6-8 developed	Grid of Grade 10 compulsory subjects in Sanskrit sector developed and distributed
8	Textbooks on 3 subjects of Grade 9-10 in Sanskrit developed and revised	Developed guidelines on multi textbook development
9	Curriculum of Grade 9 developed in <i>Pali</i> language	Curriculum of Grade 6-8 based on efficiency developed
10	Developed textbook and teachers guidelines on peace and human rights	Teachers guidelines on 5 subjects developed for the teachers of Karnali zone
11	Curriculum of Grade 9 on initial child development education developed	Integrated curriculum format of Grade 9-12 developed

SNo	Tasks Performed in FY 2009/10	Tasks Ongoing in Current FY 2010/11
12	Practical works and evaluation guidelines on Nepali and Mathematics developed	Curriculum of Grade 6 revised
13	Curriculum of Grade 6-8 on Gumba education developed	Re/source materials developed for curriculum implementation
14	Curriculum of Grade 1-5 on Gurukul education developed	Curriculum of 1 subject in Sanskrit education and 2 subjects of Grade 6 in general education revised
15	Curriculum of 6 subjects of secondary level in Sanskrit and Bed Bidyashram education revised	Study of inclusiveness in Grade 9-10 curriculum
16	-	Quality standard of school education determined
17	-	Audio visual materials of English subject for Grade 1-3 and reference materials for multi-class teaching developed

Source: Ministry of Education

Education to Children of Martyrs and Conflict Victims

12.12 With the objective of providing an access to school education to the children of martyrs, disappeared people, injured ones or who have become disable in the past armed conflict, the Martyrs Academy, Balaju has established the following schools in various parts of the country to provide school education to the following number of students with boarding facilities:

12 (i): School & Benefited Teacher's details

S.N	School	Class 1-5		Class 6-8		Class 9-10	
		2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
1.	Shree Sahid Smriti School, Sunsari	99	239	-	-	-	-
2.	Shree Sahid Smriti School, Jiri, Dolkha	101	128	-	-	-	-
3.	Shree Sahid Smriti School, Kaski	147	208	-	-	-	-
4.	Shree Sahid Smriti School, Manpur, Dang	106	202	41	41	1	1
5.	Shree Sahid Smriti School, Rajpur, Doti	140	185	-	-	-	-
	Total	593	1016	41	41	1	1

Source: Ministry of Education

Food for Education Program

12.13 Targeting mainly the schools and students of food deficit areas studying in primary level, the Afternoon Snacks Program is being conducted under the Food Project with the objective of bringing

improvements in the health condition of students and thereby increasing their regularity in the class, improving education level, and reducing the number of class bunkers and those who repeat the same class. As per the agreement signed between the Government of Nepal and the World Food Program in 2007, the program will be in operation until 2012. A total of 194,000 primary level students in Doti, Dadeldhura, Baitadi, Darchula, Achham, Bajhang, Bajura, Salyan, Dailekh, Jajarkot, Rukum and Solukhumbu districts benefited from the Afternoon Snacks Program in FY 2009/10. Likewise, in a bid to encourage girl students, the girl students having minimum 80 percent school attendance a month are getting 2 litres of cooking oil per month to give to their mothers. Apart from the 12 districts where the program is in effect, girl students totalling 54,000 and their mothers in 17 Terai districts including Dhanusha, Mahottari, Sarlahi, Rautahat and Parsa, etc. are getting the same benefits. In 42 VDCs of 9 districts – Doti, Dadeldhura, Baitadi, Darchula, Achham, Bajhang, Bajura, Salyan and Solukhumbu, 31,000 pregnant women and women in need of post-natal care, and 6 months to 36 months old children and their mothers have been getting 7 kg of "Nutrimix" per month. A total of 25,066 students studying in the schools of 5 districts of Karnali zone are getting Rs 15 cash per day per student for afternoon snacks. A total of 239,560 students studying in 14 districts – Sunsari, Saptari, Siraha, Sindhupalchowk, Rasuwa, Bara, Dhading, Nawalparasi, Kapilvastu, Dang, Bardia, Kailali, Pyuthan and Rolpa, are getting Rs 12 cash per day per student for afternoon snacks. These programs were continued in FY 2009/10 as well.

Technical and Vocational Training

12.14 The Technical Education and Vocational Training Council was established with the objectives of producing medium and high level human resource in technical and vocational training sector, as well as produce the basic skilled and technical human resource after providing skills oriented vocational training to them. The Council has been conducting educational programs on agriculture, engineering, health, development and management sectors of technical, SLC and Certificate Diploma Level. The Council also

holds skill-oriented vocational training sessions useful for livelihoods and which are as per the market necessity and demand. Such job-oriented trainings include rural livestock health, bee keeping, vegetable farming, fruits nursery, cooking, baking, housekeeping, electricity wiring, plumbing, construction business, computer, radio and TV maintenance, photography and beautician, etc. Through its subordinate and affiliated private schools, the Council has been conducting 6 programs on health in technical and SLC level, 9 programs on engineering, 3 programs on agriculture and 1 each in office management and social mobilisation. In Certificate and Diploma level, the Council has 6 programs on engineering, 8 programs on health and medical science and 3 programs on agriculture. These various programs are conducted through 25 subordinate schools and 286 affiliated private schools. Besides, 30 community-based secondary schools are also conducting programs of technical education on agriculture, civil, electrical, computer, Information and Communication Technology, livestock science and mechanics, etc. The programs conducted by the Council have been listed here below:

Table 12(j): Conducted Training Programme details Under Council

Program	FY2009/10		FY2010/11	
	Target	Progress	Target	Progress*
Training/Enrollment and production of Technical SLC, Certificate & Diploma Level.	Regular Training Conducted Enrolment 12000	Regular Training Enrolment 12922	Regular Training Enrolment Target Technical SLC 7840	Regular Training Enrolment Technical SLC (8 Special Districts are also included)
Regular training and production of different level of programmes in technical SLC/Certificate and Diploma	Production 11500	Production 11760	Production Target Technical SLC 7000 Certificate and Diploma Level 5000	Production of Technical SLC 568 Certificate and Diploma Level 4724
Different types of regular teaching, Enrollment and production in 15 Annexes Schools	Enrolment 592 Production 450 (Only 15 Anex School)	Enrolment 549 Production 465	Training on Different Types Programmes in 15 Anex Schools Enrolment 1200 Production 600	Enrolment 1459 Production –NA
Infrastructure development programmes in 15 New Annexes Schools for Five Development Region	Infrastructure development	To conducted Teaching by selecting 15 Anex School doing Infrastructure	Infrastructure development for 15 Anex Programmes	To call Application From Schools for additional Programmes for thee each from five

Program	FY2009/10		FY2010/11	
	Target	Progress	Target	Progress*
		Development		development Regions
Short-Term Training for Skill Test			32 Persons	10 Persons
To conduct Short-Term Training on different Subjects	800 person week	908 Person Week	3100 Persons week	5225 Persons week
Helpful Training for Subsistence of life		-	2300 Programmes	14 Programmes
Community service		-	Deferent 17900 Programmes	Deferent 14991 Programmes
Skill Test	Skill test for 12322 person	Skill test on 16145 Person	Skill Test for 21200 Persons (Internal Source 20400)	Skill test for 30600 Persons
Scholarship for Target Group in Diploma and Certificate Level	225 person	225 Person	225 Person	225 Person
To Provide Scholarship for Targeted disadvantage group in SLC Level	150 Person	150 Person	150 Person	Correspondents

* First eight Month, Source: Ministry Of Education.

Informal Education and Open School

12.15 The Informal Education Centre was set up with the objectives of providing basic education to the people of various age groups who were deprived of formal education owing to inability to attend school regularly, and ensuring basic literacy education to the elderly citizens who are entirely illiterate. To fulfil these objectives, the Centre has been operating old age literacy program, literacy program in general, alternative school and open school programs. With the aim of promoting community learning, a Community Study Centre has been set up and some local commercial income generating programs with the group-wise involvement of ultra poor women of backward communities are also in operation. The details of programs operated by the Centre have been given here below:

12 (k): Programs Conducted Under Non-Formal Education

S.N.	Programs	2009/10		2010/11	
		Target	Progress	Target	Progress
1.	Adult Literacy Class Conducted	43059 Class	43059 Class	21029 Class	Some district has conducted classes & other are going to conduct in March 2011.
2.	Literate from literacy class.	1210560 Number	1003739 Number	612920 Number	NA
3.	Income generating.	5000	5000	5050	Going to make a group.

S.N.	Programs	2009/10		2010/11	
		Target	Progress	Target	Progress
4.	Income generation Participation.	45000 Number	45000 Number	45450 Number	Going to make a group.
5.	Communities Study Centre.	931	931	1005	Under consideration in acceptance.
6.	Non-Formal Primary Education Centre.	611	611	438	Participation per Class centre.
7.	Primary Education Centre Expansion Class.	248	248	248	20 Participation Per Class Centre.

Source: Ministry of Education

12.16 An Open School Program is also in operation for those who have failed to receive formal secondary education. In this program operated under the technical management of Educational Human Resource Development Centre, Grade 9-10 level of education can be completed in one year. To date, 7,500 students have enrolled themselves in these 85 programs across 75 districts. In similar type of open school but of lower secondary level, where 3 years of regular education can be completed in 2 years, a total of 1,980 students have enrolled themselves in 37 outlets.

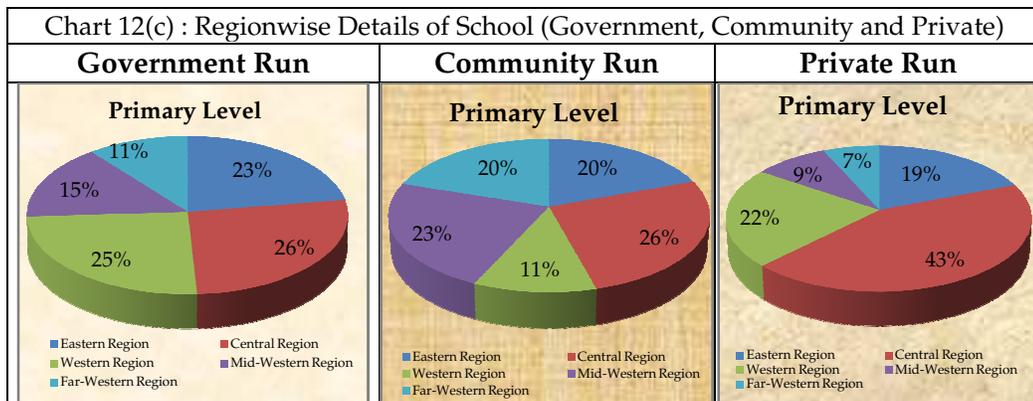
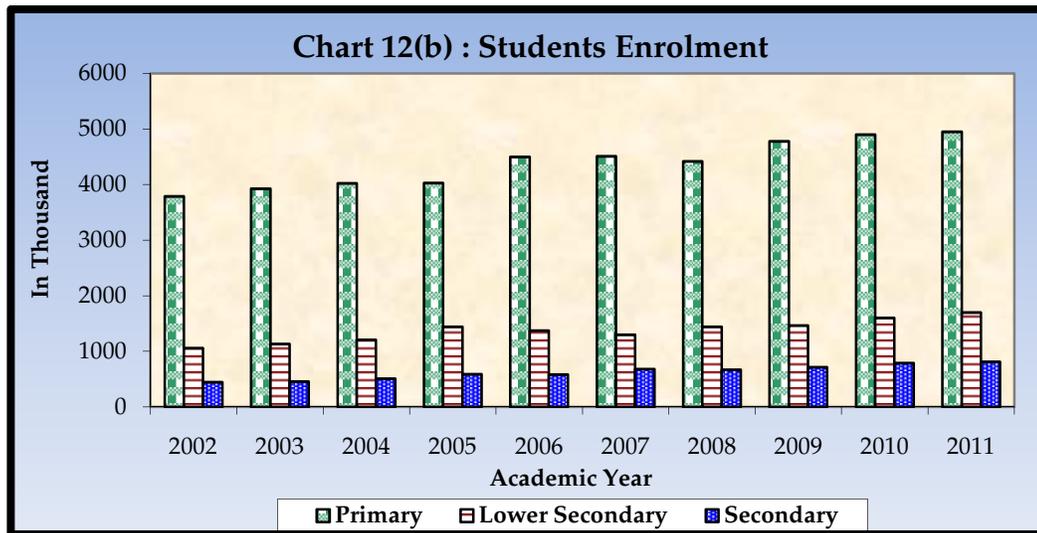
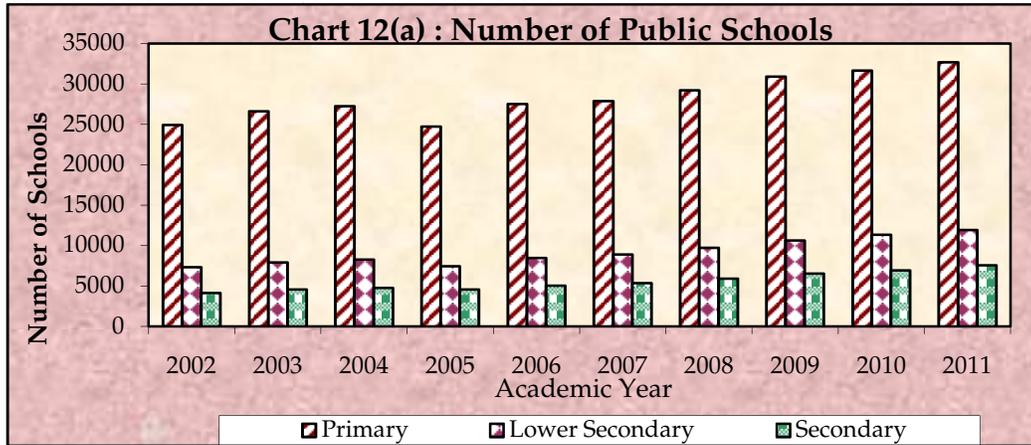
Table on Ratio of School, Student and Teachers

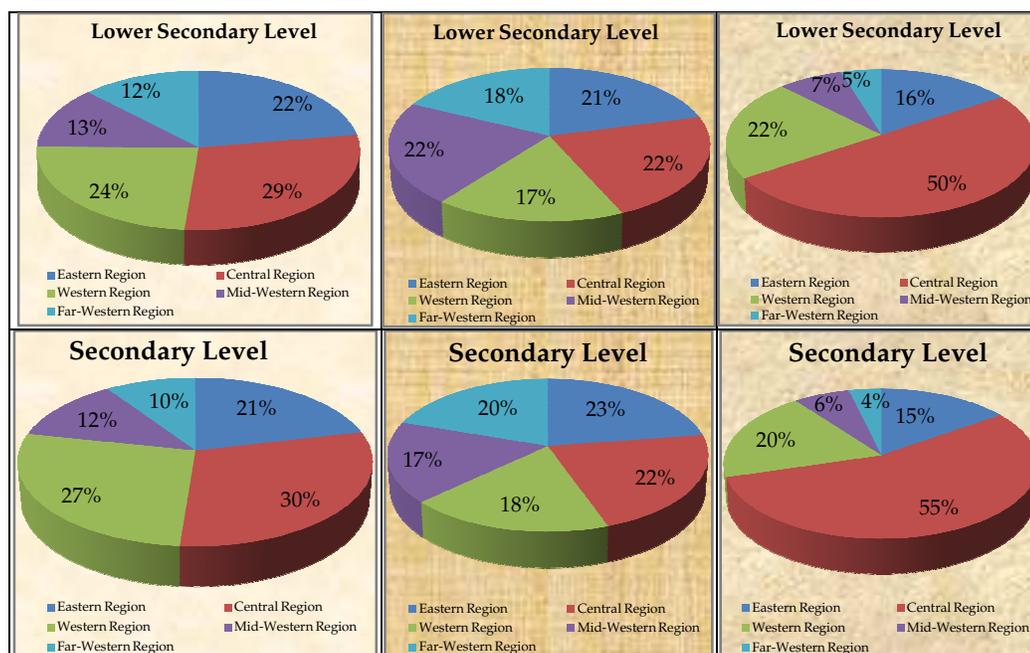
12.17 In Academic Session 2010, under the Ministry of Education, in 32,684 primary, 11,939 lower secondary and 7,559 secondary level schools, a total of 4,952,000 students in primary, 1,700,000 students in lower secondary and 812,000 students in secondary level, respectively, were studying. The ratio of governmental and private sector owned primary, lower secondary and secondary schools and the number of students and teachers have been presented here below:

Table 12(I): School, Student and Teacher Ratio in Academic Year-2010.

Ratio (in number)	Primary	Lower-Secondary	Secondary
Student/School	151.5	142.4	107.4
Teacher/School	5.1	3.9	4.5
Student/Teacher	29.6	36.9	24.0
Student/Trained Teacher	36.7	58.1	28.1

Source: Ministry of Education





Student and School Ratio Based on Geographical Region

12.18 Student ratio in schools across the country has been overall 151.5 per school in primary level (Grade 1-5), 142.4 in Grade 6-8 and 202.4 in Grade 1-8. The student and school ratio based on geographical region has been tabulated here below:

Table 12(m): School-Student Ratio in 2009/10

Geographical region	Levelwise School Number			Levelwisestudent Number			Student School Ratio		
	Primary 1-5	lower Secondary 6-8	Basic level 1-8	Primary 1-5	lower Secondary 6-8	Basic level 1-8	Primary 1-5	lower Secondary 6-8	Basic level 1-8
Nepal	32684	11939	3865	4951956	1699927	6651883	151.5	142.4	202.4
Eastern	7056	2418	7094	1006260	377925	1384185	142.6	156.3	195.1
Mountain Hill	1032	288	1036	116580	36538	153118	113.0	126.9	147.8
Terai	3200	1044	3213	335825	141890	477715	104.9	135.9	148.7
Central	2824	1086	1845	553855	199497	753352	196.1	183.7	264.8
Mountain Hill	9478	3868	9510	1656876	522247	2179123	174.8	135.0	229.1
Terai	1088	335	1090	116460	42474	158934	107.0	126.8	145.8
Central	3449	1160	3451	426421	153283	579704	123.6	132.1	168.0
Terai	2865	866	2876	843103	183662	1026765	294.3	212.1	357.0

Geographical region	Levelwise School Number			Levelwisestudent Number			Student School Ratio		
	Primary 1-5	lower Secondary 6-8	Basic level 1-8	Primary 1-5	lower Secondary 6-8	Basic level 1-8	Primary 1-5	lower Secondary 6-8	Basic level 1-8
Valley	2076	1507	2093	270892	142828	413720	130.5	94.8	197.7
Western	7366	2561	7413	909792	354544	1264336	123.5	138.4	170.6
Mountain	102	28	102	2384	796	3180	23.4	28.4	31.2
Hill	5549	1876	5583	543131	237482	780613	97.9	126.6	139.8
Terai	1715	657	1728	364277	116266	480543	212.4	177.0	278.1
Mid-Western	5067	1662	5110	804301	263735	1068036	158.7	158.7	209.0
Mountain	806	229	814	93348	24122	117470	115.8	105.3	144.3
Hill	3003	921	3033	437537	133862	571399	145.7	145.3	188.4
Terai	1258	512	1263	273416	105751	379167	217.3	206.5	300.2
Far-Western	3717	1430	3738	574727	181476	756203	154.6	126.9	202.3
Mountain	1040	341	1051	121080	32128	153208	116.4	94.2	145.5
Hill	1675	599	1680	232199	62814	295013	138.6	104.9	175.6
Terai	1002	490	1005	221448	86534	307982	221.0	176.6	306.4

Source: Ministry of Education

Student-Teacher Ratio

12.19 In Academic Session 2010, the student-teacher ratio in primary, lower secondary and basic education sector in community schools across the country on geographical regional basis has been presented here below:

Table 12(n): Teacher-Student Ratio in Community School

Geographical region	Primary Level (1-5)		Lower Secondary (6-8)		Basic (1-8)	
	Total	Approved Post basis	Total	Approved Post basis	Total	Approved Post-Ratio
Nepal	34.5	42.8	45.3	57.0	36.7	45.7
Eastern	32.9	39.4	47.1	57.2	35.8	43.1
Mountain	27.7	35.4	36.3	47.6	29.4	37.7
Hill	25.1	32.3	41.0	52.3	28.4	36.5
Terai	43.6	47.4	57.3	64.6	46.5	50.9
Central	39.2	47.3	44.4	54.4	40.2	48.8

Mountain Hill Terai	24.9	33.7	47.0	52.9	28.5	37.4
	28.7	38.7	41.5	57.4	31.2	42.4
	62.4	69.0	62.7	68.8	62.5	69.0
Western Mountain Hill Terai	25.4	31.8	39.3	48.6	28.2	35.3
	4.9	4.9	7.7	7.8	8.5	5.5
	20.0	25.3	25.5	43.5	23.1	29.1
	45.5	55.5	53.6	69.4	47.1	58.2
Mid-Western Mountain Hill Terai	40.4	50.3	57.5	72.6	43.6	54.4
	33.7	39.4	28.3	46.6	24.9	40.7
	44.2	51.6	59.9	70.7	47.1	55.1
	41.8	53.5	65.7	88.9	46.7	55.2
Far-Western Mountain Hill Terai	36.9	51.7	42.1	62.5	38.1	54.0
	28.0	40.9	30.7	46.1	28.5	41.9
	33.3	50.3	32.3	55.3	33.1	51.3
	53.7	63.8	68.2	82.2	57.2	68.2

Source: Ministry of Education

Primary Basic Education

12.20 In Academic Session 2010/11, among the operating 33,160 schools across the country, the number of primary schools (Grade 1-5) has reached 32,684 while the number of lower secondary (Grade 6-8) is 11,939 and it is 32,865 for basic education (Grade 1-8). Among the schools mentioned above, in the current Academic Session, the number of institutional schools in Grade 1-5 is 4,836, Grade 6-8 is 3,078 and Grade 1-8 is 4,857, while the number of traditional schools (Madrasa, Gumba, Gurukul and Aashram) in Grade 1-5 is 755, Grade 6-8 is 38 and Grade 1-8 is 793. Details have been given in the Table below:

Table 12(o): Typewise Schools

<i>Running School level</i>	Community	Institutional	Traditional School Progress			Total
			Madarsa	Gumba /Bihar	Ashram /Gurukul	
Primary Level (Class 1-5)	27093	4836	674	51	30	32684
Lower Secondary Level (Class 6-8)	8823	3078	17	4	17	11939

Source: Ministry of Education

12.21 In this Academic Session under the primary basic education category, the number of girl students' enrolment in Grade 1-5 was 2,494,508 while it was 2,457,448 for boy students and the total enrolment was 4,951,956. In Grade 6-8, it was 847,607 for girl students and 852,320 for boy students, thus it was 1,699,927 in total. In Grade 1-8, the number of girl student was 3,342,079, while it was 3,309,804 for boys, thus making it 4,651,883 in total. The enrolment number has increased annually with an average rate of 3.5 percent in Grade 1-5, 2.7 percent in Grade 6-8, and 3.3 in Grade 1-8.

Details on Teachers

12.22 In Academic Session 2010/11, a total of 167,216 (private and community) teachers were working in Grade 1-5 level. Of them, 70,646 were females. Among the 46,032 teachers working in Grade 6-8 level, 11,908 were females. In the entire Grade 1-8 level, among the 213,248 teachers 82,543 were females. Among the above numbers, under the approved posts (including relief), the number of female teachers was 37,667 while it was 64,284 for male, thus 101,950 in total in Grade 1-5 category. In Grade 6-8, female teachers were 4,741 and male teachers were 21,031 totalling 25,772. In Grade 1-8, female teachers were 42,407 and male teachers were 85,315 thus totalling 127,722. The percentage of trained teachers from Grade 1 to 8 in all kinds of schools has been presented here below:

Table 12(p): Teachers Percentage in all Types of Schools

<i>Training Details</i>	<i>Primary (Teacher)</i>			<i>Lower Secondary (Teacher)</i>			<i>Basic (Teacher)</i>		
	<i>Femal</i>	<i>Male</i>	<i>Total</i>	<i>Femal</i>	<i>Male</i>	<i>Total</i>	<i>Femal</i>	<i>Male</i>	<i>Total</i>
Trained	79.9	81.4	80.7	63.9	63.5	63.6	77.5	76.7	77.0
Partial	8.2	10.8	9.7	15.0	12.4	13.1	9.2	11.2	10.4
Untrained	11.9	7.8	9.6	21.1	24.1	23.4	13.3	12.1	12.5

Source: Ministry of Education

Secondary Education

12.23 In Academic Session 2010/11, the total number of schools in Grade 9-12 category was 7,599, of which 7,266 were operating Grades 9 and 10, while 2,564 were operating Grades 11 and 12.

The total student enrolment was 811,910 in Grade 9-10, 318,426 in Grade 11-12 and in overall, 1,130,336 in Grade 9 to 12. Details of schools as per the geographical region have been presented here below:

Table 12(q): Regionwise Schools of different Levels

<i>Geographical Region</i>	Total School	Secondary level (9-10)	Higher Secondary level (11-12)	Secondary level (9-12)
<i>Mountain</i>	4,102	645	229	652
<i>Hill</i>	17,011	3,249	1,120	3,300
<i>Kathmandu Valley</i>	2,213	1170	365	1288
<i>Terai</i>	9,834	2,202	850	2,319
<i>Nepal</i>	33,160	7,266	2,564	7,559

Source: Ministry of Education

12.24 Among the secondary schools as mentioned above, the details of community, institutional and traditional schools have been tabulated as below:

Table 12(r): Community, Institutional and Traditional Schools of Secondary Level

Running School level	Community	Institutional	Traditional School			
			Madarsa	Gumba /Bihar	Ashram/ Gurukul	Total
Secondary School (9-10)	4946	2306	5	1	8	7266
Higher Secondary School (11-12)	1878	685	1	-	-	2564
Secondary School Level (9-12)	4995	2550	6	1	8	7559

Source: Ministry of Education

12.25 In Academic Session 2010/11, among the secondary and higher secondary schools, the institutional schools have served 16.3 percent students out of the total enrolment in Grade 9-10. It is 13 percent in Grade 11-12 and 15.3 percent in overall Grade 9 to 12. Based on the type of school, the status of student enrolment has been presented here below:

Table 12(s): Student enrolment in different types of Secondary & Higher Secondary Schools

School	Secondary (9-10)				Higher Secondary (11-12)				Secondary (9-12)			
	Girls	Boys	Total	%	Girls	Boys	Total	%	Girls	Boys	Total	%
Community	338,304	341,550	679,854	83.7	143,063	134,049	277,112	87.0	481,367	475,599	956,966	84.7
Institutional	57,641	74,415	132,056	16.3	18,423	22,891	41,314	13.0	76,064	97,306	173,370	15.3
Total	395,945	415,965	811,910	100	161,486	156,940	318,426	100	557,431	572,905	1,130,336	100

Source: Ministry of Education

Enrolment Rate in Secondary Level

12.26 In Academic Session 2010/11, the total enrolment rate in Grade 9-10 of secondary level is 46.2 percent, while the net enrolment rate for the same is 27.1 percent. Following are the details on enrolment:

Table 12(t): Gross and Net Enrolment Rate in Secondary Level

Level	Gross enrolment Rate			Net enrolment Rate		
	Girls	Boys	Total	Girls	Boys	Total
Secondary (9-10)	66.5	66.1	66.3	45.9	47.0	46.5
Higher Secondary (11-12)	26.9	25.2	26.0	7.9	7.6	7.8
Secondary (9-12)	46.6	45.7	46.2	26.8	27.4	27.1

Source: Ministry of Education

12.27 In Academic Session 2010/11, the school-student ratio in secondary level on a regional basis have been presented here below:

Table 12(u): Community School-Student Ratio

Geographical Region	School Number			Student Number			Student School Ratio		
	Secondary (9-10)	Higher Secondary (11-12)	Total (9-12)	Secondary (9-10)	Higher Secondary (11-12)	Total (9-12)	Secondary (9-10)	Higher Secondary (11-12)	Total (9-12)
Nepal	7266	2567	7559	811905	318433	1127338	111.7	124.2	149.5
Eastern	1427	489	1481	178115	73377	251492	124.8	150.1	169.8
Mountain	144	59	148	16956	6057	23013	117.8	102.7	155.5
Hill	610	196	617	68558	29455	98013	112.4	150.3	158.9
Terai	673	234	716	92601	37865	130466	137.6	161.8	182.2
Central	2580	921	2751	258366	86656	345022	100.1	94.1	125.4
Mountain	198	78	200	21517	8159	29676	108.7	104.6	148.4
Hill	664	235	674	69946	25942	95888	105.3	110.4	142.3
Terai	548	243	589	84295	24344	108639	153.8	100.2	184.4
Valley	1170	365	1288	82608	28211	110819	70.6	77.3	86.0
Western	1642	626	1687	179436	74898	254334	109.3	119.6	150.8
Mountain	12	4	12	431	200	631	25.9	50.0	52.6
Hill	1217	452	1246	124198	55748	179946	102.1	123.3	144.4
Terai	413	170	429	54807	18950	73757	132.7	111.5	171.9
Mid-Western	867	266	877	112330	48668	160998	129.6	183.0	183.6
Mountain	115	32	115	11238	8905	20143	97.7	278.3	175.2
Hill	447	134	449	54130	21552	75682	121.1	160.6	168.5

Terai	305	100	313	46962	18241	65203	154.0	182.4	208.3
Far-Western	750	262	763	83658	34834	118492	111.5	133.0	155.3
Mountain	176	56	177	14911	7669	22580	84.7	136.9	127.6
Hill	311	103	314	27499	11893	39392	88.4	115.5	125.5
Terai	263	103	272	41248	15272	56520	156.8	148.3	207.8

Source: Ministry of Education

12.28 In secondary level community schools, a total of 21,656 teachers in Grade 9-10 and 11,984 teachers in Grade 11-12, thus 33,640 in total are working. Among them, 19,584 are working in the approved posts for Grade 9-10 while 1,954 are working in the approved posts for Grade 11-12, thus totalling 21,538. In Grade 9-10 of private schools, 12,179 teachers in Grade 9-10 and 3,441 in Grade 11-12, thus 15,920 in total are working. The existing student-teacher ratio in community schools on a regional basis have been presented here below:

Table 12(v): Community School, Student and Teacher Ratio, 2010/11

Geographical region	levelwise Student Number		Teacher Number		Approved Post Teacher Number		Student -Teacher Ratio		Approved Postwise Student-Teacher	
	9-10	11-12	9-10	11-12	9-10	11-12	9-10	11-12	9-10	11-12
Nepal	679854	277112	21656	11984	19584	1954	31.4	23.1	34.7	141.8
Eastern	162901	66446	4860	2272	4424	370	33.5	29.2	36.8	179.6
Mountain	16573	6057	622	268	541	50	26.6	22.6	30.6	121.1
Hill	66463	29398	2099	1120	1859	192	31.7	26.2	35.8	153.1
Terai	79865	30991	2139	884	2024	128	37.3	35.1	39.5	242.1
Central	187147	75108	6547	3727	5868	568	28.6	20.2	31.9	132.2
Mountain	20912	8013	666	456	644	82	28.5	31.4	32.5	97.7
Hill	63370	24177	2078	1235	1779	222	30.5	19.6	35.6	108.9
Terai	74035	23005	2032	1299	1984	134	36.4	17.7	37.3	171.7
Valley	28830	19913	1771	737	1461	130	16.3	27.0	19.7	153.2
Western	147212	55592	5297	3656	4967	540	27.8	16.0	29.6	108.5
Mountain	389	200	71	38	65	6	5.5	5.3	6.0	33.3
Hill	106329	45591	4051	2769	3846	416	26.2	16.5	27.6	109.6
Terai	40494	12801	1175	849	1056	118	34.5	15.1	38.3	108.5
Mid-Western	103678	43892	2545	996	2311	222	40.7	44.1	44.9	197.7
	11064	8903	444	182	378	48	24.9	48.9	29.3	185.5

Mountain Hill Terai	52654	21368	1289	396	1207	96	40.8	54.0	43.6	222.6
	39960	13621	812	418	724	78	49.2	32.6	55.2	174.6
Far-Western Mountain Hill Terai	78916	30074	2407	1333	2014	254	32.8	24.8	39.2	130.2
	14858	7669	605	256	498	62	24.6	30.0	29.8	123.7
	26850	11595	1135	398	858	96	23.7	29.1	31.3	120.8
	37208	13810	667	679	658	96	55.8	20.2	56.5	143.9

Source: Ministry of Education

12.29 While analysing the status of training to secondary level teachers, there are 85 percent trained teachers, partially trained 6.7 percent and untrained 8.2 percent in Grade 9-10. In Grade 11-12, this ratio is respectively 50.6 percent, 12 percent and 37.4 percent. In community schools, this ratio in Grade 9-10 is respectively 87.9 percent, 8.3 percent and 3.8 percent, while in Grade 11-12, this ratio is respectively 52.5 percent, 13.7 percent and 33.8 percent. The training related details of all male and female teachers of this level have been given in Table No. 12 (t) and 12 (x).

Table 12(w): Situation-wise Teacher Training Number in all types of School

Training Situation	Secondary (9-10)			Higher Secondary (11-12)			Secondary (11-12)		
	Female	Male	Total	Female	Male	Total	Femal	Male	Total
Trained	4,924	23,856	28,780	1,320	6,482	7,802	6,244	30,338	36,582
Partially Trained	549	1,729	2,278	82	1,769	1,851	631	3,498	4,129
Untrained	394	2,383	2,777	573	5,199	5,772	967	7,582	8,549
Total	5,867	27,968	33,835	1,975	13,450	15,425	7,842	41,418	49,260

Source: Ministry of Education

Table 12(x): Teacher Training Situation of Community School

Training Situation	Secondary (9-10)			Higher Secondary (11-12)			Secondary (11-12)		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Trained	2,337	16,701	19,038	1,225	5,065	6,290	3,562	21,766	25,328
Partially Trained	359	1,441	1,800	49	1,593	1,642	408	3,034	3,442
Untrained	158	660	818	346	3,706	4,052	504	4,366	4,870
Total	2,854	18,802	21,656	1,620	10,364	11,984	4,474	29,166	33,640

Source: Ministry of Education

Box 12 (b): Student Appeared & Passed in SLC Examination										
At the end of Class 10, examination control office has conducting SLC examination annually at national level. Annually and pass-out student of this examination is mentioned below.										
Year	Attendance	Regular			Exempted			Supplementary		
		Girls	Boys	Total	Girls	Boys	Total	Girls	Boys	Total
2008/09	Appeared	158450	184182	342632	27008	8882	45890	49552	43637	93189
	Pass out	101940	132662	234602	12585	9302	21887	34603	31940	66543
	Percentage	64.33	72.04	68.47	46.59	49.26	47.69	69.83	73.19	71.40
2009/10	Appeared	179865	205281	385146	24131	17774	41905	53910	49842	103752
	Pass out	108973	138716	247689	6618	5609	12227	35711	34219	69930
	Percentage	60.58	67.57	64.31	27.42	31.55	29.17	66.24	68.65	67.40
2010/11	Appeared	276620	229791	506311	25805	34027	59832	-	-	-
To improve SLC examination, board has conducted training for teacher & experts for oral English examination related training who are involved in examination management team, item writing workshop, training for answer sheet examiner, improvement training for class 8 exams & test item analysis. Detail Programs is mention below.										
s.N	Activites			Unit	Fiscal Year					
					2008/09	2009/10	2010/11			
1.	English/oral examination teaching.			Number	2000	300	100			
2.	Workshop for item Bank establishment and question writing.			Number	150	600	300			
3.	High Examiner re-examine training.			"	1000	180	180			
4.	Examination improvement of class 8.			"	50	10	80			
5.	Item analysis.			Subject	2	6	-			
Source: Ministry of Education										

Higher Secondary Education Council

12.30 The Higher Secondary Education Council aims to produce medium level human resource for overall development of the country as well as produce the students capable of receiving specialised education in various sectors of higher education. Until Academic Session 2010/11, the number of higher secondary schools affiliated with the Council was 2,242 in community

sector, 529 in private sector, 160 in +2 sector and 134 in campus sector, thus 3,065 in total. In the same Academic Session, in community and institutional high secondary schools' sector, 334,475 students in Grade 11 and 306,164 students in Grade 12 were studying regularly.

12.31 Considering student density and pressure, the Council which is centrally based in Sano Thimi, Bhaktapur, has established 8 district offices in Biratnagar, Janakpur, Hetauda, Kathmandu, Pokhara, Butwal, Nepalgunj and Dhangadhi. These offices are functioning in their own declared areas. Among the major programs conducted by the Council, the works of computer programming and networking in the subordinate offices have come to an end. Likewise, training on question bank, question construction and revision, workshop symposium on conducting an exam, answer sheet checking and workshop on evaluation, etc. have also been performed. The other various programs conducted by the Council include: provide scholarship to talented, poor, downtrodden, Dalit, backward students and students from remote areas; set up Teachers' Welfare Fund; select and write textbooks; integrated teaching skills training to teachers; special Education Assistance Program for increasing the access of visually impaired, deaf and poor listening capacity students to higher secondary education; and increasing access of ultra poor and backward Madhesi students to higher secondary education, etc.

12.32 Until Academic Session 2010/11, the total number of affiliated community, private, +2 and campuses (Development Region-wise) has been presented here below:

Table 12(y): Regionwise Affiliated Higher Secondary Schools till Academic Session 2010/11

Development Regions	Community	Private	10+2	Campus	Total
Eastern	491	91	31	23	636
Mountain	60	2	-	4	66
Hill	231	10	3	4	248
Terai	200	79	28	16	322

Central	631	252	106	65	1054
Mountain	88	1	-	2	910
Hill	331	203	81	47	662
Terai	212	48	25	16	301
Western	556	125	12	33	726
Mountain	4	-	-	-	4
Hill	430	69	7	22	528
Terai	122	56	5	11	194
Mid-Western	278	34	5	6	323
Mountain	39	-	-	-	39
Hill	153	3	-	3	159
Terai	86	31	5	3	125
Far-Western	286	27	6	7	326
Mountain	69	-	-	1	70
Hill	120	3	1	2	126
Terai	97	24	5	4	130
Total	2242	529	160	134	3065

Source: Ministry of Education

Status of Students in Higher Secondary School

12.33 The details of students, who participated in Grade 11 and 12 exams under high secondary school education and passed, have been presented in the following table that covers a period from Academic Session 2000 to 2010. As per the data, 56.05 percent of boys and 43.95 percent of girls and 39.26 percent in total, passed the Grade 11 exams, while 54.6 percent boys and 45.4 percent girls and 43.9 percent in total, passed the Grade 12 exams.

Table 12(z): Appeared & Pass-out Student detail in annual Examination

Year	Class 11						Class 12					
	Appeared			Pass- out			Appeared			Pass-out		
	boys	girls	Total	boys	girls	Total	boys	girls	Total	boys	girls	Total
2000/01	17,975	10,958	28,933	6,600	3,713	10,313	9,861	6,120	15,981	3,926	2,309	6,235
2001/02	30,344	19,607	49,951	9,119	5,363	14,482	14,803	8,560	23,363	5,304	3,042	8,346

Year	Class 11						Class 12					
	Appeared			Pass- out			Appeared			Pass-out		
	boys	girls	Total	boys	girls	Total	boys	girls	Total	boys	girls	Total
2002/03	26,401	17,989	44,390	9,383	5,583	14,966	24,420	16,872	41,292	7,730	4,520	12,250
2003/04	38,341	27,463	65,804	14,317	9,323	23,640	21,526	15,573	37,099	7,488	4,470	11,958
2004/05	37,077	24,378	61,455	15,984	9,910	25,894	32,915	24,698	57,613	13,434	9,212	22,646
2005/06	86,351	69,976	156,327	40,842	30,502	71,344	57,082	43,858	100,940	30,893	22,170	53,063
2006/07	62,052	48,359	110,411	30,171	20,711	50,882	49,377	40,543	89,920	28,472	21,526	49,998
2007/08	79,809	66,978	146,787	35,011	27,261	62,272	55,448	45,312	100,760	31,457	24,630	56,087
2008/09	106157	99043	205200	46903	37228	84131	70644	62296	132940	36946	30383	67329
2009/10	132158	122613	254771	57240	44793	102033	94812	92005	186817	47803	39405	87208
2010/11	155989	142062	298051	65595	51433	117028	117093	112652	229715	55058	45788	100846

Source: Ministry of Education

Community Higher Secondary School and Teacher Management

12.34 By the end of FY 2010/11, in the total 2,243 community higher secondary schools, there should have been at least 2 teachers in each of them and for that, the minimum number of teachers had to be 4,486 in total. Likewise, for the operating 118 higher secondary schools, an additional one teacher in each of them and for 39 higher secondary schools in Karnali zone, an additional one teacher in each of them was needed. While these all numbers are put together, the total number of teachers needed becomes 4,643. Besides, higher secondary schools having students more than 200 require an additional one teacher in each of them. Thus, in this FY 2010/11, a total of 5,000 teachers have to be added to higher secondary schools. Only the addition of teachers as mentioned above can ensure regular classes and quality education in higher secondary schools.

Scholarship in Higher Technical Education

12.35 Students who pass the entrance exam conducted by the Ministry of Education are nominated and sent to various medical colleges across the country for scholarship-based study in bachelor and master's level in medical and bachelor level in nursing. The

selected medical colleges are generally affiliated with various universities and are allowed to operate under private sources. Besides, students are nominated and sent to study in foreign medical colleges, too, in scholarship. As per these arrangements, here are the details on the number of students nominated for scholarship-based study in various levels and subjects:

Table 12(aa): Nomination Details of Student in Different Levels & Subject

FY 2008/09		FY 2009/10		FY 2010/11		Country
Subject	Student Number	Subject	Student Number	Subject	Student Number	
MBBS	158	MBBS	152	MBBS	202	Nepal
BDS	17	BDS	18	BDS	10	"
BAMS	4	BAMS	3	BAMS	7	"
BN	-	BN	12	BN	12	"
BPH	-	BPH	4	BPH	4	"
Bsc Nurising	-	Bsc Nurising	2	B Pharma	4	"
				Bsc Forest	4	"
				Bsc Nursing	4	"
MBBS	18	MBBS	21	MBBS	8	Feign
BDS	1	BDS	2	BDS	1	Feign
PG Medicine	18	PG Medicine	21	NominationProcess		

Source: Ministry of Education

University Grants Commission (UGC)

12.36 The University Grant Commission has been performing works, such as coordination among universities, distribution of government subsidy, recommendation to the Government of Nepal on setting up new universities and fixation of educational quality standard, etc. Under regular works, the Commission has been performing quality improvement programs; while under developmental works, it has been setting, implementing and operating programs under the second Higher Education Project. Under quality improvement programs, curriculum revision and updating, teachers' skills and capacity enhancement, research and development and expansion of culture, disable student assistance program in master's level and educational institutions' educational, academic and physical

capacity enhancement programs are in operation, with their revised versions, in current FY 2010/11 as they were in the last FY 2009/10. In FY 2009/10, a total of 19 individuals were selected for training on research methodology and updates, while 64 were selected for scholarships on MPhil and PhD. Likewise, 56 micro researches, 22 workshop, symposium and conference operation and participation assistance, 152 library strengthening and physical facilities development assistance and regular grant assistance to 235 community colleges were also performed. In FY 2010/11, the frequency of above mentioned programs is estimated to be 30 individuals, 70 individuals, 60 in number, 30 in number, 200 in number and 300 in number, respectively. Similarly, with the World Bank's assistance, under the second Higher Education Project, works are being performed in 4 sectors: Improvement Subsidy (motivation, operation of work and jodkosh subsidy), student financial assistance program, higher secondary education improvement and systematic capacity enhancement in higher education. For this project in FY 2009/10, around Rs 600.7 million was spent while in the current FY 2010/11, around Rs 656 million has been allocated.

12.37 Until FY 2008/09 and 2009/10, the number of campuses and students under various universities has been presented here below:

Table 12 (ab): Campuses and Students under Different Universities

University	Campuses		Students' Details					
	Constituent	Affiliated	FY 2008/09			FY 2009/10		
			Constituent	Affiliated	Total	Constituent	Affiliated	Total
Tribhuvan	60	732	172594	149051	321645	186880	183000	369880
Kathmandu	6	15	3624	5113	8737	-	-	10100
Purbanchal	3	92	647	14894	15541	-	-	18154
Nepal Sanskrit	12	9	5103	333	5436	2043	294	2337
Pokhara	4	49	788	12383	13171	1173	15493	16666
Lumbini Boudha	-	-	-	-	-	-	-	-
Total	85	897	162756	181774	364530	-	-	417137

Note: Though Lumbini Boudha University is granted approval for operation, it is yet not to run educational programs.

Source: University Grants Commission

Universities

12.38 As per the policy of establishing multi-universities in the country based on necessities, five universities – Tribhuvan University, Kathmandu University, Purbanchal University, Nepal Sanskrit University and Pokhara University have been providing the opportunities for higher education until the current FY 2010/11. Though Lumbini University has been granted approval, it has not started operation yet. Similarly, BP Koirala Institute of Health Sciences, National Institute for Medical Sciences and Patan Institute of Health Sciences have been providing technical education as the high level educational institutions, at par with the universities.

Tribhuvan University (TU)

12.39 With the aim of producing medium and high level human resource as per the national necessities, Tribhuvan University, since the time of its establishment, has been discharging important works, such as study and teaching, research and the planning, implementation and evaluation for exploration works, etc. The University has a distinct identity in SAARC region and has reached to the present position contributing to the official, historical and institutional development of higher education in Nepal. Even until today, the University has been shouldering 95 percent responsibilities of higher education in the country. As of FY 2009/10, the University had 5 technical study institutes (engineering, agriculture and livestock science, medical science, forestry, science & technology), 4 faculties (law, management, education, humanities & social science) and 4 research centres (Economic Development & Administration, Practical Science & Technology, Centre for Nepalese and Asian Studies – CNAS, Economic & Development Administration). Likewise, the University has 60 subordinate campuses, 37 central departments and under the control of concerned institutes/faculties, 732 campuses of private sector temporarily affiliated with the University. These campuses where bachelor to PhD level studies and one more program are available, are producing high level

human resource in technical, vocational, social science and other sectors and sending them to the world human resource market. The brief structure and achievements of key academic/ educational programs operating under the University have been mentioned here below:

Table 12 (ac): Details of Major Academic Programs Under T.U.

Indicator of Study/ Research/ Exploration Programs	Fiscal Year				
	2005/06	2006/07	2007/08	2008/09	2009/10
A. Colleges					
1. TU Constituent Campuses	60	60	60	60	60
2. Number of Campus/College established in the Private Sector and granted permission to run under temporary affiliation	348	420	561	616	732
Increase in percent (%)*	(61) +21.3	(72) +20.7	(141) +33.6	(55) +9.8	(116) +18.8
Attending Students Number	244268	272746	290833	321645	369890
1. Number of students studying in constituent campuses of TU	152668	167114	171592	172594	186880
Increase in percent (%)	+14.98	9.46	+2.07	+1.00	+8.3
Total number of campuses	408	480	621	676	792
Increase in percent (Constituent and private sector campuses)	17.6	17.6	29.4	8.85	17.16
B. Number of students studying in private sector campuses/colleges (estimated)	91600	105632	119241	159051	183300
Increase in percent (%)	+29.61	+15.62	+12.88	+25.00	+22.77
C. Based on constituent and private sector campuses of TU Structure of Student in %					
(a) Students studying in constituent campuses	17.3	14.7	12.5	9.7	8.0
(b) Students studying in private sector campuses	82.7	85.3	87.5	90.3	92.0
Total:	100	100	100	100	100
D. Student Ratio in TU Constituent and the affiliated Campuses in percentage					
(a) Students studying in constituent campuses	62.5	61.3	49.0	53.6	<u>51.0</u>
(b) Students studying in private sector campuses	<u>37.5</u>	<u>38.7</u>	<u>41.0</u>	<u>46.4</u>	<u>49.0</u>
Total:	100	100	100	100	100
(c) Teacher Student Ratio	1:24.8	1:27.3	1:21.6	1:21.7	1:23.5
(d) Human Resources-Teacher Personnel					
(i) Teaching- No. of Teacher	6161	6160	7950	7950	7950

Indicator of Study/ Research/ Exploration Programs	Fiscal Year				
	2005/06	2006/07	2007/08	2008/09	2009/10
(ii) Administration, Technical and Utility Service					
(a) Administrative Staff	2240	2241	2241	2240	2240
(b) Technical Staff	1911	1914	1920	1920	1920
(c) Utility and Service Staff	2757	2757	2912	2962	2962
Total number of staffs	6948	6952	7073	7122	7122
(e) Medical Treatment Service	434547	459830	NA	517668	480892
Growth Percentage	+7.3	+16.6	-	-	-

Source : Tribhuvan University

Study, Teaching, Research and Exploration Program

12.40 Among the affiliate campuses running programs on certificate, bachelor, masters, MPhil and PhD remaining under the 5 technical institutes and 4 faculties of TU, they were 13 in number in Eastern Region, 28 in Central Region, 11 in Western Region, 5 in Mid-West Region and 3 in Far-Western Region, numbering 60 in total in FY 2009/10. Similarly, among the 732 campuses operated by private sector, 108 were in Eastern Region, 369 in Central Region, 146 in Western Region, 55 in Mid-Western Region and 54 in Far-Western Region. In FY 2009/10, the number of students studying in subordinate campuses was 186,880; while in affiliate campuses, it was 183,000, numbering 369,880 in totals. Among the subordinate campuses of TU in technical sector, 7,947 were studying in certificate level, 12,756 in bachelor level, 3,193 in master level and 134 in PhD level, numbering 24,030 in totals. In non-technical education, 3,965 in other level, 28,903 in certificate level, 83,275 in bachelor level including vocational education, 46,209 in master level, 352 in MPhil level and 146 in PhD level, numbering 162,850 in totals, were studying. The estimated number of students who received higher education from FY 1973/74 to 2009/10, have been placed in Table 12.5 of the Economic Survey Part II, while the estimated number of students in subordinate campuses of TU in FY 2010/11 have been placed in Table 12.6 of the same book.

12.41 In the last FY 2009/10, in TU's technical and non-technical subordinate campuses, a total of 172,594 students were studying, while in TU affiliated campuses, 149,051 students were studying. In technical sector only, 9,375 students in certificate level, 14,046 in bachelor level, 2,325 in master level and 132 in PhD level, numbering 25,878 in totals were studying. In non-technical sector, 4,816 students in other level, 39,018 in certificate level, 75,485 in bachelor level, 26,821 in master level, 503 in MPhil level and 73 in PhD level, numbering 146,716 in totals were studying.

Expenses per Student

12.42 Based on an analytical study of subordinate campuses, their various programs and the Dean offices – all remaining under the 5 technical institutes and 4 faculties of TU, the University's expenses per student has been found to be the following:

Table 12 (ad): Expenses Per-Student

S.No	Institute/Faculty	Fiscal Year				
		2005/06	2006/07	2007/08	2008/09	2009/10
1.	Engineering	55000	55000	68750	94790	113748
2.	Agriculture & Animal Science	121142	121142	151428	641000 B.Sc.	769200
					725000 BBSC	870000
					169000 M.Sc	202800
					260000 PhD	312000
3.	Medinice	253697	332900	416125	488750	586500
4.	Forest Science	104960	107521	134401	134401	161281
5.	Science & Technology	22394	23576	29470	29470	35364
6.	Law	30213	30213	37766	37766	45319
7.	Management	4674	4674	5843	5843	7012
8.	Education	5425	5425	6781	6781	8137
9.	Humanities	9102	9270	11588	11588	13906

Source : Tribhuvan University

Student Convocation and Human Resource Market of the Produced Ones

12.43 In FY 2009/10, the 34th and 35th Convocation ceremonies were performed and all the rest old students were allowed to partake in the two Convocations. This year in technical sector, a total of 18,930 human resources were produced under the 5 technical institutes. They were 41 in lower level, 6,501 in certificate level, 11,185 in bachelor level, 1,195 in master level, 1 in MPhil level and 7 in PhD level. In non-technical sector, a total of 50,093 human resources were produced under the 4 faculties. They were 653 in other level, 13,252 in certificate level, 28,934 in bachelor level, 7,163 in master level, 49 in MPhil level and 42 in PhD level. The University, realising its duty of producing internationally capable and competitive human resource has sent a total of 694 human resources in other level, 19,753 in certificate level, 40,119 in bachelor level, 8,358 in master level, 50 in MPhil level and 49 in PhD level, to the Human Resource Market.

Curriculum Development Centre – Curriculum Development

12.44 In a bid to improve its curriculum of various levels as per the international standard, the TU has already changed the bachelor level into 4 years' course. Likewise, it has conducted orientation program on various subjects of master level, and compulsory English and Nepali subjects of bachelor level. It has printed, sold and distributed curriculums of management and law faculty, and is also supposed to do the same for other faculties. In law faculty, the TU has a 5-year program on BA-LLB.

Central Library

12.45 The developmental works of the Central Library have been made effective, as the concept of e-library and computer facilities have been introduced in all the subordinate campuses of TU and in first year of the second Higher Education Project, a Central Library Strengthening Program was also conducted. Optical fibre has been laid in Kirtipur to improve and expand information technology and a fast internet service is now available in the

Central Library. A total of 21 Central Library employees have been provided training on technologies of digitalizing available books and making them available to the world. With the introduction of digital service, the Central Library is now at par with any national library.

Medical Education, Education, and Humanities & Social Science Teaching Training

12.46 Substituting the trend of sending teachers of medical science field to neighbouring countries of Bangladesh and Sri Lanka, etc., the TU from January 2010 onward, introduced and implemented a new arrangement under which a National Medical Science Study Centre was established to provide Training of Teachers to them. The Faculty of Education since FY 2009/10 has revised the 3-year B.Ed. and 1-year B.Ed. and M.Ed. syllabus as per the time and has introduced Information and Communication Technology (ICT) in B.Ed. with more specialised subjects. As per the objectives of national education policy for preparing trained teachers meant for schools of basic education, i.e. Grade 1-8 and for total school education, i.e. from Grade 1-12, the Faculty of Education has been training teachers, for instance, there is 1-year teachers' preparation curriculum for those having passed Grade 12. Likewise, to increase education quality and solve problems related with class teaching learning, teachers teaching in subordinate and affiliate campuses will get the opportunity to involve in micro researches. Under the Humanities and Social Science Faculty, various subjects are being taught. They include: Nepali, English, Hindi, Sanskrit, Maithili, Nepal Bhasa, History, Culture, Geography, Strategic Studies, Buddhist Studies, Language Science, Political Science, Home Science, Math, Statistics, Economics, Fine Art – Sketching, Music, Idol making, Journalism and Mass Communication, Psychology, Rural Development, Population Studies, Sociology and Anthropology, Social Service, Library and Information Science, Logics and Philosophy, and Conflict, Peace and Development Studies. Under this Faculty, there are 20 Central Departments, while MPhil level studies are in operation under Nepali, English, Economics and Population Studies.

Medical Treatment Service

12.47 The Tribhuvan University under TU Teaching Hospital and BP Koirala Eyes Studies Centre (eye hospital) has been providing various medical services and conducting various educational programs in the following manner, giving continuity to them:

- Conduct educational programs related to study, teaching, research and exploration
- Provide practical medical services from normal to complicated patients embracing knowledge, skills, system, method, resources and experiences based on the fast development of science and technology, information and communication.
- Provide medical services from TU Health Centre in Kirtipur to locals, University students, teachers, employees and others.
- In FY 2009/10, the University started Hygienic and Healthy Human Resources Development services.
- Patients arriving from abroad are also provided medical services while contribution has also been made to increase the income of the University.

Details of activities in medical treatment front have been given in Table 12.8 of Part II.

Development of Physics

12.48 The Central Department of Physics has introduced international level of curriculum on Physics. Previously, there was specialisation in Nuclear Physics of master level only. The M.Sc. Physics scholars have been working nationally and internationally, while nearly 300 PhD holders have been working solely at international level. It is vital to take ahead Nuclear Physics Study & Research Facilities in the country, as Nepal has already been a party to the IAEA. It was inability in Nepal's part to fail to predict what could be the impact of the Nuclear Radiation Contamination disaster of Japan over Nepal. In this context, efforts are moving ahead to establish National Nuclear Numerical Weather Quality Wind Energy Forecasting Laboratory.

Bio Technology Development in Nepal and Utility of Bio Technology

12.49 All sectors of society are gradually influenced by the fast growing bio technology in the world and its multi-dimensional utility. New technologies have developed in agricultural, industrial and health sector owing to the introduction of bio technology. In this context, the Central Department of Bio Technology has given attention to the dissemination of advanced knowledge and quality education, necessary infrastructures needed for this and ensuring bio safety in subjects related to bio chemistry, immunology, plant molecular biology, agriculture biotechnology, etc. This year, research on truffle has been moving on.

Development of Animals and Birds Medical Treatment Service

12.50 In FY 2009/10 as in last year, the Livestock Medical Treatment Hospital under the Institute of Agriculture and Animal Science of TU in Rampur, Chitwan has been performing studies, teaching, research and exploration while general medical treatment and surgery of animals and birds are also done there, thus contributing a lot to the development of livestock and agriculture in the country.

Kathmandu University (KU)

12.51 Since its establishment some 18 years ago, Kathmandu University has been producing quality manpower in significant numbers as per the demand of the country in higher education by initiating new programs in technical sectors of medical science, engineering, pharmacy and environmental science as well as in arts, education and management. KU is also expanding its working areas gradually. By the end of FY 2009/10, KU was running programs in 100 subjects of science, technology, arts, management, education and health and has so far produced 8,787 high level technical human resources including engineer, doctor, pharmacist, environmentalist and manager, etc. In FY 2009/10 alone, 1,551 students of various levels passed their exams. A total

of 2,878 students have passed Intermediate of Science (I.Sc.), while in various subjects of certificate level meant for producing medium human resources in health sector, 551 students passed the exams, both totalling 3,429. From last year onward, there was no new admission to I.Sc. Among the 10,100 students currently studying in the University and its affiliates, the number of girl students is around 41 percent, i.e. 4,116 in totals.

12.52 Except the affiliate colleges, the University as of today has 446 teachers including visiting faculties and 159 employees, totalling 623. The University has been providing maximum number of scholarships to talented and economically feeble students as far as allowed by its re/sources. In FY 2009/10, on behalf of the University, 289 students were provided scholarships, while the affiliated colleges provided 466 scholarships, numbering 755 in totals, i.e. 7.5 percent of the total students.

12.53 The University has been adopting the following policies:

- To continue academic activities and conduct educational programs, student fee cannot be hiked as per the market inflation rate and therefore, there is a need to develop alternative arrangements and nominally increase the student fee on an annual basis.
- As per the vision of Teaching-cum-Research-University, the University needs to be gradually transformed into a totally boarding (residential) structure.
- It is imperative to continue professional grooming activities of faculty members as the capable faculty members are always in demand for conducting educational programs.
- Arrange a Scholarship Fund for poor, talented, marginalised and Janjati students and keep on expanding the Fund.
- Embrace community expectations and conduct various training and job-oriented programs co-working with the community.
- Execute the Voluntary Retirement Plan as programs need to be revised and new programs need to be launched as per the demand of the time.

Purbanchal University (PU)

- 12.54 Purbanchal University was established in 1994 with the objective of enhancing education quality on competitive basis, developing clean educational structure and operating a high level educational institution from people's level for study, teaching and research on arts, science, law, management, education and technology, etc. As most of the educational institutions became city-centric due to the country's situation and educational policy, governmental or private educational institutions opened for higher education were based only in major cities of the country. It made higher education out of the economic, social and geographical access of students coming from rural, hills and remote areas.
- 12.55 Considering the above context, PU has operated educational programs on more than 62 subjects under the faculties of science & technology, management, education, arts, law and medical science. In FY 2009/10, PU produced 571 technical and professional human resources in master level and 4,419 in bachelor level. In 3 subordinate and 92 affiliate campus/colleges, a total of 18,154 students were studying in the same FY. Since the University was set up as per the concept of multi-university for the access of all unto higher education, its technical and professional educational programs under science & technology, management, arts, education, medical science and law faculties are not only centre-focused, but are operating through 3 subordinate colleges and more than 100 affiliated colleges all across the country. In Academic Session 2010/11, some 22,000 students are estimated to be studying in the University. Among the human resources produced by the University, some are working in various financial institutions and industrial units while some are receiving higher education in other universities around the world. In FY 2004/05, the University decided to operate a medical teaching hospital of MBBS level in 805 bigha of land in Gothgaun, Morang. The decision was in the process of implementation and as of now, the Dean, required professors (medical doctors), other technical and human resources have

been appointed and a 300-bed medical teaching hospital with emergency and OPD facilities has been brought into operation. After the monitoring and inspection of Nepal Medical Council in regard to the operation of MBBS classes, a high level committee has been constituted and works have been initiated to perform the additional works as recommended by the Council. Following are the details of various human resources enrolled and produced by the University in various FYs:

Table 12 (ae): Student Enrolment/Production Status of Purbanchal University

S. N.	Faculty	2004/05		2005/06		2006/07		2007/08		2008/09		2009/10	
		Enrol	Pass										
1	Science and Technology	2588	328	3012	500	3958	367	4575	303	4646	476	5050	856
	Bachelor	2544	328	2875	477	3767	359	4399	254	4618	431	4944	772
	Master	44	-	137	23	191	8	176	49	18	45	106	74
2	Management	1978	198	2412	195	3684	22	4026	341	4078	459	4979	910
	Bachelor	1710	177	1989	135	2971	-	3264	320	3719	362	4531	710
	Master	268	21	423	55	713	22	762	21	359	97	448	200
3	Education	1218	344	1436	254	2293	36	3013	286	2469	767	4507	1322
	Bachelor	1067	344	1328	242	2092	-	2825	270	3354	687	4344	1164
	Master	151	-	108	12	201	36	188	16	115	80	136	158
4	Humanities	720	113	957	162	1319	187	1228	130	719	154	582	339
	Bachelor	600	88	708	139	971	147	929	99	583	116	463	241
	Master	120	25	249	23	348	40	299	31	136	38	119	98
5	Law	200	2	282	29	399	-	377	35	343	57	466	111
	Bachelor	128	-	178	18	237	-	252	21	219	40	289	70
	Master	72	2	104	11	162	-	125	14	124	17	177	41
6	Medical	-	71	656	136	1158	134	1659	157	2286	342	2570	891
	Bachelor	-	71	656	136	1158	134	1657	157	2286	342	2570	891
	Master	-	-	-	-	-	-	-	-	-	-	-	-

S. N.	Faculty	2004/05		2005/06		2006/07		2007/08		2008/09		2009/10	
		Enrol	Pass	Enrol	pass	Enrol	pass	Enrol	pass	Enrol	pass	Enrol	pass
	Bachelor Total		6,049	1,008	7734	1,147	11,196	640	13328	14779	1978	17141	3848
	Master Total		655	48	1,021	124	1,615	106	1550	762	277	1013	571
	Grand Total		6,704	1,056	8,755	1,271	12,811	746	14878	15541	2255	18154	4419

Source: Purbanchal University

Nepal Sanskrit University (NSU)

12.56 Nepal Sanskrit University was established in 1986 with the aim of conserving and promoting Sanskrit literature, modernising Sanskrit education and preserving the norms and values of Sanskrit language. It is in operation since then with its central office in Beljhundi, Dang. Through the university's 13 subordinate and 11 affiliated campuses, courses on Uttar Madhyama, Madhyama in Sanskrit, Madhyama in Science, Uttar Madhyama in Ayurved, one-year education, bachelor in Ayurved (BHMS) and PhD are available, while various training programs on Karma Kanda, Yog, Sanskrit language, research, etc. are also in operation. In FY 2010/11, in the above-mentioned various programs, the student enrolment was 3,731, while the enrolment target was 4,327. In Academic Session 2010, a total of 528 students passed the annual exams of Uttar Madhyama, while this number was 178 for Uttar Madhyama Science (Ayurved), 474 for Shastri, 385 for education Shastri, 117 for Acharya and 334 in other level, numbering 2,017 in totals. Among them, 1,712 were from the subordinate campuses, while 305 were from the affiliated campuses.

12.57 Under scholarship program, 1,370 quotas were fixed for cash scholarship and out of this, 20 percent was for indigenous people, Dalit and Janjati, 33 percent for women and the rest was left for open competition. The scholarship amount allocated for Janajati remains 100 percent more than the scholarship set aside for other students, while the women get Rs 100 scholarship. Besides, at Tindhara Sanskrit School hostel, 111 students get free food as per a traditional will paper. While previously only the

Batuks were allowed to stay in the hostel, now students from all caste and ethnic groups and girls, too, can stay in the hostel, according to a Supreme Court ruling. In Yagyawalkya Laxminarayan Vidyapith, 54 students have been getting free food on behalf of Nepal Guthi (Trust) Corporation. As per the policy of the Government of Nepal, facilities to students, who are Dalit, women, disable and injured in People's Movement, have been continued. The university has been providing regular scholarship to academic works, such as output yielding and special researches and book editing, etc. While under professional development program, teachers and employees selected under this program for higher studies have been getting the opportunity of their professional development.

- 12.58 For conducting higher education in Yoga and Ayurved – part of Sanskrit literature, with teaching hospitals, an Ayurved Study Institute has been set up and a Dean has also been appointed, thus starting the initial works needed for it. In the current FY 2010/11, a girls' hostel was in the initial construction phase in a Vidyapith at the time of preparing this evaluation. In Academic Session 2009/10, the following number of students was enrolled and studying in Nepal Sanskrit University and its subordinate Vidyapiths:

Table 12 (af): Student Enrollment in Nepal Sanskrit University (FY 2009/10)

S.N.	College Name	Uttar-Madhyama Year II & II	Uttar-Madhyama Science/ Ayurveda Years I/ II/III	Shastri Year I/ II / III	Shastri Education	Acharya Years I/II/III	Others	Total
1	Balmiki College	३९८	-	२४५	-	१७८	-	८२१
2	Janta College	१६४	७४	३५	११५	-	-	३८८
3	Pindeshwor College	८२	-	७२	-	३	-	१५७
4	University College	-	-	-	-	४५	-	४५
5	Bindubasini Sanskrit College	५७	-	४७	-	-	-	१०४
6	B.P Sanskrit College	५८	-	-	-	-	-	५८

7	Bhanu Sanskrit College	१५	-	-	-	-	-	१५
8	YBLNS College	१०१	-	३८	-	-	-	१३९
9	Ruru Sanskrit College	१०६	-	४९	-	-	-	१५५
10	Sharda College	४३	-	१७	९४	-	-	१५४
11	Hajarijank Sanskrit College	१६४	-	४३	-	-	-	२०७
12	Harihar Sanskrit College	३३	-	-	-	-	-	३३
13	Mahesh Sanskrit Gurukulam College	३३	-	१६	-	५	-	५४
14	Radha Damodar Sanskrit College	४५	-	-	-	-	-	४५
15	Kalika Sanskrit College	३१	-	३१	-	-	-	६२
16	Sanskrit College, Dharan	-	-	-	-	-	-	-
17	Saraswati Sanskrit College, Manigram	३७	-	-	-	-	-	३७
18	One year education Program (Ranipokhari Kathmandu)	-	-	-	१५८	-	-	१५८
One-Year Affiliated Education Program								
19	Lumbini Brihaspati College	-	-	-	-	-	-	-
20	Active Academy College Kathmandu	-	-	-	१०	-	-	१०
21	Panchthar Campus	-	-	-	-	-	-	-
22	Banepa Campus	-	-	-	-	-	-	-
23	Kapilvastu Campus	-	-	-	-	-	-	-
24	Multiple college Attaria	-	-	-	-	-	-	-
Affiliated Ayurveda College (BAMS)								
25	Mithila Ayurveda and Research Centre, Janakpur	-	-	३८	-	-	-	३८
Affiliated Ayurveda Uttarmadhyama								
26	Janak Ayurved College, Janakpur	-	२१	-	-	-	-	२१

27	Uttar Dhanwattari Ayurveda college, Gaur	-	-	-	२१	-	-	२१
28	Jagdamba Ayurved campus, Gaur	-	-	-	-	-	-	-
29	IHR Development, Jankakpur	-	-	-	-	-	-	-
30	Nikhil Ayurveda College, Pokhara	-	-	-	-	-	-	-
Others								
31	Karmakanda (religious rites) Training	-	-	-	-	-	-	-
32	Yoga Training	-	-	-	-	-	३५	३५
33	Sanskrit Language Training	-	-	-	-	-	८४०	८४०
34	Research	-	-	-	-	-	१२८	१२८
	Total	१३११	१५७	६३१	३८८	२३१	१००३	३७३१

Source : Nepal Sanskrit University

Pokhara University (PU)

12.59 Pokhara University was established in 1996 under the Pokhara University Act 1995 with the vision of ensuring maximum participation of private sector in the university's operation. PU lays stress on the expansion of already affiliated higher educational institutions. As a result, PU has more programs in affiliated colleges compared to its own negligible programs in the subordinate ones. PU has now adopted the policy of gradually expanding its subordinate colleges along with the affiliated ones. Since Academic Session 2007/08, the University has been operating subordinate college based educational programs in its own buildings in Lekhnath municipality, Khudi and Dhugepatan, Kaski. Under the PU's faculties of Management, Science & Technology, Humanities & Social Science, the number of subordinate colleges is 4 and the number of affiliated colleges is 49. Among the affiliated ones, 28 are in Central Region, 14 in Western Region, 3 in Mid-Western Region and 4 in Far-Western Region. Under its 3 faculties, bachelor, master and MPhil level studies are in operation. In Academic Session 2010, a total of 1,173 students were studying in subordinate colleges while 15,493 were studying in the affiliated colleges, numbering 16,666 in total. In same Academic

Session 1,044 students are produced. University has conducted 44 educational programs under its constituent and affiliated colleges. In Academic Year 2010/11, the number of students studying under three faculties in different levels of subordinate and affiliated colleges was as follows:

Table 12 (ag): Student Studying at Pokhara University in Academic Year 2009/10

Subject	Bachelor		Master		M. Phil		Total	
	Consti-tuent	Affiliated	Consti-tuent	Affiliated	Consti-tuent	Affiliated	Consti-tuent	Affiliated
Science and Technology	574	5434	0	348	0	0	574	5782
Management	395	8599	147	956	0	0	542	9555
Humanities	24	0	33	75	0	81	57	156
Total	993	14033	180	1379	0	81	1173	15493
Grand Total	15026		1559		81		16666	

Source: Information and Publication Section, Pokhara University

12.60 Under the scholarship program, regulations for subordinate and affiliated colleges have been formulated. As per the regulation, subordinate colleges have to provide scholarship to 20 percent of the total students enrolled in constituent colleges, while the affiliated colleges have to do the same for 5 percent of the total students enrolled. In both cases, the scholarship is to be given to students of feeble economic background through a national level competition under certain criteria. Of the total scholarship, 60 percent is for open competition, while the rest 40 percent is reserved under the concept of inclusiveness for Dalit, Janjati, remote area, disable, those injured in People's Movement and victims of the past armed conflict. In all scholarships, 50 percent is reserved for girl students. In Academic Session 2010/11, 343 students in bachelor level and 31 in master level received the scholarships. The details of scholarship distributed have been presented here below:

Table 12 (ah): Scholarship Awarded by Pokhara University (Academic Years 2008/09 and 2009/10)

Faculty	Bachelor				Master				Total Scholarship Awarded			
	2009/10		2010/11		2009/10		2010/11		2009/10		2010/11	
	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated						
Science & Technology	46	76	44	93	0	10	0	14	46	86	44	107

Faculty	Bachelor				Master				Total Scholarship Awarded			
	2009/10		2010/11		2009/10		2010/11		2009/10		2010/11	
	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated
Management	31	101	30	172	6	2	6	4	37	103	36	176
Humanities & Sociology	0	0	4	0	0	0	6	1	0	0	10	1
Total	77	177	78	265	6	12	12	19	83	189	90	284
Grand Total	254		343		18		31		272		374	

Source: Pokhara University

12.61 As per the concept of Greater Pokhara, PU has its central offices in Lekhnath municipality and has the vision of developing Pokhara as a centre of higher education. PU has formulated policies and programs of developing the university in an educational leadership role in terms of the government's three-year interim plan on the development and promotion of educational tourism and health tourism. PU signed an agreement with the University Grant Commission for a sub-project under the Second Higher Education Project on April 3, 2008. The agreement was as per the government's policy of cost participation and systematic subsidy in higher education. The UGC would have to provide certain administrative subsidy based on the number of students enrolled in PU and capital subsidy for building necessary infrastructures, according to the agreement.

12.62 PU affiliated colleges are based in Kathmandu valley, Pokhara, Bharatpur, Gaidakot, Butwal, Bhairahawa, Dang, Nepalgunj, Dhangadhi and Mahendranagar. PU has the policy of expanding its programs to additional areas of Western, Mid-Western and Far-Western Regions. PU also has the vision of setting up a Medical Science Faculty and operating various programs on health sciences. Besides, there are policies and programs to set up School of Hill Environment and Natural Resource Management, Herbal Research Centre and School of Sports.

Current Students, Production and Working Human Resources

12.63 Eight individuals are working as the officials in PU. In affiliated colleges, 41 teachers in various levels are permanent, while 74 are appointed on a contract basis, numbering 115 in total. PU has 99 permanent, 9 contract-based and 5 wage-based employees, 113 in totals, working in various capacities.

12.64 This year, PU has produced 466 students under Science & Technology Faculty, 534 under Management Faculty and 35 under Humanities & Social Science Faculty, numbering 1,044 in total. Last year under 3 faculties, PU had produced 1,042 students in totals.

Lumbini Buddhist University (LBU)

12.65 The University was established with the name of Lord Gautam Buddha in 2005 and has its central office in Lumbini. Set up for the study and teaching of Buddhist philosophy, there are two officials and 4 employees in the university at present. The university is still in the preliminary phase.

BP Koirala Institute of Health Sciences (BPKIHS)

12.66 This Institute established under Indian government's technical and economic assistance in 1997 and based in Dharan, Sunsari, remains as a high level educational institution at par with a university and has been producing medical doctors and nurses. A total of 1,070 students at present are studying in this Institute.

National Academy of Medical Science (NAMS) (Bir Hospital)

12.67 The Academy was established in 2001 taking the existing Bir Hospital as the centre to develop it as a high level educational institution at par with a university and produce capable medical doctors and nurses. A total of 203 students are enrolled in the Academy at present, while 142 teachers and 13 employees are working currently.

Patan Health Science Academy (PHSA)

12.68 The Academy was established in 2007 taking the existing Patan Hospital as the centre to develop it as a high level educational institution at par with a university and produce capable medical doctors locally and remain committed to health services of Nepali citizens. The Academy has now started study and teaching in MBBS level.

Health Sector

12.69 The Interim Constitution of Nepal, 2007 has provisioned free health services as the fundamental rights of the citizens. As per this provision, to make qualitative health services easily available to people, the Ministry of Health and Population has been conducting various programs based on the Second Health Sector Reform Program and the Interim Three-year Planning. The Ministry and its subordinate bodies have been operating various programs and projects with the assistance of donor agencies, such as WHO, UNFPA, UNDP, UNICEF, World Bank, DFID, USAID, Ausaid, JICA, GTZ, SDC, KfW, Netherlands, Norway, GAVI and Global Fund, etc. Among the Millennium Development Goals Nepal had embraced, significant progress was achieved in infant and maternal mortality rates. The infant mortality rate dropped from 43 per thousand births to 14 per thousand births in 1996. In 1990, maternal mortality rate was 539 per 100,000 births; it is now 229 per 100,000 births. With the significant reductions in maternal death rates, Nepal has received "MDG 5 Achievement Award". In child health sector, Nepal has received international award for making progress towards achieving MDG 4. In 2010, Nepal declared itself a Leprosy Free country. Nepal has realised the following achievements in various programs of health sector as mentioned below:

Tuberculosis (TB) Program

12.70 In FY 2010/11, continuity was given to programs on providing free medication to potential TB patients through DOTs technology after a blood test, broadcasting awareness raising messages and providing training to health professionals, etc. With such services, 15,442 new TB patients were identified and 89.7 percent of them were treated successfully.

Family Planning, Safe Motherhood and Woman Health Volunteer Program

12.71 In FY 2009/10, a total of 594,774 new individuals were provided with contraceptives and 70,787 individuals received permanent sterilisation service, making total number of family planning service users 2,353,532 (42.6 percent) in pursuance to the perspective health plan of bringing the population growth rate to the replacement level, and maternal mortality rate to 134 per 100,000 live births. Similarly, under the Safer Motherhood Program, 312,764 (41.3 percent) received four

pre-natal services. Of the total 312,764 (41.3 percent) women, who received child birth service from the trained health professionals, 215,599 (28.4 percent) received safe child birth service at health centres. Similarly, 211,287 individuals (98.1 percent) received free child birth service and transport expenses, while 376,696 individuals (49.7 percent) also received post-natal care under the Safer Motherhood Program. Services were provided to cure uterine prolapse services to women through medical camps from time to time and regularly from hospitals in all 5 development regions. A total of 23,457 prolapsed patients were screened and 10,959 of them underwent surgery. In the first eight months of the current FY 2010/11, a total of 12,784 potential prolapsed patients were screened and 5,471 of them were performed surgery on. Likewise, to motivate women health volunteers, Rs 10 has been added to Women Health Volunteer Fund and each of those woman health volunteer is now entitled to received Rs 3,000 allowance at a single time.

National Public Health Laboratory Program

- 12.72 In FY 2009/10, equipment were purchased for establishing and starting bacteriology lab service in 15 district/zonal hospitals and lab training was provided to 100 employees of pathology service. Blood transfusion service in 5 districts was also conducted. Until mid-March 2011, in all branches of labs, laboratory software was developed and installed; monitoring and inspection of 35 labs of government health institutes was performed; while inspection of private medical centres was also done. Thirty employees working in pathology services of health institutions were provided quality-related training.
- 12.73 In FY 2009/10, under the extended vaccination and the vaccination program against polio meant for minimising child mortality rate, among the children below 1 year of age, 613,032 (94.5 percent) received BCG vaccine, 529,310 (81.6 percent) received DPT and Hepatitis B (third lot) vaccine, 540,276 (83.3 percent) received polio (third lot) vaccine and 560,558 (86.4 percent) received measles vaccine. Likewise, 325,315 women received tetanus vaccine, whereas special vaccine campaign was conducted in various 24 districts and in various 7 districts, vaccination program against encephalitis was completed. With this, 350,000 children below 1 year of age and more than 300,000 pregnant women were brought into safety net. Under nutrition program in FY 2009/10, School Health and Nutrition Project Piloting have been given continuity in two districts, while 697,102

individuals were treated for anaemia. The Diarrhoea and Integrated Paediatric Program which is in operation since FY 1996/97, is extended to all 75 districts by the end of FY 2009/10. Of the total 566,015 (598 per 1,000) diarrhoea patients admitted, 232,628 were treated with anti-dehydration water (Jeevan Jal); 334,200 with zinc and Jeevan Jal and 6,650 with saline water. Likewise, under the same program, 921,378 (882 per 1,000) children were reported for respiratory treatment; of them, 921,263 (99.8 percent) were treated with **cotrim** and anti-biotic medicines at their homes. In FY 2010/11, different child health programs on various vaccines, diarrhoea, respiration and nutritional programs were operated as before - both regularly and as a mission.

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

12.74 In FY 2010/11, among others, continuity has been given to the control of malaria and black fever that are caused by epidemics, communicable diseases and parasites, and the management of diseases born by natural disasters. Works, such as surveillance of communicable diseases; spraying of anti-disease medicine and distribution of mosquito net for controlling elephantiasis, malaria and black fever; controlling rabies and providing necessary vaccine to snake bite victims were also performed. Likewise, separate special programs were conducted for controlling dengue virus and preventing bird flu so as to stop their infections into human bodies. Among 571 patients of black fever registered, 480 were treated successfully. Similarly, among 166,090 slide collection done for malaria, 136,719 units were performed tests; 6,920 tested positive and of them, 5,321 received the treatments. Until mid-March of FY 2010/11, people above 2 years of age numbering 14,500,000 were vaccinated for elephantiasis control and prevention in 36 districts.

National Population Program

12.75 In FY 2009/10, a survey has been conducted among youths of 35 districts through programs like Population Management Program, District Population Information Centre, Friend Education Program targeting boy and girl adolescents in schools, and Information and Consultation Assistance to Youths and Adolescents. Nepal Population Report has been updated in English and Nepali while a National Population Committee Secretariat has been brought into operation.

Likewise, until mid-March of current FY 2010/11, Population Management Program has been extended to 15 additional districts, while Nepal Demographic Health Survey 2011 has been initiated.

National Health Education, Information and Communication Program

12.76 Works, such as the production of informative messages and dissemination through national media on health services, environmental health, reproductive health, child health and vaccination service, campaign against smoking, communicable and non-communicable diseases, cause of disease infection and preventive measures, etc. were given continuity in the current FY 2010/11 as well.

Social Security Program

12.77 As per the concept of Free Health Services to All, the following programs are in operation: free distribution of 25 kinds of medicines from sub-health posts, 35 from health posts, and 40 each from Primary Health Centres and District Hospitals; free treatment from District Hospitals or health institutions having a capacity of 25 beds; free delivery service from all government health institutions, and free heart and kidney ailment treatment to children below 15 years of age and to Senior Citizens above 75 years of age (from among extinction-facing groups). Around 1,876,000 individuals, including children, elderly citizens and extinction-facing ethnicities, who visited various government hospitals, received the free treatment. Works are moving ahead as per the target of constructing a Suresh Wagle Memorial Centre at TU Teaching Hospital, Maharajgunj to provide treatment to cancer patients and a Ram Briksha Yadav Intensive Care Unit (ICU) at Janakpur Zonal Hospital to provide treatment to intensive and emergency cases. From the above mentioned services, a total of 119,102 ultra poor and poor, 24,337 disables and 128,125 elderly citizens have received the most essential free health services, along with the women health volunteers who have received the most essential free health services for 92,670 times in FY 2009/10. In 5 Development Regions, specialist health camps were organised and 24 hour most essential delivery service was conducted for pregnant women in 16 various districts. Guidelines were issued for free treatment of prolapsed patients at hospitals and even transport expenses were provided to them in order to encourage them to come up for treatment. A total of 10,959 women underwent prolapsed surgery in this course. Likewise, 580 children below 15 years of age

and 55 elderly citizens above 75 years of age received heart surgery free of cost., Cataract operations were performed on 4,000 individuals by *Nepal Netra Jyoti Sangh*. In FY 2010/11, the works of establishing an Eye Treatment Centre in 13 districts each, lacking such centre and distributing 150,000 power glasses to individuals above 50 years of age are going on.

National AIDS and Sexually Transmitted Disease (STD) Control Program

12.78 12.78 In the current FY 2010/11, the following various programs on HIV/AIDS have been continued as in the previous years: Use various media (print and electronic) for raising awareness on HIV/AIDS, provide training to health professionals on issues-concerned, keep infected mother in observation for not to transmit HIV virus from her to child, provide Anti Retro Viral (ARV) treatment to AIDS patients, provide free medicines, provide treatment from 23 ART centres and arrange care-giving and assistance from sub-centres, provide orientation programs to medical students on HIV/AIDS and arrange nutritional food to those under ARV treatment, etc.

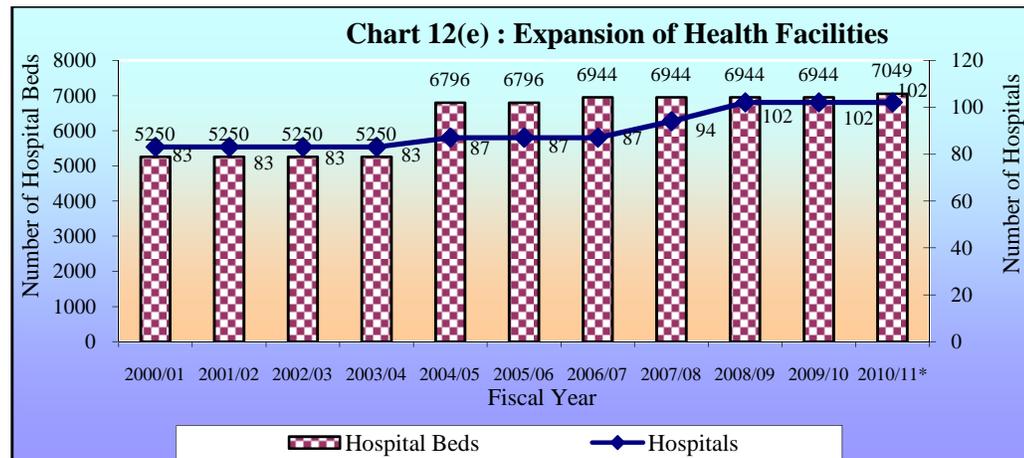
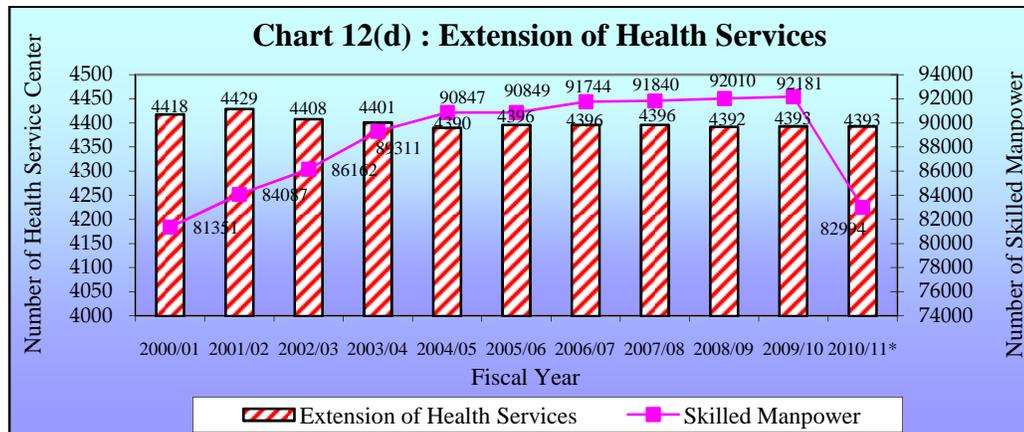
Ayurvedic Health Service

12.79 In the current FY 2010/11, programs on treatment and consultation through Ayurvedic, Yunnan and Homeopathy methods of medical treatments have been continued as in the previous years to be performed from Singha Durbar Vaidyakhana, Ayurved Hospital and herb collection, production and medicine formulation (kaasthaadi, rasaadi, tailaadi) from Nardevi. The Department of Ayurved is involved in setting up of Ayurvedic Institutions and has been regularly supplying necessary medicines and equipments to various Ayurvedic Institutions as per the target. Likewise, from 291 Ayurvedic Institutions and their 1,524 employees across the country, a total of 929,600 individuals including 68,367 children have received health services. An Ayurved Bhaisajya Code has been drafted, Ayurved health camps have been completed in 6 places and elderly citizens of all 75 districts have been provided free of cost Ayurvedic health services. At central level, Homeopathy and Yunnan methods are also providing health services. In FY 2010/11, employees have been provided various training and orientation while Mother Groups and Women Health Volunteers have been provided orientations. The activities performed include: Panchakarma/yoga training provided to Kabiraj (Ayurvedic health professionals); Ayurvedic service discussed

with traditional health workers, Dhami, Jhakri, Lama, Amchi, etc; free Ayurvedic camps of district level conducted in one each of all 75 districts; a pilot herbal garden established at district level; Kati-snan, Basti and Yoga-related specialist camps conducted for back skeleton-related and rectum-related health problems; and in 45 districts, health maintenance and promotional pancha karma/rasayan/yoga related trainings provided to elderly citizens, free of cost.

Expansion of Health Service and Facilities

12.80 In the first eight months of current FY 2010/11, health services have been made available to the citizens through 102 hospitals, 1,698 health posts, 291 Ayurvedic dispensaries, 2095 sub-health posts and 207 health centres and primary health centres, numbering 4,393 in totals. Similarly, there are 7,049 hospital beds and 82,994 human resources working in health sector.



Nepal Medical Council (NMC)

12.81 NMC was established as per the Nepal Medical Council Act 2063 and has been performing the following works ever since: register medical doctors having national or international degree/diploma in medical science; issue operating license to new medical/dental colleges assessing their standards; approve student enrolment by fixing the minimum qualification required for it; take action against medical doctors and medical/dental college going against the existing Act and Rules and check illegal operation of medical profession; conduct licensing exams regularly, investigate various health and medical profession related complaints; and issue temporary licenses to international medical doctors in Nepal assessing their qualifications. In FY 2009/10, for granting approval to study abroad, 790 Eligibility Certificates in MBBS/BDS or equivalent levels were issued, while 133 such certificates were issued in master's level, totalling 923. Until December 31, 2010, Eligibility Certificates were issued to 1,872 Under Graduates (MBBS, BDS or equivalent) and 182 Post Graduates (master).

Types and Processes of Registration:

Registration on Probation	Temporary Registration	Permanent Registration	Consultant Registration	Registration of Foreign National
Number of Doctors Registered with the Council in FY 2009/10				
1,579 persons	1121 persons	776 persons	357 persons	NA
Total Number Registered till date				
10,986 persons	10,194 person (temporary & permanent) Female: 3,522 & Male: 6,672		2,000 persons	4,752 persons

Medical Colleges Recognised by NMC

12.82 Following are the medical colleges recognised by NMC:

Under MBBS program:

- TU Institute of Medicine, Maharajgunj
- Manipal College of Medical Science, Pokhara
- Bharatpur Medical College, Chitwan
- Nepal Medical College, Jorpati
- Kathmandu Medical College, Sinamangal
- Nepalgunj Medical College, Nepalgunj
- KU School of Medicine Science, Kavre

- National Medical College, Birgunj
- Janaki Medical College, Janakpur
- Nobel Medical College, Biratnagar
- KIST Medical College, Gwarko
- Lumbini Medical College and Research Centre, Palpa
- Chitwan Medical College, Chitwan
- Patan Medical Science Academy, Lalitpur
- Gandaki Medical College, Pokhara

Both under MBBS and BDS:

- BP Koirala Institute of Health Sciences, Dharan
- Universal College of Medical Science, Bhairahawa

Under BDS program:

- People's Dental College, Naya Bazaar
- MB Kedia Dental College, Birgunj
- Kantipur Dental College, Basundhara

In addition to these, the National Academy of Medical Science, Bir Hospital has been conducting a Post Graduate Program.

Specialists Registered with NMC

12.83 As of December 31, 2010, 2,000 specialists were registered with NMC. The details have been given here below:

Table 12 (ai) : Medical Specialist Registered with Nepal Medical Council

<i>S.No.</i>	<i>Subject</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
1	General Practice	80	26	106
2	E.N.T	51	13	64
3	Psychiatry	38	5	43
4	Anaesthesiology	89	31	120
5	Radiology and Imaging	84	12	96
6	Paediatrics	133	49	182
7	Nephrology	5	3	8
8	Master in Dental Surgery(MDS)	52	39	91
9	T.B. and Respiratory	7	1	8
10	Community Medicine Public Health	33	10	43
11	Pharmacology	13	1	14
12	Obs+Gynae	71	166	237

<i>S.No.</i>	<i>Subject</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
13	M.S (General Surgery)	222	10	232
14	Orthopaedics	160	1	161
15	Cardiology	69	5	74
16	Ophthalmology	61	45	106
17	Internal Medicine	177	18	195
18	Clinical Pathology	38	38	76
19	Dermatology + Venereology	39	23	62
20	Neurology	14	3	17
21	Gastroenterology	14	2	16
22	Urology	14	0	14
23	Surgical Oncology	14	0	14
24	Forensic Medicine	6	0	6
25	Microbiology	7	4	11
26	Nuclear Medicine	4	0	4
		1495	505	2000

Source: Nepal Medical Council

Women, Children and Social Welfare Program

12.84 In the current FY 2010/11, the following programs have been continued as before: ascertain the rights of women, children, elderly citizens and disables by bringing them into the mainstream of development; increase their participation in all levels of state mechanism through the Ministry of Women, Children and Social Welfare and its subordinate bodies by working on the programs of gender equality, equity, mainstreaming and empowerment; conduct various programs on promoting rights and entitlements of children and social security and dignified life to elderly citizens; and increase access of people with disabilities by solving their problems and mainstreaming them. The policies and laws approved and enforced in this sector in the current FY 2010/11 include: Domestic Violence (Crime and Punishment) Act, 2010 and Regulation 2010, and Gender Violence Elimination Fund (Operation) Regulation, 2011. A draft on Sexually Motivated Misbehaviours at Work Places Elimination Act has been prepared and submitted to the Parliament.

Arrangements on Senior Citizens

12.85 For proper care-giving and health treatment of conflict affected Senior Citizens, works have been initiated to establish at least 1 Senior Citizens Nursing Home in each of the 5 Development Regions and one Pushpalal Sarjak Ashram under the Senior Nationals Talent Award and

Security Program in Kathmandu. Targeting elderly citizens district-wise, a Household Mapping (Data Collection) Procedure-2010 has been prepared. Orientation programs were conducted in Bhaktapur, Biratnagar, Pokhara, Nepalgunj and Mahendranagar, i.e. in all 5 development regions about developing forms for household mapping, and developing software and guidelines on the working procedures. Alzheimer's Day on September 21, International Elderly Citizen Day on October 1 and Dementia Day were observed amid publicity and discussions.

Program on Disability

12.86 Based on the necessities of the people having disabilities, from FY 2009/10 onward, they have been provided skill-oriented training, educational assistance, scholarship and community based rehabilitation program in all 75 districts. With this, the people with disabilities have been identified, their skills have been enhanced and they have developed the self confidence that they could achieve something. Targeting the people with disabilities district-wise, a Household Mapping (Data Collection) Procedure-2010 has been implemented. The data collection work is continuing after providing orientation program on household mapping form and data entry software. International Disability Day is celebrated on December 3 every year in Nepal as well to motivate and honour the disables. A meeting of Legislature Parliament on December 27, 2009 unanimously approved the Convention on the Right of Persons with Disabilities and Optional Protocol CRPD-2006 and this move has already been registered in the UN's concerned body. A Disability Source Booklet 2010 was also published. It mentions about the service and facilities available to disables, the process of receiving them, and the legal provisions on disability, among others. The work of printing and distribution of identity card was also continued. Considering the physical status of disability, necessary supports such as white stick and wheel chairs were distributed free of cost by the subsidy receiving organisations working in the sector of disability in various districts.

Program on Child Rights

12.87 For protecting and ascertaining child rights and for the children's multi-faceted development, commitments and efforts on constitutional, legal, policy, institutional and program fronts are continuing. Many efforts are yet to be made for protecting child rights and ensuring

overall development of children, who count for 40.93 percent of the total population. Nepal on September 14, 1989 had endorsed the UN Child Rights Convention (CRC) and preparations are going on to prepare a periodic report for 2010. An initial report on Child Trafficking, Child Prostitution and Child Indecent Pictures related Optional Protocol to CRC-2000 has been sent to the UN's Child Rights Committee. A draft to Minimum Terms and Conditions for Operating Orphanages-2010 has been prepared and is in the process of approval. A Terms and Conditions and Process on Allowing Foreigners to Adopt Foster Children-2009, has already been implemented. First and second amendments have been made to it. To properly manage child fostering by foreigners, International Child Fostering Management Development Committee Formulation Order-2010 has been issued. In FY 2010/11, 159 Nepali children were adopted by foreigners as the foster children. A Juvenile Justice Research and Case Proceeding Manual-2010 has been issued targeting the government attorneys. The mid-term evaluation of a 10-year Action Plan on child rights has been performed. A draft on National Child Protection Policy is now complete and is in the process of getting an approval. An Emergency Child Rescue Fund (Operation) Regulation-2010 has been prepared and implemented. The Department of Women Development has been renamed as the Department of Women and Children, the District Women Development Office has been renamed as District Women and Children Office and the Woman Development Officer, until declared otherwise, has also been authorised to work as the Child Welfare Officer as well. A Juvenile Justice Coordination Committee has been constituted at central level and also in 26 districts where programs on juvenile justice are in operation. The South Asia Initiative to End Violence against Children (SAIEVAC) has been established and its permanent secretariat remains in Nepal. A Child Day Care Centre has been set up inside Singha Durbar premises targeting the babies of women civil servants.

Women Empowerment Program

12.88 Under the Woman Development Program, programs such as social mobilisation for gender equality, woman empowerment and social inclusiveness; constituting groups of the target disadvantaged women and their institutional development; promoting their cause through fundamental and issue-wise training, economic empowerment and adolescence development, etc are in operation. The district-level Women Development Offices serving as the focal point for gender

equality have been significantly contributing to the cause of gender mainstreaming as per the process of decentralised development through orientation, coordination and networking. As a result, the network members are now more sensitive to gender issues. The indicators are also very positive in regard to the ratio of members in women-based organisations from the backward communities, saving amount of women groups, its mobilisation capacity and women's leadership capacity. Efforts are on to continue the ongoing programs by organising scattered women through various groups at neighbourhood level, through committee at ward level and through an organisation in a VDC level. The Woman Development Program is in operation in 2,963 VDCs and 37 municipalities scattered all over 75 districts of the country. In this program so far, 554,264 members have a direct participation through 97,240 groups. From among these groups, 8,936 committees and 1,245 organisations have been constituted.

Table 12(aj): Major achievements of Women Development Program

S.No.	Activities name	Unit	Total	Remarks
Expansion				
1	Program Districts	No.	75	
2	Program VDCs	No.	2,963	
3	Program conducted municipalities	No.	37	
4	Program Wards	No.	18,254	Including Municipality
Institutional Development				
5	Group formation	No.	97,240	
6	Women involved in Groups (No.)		5,54,264	
6.1	Dalit		90,282	16.29 Percent
6.2	Ethnic People		2,08,809	37.67 Percent
6.3	Others		2,55,173	46.04 Percent
7	Women Committees Formed	No.	8,936	
8	Registered Women Organizations	No.	1,245	
9	Adhoc Women Organizations	No.	295	
Resource Mobilization				
10	Women's Group Saving	Rs.	1,06,02,63,856	
11	Investment out of total savings		99,96,42,676	
12	<u>Operating Fund</u>		<u>10,64,59,888</u>	
12.1	Principal		10,10,08,325	
12.2	Interest		54,51,563	
13	Amount Invested		7,49,05,646	

Source: Ministry of Women, Children and Social Welfare

Program on Social Welfare

12.89 In FY 2009/10, the Social Welfare Council had approved 926 programs worth Rs 4.7258 billion of 486 non-governmental organisations (NGOs). Until mid-March of the current FY 2010/11, the Council had approved 592 programs worth Rs 3.2097 billion of 488 NGOs. In FY 2009/10, the Council had approved various programs of 158 INGOs worth Rs 6.3082 billion; while until mid-march of the current FY 2010/11, the Council had approved various programs of 22 INGOs worth Rs 2.1432 billion.

Labour-related Programs

12.90 A separate Department of Labour was constituted on December 31, 2008 with the objectives of developing human resources of the country based on new technology and demand of labour market, reducing unemployment and maintaining sound industrial relation for creating a safe, decent and healthy working environment. Under the Department, there are 19 Labour Offices, 14 Employment Information Centres and projects on business-related security and health. By the end of mid-March in the current FY 2010/11, the Employment Information Centres collected a record of 27,154 unemployed people. Works, such as finding solutions to labour dispute and complaint, registration of trade union associations and federations, renewal, granting labour approval and collection of 35 samples of damage-causing elements and analysis, publication of labour bulletin and inspection and improvement of industrial academies, etc are being performed. Under the joint initiatives of Ministry of Labour and Transport Management and Kathmandu Metropolitan City, Child Teaching Centres are in operation in Ward No. 2, 5, 7, 20 and 33. Five Baby Day Care and Informal Education Centres are in operation at Jorpati, Mahankal, Gaurighat, Kirtipur and Dhapasi under the management of Children Development and Rehabilitation Fund. Around 300 child labour get informal education in the centres, while child labour working in industrial unit were inspected 284 times, publicity against child labour was done both through audio and visual tools, and HIV/AIDS awareness meant for child labours were also performed.

Professional and Skills Development Training Program

12.91 In FY 2010/11, the Professional and Skills Development Training Centre, Bhaisepati and its 15 sub-ordinate offices (including 3 additional in Rautahat, Dhading and Jumla) provided skill oriented training to 22,562 individuals, while the target was 20,800 only. In the

current FY 2010/11, 15,701 individuals were provided training while the target was 21,800. The details of skill oriented training provided from FY 2008/09 to FY 2010/11 have been presented here below:

Table 12 (ak): Skill Oriented Training Details

S. No.	Program Name	Fiscal Year					
		2008/09		2009/10		2010/11	
		Target	Achievements	Target	Achievements	Target	Achievements
1	General Mechanics	190	152	192	134	192	144
2	Electrical Fitting	720	739	780	747	850	885
3	Electrical Fitting Upgrading	80	62	80	73	80	36
4	Plumbing	441	456	501	458	581	606
5	Hair dressing	640	803	700	772	770	987
6	Hair Dressing Upgrading	240	251	240	244	240	89
7	Cutting & Stitching	1020	1167	1080	1213	1160	1359
8	Electronics repair	379	381	439	390	500	512
9	Motorcycle Repair	345	335	365	359	346	403
10	Auto Mechanics	85	92	85	86	86	93
11	Computer	645	677	705	717	816	893
12	Welding	160	163	160	162	160	158
13	Bamboo and Rattan	90	93	130	91	165	130
14	Pump set Mechanics	20	34	20	30	20	26
15	Dhaka cloth weaving	45	45	45	45	40	40
16	Residential Women Skill Development Training Program	90	90	110	109	110	110
17	Short-term						
	(a) Skill oriented training 1-3 weeks	11200	12660	11455	12287	9170	5766
	(b) Foreign Employment Oriented Training - 4 to 6 weeks	1425	1368	1530	1450	1710	653
18	Foreign and Youth Employment related (special skills development training program-(4 & 6 weeks)	1500	1570	1500	1510	2500	1895
19	One Week Entrepreneurial Development/training	685	603	685	670	685	176
20	Ministry of Peace & Reconstruction (targeted Foreign and Self-Employment Training programs including conflict and related affected persons)	0	0	1000	1015	1200	740
	Grand Total	20000	21741	21802	22562	21381	15701

* First Eight-Months, Source: Ministry of Labour and Transport Management

Drinking Water and Sewerage

Drinking Water and Sanitation

12.92 As per the national target of providing sustainable, reliable and adequate drinking water and cleanliness service to citizens by 2017, the following programs have been continued in the current FY 2010/11 as well: construct new drinking water and sanitation projects, upgrade existing service facilities and raise awareness on drinking water, cleanliness and health related issues. Under the investment of Government of Nepal, in all 75 districts of the country, programs on gravity and pumping system of drinking water, rain water storage, environmental sanitation and toilet construction are going on. In FY 2009/10, the Department of Drinking Water and Drainage completed 287 drinking water projects at rural and community level and provided drinking water facility to 385,000 people. Under cleanliness program, an additional 28,000 institutional and household level toilets were constructed while 47 VDCs and 150 school areas were declared Open Defecation Free Areas. In FY 2010/11, 1,134 ongoing and new drinking water projects are being implemented, of which 85 projects were supposed to be completed by the end of this FY. The second Small Cities Drinking Water and Cleanliness Project worth USD 71.7 million that included an ADB subsidy of USD 45.1 million began in FY 2009/10. The detailed feasibility study and designing of the Project are going on, as 24 city projects have been selected for implementation of the project. This Project is expected to be completed in FY 2015/16, by that time providing qualitative drinking water and sanitation service to around 240,000 people.

Small Towns Drinking Water Project

12.93 First Small Towns Drinking Water and Sanitation Project was completed in FY 2008/09 and was renewed and continued in FY 2009/10 under second phase. Apart from the above mentioned works (in 12.92) and benefits of this project, the remaining 10 city projects which were under implementation in FY 2008/09 will also be completed. Under this project implemented in 29 cities, 510,133 citizens had a high/medium level access to drinking water services. To enhance professionalism and capacity of consumer committees operating and managing these projects, capacity enhancement programs with the assistance of UN Habitat were organised targeting them in FY 2009/10.

Urban Drinking Water System

12.94 In FY 2009/10, under the Drinking Water and Sewerage program 13 km pipeline extension works were performed in 23 urban areas of Bhadrapur, Biratnagar, Dharan, Rajbiraj, Lahan, Janakpur, Gaur, Kalaiya, Hetauda, Birgunj, Bharatpur, Pokhara, Bhairahawa, Jaleshor, Taulihawa, Malangawa, Krishnanagar, Butwal, Dhangadhi, Nepalgunj, Mahendranagar, Banepa and Panauti. Three water tankers (Banepa, Dharan and Butwal) and 21 pump sets were purchased. In FY 2010/11, deep-tube-well construction works are going on in Bhadrapur, Biratnagar, Dharan, Birgunj, Hetauda, Butwal, Nepalgunj, Dhangadhi and Banepa. The target was to generate 160 million litres of drinking water under the Drinking Water Generation Increase Program, with the construction of 18 deep-tube-wells – 1 each in Bhadrapur, Lahan, Hetauda and Birgunj and 2 each in Biratnagar, Dharan, Janakpur, Butwal, Nepalgunj, Dhangadhi and Banepa. Likewise, over tank and ground tank have already been completed in Pokhara and Butwal in the process of constructing water pond. Survey and cost estimate of Roshi River Project (Panauti) is undergoing. Reconstruction works of surface source are continuing in Pokhara, Dharan, Banepa and Panauti. In FY 2010/11, under the Drinking Water and Drainage program, laying 15 km of drinking water pipes are going on in Bhadrapur, Biratnagar, Dharan, Rajbiraj, Lahan, Janakpur, Gaur, Kalaiya, Hetauda, Birgunj, Bharatpur, Pokhara, Bhairahawa, Jaleshor, Taulihawa, Malangawa, Krishnanagar, Butwal, Dhangadhi, Nepalgunj, Mahendranagar and Banepa (Panauti). Likewise, around 40 percent progress was achieved in works such as purchasing generator, improving pipe line in distribution system, controlling Mardi river mouth (Pokhara), preparing master plan for branch offices and purchasing vehicle. In FY 2009/10, under Butwal Drinking Water Strengthening Project, 10-inch DIP pipe has been laid in a 9 km distance from Jhumsa Khola Bridge, Butwal to Pani Pokhari, Ramphedi. The work of laying 20-inch DIP pipe in 11.2 km distance from Mardi river mouth of Pokhara to Bindhyabasini that started in FY 2009/10 is in the phase of completion. It will add 250 million litres of drinking water every day to benefit an additional 175,000 people.

Kathmandu Valley Drinking Water and Sanitation Project

12.95 In FY 2009/10, Melamchi Drinking Water Project began under the loan assistance of ADB. Under sub-project-2 of the project, improvement in drinking water generation and distribution system of Kathmandu valley,

managerial reform works and hiring consultants were performed in that year. Under distribution system improvement, pipes of various sizes were purchased while under immediate improvement works, works on improving water generation and distribution are going to be completed. The 13 package works completed so far under this project include: arrangement of household water meter, standby generator, spare pipe and fittings; arrangement of water leakage detecting equipment, drainage cleaning jetting truck, water tankers and pipes of various capacity; bulk water meters; construction of deep-tube-wells in three places; addition of 3 million litre water to the distribution system; and maintenance of drainage processing equipment at Sallaghari, Bhaktapur. Construction works of the following 20 package programs are ongoing: a pilot project for improving Baneshwore-Min Bhawan distribution system; pipeline maintenance/extension for extending and improving surface source; construction of water processing equipments at two places; construction of a modern central water lab at Mahankal Chaur to test water quality; pilot distribution system improvement project at Kusunti and Kalopul area; and consultancy service. In this way, under 43 packages of the project, works under 13 packages have been completed, while works under 20 packages are in the implementation phase. Likewise, works under 3 packages, such as installing 15 tube-wells at various places in Kathmandu and water pipeline installation from Sundarijal Water Processing Centre to Mahankal Chaur are in the procurement phase.

Kathmandu Valley Drinking Water and Sewerage Management Improvement Project

- 12.96 The preparatory works of a five-year project worth Rs 10.5 billion under the loan assistance of ADB are going on; which include: extensive supply pipeline installation in Kathmandu valley, water pond construction and supply network improvement in some areas and drainage system improvement, etc. Components of the project are: 60 km supply and extensive distribution pipeline installation, construction of 5 water ponds of 68,000 cubic meter capacity and bring improvement in 75 percent water supply network system within the Ring Road in Kathmandu Valley.

Programs Conducted by Rural Drinking Water and Sanitation Fund Development Board

- 12.97 This Committee has been mobilising NGOs to operate drinking water and sanitation program under the demand, necessity and ownership of local community and extend necessary economic assistance to the local

community to operate the program. It is mandatory for the locals to invest 2.5 percent of the total investment in the form of cash, other local materials and unskilled labours in the project construction. But the results of this program are encouraging, as the locals-involved account for around 38 percent of the total investment in the form of cash, other materials and unskilled labour in the project construction. Progress of this program has been tabulated here below:

Table 12(al): Progress of Rural Drinking Water and Sanitation

S.N	Major Activities	Unit	2009/10		2010/11	
			Target	Achievement	Target	Achievement*
a	Agency Selection	No.	70	70	70	NA
b	Community Selection	No.	400	416	444	444
c	Pre-construction Community mobilization and preparation	No.	400	416	444	NA
d	Drinking Water Project Construction	No.	590	488	436	242
e	Beneficiaries	No.	357,000	331,840	305,200	173,349
f	Budget	In million Rs.	1121	412	1082	434

* First eight months

Source: Rural Drinking Water Supply and Sanitation Fund Development Board

Department of Urban Development and Building Construction

12.98 **City Area Development and Market Centre Study Program:** In the current FY 2010/11, following works were performed under this program: feasibility study of land development project in Ugrachandi Nala Seraphat of Kavre district, road and drainage network planning done for making vehicular movement comfortable in Tumlingtar of Sankhuasabha district based on a map-utility map and in cooperation with local bodies, physical development planning done for Letang Bazaar of Morang, Burtibang of Baglung and Salli Bazaar of Salyan districts and physical mapping of Bagmati, Bishnumati, Manohara, Dhobikhola and Samakhushi rivers and riversides for conducting well-managed housing schemes and squatters development program for poor and low income families. With the released amount of Rs 142.59 million in this current FY, physical development planning of 6 market centres (Gauradaha in Jhapa, Bamti in Ramechhap, Kalesti Dovan in Tanahu, Salli Bazaar in Salyan, Chaurjahari in Rukum and Budar in Doti), etc. are being implemented.

- 12.99 **Rural Development through Small Towns Market Development:** In FY 2009/10, various physical infrastructure construction works were performed in various 164 rural and urban areas to promote rural and urban interrelations, while master plan/physical development plan in 15 various places were implemented. In this course, master plan of Baraha Lake in Khotang was finalised, while physical development plans for Helambu Melamchi of Sindhupalchok, Sunakhani in Nuwakot, Palungtar in Gorkha, Naumule in Dailekh and Chaurjahari in Rukum were also finalised. A land development program was conducted in Nepalgunj municipality and adjoining villages with the local land owners' participation. In the current FY 2010/11, infrastructure development program is in progress in 26 places as works are being done with the released budget of Rs 63.597 million to increase to promote rural and urban interrelations in rural and urban areas. Works are in progress in terms of implementing Maipokhari master plan in Ilam, executing physical development planning in 52 small towns of 19 places and developing land in Nepalgunj municipality and adjoining areas and in Doti district.
- 12.100 **Integrated Action-oriented Planning:** In FY 2009/10, in coordination with local bodies, periodical planning were formulated and were in operation in 5 municipalities – Dharan, Dhangadhi, Narayangadh, Butwal, Tansen, Ilam and Bhimeshor. Master planning of 6 large urban corridors – Attariya-Dhangadhi, Kavrepalanchok-Dhulikhel-Banepa-Panauti, Inaruwa-Duhabi-Itahari-Dharan, Birendranagar-Chhinchu-Dasharathpur and Pokhara-Lekhnath-Dulegauda, have been done. With Rs 18.418 million released, feasibility study of land development program is being conducted in Bhairahawa, Butwal, Janakpur, Lekhnath and Mechinagar in FY 2010/11. The final report on Kavre valley's master plan formulation is being readied, while periodical planning formulation has been done in 6 municipalities (Mechinagar, Ramgram, Siddarthnagar and Nepalgunj) in coordination with them.
- 12.101 **Special Physical and Infrastructure Sector Development Project:** In FY 2009/10, master plans of 4 various places were formulated under this Project that aims to construct and repair various cultural and religious areas of national and local importance and develop master plans for them, as per the concept of sustainable development. Works such as physical and infrastructure development, construction and maintenance as per the concept of sustainable development were conducted in 393 places. In current FY 2010/11, with a released budget

of Rs 59.467 million, physical and infrastructure development works are going on in 37 places as guided by the master plans based on the concept of sustainable development. Likewise, with the mobilisation of people's participation, physical and infrastructure construction and maintenance works are undergoing in 412 special areas in the country.

12.102 **Urban Development Project:** In FY 2009/10, periodical planning of 11 municipalities and physical development planning of Narayanpur Bazaar in Dang district were implemented, while road and drainage network planning in Jhapa and guided land development program in Rajbiraj municipality were in operation. Programs such as, healthy city, eco-city, rain water harvesting, etc were conducted in various places. In FY 2010/11, under the Building New Nepal Program, large corridor infrastructure development program is in operation in 6 municipalities, while road drainage and network planning in Bhadrapur of Jhapa, infrastructure development in Triyuga of Udaypur in cooperation with local bodies and physical infrastructure construction in Gorkha municipality with the municipality's investment-wise participation, are also undergoing. Based on the FY 2009/10 report on Identifying Municipalities' Necessities and under the Integrated Infrastructure Development Program, programs are in operation in Rajbiraj of Saptari, Janakpur of Dhanusha, Malangawa of Sarlahi and Kapivastu of Kapilvastu districts. Likewise, guided land development program in Rajbiraj (Saptari), infrastructure development program of Land Integration Project in Lahan (Siraha) and Dashrathchand Municipality (Baitadi), and physical development project in Gaur (Rautahat) and Narayanpur (Dang) are going on. A financial proposal has been sought on the feasibility of mid-hill highway and developing infrastructures of 10 cities lying on or near the proposed north-south corridors. Proposals have also been sought to build Kathmandu-*Terai-Madhesh* Fast Track and long term development plans for two cities touched by the mid-hill highway. In 15 municipalities, schools are being selected for conducting rain water collection and restoration program to be operated in community schools in cooperation with the municipalities.

12.103 **Urban and Environmental Improvement Project:** In the second phase of Urban and Environmental Improvement Project, the Medium Towns Integrated Urban Environmental improvement Project is in operation in Biratnagar, Birgunj, Butwal and Kavre valley (for integrated drinking water project) since last FY 2009/10. Consultants and NGOs have been appointed for this while initial works on purchasing land are

undergoing. Under this project, municipalities will have drainage and processing centre construction, waste management and various sanitation-cleanliness/community development works.

- 12.104 **Outer Ring Road Development Project:** In FY 2009/10, of the total 27 km, final report on 10 km Hari Siddhi-Chovar (Khokana) sector was prepared out of the released amount of Rs 67.152 million, while initial report on 10 km Satungal Paiyatar was completed. Final payment for 3.5 km Naya Thimi-Dadhikot sector was made, while a study on the impact of Outer Ring Road on social, economic and physical infrastructure of Kathmandu valley was done. In Chovar Satungal sector, compensation was distributed to the houses and physical structures falling within 50 metres area of the Outer Ring Road. Until second quarter of FY 2010/11, draft report has been received for preparing DPR (from the existing 27 km) on 10 km sector from Satungal to Paiyatar, while reports on the Environmental / Social Impact Assessment (continued work) of Outer Ring Road are in the phase of approval.
- 12.105 **Building Code, Government Building Construction:** In FY 2009/10, 16 buildings and other 12 government offices were under construction phase along with the auditorium hall of Mahendra Narayan Nidhi Mithila Cultural Centre, office building of the Department of Urban Development and Building Construction and offices of various divisional offices / projects. Besides, various works were performed, such as: observing National Earthquake Day, preparing cost and map of district level government offices in digital format, studying old historical buildings, printing of Building Construction Guidelines, monitoring of Building Construction Code in all constructed government offices, identifying new works based on new construction materials and technology and revising its norms and specification, etc. In FY 2010/11, 15 government building including divisional offices' office / project office and 11 other government building were constructed. Three government/community buildings are undergoing maintenance including Krishna Prasad Bhattarai Ashram in Badegaun, Lalitpur. Training are being provided on precautions and proper structural studies to be followed while using local construction materials in Mountain, Hill and Terai region; and providing knowledge to technicians of department and local bodies, new engineer/architect, construction entrepreneur and masons, on how to build safe and comfortable buildings based on Building Construction Code. Likewise,

the following works are also in operation: study of old historical buildings in four places, training and awareness program in Butwal and Dharan to motivate people to construct houses based on Building Construction Code and be able to bring the Code into practice, printing of National Building Construction Code, publication of Building Evaluation Method and preparation of guidelines on retrofitting, etc.

- 12.106 **Biratnagar Ring Road Project:** The main objective of this project is to develop a Ring Road of 30 km in Biratnagar with around 182 metre areas on both sides of Ring Road to be developed as planned and well-managed city area under a pilot urban development concept. The project has been planned due to the city's growing population and rapid growth of settlement in proper city and around the adjoining VDCs as well. Such a growth in terms of population and settlement has piled up pressure on pedestrians and vehicular traffic to look for a solution to the congestion problem. As a part of the solution, the Ring Road has been planned and land acquisition process is being considered. In FY 2009/10, Detailed Project Reports (DPRs) of the first and second sector of 30-km long Ring Road were prepared after land development in FY 2008/09, while earthen road was also constructed after road mapping. In FY 2010/11, DPR preparation of the third (final) sector of Ring Road through land development was undergoing. In around 1 km length of the project area where DPR has already been prepared for implementing the land development program, works such as preparing engineering design, execute re-adjustment plan as per the DPR at the field level, road mapping and construction of earthen road and make documentary on both east-west part of the Ring Road, etc are ongoing.
- 12.107 **Pilot Program on Integrated Settlement Development (Mountain-Hill-Terai-Madhesh):** In FY 2009/10, Integrated Infrastructure Development program was in operation after conducting Integrated Settlement Program in 6 districts where studies were completed last year. In four places, Pilot Village Study Report was implemented. In FY 2010/11, the undergoing programs were: integrated settlement development in 6 districts and also in Thawang of Rolpa district, pilot village study report implementation in two places, and infrastructure development in 12 places as per the concept of pilot VDC and also in two district headquarters where there is no municipality. Similarly, under the work of distributing housing units to *Dalits* such as Dom, Musahar, Chamar, Dusadh, Khatwe and others, such works were

initiated in last FY; 300 of them were completed and 974 of them were in the construction phase.

Janta Aavaas (People's Housing) Program

- 12.108 The Government of Nepal in the paragraph 161 of FY 2009/10 budget statement for FY 2010/11 had announced under "Janta Aavaas Program" that it would ensure low-cost modern housing for three thousand families – one thousand each in Siraha, Saptari and Kapilvastu districts from Dom, Musahar, Dusadh, Khatwe and other *Dalits* and poor Muslim communities. A budget of Rs 300 million was released to materialize the announcement; construction of 2,272 houses were initiated while 998 were completed. The remaining 1,274 houses are in various phases of construction. The program has been continued in current FY 2010/11 as well with the addition of Chepang, Raute and Kusunda communities in the program. A budget of Rs 395 million was released this year for the program. Among the 1,274 housing units under construction in Siraha, Saptari and Kapilvastu; 472 were completed, 421 were under the process of installing roofs, 157 were complete until lintel level and 224 were complete until seal level. Similarly, to build 1,942 additional housing units in Chitwan, Makwanpur, Dhading, Dadeldhura, Gorkha, Pyuthan and Dang, etc, on-the-spot survey of beneficiaries and constitution of construction committees were going on.
- 12.109 **Nepal-India Border Integrated Check Post Development Project:** In Biratnagar, works of fixing compensation to the acquisition of 86 hectare land and Environmental Impact Assessment (EIA) are going on, while in Birgunj, 72 hectare land has been acquired and Indian contractors are working on developing the check post. A relief program approved by the Government of Nepal has also been initiated in Birgunj. In Bhairahawa, 34 hectare land has been acquired while land protection and EIA study are in progress there. In Nepalgunj, fixing compensation to the acquisition of 70 hectare land is in progress and EIA study is also going on. In FY 2010/11, under this project, notices have been published for land acquisition in Biratnagar and Nepalgunj, while land acquisition work in Birgunj has been completed.
- 12.110 **Republic Monument:** The final draft report on the construction of a Republic Monument for preparing detailed architectural and engineering design, performing geological study and research has been received.

Kathmandu-Terai Fast Track Road Project

12.111 The project had the target of 140 hectare land acquisition for FY 2009/10, while notice was published by the District Administration Office, Makwanpur for the distribution of compensation for acquiring 26.5 hectare land in Thingan, Hatiya, Aambhanjyang and Phaparbari VDCs in Makwanpur district. In FY 2010/11, the target was to acquire 113.5 hectare land and perform EIA. In the first eight months of FY 2010/11, the Compensation Fixation Committee has decided to publish notice for the acquisition of 21.30 hectare land in Sisneri, Ipa Aapchaur and Ipa Ukhubari of Makwanpur district. A high level all powerful committee has been constituted and works have started moving as per the decision of the Council of Ministers, the Government of Nepal to complete all tasks of land acquisition on the way to the fast track within 6 months.

Kathmandu Sustainable Urban Transport Project

12.112 This five-year (FY 2010/11 to 2015/16) project is in operation with the **joint** effort of the Government of Nepal and ADB's loan and grant assistance. So far, works are being carried ahead by setting up a project management and coordination committee with 5 project implementing units. Various objectives of the project are: initiate reforms targeting the unruly and complex transport system of Kathmandu and make it well-managed; pedestrianize the Kathmandu Durbar Square Area; construct parking, side-walking etc; operate low emission public transport from Boudha to Swayambhu and Balaju to Nakkhu selecting two pilot routes; enhance the capacity of Department of Transport Management and Metropolitan Traffic Police Division to ease the complex transport system of Kathmandu; and enhance the capacity of Ministry of Environment to reduce air pollution in Kathmandu valley.

Program Operated by Singha Durbar Secretariat Reconstruction Committee

12.113 As per the master plan of Singha Durbar Secretariat premises, under the program of managing all ministries and central entities' building construction and arranging necessary infrastructure for them, an Annex Building of Ministry of Finance and addition of one story to the existing building of Ministry of Industry has been completed in FY 2009/10. In the current FY 2010/11, buildings of Ministry of Education, Ministry of Local Development and Ministry of Women, Children and Social Welfare are under construction. Land has been managed for constructing new building of Supreme Court to the west of the Ministry

of Home. Works of design-estimate are going on to construct new building for National Planning Commission, while adding stories to various ministry buildings and arranging necessary infrastructures inside Singha Durbar premises are also in progress.

Program Implemented under the Kathmandu Valley Town Development Committee

12.114 Works performed by the Committee in FY 2009/10 were: detailed land utilisation maps of 20 VDCs potential of becoming municipalities are prepared so as to develop a long term concept for Kathmandu Valley; in the light of esteemed dignitaries and bodies, a report on additional security arrangements to them (Building Construction Standards) was prepared; and a guided land development program has been proposed under the measurement and mapping of 10 VDCs on the verge of becoming municipalities. The other works performed under three implementing committees of Kathmandu Valley City Development Committee were: widening of road under the guided land development program; protection of Green Belt in Ring Road; expansion of urban roads, improvement in public places and works under Dhobi Khola Corridor Improvement Project. In current FY 2010/11, preparing the land utility map of Kathmandu valley needed to well-manage the haphazard settlements and other relevant works and developing a report on them was going on. The other annually conducted works which were continued in FY 2010/11 as well include: protection of government owned land through three implementing committees in Kathmandu, Lalitpur and Bhaktapur districts; conducting guided land development program, safeguard Green Belt in Ring Road, widening the road from Jain Mandir Chowk to Naxal Bhagawati Bahal to President's Office (Thirbam Marga) under the urban road expansion program; and improving Dhobi Khola Corridor.

Detail of the Town Development Fund Program

12.115 Among the 84 grants and loan assisted ongoing schemes in municipalities under the Phases II and III of Town Development Program for FY 2010/11, seven such schemes have been completed. Fourteen new schemes are ongoing. Likewise, 11 of the 26 ongoing loan assistance programs under the Urban Environment Improvement Program in various municipalities have been completed in this FY 2010/11 in cooperation with the Department of Urban Development and Building Construction. Around Rs 90 million has been invested in various schemes

under this Fund. The Second Small Town Drinking Water and Sanitation Project implemented in cooperation with the Department of Drinking Water and Sanitation is in its implementation phase.

Local Development

- 12.116 The Ministry of Local Development has been active as an entity responsible for the works, such as decentralisation, local development related policy formulation and execution, coordination among local bodies, policy planning and program formulation related to remote area and rural development, monitoring and evaluation, personal happening registration, social security, inclusive development and various works related to local infrastructure development. To effectively executive the Ministry's policies and programs, there are 75 District Development Committees (DDCs), 58 municipalities, 3915 Village Development Committees (VDCs), Department of Local Infrastructure Development and Agricultural Roads and various commissions, committees, academies, projects and programs active in their own respective fields.
- 12.117 Among the key legal, policy-wise and institutional arrangements adopted in FY 2010/11, the "DDC, VDC and Municipality Grants Operation Procedure, 2010" has been approved and brought into implementation. Likewise, for promoting transparency and accountability at local bodies, Public Audit Procedure 2010, Local Body Social Audit Procedure 2010 and Local Body Public Hearing Procedure 2010 have been prepared while the Reserve Fund Operation Procedure 2010 has been amended and brought into effect. Besides, to minimise financial risks involved in the operation of programs by local bodies, regular interaction between ministry officials and development partners on a quarterly (once in every four months) basis; formulate a professional planning including the ministry's far-sightedness, objectives, goals and strategies and submit it to the National Planning Commission; and Minimum Conditions and Performance Measurement (MCPM) of DDCs and municipalities and Minimum Conditions (MC) measurement of VDCs have been taken. To well-organise monitoring, an Evaluation and Monitoring Unit in the convenorship of the ministry's secretary has been constituted and activated as per the Good Governance (Management and Operation) Regulation 2008. To conduct community irrigation program in 12 districts of Western, Mid-Western and Far-Western regions, a grant assistance agreement worth USD 26.4 million has been signed with

ADB. Its implementation has begun, while various projects and programs have also been initiated based on the electronic contracting out process developed by the Improving Rural Access and Decentralisation Project.

Programs Conducted by the Ministry of Local Development and its subordinate agencies

On Infrastructure Development

- 12.118 **Rural Access Improvement and Decentralisation Project:** This project is in operation under World Bank assistance in 28 districts for suspension bridges and for roads in 30 districts. In FY 2009/10 under this project, 87 km all season roads were constructed, while 20 km seasonal roads and 21 suspension bridges were constructed. By the end of mid-March in the current FY 2010/11, all season roads 20 km, seasonal roads 10 km and 23 suspension bridges were constructed under this project.
- 12.119 **Rural Roads Reconstruction and Rehabilitation Support Program:** This program is in operation since FY 2007/08 under the assistance of ADB, SDC, DFID and OFID. Its objectives are to develop local infrastructures and increase the market access of rural communities so that they could get the opportunities for social and economic development and employments bringing improvements in their living standards. In FY 2009/10, road construction and upgrading were done in 20 districts, while feasibility of rural roads, detailed survey, designs and EIA, etc were also performed. In 38 districts, 177 drinking water sub-projects were initiated following the detailed survey and designs on construction and upgrade. Of them, 36 projects works have been completed, while the construction of 46 suspension bridges was also complete. Until mid-March of the current FY 2010/11, 924 roads have been designed, while 370 km roads construction works have already started based on contracts and 314 km roads construction works are soon to be started by contracting them out. From among the target of constructing 20 motorable bridges, construction works of 2 have begun based on contracts and designing of 5 have been completed, while designing of the remaining 13 bridges are going on. Among the selected drinking water and sanitation sub-projects, the construction of 80 projects have been completed, while the construction of other 256 projects are going on. Likewise, 74 suspension bridge constructions have been completed, while the other 139 such bridges are under construction.

- 12.120 **District Road Support Program:** This program was initiated under the assistance of Nepal and Swiss governments in 2002 in 6 districts. Its main objective is to construct and upgrade local infrastructure and thereby develop infrastructure for rural roads. From this program in FY 2009/10, new road construction 26 km, regular maintenance 330 km, reconstruction 34 km and periodic maintenance 225 km were performed. In the program area, social activity enhancing programs were also organised. In the current FY 2010/11, rural road construction 12 km, regular maintenance 130 km and road reconstruction 10 km were performed.
- 12.121 **Rural Community Infrastructure Works Program:** This program is in operation in 21 districts under the tripartite investments of the Government of Nepal, World Bank and the World Food Program. Its main objectives are to construct and maintain community infrastructures, bring improvements in food security situation of poor families in rural areas and enhance their self-dependence capacity. In FY 2009/10, the target was to build 50 km roads, while 43 km rural roads were constructed. In the current FY 2010/11, 122 VDCs of 21 districts were selected to operate rural roads and income generating projects. The selected VDCs' survey design and estimate works are going, while some works have also begun.
- 12.122 **Decentralised Rural Infrastructure and Livelihood Improvement Project:** Under the loan assistance of ADB since FY 2005/06, this project is in operation in 18 districts to construct economic and social infrastructure in rural areas, expand transport network, operate activities on rural employment and enhance institutional capacity at local level. In FY 2009/10, 71 km new roads were constructed and 32 km roads were reconstructed and upgraded, while 2,000 meter suspension bridge constructions were completed. In the first eight months of current FY 2010/11, 27 km new roads construction, 26 km road reconstruction and 2,000 meter suspension bridge construction were completed, while 500,000 labour days of employment were created.
- 12.123 **Rural Access Program Phase II:** This program is in operation in 7 districts of Bhojpur, Sankhuasabha, Khotang, Achham, Doti, Tehrathum and Dailekh under the joint investment of the Government of Nepal and DFID. The main objective of the program is to bring improvements in the living standards of poor people with the help of rural transport and infrastructure development. In FY 2009/10, appointment of local NGO and consultant, purchase of various tools

and goods and construction of 98 km rural roads were performed. In the first eight months of the current FY 2010/11, 82 km rural roads were constructed, while 185 Km tracks were opened.

- 12.124 **Suspension Bridge, Sector-wise and Local Level Road Bridge Program:** This program is in operation in 69 districts (except Jhapa, Siraha, Saptari, Sarlahi, Bara and Parsa) under the non-project grant investment participation of Swiss government, Helvetas and Japanese government. Its objective is to build suspension bridges and involve in extensive maintenance works so as to contribute to improvements in rural access. In FY 2009/10 in suspension bridge sector, 7 suspension bridges were constructed while in suspension bridge sub-sector, 63 suspension bridges were constructed. In rural road bridge sector, feasibility study of 17 road-bridges was performed, while 4 of them were constructed. In the first eight months of the current FY 2010/11, of the 43 road-bridges planned, super structure works of 10 were going on, while tender was called for the construction of other road-bridges. Under suspension bridge sector-wise programs, the task of importing iron ropes was complete, while detailed feasibility study and construction process was going on for gravity ropeway.
- 12.125 **Community Access Improvement Program:** This rural road and bridge construction program is in operation in Sindhupalchok, Kavrepalanchok, Ramechhap, Sindhuli and Mahottari districts under the direct assistance of Japanese government through its agency JICA since FY 2010/11. This program focuses on Banepa-Bardibas Highway and aims at serving the locals by constructing 35 road-bridges in 13 rural roads with an estimated cost of Rs 820 million. Until mid-March of current FY 2010/11, 27 rural road-bridge tenders were approved and constructions were going to start.
- 12.126 **Local Transport Infrastructure Sector-wise Program:** This program is in operation with the objectives of constructing rural agricultural roads and constructing as well as maintaining rural earthen trails so as to enhance economic activities of private sector by assisting production and market process in agriculturally important pocket areas. In FY 2009/10, road survey was done in 712 km, 1,033 km earthen roads were constructed, 1,650 km roads were repaired, roads were gravelled in 370 km, blacktopped in 35 km and 352 causeway bridges were built. With the single-lot disbursement of budget to local bodies in FY 2009/10, program finalisation and construction works are going from among the works, such as the selection of planning, planning-wise budget

allocation, program approval and vesting the responsibility of implementation. In the first eight months of the current FY 2010/11, 175 km earthen roads and 100 km gravelled roads were constructed, while 300 km road maintenance works were performed.

- 12.127 **Rural Water Supply and Sanitation Project:** This program has the target of providing drinking water facility to all population and sanitation/cleanliness facilities to 40 percent of the total population. Under this program, gravity drinking water, tube-well installation, rain water collection, toilet construction and environmental cleanliness works are going on, while the local bodies have also been given guidelines on conducting awareness raising programs. In FY 2009/10, 195 continued and new gravity drinking water projects were completed benefitting 150,000 people. In FY 2010/11, as per the target of completing 150 continued and new gravity drinking water projects, programs are formulated and being implemented. Likewise, programs are being conducted with the assistance of various development partners to declare Chitwan and Kaski as the "Open Defecation Free" districts.
- 12.128 **Rural Water Resources Management Project:** Various activities such as water resources master plan, arsenic minimization, gravity drinking water, irrigation, micro hydro electricity, waste management, etc have been going on under the grant assistance of Finnish government in 10 districts of Far-West and Mid-West regions (Humla, Dailekh, Kailali, Doti, Achham, Bajura, Bajhang, Darchula, Baitadi and Dadeldhura) since FY 2006/07. The objectives of the program are to manage sustainable drinking water and sanitation, improve environmental situation and enhance the living standards of people. In FY 2009/10, 48,852 people benefitted from the drinking water scheme, 4,615 from irrigation scheme and 3,808 from the micro hydro electricity scheme. Until the second quarterly period of FY 2010/11, 2,989 people benefitted from drinking water scheme, 2,672 from sanitation scheme, 737 from irrigation scheme and 3,189 from micro hydro electricity scheme.
- 12.129 **Western Nepal Rural Drinking Water and Sanitation Project:** This project started in Tanahu, Syangja, Parbat, Baglung, Myagdi, Kapilvastu, Rupandehi and Nawalparasi districts of Western and Pyuthan district of Mid-Western regions in FY 2008/09 under the grant assistance of Nepal and Finnish governments. Among others, the project also had the objectives of minimising arsenic level in drinking water of three Terai districts (Kapilvastu, Rupandehi and Nawalparasi). Under the project in FY 2009/10, 7,554 people benefitted from the new gravity drinking water

and sanitation project, while 77,933 people benefitted from the sanitation and health program, 1,100 from arsenic minimisation program and 15,460 from capacity enhancement, environmental conservation and income generating programs. In FY 2010/11, 10,980 people benefitted from the new gravity drinking water and sanitation project, while 51,003 people benefitted from the sanitation and health program, 29 from arsenic minimisation program and 12,337 from capacity enhancement, environmental conservation and income generation programs.

12.130 Local Infrastructure Development for Livelihood Improvement Project: This program is in operation since FY 2005/06 under the assistance of Swiss government in Achham, Dailekh, Jajarkot, Kalikot, Dolakha, Okhaldhunga, Khotang and Ramechhap districts so as to bring improvements in the food security situation of rural farmers in these districts. In FY 2009/10, construction of 75 small irrigation canals were completed to improve people's living standard, increase their sources of income and boost up cash crops production in food deficit areas. Similarly, training on capacity development was provided to 3,197 individuals. In FY 2010/11, 100 irrigation projects were reached an agreement on and are in the construction phase.

12.131 Until mid-March of FY 2009/10 and FY 2010/11, the following progresses were achieved from various programs and projects in terms of infrastructural development:

Table 12 (am): Achievements on Physical Infrastructure Development

S.No.	Activities	Fiscal Year	
		FY 2009/10	FY 2010/11
1	Earthen Road (km)	1,378	326
2	Gravel Road (km)	436	136
3	Track Construction (km)	83	185
4	Road Repair and Maintenance (km)	2,205	430
5	Black-Toped (km)	35	
6	Bridge and Culvert Construction (Nos.)	352	-
7	Suspension Bridge Construction (Nos.)	157	59
8	Completed Drinking Water Schemes (Nos.)	231	80

*Progress by mid-March 2011, Source: Ministry of Local Development

On Social Development

12.132 **Vital Statistics Registration Program:** The personal incidents of birth, death, marriage, divorce and immigration used to be registered in VDC and Municipality offices through the office of Local Registration

Officer. Since FY 2010/11 onwards, secretary at the ward office of municipalities are authorised to register the personal incidents. This year, the Personal Incidents Registration Software is in operation in 5 VDCs and 2 municipalities on pilot basis so as to make the process systematic in future. In the current FY 2010/11, a capacity enhancing program to encourage legal identity of Nepal's poor people was to be operated in 10 districts of Ilam, Jhapa, Kathmandu, Lalitpur, Bhaktapur, Mustang, Palpa, Rupandehi, Dang and Kailali. An annual report on personal incidents registration from 2007/08 to 2009/10 was published in FY 2010/11. A guideline on personal incidents registration (including collection of circulations on personal incidents) 2010 has been drafted. As per the announcement of the Government of Nepal to observe Baisakh 1 as the Personal Incident Registration Day, for the first time in FY 2009/10 on April 14 (Baisakh 1), the government organised various programs to observe the day. The personal incidents details in 2007/08 and 2009/10 have been presented here below:

Table 12(an) : Descriptions of Personal Evidence Record-Keeping

S.No.	Personal Evidence	Descriptions	2009/10	2010/11*
1	Birth Registration	Female	246369	123783
		Male	279346	142060
		Total	525715	265843
2	Death Registration	Female	33036	12595
		Male	53631	20650
		Total	86667	33245
3	Marriage		144992	56117
4	Divorce Registration		257	92
6	Migration Registration from		69713	27689
	Number of Migrate population from		131289	44905
	Number of Migrate population to		144766	60232
	Total number of Migrate Population		276055	105137
Total number of Personal Evidence Record-Keeping			1991836	892348

* First eight months

Source: Ministry of Local Development

- 12.133 **Social Security Program:** Under this program in the current FY 2010/11, Rs 8.948 billion was released to distribute this amount to Senior Citizens, single women, *Dalits*, endangered indigenous groups and disabled people. As per the arrangement, Senior Citizens, single women and endangered indigenous groups (Kusunda, Bankariya, Surel, Haayu, Raji, Kisan, Lepcha, Meche and Kushwadia) receive Rs 500 per month, while similar group of Raute and people having

disabilities receive Rs 1000 per month and 16-year-above people having partial disabilities receive Rs 300 per month. A study has been initiated in 5 VDCs - Bhojpur (Bhojpur), Suntol (Kathmandu), Krishnanagar (Kapilvastu), Libang (Rolpa) and Mangalsen (Achham) and 5 municipalities - Bhadrapur (Jhapa), Kalaiya (Bara), Waling (Syangja), Ghorahi (Dang) and Bhimdatta (Kanchanpur) to distribute the allowance of third quarterly period through banking channels to the target groups. Under the social security program in FY 2009/10 and FY 2010/11, the number of target groups receiving allowance has been presented in the Table below:

Table 12 (ao): Allowances in Social Security Program

S.No.	Description of Target Group	Monthly rate Rs.	Fiscal Year		Remark
			2009/10	2010/11	
1	Senior Citizen 70+	500	571195	635938	
2	Senior Citizen, <i>Dalits</i> 60+	500	107501	125819	
3	Senior Citizen, Karnali 60+	500	17442	30758	
4	Single Women	500	299827	319781	
5	Indigenous people nearing danger of extinction	500	16419	19681	Provision for distributing monthly allowance of Rs.1000 to each Route
6	Completely Disabled	1000	13762	16202	
7	Partially Disabled	300	6,875	6875	
Total			1033021	1155054	

Source: Ministry of Local Development

12.134 **Child Protection Grant Program:** Since FY 2009/10, Rs 200 per month is being given to 2 five-years-below children from every family in Karnali zone and from every disadvantaged *Dalit* family elsewhere, as the child protection grant. A total of 392,361 children benefitted from this program in FY 2009/10, while in the current FY 2010/11, a total of 409,100 children are estimated to benefit from this program.

On Inclusive Development

12.135 **Endangered indigenous groups/Janjati Uplift and Chepang Development Program:** The objectives of this program which is in operation since FY 1996/97 are to socially, economically and culturally develop and promote indigenous groups, Janjati and Chepangs; contribute towards bringing them into the mainstream of national

development; and promote and develop their customs and languages. In FY 2009/10, works on conserving 72 languages were performed, 346 students were provided scholarships, 355 individuals received various trainings, while awareness program was organised about ILO 169 Convention. In the first eight months of the current FY 2010/11, 60 youths received training on pre-exam preparation class on Public Service Commission, program proposals were sent to 74 DDCs in 74 districts to organise contemporary awareness raising symposiums related to local indigenous Janjati communities and 20 ethnic organisations and individuals performed studies on various subjects. Similarly, a program related to economic, social and educational uplift of Chepang ethnic group was brought into operation in Gorkha, Dhading, Chitwan, Makwanpur, Tanahu and Lamjung; while 14 ethnic organisations have been operating programs on preserving the unique cultures of various ethnic groups. Five mother tongues' alphabet confirmation and publication has already been performed, while literacy classes on Thakali, Gurung, Newar, Baramu, etc languages were conducted making a contribution to the preservation of these respective mother tongues.

- 12.136 **Ignored, Oppressed and Dalits Uplift and Development Committee:** This program is in operation since 1996-97 and aims to overall develop the socially and economically extremely backward *Dalit* community by bringing them into the mainstream of development. Under this program in FY 2009/10, 454 *Dalit* students received higher education scholarship, radio awareness program was conducted for 52 times, 1,000 *Dalit* girl/boy students were distributed educational materials, around 10,000 patients received free health camp services organised in 10 places, and income generating and skill oriented programs were conducted in 75 districts. In FY 2010/11, awareness raising programs were conducted for 160 times from local FM radio stations in 5 development regions. Around 7,000 individuals received free health services from health camps held in *Dalit* settlements of Sindhuli, Arghakhachi, Gulmi, Nawalparasi, Banke and Pyuthan districts, while 1,000 *Dalit* students from 9 districts were provided educational materials.
- 12.137 **Madhesi-Pichhada Barga and Muslim Uplift Program:** With the objectives of uplifting Madhesi, Muslim, backward communities and minorities by formulating policies in their benefits, the Government of Nepal with its own re/sources started this program in 26 districts in FY 2007/08. In FY 2009/10 through the DDC, various programs, such as employment-based and awareness program meant for the target

groups, reproductive health, health education, sanitation, language training, literary and educational motivation program along with institutional development programs were conducted. In FY 2010/11, various programs are under implementation after receiving approval from the DDC.

- 12.138 **National Dalit Commission:** This Commission was set up in 2001-02 and has been working for the protection of rights, entitlements and overall development of *Dalit* people. In FY 2009/10, field inspection was held in 9 districts where unexpected incidents of untouchability and caste discrimination were found, and coordination and legal process were performed in those cases; orientation programs on social inclusiveness and social justice were conducted in 4 districts to make the service providing bodies *Dalit*-friendly; a report was prepared after studying and analysing *Dalit*-related reports of various committees under the Constituent Assembly; and various awareness raising programs were conducted in different districts under the Mobile Justice Service program. In the current FY 2010/11, an appendix on *Dalit* castes was updated, 5 orientation programs were organised to make service-providing bodies *Dalit*-friendly, *Dalit* Information Centre was promoted and expanded, profiles of inter-caste married couples were created and for having real data and status of *Dalits* in the context of National Census 2011, coordination was made among the stakeholders and various awareness raising programs were also organised.
- 12.139 **Remote and Special Area Development Program:** This program is basically a poverty alleviation program and in operation in 22 northern bordering districts which are geographically very remote and economically very backward. Under this program in FY 2009/10, 8 suspension bridges, 8 irrigation projects, 17 drinking water projects, 9 electricity projects and 39 km earthen trails were constructed. Until mid-March of current FY 2010/11, 3 suspension bridge projects were completed, while 2 micro hydro electricity projects which are generating 30 KW of electricity were also accomplished.
- 12.140 **Gumba (Monastery) Management and Development Program:** This program is in operation to conserve, promote and expand the Gumbas and their crucial archaeological belongings and public properties across the country. Under this program in FY 2009/10, 134 Gumbas were renovated, Lama Dosh Darshan program was organised once, Gumba survey was conducted in 8 districts and technical study of ancient Gumbas were carried out 16 times. In the first eight months of the

current FY 2010/11, financial assistance was provided to 200 Gumbas in 47 districts, while technical study and research of 4 ancient Gumbas was also performed.

- 12.141 **Decentralised Action Plan for Women and Children:** This program was in operation in 386 VDCs and 14 municipalities of 23 districts (Panchthar, Sunsari, Udaypur, Saptari, Kavre, Chitwan, Parsa, Nawalparasi, Tanahu, Kaski, Kapilvastu, Dang, Rukum, Jajarkot, Kalikot, Jumla, Humla, Mugu, Dolpa, Dadeldhura, Bajhang, Bajura and Achham) under the grant assistance of UNICEF. This program was internalised in 5 districts of Sunsari, Kavrepalanchok, Chitwan, Tanahu and Kaski in December 2010. Qualitative basic education, early childhood fund, early childhood care and intellectual development, child health, maternity health, sanitation, HIV/AIDS prevention, protection of women and children rights and areas of Community Action Process (CAP) were included in the program in FY 2009/10. In the current FY 2010/11, last year's programs were given continuity while based on the concept of children-friendly local governance, certain indicators were also developed. A national draft and procedure on this concept has been readied and presented to the Council of Ministers for approval in order to legalise and institutionalise this concept of children-friendly local governance. This program has included more than 9,000 community organisations and community/school level children organisations which have been working actively. Likewise, at VDC level, 557 paralegal committees are active while around 8,000 early childhood development centres have also come into operation.
- 12.142 **Electoral Constituency Development Program:** As per the provision of Article 63(3), Section (A), (B) and (C) of the Interim Constitution of Nepal, every member of Constituent Assembly elected as per the first section (a), or elected as per the proportional representation system under the section (b), or nominated by the government under the section (c) of Electoral Constituency Development Program (Operation Procedure), (third amendment) Regulation 2008.

On Poverty Alleviation and Employment

- 12.143 **Karnali Employment Program:** This program is in operation since FY 2006/07 under the name of "Karnali Zone: One Family, One employment". The objective of this program is to make employment opportunities available to Karnali zone families most of whom cannot

lead lives just with the traditional professions, businesses or employments owing to geographical remoteness, poverty and economic and social backwardness. Out of Rs 225.607 released for the program in FY 2009/10, more than 95 percent amount was spent. With this amount, 600 small projects, such as construction of earthen trails, motorable roads, toilets, school building, maintenance of small micro hydro electricity projects, etc were performed. These small projects provided jobs equivalent to 783,451 man-days. In the current FY 2010/11, programs operating in the past, such as updating details of unemployed families, etc have been given continuity.

- 12.144 **Western Upland Poverty Alleviation Program:** This program is in operation in 11 high hill districts of Mid-West and Far-West regions under the assistance of International Fund for Agricultural Development (IFAD). In FY 2009/10 under this program, construction of 134 infrastructure-related projects, such as drinking water and sanitation, small irrigation facilities, school building, health post, bridges, culverts and micro hydro electricity, etc were performed. Likewise, public hearing of 121 projects, constitution of 164 lease-hold forest user groups, handover of 136 hectare lease-hold forest to forest user groups and herbal farming in 444 hectare lease-hold forests along with agriculture and livestock development program, were also done. Under the micro-financing and marketing programs, group-wise savings and its mobilisation, participation in trade fair and exhibition and training on micro industries were performed. In the first eight months of the current FY 2010/11, 9 lease-hold forest user groups were formed, 50 hectare lease-hold forest was handed over to forest user groups and 151 lease-hold forestry members were provided training. Similarly, 5,000 packets of vegetable and 3,980 packets of food crops containing advance seeds were distributed, 45 nurseries were established and 53 community based organisations were constituted.
- 12.145 **Connecting Local Initiatives with Local Skills Program:** In this program under the Swiss assistance, various income generating programs were conducted in coordination with DDC in some VDCs of Dailekh, Jajarkot, Doti and Achham districts in FY 2009/10. The programs include: vegetable farming, see production, herbal farming, market management of produced goods, high technology handover, small physical infrastructure, local partner organisations' institutional capacity enhancement, proper management of re/sources and coordination, etc. The program further completed the construction of

30 small physical infrastructures and formulated periodic plans of 25 VDCs. Until this evaluation period of this FY 2010/11, 13,500 families were involved in various income-generating works while periodic plans of 35 VDCs were also formulated.

- 12.146 **Program on Addressing Nepal Food Crisis (Social Safety Net):** This program aims to provide immediate relief to poor people marred by high price rise in food products and is in operation in 21 districts, where the Rural Community Infrastructure Development Program is under implementation. This program started in FY 2008/09 under the financial assistance of World Bank and food (commodity) and technical assistance of the World Food Program. In FY 2009/10, only study and consultation programs were conducted. In FY 2010/11 so far, construction of 11 km of small irrigation channels, reconstruction of 37 km small irrigation channels, improvement of 37 hectare land, tree plantation in 4 hectare land, 13 drinking water projects, 184 ponds construction and 37 km rural roads construction were undertaken. Similarly, 4,784 compost pits, 169 km earthen trails and one community halls were also constructed.

Environmental Management

- 12.147 **Program on Public Private Partnership for Improving Urban Environment:** This program is in operation in 10 municipalities under the assistance of UNDP. The concept of public private partnership has been helping in well-managing the growing urbanization and creating necessary environment for taking ahead partnership by bringing the government, private sector and civil society in one place. In FY 2009/10, works, such as 1 drinking water distribution, 5 urban cleanliness (public toilet), 15 solid waste management (organic fertilizer, collecting waste from households, etc) and 2 programs on urban transport management were performed. With the help of training, symposium, seminar and orientation, capacity of 587 individuals was enhanced. In FY 2010/11, 3 urban sanitation, 2 waste management and 2 renewable energy programs were completed while capacity of 951 people was enhanced by through training, orientation and seminar.
- 12.148 **Solid Waste Management Program:** This program is in operation since FY 1999/2000 with the objectives of raising awareness for sustainable management of solid waste, controlling air pollution, mobilising waste as resources and increasing the participation of non-governmental and private sector in solid waste management. In FY 2009/10, compensation amount for the land acquired in Banchara Danda for a long-term landfill

site of second phase was distributed to the locals. Likewise, works, such as Okharpauwa entrance highway was repaired, drainage was cleaned, reconstruction of structures demolished during the construction of entrance highway and post closure at the Sisdol landfill site were completed. In the current FY 2010/11, Okharpauwa entrance road has been repaired and reconstructed while for the capacity enhancement of Sisdol landfill site, an agreement is readied to be signed for a contract. Pilot program was conducted in 5 municipalities for enhancing the municipalities' capacity on waste management and it is to be extended to 15 more municipalities. A high-level committee on solid waste management has been constituted for managing the solid waste of Kathmandu Valley under the concept of public private partnership. Under the recommendation of the Committee, the Ministry has invited Expression of Interest (EOI) letter and the matter has moved to an agreement phase. For long-term waste management of Kathmandu valley, 1,600 ropani of land has been acquired in Banchare Danda (Nuwakot and Dhading districts) to develop a landfill site.

- 12.149 **Program on Strengthening Environmental Management at the Local Level:** This program started in FY 2001/02 under the assistance of Finnish government with the objectives of strengthening environmental management administration. This program is in operation in Biratnagar, Dharan, Itahari, Dhankuta, Inaruwa, Damak, Bhadrapur, Mechinagar, Ilam, Rajbiraj, Lahan and Siraha municipalities of eastern region along with Panchthar, Sunsari, Morang, Ilam, Jhapa, Dhankuta, Udaypur, Siraha and Saptari districts of the same region. In FY 2009/10, promotion of environmental monitoring and lab, constitution of branch and sub-committees and training to employees working there were conducted, while works related to environmental pilot village program, local environmental fund and industrial environmental assistance fund were also conducted. In FY 2010/11, establishment of water sample collection centres in 4 DDCs, preparation of environmental inspection guideline, 4 professional health security programs in industries, 4 environmental management program, 2 programs on environmental planning and 2 on management training were organised.

On Human Resource and Institutional Development

- 12.150 **Local Development Training Academy:** Since long, this academy has been performing works with the objectives of providing training, research and consultancy services for the institutional capacity enhancement of local bodies. In FY 2009/10, this academy provided

training to 12 individuals on local re/source mobilisation, 36 on social mobilisation, 40 on gender mainstreaming and social inclusiveness, 20 on social inclusiveness orientation, 75 VDC secretaries on their service, 58 account assistants of local bodies on accounting, 48 employees of assistance level on good governance, 48 on office management, 26 on local good governance and inclusive development and 15 on library and information documentation. In FY 2010/11, 25 assistant employees of local bodies received training on account management, 177 assistant employees of VDC on service-related accounting, 24 on social mobilisation and 20 on gender mainstreaming and social inclusiveness.

- 12.151 **Local Body Finance Commission:** This Commission was constituted with the objective of providing policy level recommendation to the Government of Nepal after studying and researching various aspects of decentralisation. The Government of Nepal has been providing conditional and non-conditional grants to its local bodies, of which the non-conditional grant is determined by the recommendation of the Commission based on certain criteria. As per the criteria, for a VDC to receive the grant, the population should be 60 percent, area 10 percent and weighted cost 30 percent. For a municipality, the population should be 50 percent, area 10 percent, weighted poverty 25 percent and weighted taxation efforts 15 percent. As for a DDC, the population should be 40 percent, area 10 percent, weighted poverty 25 percent and weighted cost 25 percent. For DDCs and municipalities, minimum conditions and work performance record and for VDCs, minimum conditions alone are taken as the evaluation basis for the grants. For evaluation of DDCs, there are 15 minimum condition indicators and 62 work performance indicators; while for municipalities, there are 15 minimum condition indicators and 40 work performance indicators. As for VDCs, there are 10 minimum condition indicators.

Table 12(ap) : Results of minimum Conditions in Fiscal Year 2009/10

Local Bodies	Measurement of Minimum Conditions
<i>District Development Committee</i>	Success Number: 63
	Failure Number: 12
<i>Municipality</i>	Success Number: 53
	Failure Number: 5
<i>Village Development Committee</i>	Success Number: 3,356
	Failure Number: 270

Note: There not measurement of minimum conditions in 2 hundred and 89 VDCs of 3 Districts.

Source: Ministry of Local Development

Table 12(aq) : Results of performance measures in Fiscal Year 2009/10

1) District Development Committee

Number of DDC to get 30% Additional Grant	Number of DDC to get 25% Additional Grant	Number of DDC to get 20% Additional Grant	Number of DDC to Reduce 20% Grant	Number of DDC to Reduce all Capital Grant
3	23	31	6	12

2) Municipality

Number of Municipality to get 25% Additional Grant	Number of Municipality to get 10% Additional Grant	Number of Municipality to get 10% Additional Grant	Number of Municipality to Reduce 25% Grant	Number of Municipality to Reduce all Capital Grant
14	14	15	10	5

Source: Ministry of Local Development

12.152 Until mid-March of current FY 2010/11, evaluation of minimum conditions of VDCs and measurement of minimum conditions and work performance of DDCs and municipalities were performed. A preliminary report is expected to be received soon. The execution of this method has contributed to the execution of Local Self-Governance Act and Regulation, increase in transparency and accountability, growth of competitiveness among local bodies and exploration of areas of capacity development.

On Local Bodies Grant

12.153 **DDC Grant:** In FY 2009/10, DDC Subsidy Operation Procedures, 2009 was approved and based on this document and DDC grants, various works, such as rural roads, suspension bridge, road-bridge, irrigation and river control, micro hydro electricity, drinking water, building construction, etc were implemented. In the current FY 2010/11, the amount was directly released by the Ministry of Finance based on the concerned district's indicators, such as population, geographical region, cost and poverty, etc. Likewise, there is also a provision for motivation grant based on the work performance indicators of a district. A DDC Grant Operation Procedure 2010 has been brought into effect.

12.154 **VDC Grant:** In FY 2009/10, minimum Rs 1.5 million to 3 million grants had been arranged for a VDC. A VDC Grant Operation Procedure 2009 was approved and brought into effect, while works on rural roads, drinking water and sanitation, micro hydro electricity, alternative energy and construction of buildings, etc were performed. As per this, 606 VDCs

received Rs 1.5 million each, while 80 VDCs received Rs 1.767 million each, 1,704 VDCs Rs 1.95 million each, 1,067 VDCs Rs 2.05 million each, 394 VDCs Rs 2.45 million each and 71 VDCs Rs 3 million each. Similarly, additional grants were made available to VDCs based on the minimum condition indicators and the mapping of poor residents.

- 12.155 **Municipality Grant:** In FY 2009/10, a Municipality Grant Operation Procedure, 2009 was approved and various works under the municipality grants were performed as per this document. Rs 350 million was distributed under the municipality grants. In FY 2010/11, this amount was increased two folds to Rs 700 million and was tied with the revised minimum criteria and work performance indicators required to receive the grants. A new Municipality Grant Operation Procedure 2010 has been prepared and implemented to well-manage all types of grants from the Government of Nepal reaching to the municipalities and also the internal re/sources of the municipalities.
- 12.156 **Local Development Tax Fund:** In FY 1998/99, the Government of Nepal substituted the Toll Tax (chungi Kar) by 1.5 percent Local Development Tax at the customs point. With the savings from the Local Development Tax, a Reserve Fund was established in FY 2002/03. With this, the Ministry has been providing money to the projects approved by the municipalities under the cost participation of the local users. Since FY 2008/09 onwards, this amount was brought into the periphery of budget and is made available to municipalities through the Local Development Tax Fund. In FY 2009/10, Rs 1.3367 billion – including both current and capital amount, was made available to municipalities at single go through authorisations under the non-conditional grant category. In FY 2010/11, under the same category, Rs 2.164 billion was released to municipalities, of which capital expense was Rs 1.7832 billion, while current expense was Rs 393.25 million. Thus, a total authorisation amount of Rs 1.47157 was disbursed to municipalities. While making capital grant available from this amount, certain amount was allocated for some minimum criteria works and the rest Rs 692.43 million was released for Reserve Fund programs, periodic planning for municipalities, Code of Conduct for constructing building, land development program and administrative works.
- 12.157 **Local Self-Governance and Community Development Program:** This program was launched in FY 2008/09 in all 75 districts, 58 municipalities and 3,915 VDCs with the objectives of contributing towards poverty alleviation by conducting participatory development programs in the leadership of inclusive, accountable and responsible local bodies and

communities. This program is being funded by the Government of Nepal and 14 development partners. Under this program in FY 2009/10, with the construction of 11,390 community infrastructures, 3,590,000 individuals were benefitted, while 8,500 individuals from among employees of local bodies, service providers and political party representatives received orientations on various topics. To smoothly operate the program, 13 procedures were formulated based on which the local bodies have been conducting the programs. The procedures include social mobilisation guidelines; policy on gender equality and social inclusiveness; DDC/VDC/municipality capacity development procedure; information, education and communication operation procedure and children-friendly local governance strategy, etc. In the current FY 2010/11, a Local Body Grant Operation Procedure 2010 has been prepared and brought into effect. Its target is to making one record of all grants provided by the government to local bodies, self income of local bodies, revenue allocation and amount received from other organisations so as to operate the fund in a way all groups, communities and areas would have an access and ownership to it. In 2,207 VDCs social mobilisation program is in operation so as to empower local people and ensure their participation in decision-making process, and under this program, there are 182 citizen awareness centres and 7,472 ward level citizen forums. Based on the minimum condition criteria and work performance indicator, the amount of non-conditional grant for 63 DDCs was Rs 1.6371 billion, while it was Rs 1.315 billion for 53 municipalities and Rs 1.36 billion for the VDCs.

- 12.158 **Status of Local Bodies' Internal Income:** As per the Local Self-Governance Act 1998, Local Self-Governance Regulation 1999 and Local Bodies Economic Administration Regulation 2007, the local bodies (DDC, VDC and municipality) have the right to collect income in own area and formulate and operate plans and programs as per the necessity and demand of the locals. As per this authority, the local bodies recorded the following income in FY 2009/10:

Table 12 (ar): Internal Income of Local Bodies (FY 2009/10)

(Rs. in millions)

Local Bodies	Eastern Region	Central Region	Western Region	Mid-Western Region	Far Western Region	Total
<i>District Development Committee</i>	282.4	607.8	423.4	97.1	71.7	1482.4
<i>Municipality</i>	155.4	1013.2	265.0	112.9	75.5	1622
<i>Village Development Committee</i>	69.9	342.2	160.3	18.8	19.8	611
Total	507.7	1963.2	848.7	228.8	167	3715.4

Source: Ministry of Local Development

The details of physical infrastructures constructed in FY 2009/10 with the internal income as mentioned here and the central grant along with various projects and programs under the Ministry of Local Development have been presented here below:

Table 12 (as): Status of Physical Infrastructures Completed in FY 2009/10

<i>Activities</i>	<i>Total</i>
New track opening of Road (Km)	2,122
Regular Maintenance (Km)	5,184
Earthen Road (Km)	2,402
Black topping (Km)	383
Gravel Road (Km)	1,569
Construction of Suspension Bridges Completed (No.)	214
Repair and Maintenance of Suspension Bridges (No.)	1,549
Drinking Water Schemes (No.)	3,658
Irrigation (Hectares)	10,314
Building Construction (No.)	4,091
Micro Electrification Projects (No)	4,818

Source: Ministry of Local Development

Programs under the Ministry of Home Affairs

- 12.159 **Peace and Security:** It is the main objective of the Ministry of Home to maintain law and order and provide security. For this, programs on the effectiveness of law and order and security, end of impunity and protection of human rights are under implementation. Likewise, Action Plan on Public Service and Road Obstruction Control, Action Plan on Abduction and Organised Crimes of Severe Nature Control, Special Security Plan for Kathmandu Valley, Security Action Plan for Terai-Madhes and east and mid-west hills, etc have also been continued. A Code of Conduct to be followed by employees of security bodies has already come into force. In this way, works are being conducted as directed by the Action Plans, and also on bringing the criminals into legal net by heavily mobilising security personnel and controlling criminal activities.
- 12.160 **Disaster Management:** Victims of disasters that happen at unknown time have been rescued and provided relief packages. This program is continued in FY 2010/11 as well. Various programs are also in operation to minimise the damage/destruction of such disasters. A national workshop on "Disaster Preparedness and Response Planning for 2011" was organised by the Ministry in Kathmandu, while a high level symposium on Disaster Risk Reduction was also conducted under the

assistance of UN and the US government. A National Disaster Operation Centre has been established at central level to make rescue works at the time of disaster effective, while in Kailali and Sunsari, the construction of warehouses (godowns) have begun. In FY 2010/11, Rs 11 million has been released from the Central Natural Disaster Rescue Fund to District Natural Disaster Rescue Fund, while Rs 250 million has been released for relief and rehabilitation of Koshi river flood victims.

12.161 **Control of Narcotic Drugs:** To effectively conduct anti-narcotic program and build a Healthy and Prosperous Society Free of Narcotics/Abusive Drugs, the Narcotic Drugs Control Strategy is under implementation. Awareness programs against the use of narcotics are also being conducted in cooperation with non-governmental organisations. Similarly, to reduce the demand of narcotics, a Regional Training on the Development of Outreach/Drop-in Centre was also conducted. A guideline on rehabilitation and treatment of narcotic drug users is being drafted. Methadon – a program that aims at substituting the damages of narcotic use is also in operation and a total of 225 drug users have benefitted from this program. Likewise, 1,921 Metric Tons of explosives were allowed to be imported into the country for the purpose of various industries and projects, while marijuana and opium farming spread over 413 bigah of land has been destroyed.

12.162 **Local Administration:** Sticking with the national and international human rights commitments, human rights protection and promotion works have been continued. As per the decision of the National Human Rights Commission to defend human rights and end impunity, 104 victims to date have been compensated Rs 12.64 million. Security personnel and others who have been found guilty in rights violation cases are being taken action against as per the legal provisions. The works of resettling Bhutanese refugees in third country are going on. More than 44,000 Bhutanese refugees have already resettled in third country. Works on protecting human rights of jail inmates and implementing the recommendations of Prison Reform Recommendation Commission are underway. An Action Plan against Gender Violence has been drafted and already brought into operation.

Program of Ministry of General Administration

12.163 The Ministry has performed a number of tasks. An amendment Draft Bill has been prepared and submitted to the Council of Ministers for approvals of Civil Service Act 1992 (third amendment). Civil Service Regulation 1993 (amendment, 2010) has been issued, Management Audit Guidelines 2010 has been distributed, a draft on Service Recipient Satisfaction Survey

Guidelines has been prepared and various service related regulations under the Civil Service Regulations are going to be updated and published as a single document. In a bid to completely create electronic record base of civil servants, the Civil Service Record Office has updated electronic records of 40,310 civil servants. In a bid to provide modern medical treatment facilities to civil servants and the general people, a Civil Service Hospital has come into full fledged operation, while necessary equipments have been installed to diagnose cancer and trial services on histopathology, colonoscopy, bronchoscope and endoscopy have also begun. Various trainings are provided from Nepal Administrative Training Academy to gazetted civil servants, while various trainings are provided from Civil Servants Training Academy to non-gazetted civil servants. The Ministry has performed various other works, such as promotion and new appointment related works meant for the civil servants' professional development have been done, civil servants are provided with various scholarships and are sent abroad for studies, scholarships have been granted to the children of civil servants to study technical subjects, the number of employees receiving Civil Service Award was increased by two folds and programs on governance reform were also conducted. For administrative reform, the Administrative Restructuring Program has been writing a draft report, a draft report is also being prepared on the structure of public administration in the proposed federal system, while a 29-point recommendation letter that lists matters to be done immediately in public administration sector, has been submitted to the Government of Nepal.

Programs on the Ministry of Peace and Reconstruction

12.164 Peace Secretariat, which was active in various aspects of peace process during the armed conflict in the past, was dissolved and the Ministry of Peace and Reconstruction was constituted. Owing to huge economic and social loss and the loss of human beings in the past armed conflict that began on 13 February, 1996, the Ministry works in areas where it could salvage the victims of these losses. In this direction, the Ministry has been working to minimise the negative impacts of the conflict as per the guidelines of the Comprehensive Peace Accord, as it has been providing relief and rehabilitation to conflict victims and the displaced ones. The Ministry is also working on reconstruction of the damaged/destroyed physical infrastructures, management of the Maoist combatant cantonments, transitional management of peace process and conflict, socio-economic development of conflict-affected

areas, minimising the wounds and divides of conflict through reconciliation and social integration and establishing lasting peace in the country. The UN Security Council's proposal numbers 1325 and 1820 have been approved by the Government of Nepal and necessary preparations have begun to implement the proposals in Nepal. A three-year National Action Plan on rehabilitation and reintegration of conflict-affected children has been approved and necessary preparations have started to execute the Action Plan. Likewise, a 15-day abroad training program organised in two phases about developing capacity of 21 officers working in the Ministry has completed. The Ministry has also been providing managerial assistance to the secretariat under the Special Committee on Management, Integration and Rehabilitation of Maoist fighters. The record collection task force on conflict affected individuals, families and physical structures has collected the record of 5,234 Internally Displaced Persons (1,407 families), 121 orphans and 125 dead. Likewise, among the 53 explosive mines laid during the conflict, 33 were demined last year and 11 this year, totalling 44 demining works. The remaining sites were supposed to demine by the end of this current FY 2010/11.

- 12.165 **Cantonment Management:** Until the end of mid-March in the current FY 2010/11, a budget of Rs 451.615 million was released for the Maoist fighters' cantonment management and works are being done accordingly.
- 12.166 **Peace Fund:** From this Fund in FY 2010/11, works related to the management of explosive mines, construction of access roads from the Department of Road and operation and institutional strengthening of Peace Fund were performed.
- 12.167 **Rehabilitation and Reconstruction:** Under this program until the end of mid-March in the current FY 2010/11, 225 individuals were compensated for the loss of private properties, living allowances were provided to families of 496 abducted individuals, 1,005 disappeared individuals, 336 individuals who became disables during the conflict and 26 martyrs families of the historical People's Movement II and 23 injured in the same movement. Likewise, children of 26 individuals injured in the People's Movement II were provided scholarships, while inheritors of 15 individuals who died in the incidents following the signing of the Comprehensive Peace Accord were provided financial assistance. Under the reconstruction program, 52 incomplete, continued 703 and new 226, totalling 981 projects were conducted. Among them, 119 have already been completed.

12.168 **Peace Process Assistance Project:** Until the end of mid-March in the current FY 2010/11, authorisation was granted to 1,942 individuals to receive financial assistance for being the inheritors of those who died during the conflict. Of them, 71 were provided **nikasa fukuwa** as per the demand for the same. Two orientation trainings each were provided in Far-Western and Mid-Western regions with the participation of District Administration Office and DDC employees who were working in the Peace Mechanism. Similarly, mainly to make the data of conflict affected people easily accessible and to make the Ministry's work paperless, a program on Management Information System (MIS) is also in operation. For 1,149 widows of conflict, a budget of financial assistance to them as the living allowance has been sent to the DDCs. Similarly, for the inspection of distributing Rs 100,000 to the families of each individual who died during the conflict, a joint monitoring team of World Bank and the project was constituted. This team has completed monitoring works in 5 districts, while a guideline on operating employment and self-employment services to the conflict affected people has been prepared and the districts where such trainings would be held, have also been selected.

12.169 **Local Peace Committee:** By the end of mid-March in the current FY 2010/11, district level local peace committees have been constituted in 72 districts including the additional 5 in Kavrepalanchok, Nuwakot, Sindhupalchok, Sindhuli and Kaski districts. Nineteen such committees have been set up at municipality level, while more than 950 at the VDC level. Interactive symposiums were also organised in 5 development regions for making public the tool kits related to these local peace committees.

12.170 **Relief Program for Conflict Affected Individuals or Groups:** Under this program, the targets in FY 2010/11 and the progress until mid-March 2011 have been tabulated here below:

Table 12(at): Distribution of Relief for Conflict Affected Persons and Groups

Programs/Activities	Unit	2010/11 Targets	2010/11* Achievements
Financial compassion for the loss of individual property destroyed (including 113 persons of Fiscal Year 2009/10)	person	1350	225
Financial compassion for Abducted person	person	998	496
Financial compassion to the next of kin of disappeared people	person	105	105
Financial relief packages for the disabled/handicraft due to conflict	person	2500	336

Programs/Activities	Unit	2010/11 Targets	2010/11* Achievements
Financial packages to the next of kin, killed after the Comprehensive Peace Agreements	person	25	15
Rehabilitation of the orphans of lost parents in conflict	person	118	-
Living Allowances the spouses of Marti's actively involved in Peoples Movement	person	26	26
Living Allowances to the wounded in Peoples Movement	person	26	23
Scholarship for the children of wounded people in Peoples Movement	person	26	26
Financial relief packages to wounded in Peoples Movement as per the classifications by the government (proposed to the consent of Ministry of Finance)	person	1153	

* First eight months, Source: Ministry of Peace and Reconstruction

Program on Maoist PLA Integration and Rehabilitation

12.171 By the end of mid-March in the current FY 2010/11, a total budget of Rs 1.88 billion was released for the monthly allowance, living allowance and management of the temporary cantonments until the Maoist fighters staying there were integrated and rehabilitated. Of this amount, Rs 540.46 million monthly allowances and Rs 371.049682 million living allowance has already been distributed.