

Unofficial Translation

Economic Survey

Fiscal Year 2012/13

**Government of Nepal
Ministry of Finance
2013**

Foreword

The effect of uncertain scenario that emerged in the country after dissolution of the Constituent Assembly persisted even in the fiscal year 2012/13. A comprehensive annual budget could not be brought in the beginning of the fiscal year due to lack of political understanding. Political parties could reach to consensus only by the end of the second trimester and the government was formed, which submitted the full budget on 9th April 2013. The government always remained alert on mitigating the effect of the absence of full budget on development activities and flow of services it is responsible for. At this time of political instability, it has become imperative to move ahead by maintaining the understanding among all political parties so that campaign of economic development and the subject matters that are directly related to the people's livelihood do not get sidelined. Arriving at such understanding will make it possible to achieve economic prosperity, and fulfill necessities and aspirations of the people as well by using long term plans and policies as a basis. The forthcoming constituent assembly election is expected to get rid of political instability (and bring political stability), speed up economic development through optimum utilization of available means and resources thereby improving living standard of the people.

This Economic Survey for the fiscal year 2012/13 is prepared with analytical review of policies the State has adopted in important sectors of the economy since past years, and achievements made through implementation of such policy-based programs. To the extent possible, effort is made to bring sector programs in one fold implemented through different entities. Data of the previous years has been updated, and recorded in digital compact disks.

I firmly believe that this Economic Survey should serve as an useful reference source for those intellectuals, researchers, teachers, students, entrepreneurs and business persons, professionals, and general public who are interested in the economic activities of the country.

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

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Shanker Prasad Koirala
Minister

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Abbreviations

AIDs	Acquired Immune Deficiency Syndrome
AIT	Administrator in Training
AOC	Air Operation Certificate
ARV	Antiretroviral
B.S	Bikram Sambat
BDS	Bachelor of Dental Surgery
BOOT	Build Operate Owned Transfer
CB PMTCT	Community Based Pregnant Mother to Child Transmitted
CBIMCI	Community Based Integrated Management of Childhood Illness
CBR	Crud Birth Rate
CCTV	Close Circuit Television
CDAS	Central Depositary Accounting Software
CDMA	Code Division Multiple Access
CEDA	Center for Economic Development and Administration
DACC	District AIDS Coordination Committee
DDC	District Development Committee
DOTs	Directly Observed Treatment
E.N.T .	Ear, Nose, Throat
E-DV	Electronic Diversity Visa
ETC	Educational Training Center
EVDO	Enhanced Voice-Data Optimized
GER	Gross Enrolment Ratio
GIS	Geographic Information System
GPI	Gender Perception Indicator
HIV	Human Immune Deficiency Virus
HMIS	Hazardous Materials Identification System
HPS	Hermansky Pudlak syndrome
HSS	Higher Secondary School
ICAO	International Civil Aviation Organisation
ICP	International Custom Point
IFAD	International Fund for Agriculture Development
ISO	International Organization for Standardization
IT	Information Technology
JFPR	Japan Fund for Poverty Reduction
KG	Kilogram
KM	Kilometer
KW	Kilowatt
LGCDP	Local Government & Community Development Programme

LSS	Lower Secondary School
MBBS	Bachelor in Medicine and Bachelor in Surgery
MCPM	Minimum Conditions and Performance Measures
MDA	Mass Drug Administration
MDG	Millennium Development Goals
MDR	Multi Drug Resistant
MDRTB	Multi Drug Resistant Tuberculosis
MOU	Memorandum of Understanding
NER	Net Employment Ratio
NITC	National Information Technology Center
NTV	Nepal Television
O&M	Organization & Management
OTC	Over the Counter
PAN	Permanent Account Number
PMTCT	Preventing Mother-to-Child Transmission
PNC	Post Natal Care
PS	Primary School
SEZ	Special Economy Zone
SI	School Inspector
SN	Serial Number
SS	Secondary School
STOL	Short Take-Off and Landing
TPS	True Potato Seed
UNFCCC	United Nations Framework Convention on Climate Change
VCT/STI	Volunteer Counseling Treatment of Sexual Transmitted Infection
VDC	Village Development Committee
VHF/UHF	Very High Frequency / Ultra High Frequency

Executive Summary

Executive Summary

1. Aggregate Economic Indicators in general for first ten months of the current fiscal year 2012/13 have been positive. Achieved economic growth less than targeted, monetary inflation rate higher than targeted, and growing trade deficit, however, remain as challenges to the economy.
2. According to preliminary estimates, economy in FY 2012/13 is estimated to grow only by 3.56 percent at basic price and 3.65 percent at producers' price against the targeted 5.5 percent. Economic growth rate in the previous fiscal year was 4.5 percent, while in the current fiscal year decreased food grain production resulted in the decrease of 3.7 percentage points in the agriculture sector, thereby reflecting in the decline in aggregate economic growth rate. The non-agriculture sector in the current fiscal year, however, is estimated to grow by 4.98 percent, which is higher by 0.68 percentage points compared to the previous fiscal year. In the current fiscal year, Gross Domestic Production (GDP) is estimated to reach Rs. 170.01 billion with a growth of 10.8 percent from the previous fiscal year. In the previous fiscal year GDP totaled Rs. 153.6 billion.
3. In the current fiscal year 2012/13, GDP of the agriculture sector is estimated to grow by 1.3 percent as compared to previous fiscal year. This sector had recorded a growth of 5.0 percent in the previous fiscal year. Agriculture and forestry sub-sector is estimated to grow by 1.2 percent and that of fishery by 4.0 percent. Production of food grain, which plays a major role in the growth of agriculture sector shrunk by 11.3 percent in the current fiscal year resulted 8.0 percent decline in production of major food crops and reached to totaled 8,738,000 MT. In this current fiscal year total area under major food crops is estimated at 3,344,000 Ha, which is lower by 4.0 percent than in the previous year.
4. Growth rate of non-agriculture sector in FY 2011/12 is estimated to reach 4.98 percent from the previous year's 4.30 percent. In FY 2010/11 the growth rate was 3.64 percent. On the non-agriculture sector, growth rate of construction, electricity, gas and water, real

estate, rent and trading, public services, education, and other community services, social and personal services has declined while that of other sub-sectors recorded growth as compared to the previous fiscal year. In non-agriculture sector, mining and exploration is expected to expand by 5.45 percent, industrial production by 1.85 percent, electricity, gas and water by 0.20 percent, wholesale and retail trade by 9.54 percent, hotel and restaurant by 6.84 percent, transport, warehouse, and communication by 6.73 percent, financial intermediation by 6.65 percent, real estate and business activities by 1.64 percent, public administration and defense by 3.31 percent, education by 4.11 percent, health and social work by 6.95 percent, other community, social and personal service activities by 5.20 percent, and that of construction sub sector is estimated to grow by 1.57 percent.

5. The world economic growth slowed down in 2012 in comparison to the year 2011. According to the World Economic Outlook, IMF, published in April 2013, world economy, which had grown by 4.0 percent in 2011, grew only by 3.2 percent in 2012. Regional comparison shows that except for Middle East and North Africa, growth rate of all regions have slowed down in this period. Despite the respite witnessed in global recession observed in 2007 – 09, global production rate is not expected to improve much due to factors like, lack of improvement in global economy as expected; the still lingering European debt crisis; and the slowed down growth rate of emerging economies. According to IMF forecast, the world production in years 2013 and 2014 is estimated at 3.3 percent and 4.0 percent, respectively.
6. Economies of South Asian Countries namely Afghanistan, Bhutan, Nepal and Pakistan have recorded positive growth. The reason for Nepal recording such growth is because data for FY 2011/12 is based on progress achieved by July 2012. Growth rate of both India and Bhutan that had recorded double digit growth in 2010 has also come down. As growth rate of European and American countries exert direct influence on economies of South Asian countries, lower economic growth rate in the region is the

reflection of economic growth rate in those countries. Likewise, economic growth rate of China the neighbor of South Asian countries, which had achieved double digit growth rate in the decade of 2000 A.D., has also slowed down in 2012.

7. Gradual change in the economic structure of Nepal is clearly visible. There is a decreasing trend of contribution of agriculture and industry sectors to the GDP while that of services sector is increasing. Observation of sectoral basis shows the contribution of primary, secondary, and tertiary sectors stood at 35.3 percent, 14.4 percent, and 50.3 percent, respectively. In comparison to previous fiscal year the contribution is higher by 0.99 percentage point, and lower by 0.05 percentage point for primary and secondary sectors, respectively. In the same period, contribution of tertiary sector increased by 0.94 percentage point. Similarly, by classifying GDP into agriculture and non-agriculture sector reveals that contribution of the former has decreased while that of the latter has shown marginal increase. Among sub-sectors of agriculture, fishery is estimated to contribute 35.3 percent and leaving the remaining 64.7 percent to other sub-sectors. Such shares in the previous fiscal year stood at 36.3 percent and 63.7 percent, respectively.
8. The share of investment on GDP in the current fiscal year increased from 88.5 percent to 90.7 percent. In this year, share of the private sector and that of government on GDP stood at 79.2 percent and 9.8 percent, respectively. Gross consumption expenditure, shares of the private, government, and non-profit institutions stood at 87.3 percent, 10.8 percent and 1.9 percent, respectively. The share of government consumption has declined in the current fiscal year. Of the gross consumption, shares of food grain and services were 65.6 percent and 10.7 percent, respectively.
9. The share of investment on GDP that stood at 34.9 percent in the previous fiscal year is estimated to grow by 2.9 percentage points in the current fiscal year reaching 37.8 percent. Of this, the share of gross capital formation is 21.2 percent. The private sector has

contributed largely in gross capital formation with 81.1 percent share with government sharing the rest 18.9 percent. There has been a decline in the share of saving in GDP in the current fiscal year. The share of Gross Domestic Saving on GDP in this year stood at 9.3 percent while Gross National Saving has reached 38.4 percent. In the current fiscal year, Gross Domestic Saving is estimated to reach Rs. 158.86 billion and Gross National Saving to Rs. 653.49 billion.

10. Growth has been observed in Nepal's gross national disposable income. In the current fiscal year, such income grew by 11.3 percent at current prices. Per Capita Gross Income in this fiscal year is estimated to reach Rs. 62,510 or US Dollar 717. Likewise, based on Gross National Income, per capita income of Nepali is estimated to reach Rs. 62,797 or US Dollar 721.0. The major reason for rise in disposable income is attributable to increased inflow of remittance and the growth in production of the services sector.
11. The share of trade deficit to GDP has been growing. Shares of exports and imports on GDP in the current fiscal year have reached 11.3 percent and 38.8 percent, respectively. The share of trade deficit on GDP that was 23.4 percent in the previous year is estimated to reach 28.4 percent in this year.
12. Government expenditure in fiscal year 2011/12 totaled Rs.339.16 billion with a growth of 14.8 percent. In the current fiscal year 2012/13, it is estimated to grow by 19.4 percent reaching Rs. 404.82 billion. Of this, recurrent expenditure totaled Rs. 279.01 billion, capital expenditure Rs. 66.13 billion, and Rs. 59.68 billion on financial arrangement. Revenue mobilization in the current fiscal year is estimated to grow by 18.5 percent and reached Rs. 289.60 billion. This total is estimated to comprise Rs. 252.57 billion as tax revenue, and Rs. 37.03 billion as non-tax revenue. Revenue mobilization in fiscal year 2011/12 had grown by 23.2 percent.
13. The ratio of outstanding debt to GDP in the first eight month of the current fiscal year has decreased. Such ratio in fiscal year 2011/12 that stood at 34.1 percent has come down to 30.1 percent during first eight months of the current fiscal year 2012/13. Likewise, the ratio of foreign debt changed from 20.1 percent in the previous

fiscal year to 17.6 percent and that of domestic debt from 13.9 percent to 12.4 percent in the same period.

14. Inflation rate in the current fiscal year has gone up in comparison to previous year. The aggregate consumer price index in mid-March of the previous fiscal year was 7.0 percent, which has gone up to 10.2 percent in the same period of this fiscal year. Annual percentage point inflation rate on food items and non-food items in this period recorded a growth of 11.3 percent and 9.3 percent, respectively. In the previous fiscal year such growth was 4.2 percent and 9.4 percent, respectively. It shows inflation rate has increased on both food and non-food items.
15. In the first eight months of the current fiscal year the broad money supply grew by 6.2 percent as a result of notable growth in net foreign assets. Narrow money supply expanded by 8.3 percent in the same period. In this period, net foreign asset (foreign exchange profit and loss adjusted) increased by 11.78 billion while domestic loan rose by 8.9 percent.
16. In the first eight months of the current fiscal year 2012/13, banks and financial institutions have collected deposit of Rs. 163.14 billion amounting a total deposit of Rs. 1080.44 billion by mid-March, 2013. During this period, credit flow of such banks and financial institutions increased by Rs. 126.03 billion and stood at Rs. 931.34 billion.
17. Security market has seen some progress in the current fiscal year. NEPSE, the indicator of share market has remained at 454.72 point in the first eight months of the current fiscal year which is higher by 73.8 percent than that of corresponding period of previous fiscal year. Likewise, by the first eight months of the current fiscal year, the market capitalization has increased by 80.5 percent to Rs. 529.72 billion as compared to the same period of previous fiscal year. In addition to this, the transacted amount rose by 168.2 percent to Rs. 141.54 billion during this period as compared to the corresponding period of previous fiscal year.
18. During the first eight months of the current fiscal year 2012/13, the total export rose by 4.2 percent to Rs. 51.01 billion while import increased by 20.4 percent and reached Rs. 360.56 billion.

19. The balance of payment remained favorable in the current fiscal year. During the first eight months of the current fiscal year, the balance of payment surplus stood at Rs. 11.78 billion due to increased remittance income with the increased volume of reimbursement from the donors. During the same period of previous fiscal year, balance of payment surplus stood at Rs. 81.09 billion. The remittance income has increased by 19.6 percent and reached Rs. 430 billion during this period as against its growth of 41.8 percent in previous fiscal year 2011/12. This income had remained at Rs. 359.60 billion last year.
20. During the first eight months of the current fiscal year, the foreign exchange reserve has increased significantly totaling Rs. 453.61 billion. The total reserve stood at Rs. 368.1 billion during the corresponding period of previous fiscal year. Based on the import figure of the first eight months of the current fiscal year, this foreign exchange reserve is able to cover imports of goods for 10.2 months and imports of goods and services for 8.8 months.
21. Nepal's Third Living Standard Survey (NLSS-III) that was made public in fiscal year 2010/11 had revealed that 25.16 percent of total population was living below absolute poverty line. According to the same survey, Ginny coefficient that determines inequality declined from 0.41 percent to 0.33 percent which indicates decline in income inequality. The poverty rate that was targeted to reduce to 21 percent by the end of current fiscal year has dropped to 23.8 percent.
22. The industrial indicator that has increased by 4.1 points in FY 2011/12 and reached 111.6 as compared to its preceding year. Indicators of industrial commodities such as mustard oils, rice, noodles, sugars, liquors, beers, soft drinks, jute products, woolen carpets, readymade metal products, medicines, plastic made commodities, GI Pipes, wire and cables, processed tea, threads have increased while that of vegetable ghee, soya bean oil, biscuits, cotton clothes, garments, lube oil, processed leather, rosin, cement and cigarette like products have fallen in the fiscal year 2011/12.

23. The number of tourist arrival In Nepal has increased by 9.08 percent in 2012 as compared to its previous year reaching 803,092. The average stay of tourist in Nepal was 13.12 days in 2011 while this came down to 12.87 days in 2012. During this period, income generated through tourism sector was Rs. 30.7 billion while tourist per capita expense was US \$34.93. The contribution of tourism sector to GDP has been 1.8 percent while this sector has provided employment directly to 160 thousand people.
24. Total energy consumption has increased by 0.73 percent and reached 10,229 Tons of Oil Equivalent (ToE) in FY 2011/12 as compared to its preceding FY 2010/11. During the first eight months of current fiscal year, this consumption reached 6,597 ToE which is less by 19.58 percent as compared to the corresponding period of previous fiscal year. Of the total energy consumption in FY 2011/12, traditional energy accounted for 85.16 percent, commercial energy 14.03 percent and renewable energy 0.78 percent, respectively while these consumptions stood at 86.1 percent, 13.13 percent and 0.77 percent in the first eight months of the current fiscal year.
25. A total of 705 MW of electricity was generated by the end of fiscal year 2011/12 while 746 MW of electricity has been generated by mid-March of current fiscal year. During this period, a total of 1987 Km transmission line has been constructed with the construction of 98,000 Km distribution line. Energy supply totaled 4205 Giga Watt Hour (GWH) electricity including thermal energy, import from India and private and public sector's hydroelectricity production. Such supply totaled at 3858 GWH in its preceding year.
26. The consumption of petroleum products has increased by 5.4 percent totaling 680,540 Kilo liters (KL) and LP Gas by 17.2 percent totaling 133,271 MT in the first eight months of the current fiscal year as compared to the corresponding period of previous fiscal year. Of the total consumption of petroleum products except LP Gas, Diesel accounts for 65.2 percent, kerosene 2.6 percent,

petrol 20.8 percent and aviation fuel 11.4 percent during this period.

27. During the current fiscal year, 128 Km black topped road, 169 Km graveled road, 194 Km earthen (fair weather) road have been constructed while by mid-March 2012/13, 10,320 Km black topped road 5,828 Km graveled road, 8,435 Km earthen (fair weather) road have been constructed all across the country. The number of vehicles plying on these roads has reached 1,491,422. The number of vehicles has increased by 40 percent to that of previous fiscal year only in the first eight months of the current fiscal year.
28. By the first eight months of the current fiscal year, the total number of telephone subscribers reached 19,615,076 across the country. Of this, the mobile phone users are more than 85 percent. There are 6 different telephone service providers. During this period, 489 FM service providers have secured license while 363 radio broad casting companies are in operation. Likewise, a total of 6,590 newspapers are in operation.
29. There has been notable progress in education sector in FY 2012/13. In this academic year, the enrolment at primary level accounts for 95.3 percent while 87.5 percent for basic education and 32.4 percent for secondary level education. Such enrolment rate stood at 95.1 percent, 86.6 percent and 30.6 percent, respectively, in the previous academic year. During the academic session 2012, a total of 4,576,693 students at primary schools, 1,823,192 students at lower secondary schools, 878,047 students at secondary schools are studying. The number of schools has also grown where 34,298 schools of primary level, 14,447 that of lower secondary level and 8,416 school of secondary level is in operation.
30. The goals of education sectors among the major goals of the Millennium Development Goal (MDG) have been greatly achieved. The infant mortality rate of children below 5 years that was 118.3 per thousand in 1996 has dropped to 55 per thousand in 2011, while maternal mortality rate was 539 per 100 thousand which has dropped to 250 per 100 thousand. During the first eight

months of current fiscal year 2012/13, a total of 169,928 patients were admitted in the hospital and treated while 1,310,022 patients received out-patient (OPD) service and 307,854 patients received emergency service. A total of 4,393 health institutions including 105 hospitals, 2,175 health posts, 293 homeopathic hospitals and pharmacies, 1,615 sub-health posts, 15 bedded rural hospital and others have been delivering health services across the country by mid-March, 2013.

Macroeconomic Indicator

Macroeconomic Indicators

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
ECONOMIC ACTIVITIES												
Real GDP (At Basic Price)	Annual % Change	3.8	4.4	3.2	3.7	2.8	5.8	3.9	4.3	3.9	4.5	3.6
Agriculture	Annual % Change	3.3	4.7	3.5	1.9	1	5.8	3	2	4.5	5.0	1.3
Industry	Annual % Change	3.1	1.5	2.9	4.4	4	1.6	-0.6	4.1	4.4	3.0	1.5
Service	Annual % Change	3.7	6.8	3.3	5.6	4.5	7.3	6	5.8	3.4	4.5	6.0
Real GDP (At Producer's Price)	Annual % Change	3.9	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.6	3.7
Per Capita Real GDP (At Constant Price)	Annual % Change	1.7	2.4	1.2	1.1	6.3	4.6	3.1	3.4	2.5	3.5	2.3
Per Capita Gross National Income (At Constant Price)	Annual % Change	1.6	2.3	2.1	1.9	6.9	4.6	3.3	3.7	2.1	3.8	1.9
GDP (At Current Price)	Annual % Change	7.1	9	9.8	11	11.3	12.1	21.2	20.7	15.3	11.7	10.8
Gross National Income (At Current Price)	Annual % Change	7.1	8.9	10.5	11.5	11.6	12	21.4	20.2	15.0	12.2	10.2
Gross National	Annual %	7.6	9.3	11.1	14	10.1	16.5	24.2	18.8	13.9	16.8	11.3

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Disposable Income	Change											
(At Current Price)												
Per Capita GDP	US Dollar	261	293	328	350	410	491	497	610	718	706	717
Per Capita GNI	US Dollar	261	292	329	352	414	496	502	614	722	713	721
Per Capita GNDI	US Dollar	301	339	383	420	487	606	628	759	883	907	926
Real GDP (AtBasic Price)*	Rs. in billion	429.7	448.7	463.2	480.4	493.7	522.3	542.7	565.8	587.5	613.9	635.8
Agriculture	Rs. in billion	165.8	173.7	179.8	185.4	187.2	198.1	204.0	208.1	217.4	228.3	231.3
Industry	Rs. in billion	76.5	77.6	79.9	81.2	84.4	85.8	85.3	88.7	92.6	95.4	96.8
Service	Rs. in billion	199.9	213.5	220.6	233.0	243.5	261.4	277.1	293.3	303.3	317.0	336.1
Real GDP (AtProducer's Price)	Rs. in billion	459.5	481.0	497.7	514.5	532.0	564.5	590.1	618.5	639.7	670.7	695.2
Per Capita GDP (In 2000/01 Price)	Rs.	18984	19436	19670	19884	21129	22110	22793	23561	24144	24979	25545
Per Capita Gross National Income (In 2000/01 Price)	Rs.	18962	19401	19802	20186	21569	22567	23301	24152	24655	25583	26079
Nominal GDP (At Producer's Price)	Rs. in billion	492.2	536.8	589.4	654.1	727.8	815.7	988.3	1192.8	1375.0	1536.0	1701.2

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Gross National Income (in current price)	Rs. in billion	491.6	535.1	591.1	659.0	735.3	823.6	1000	1201.9	1382.5	1550.8	1709.0
Gross National Disposable Income (in current price)	Rs. in billion	567.1	620.0	688.8	785.2	864.3	1006.4	1249.5	1485.5	1690.4	1973.6	2195.8
Per Capita GDP (in current price)	Rs.	20337	21689	23292	25279	28905	31946	38172	45435	51896	57202	62510
Per Capita GNI (in current price)	Rs.	20309	21620	23357	25471	29200	32257	38626	45782	52181	57753	62797
Per Capita GNDI (in current price)	Rs.	23430	25051	27218	30346	34323	39417	48262	56549	63800	73497	80685
Gross Consumption/GDP	in %	91.4	88.3	88.4	91.0	90.2	90.2	90.6	88.6	85.5	88.5	90.7
Gross Domestic Savings/GDP	in %	8.6	11.8	11.6	9.0	9.8	9.8	9.4	11.4	14.5	11.5	9.3
Gross National Savings/GDP	in %	23.8	27.3	28.4	29.0	28.6	33.2	35.9	35.9	37.4	40.0	38.4
Gross Fixed Capital Formation/GDP	in %	19.9	20.3	19.9	20.7	21.1	21.9	21.4	22.2	21.3	20.0	21.2
Government Investment in Gross Fixed Capital Formation/GDP	in %	3.0	2.8	2.9	2.7	3.4	4.0	4.5	4.5	4.6	4.7	4.0

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
<i>Private Investment in Gross Fixed Capital Formation/GDP</i>	in %	16.9	17.5	17.0	18.0	17.7	17.8	16.9	17.7	16.6	15.4	17.2
<i>Gross Capital Formation/GDP</i>	in %	21.4	24.5	26.5	26.9	28.7	30.3	31.7	38.3	38.4	34.9	37.8
<i>Gap between Gross Domestic Savings and Gross Investment/GDP</i>	in %	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.3	-26.9	-23.8	-23.4	-28.5
Total Population	10 Million	2.38	2.41	2.45	2.48	2.52	2.55	2.59	2.63	2.65	2.69	2.72
Price												
Consumer Price Index³	Annual % Change	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	10.6*
GDP Deflator²	Annual % Change	3.1	4	5.9	6.9	7.3	5.6	16.1	14.4	11.7	6.7	6.7
Primary Sector	Annual % Change	0.7	2.8	3.5	4.4	6.1	3.3	21.4	25.1	15.6	3.1	6.2
Secondary Sector	Annual % Change	4.1	5.4	5.5	3.6	5.7	11.0	14.4	9.2	13.6	3.6	9.3
Service Sector	Annual % Change	4.7	4.5	7.8	9.9	8.3	5.3	12.9	8.9	8.2	10.4	6.3
Wholesale Price Index⁴	Annual % Change	3.8	4.1	7.3	8.9	9	9.1	12.8	12.6	9.8	6.4	9.8*
Salary and Wages Rate Index⁵	Annual % Change				3.9	9.8	9.7	15.3	17.2	18.0	27.4	7.8

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
<i>Salary</i>	Annual % Change				0.3	6.3	10.9	10.5	20.2	0.0	19.3	0.0
<i>Wages</i>	Annual % Change				5.3	10.9	9.4	16.9	16.3	24.0	29.6	9.6
PUBLIC FINANCE++												
<i>Revenues</i>	Annual % Change	11.5	10.9	12.5	3.1	21.3	22.7	33.3	27.2	11.4	23.2	18.5
<i>Total Government Expenditures</i>	Annual % Change	4.9	6.5	14.7	8.1	20.5	20.8	36.1	18.2	13.7	14.8	19.4
<i>Recurrent Expenditure</i>	Annual % Change	6.6	6.6	11	8.6	15.1	18.6	39.7	18.2	12.6	15.8	14.6
<i>Capital Expenditure</i>	Annual % Change	-9.8	3.3	18.4	8.3	34.2	34.7	36.6	23.5	16.8	8.6	28.7
<i>Principle Payments</i>	Annual % Change	48.6	12.9	25.4	5.4	17.4	-2.2	14.9	-2.1	-6.6	17.1	53.1
<i>Debt Servicing (Principal & Interest)</i>	Annual % Change	32.6	7.2	13.9	3.4	12.2	-0.7	18.6	5.3	5.4	17.9	
<i>Revenue/GDP</i>	in %	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.1	14.7	15.9	17.0
<i>Tax Revenue/GDP</i>	in %	8.3	9	9.2	8.8	9.8	10.4	11.8	13.4	12.9	13.8	14.8
<i>Non-Tax Revenue/GDP</i>	in %	2.8	2.6	2.7	2.3	2.3	2.8	2.7	1.5	1.5	2.1	2.2
<i>Total Government Expenditure/GDP</i>	in %	17.1	16.7	17.4	17	18.4	19.8	22.2	21.8	21.5	22.1	23.8
<i>Recurrent</i>	in %	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.7	15.3	15.8	16.4

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Expenditure/GDP												
Capital Expenditure/GDP	in %	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.6	3.4	3.4	3.9
Principal Payment/GDP	in %	1.9	2	2.3	2.2	2.3	2	1.9	1.5	1.3	1.3	1.8
Debt Servicing (Principal & Interest)/GDP	in %	3.3	3.2	3.4	3.1	3.1	2.8	2.7	2.4	2.2	2.3	
Foreign Grants/GDP	in %	2.3	2.1	2.4	2.1	2.2	2.5	2.7	3.2	3.3	2.6	2.7
Budget Deficit/GDP	in %	3.3	2.9	3.1	3.8	4.1	4.1	5	3.5	3.6	3.5	3.7
Foreign Loan/GDP	in %	0.9	1.4	1.6	1.3	1.4	1.1	1	0.9	0.9	0.7	1.5
Domestic Loan/GDP	in %	1.8	1	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	2.2
Grants and Loans Received/GDP	in %	3.2	3.5	4	3.4	3.6	3.6	3.7	3.2	3.3	2.7	2.8
Total Outstanding Debt	Rs. in billion	308.1	318.9	314.4	337.7	332.7	375.6	425.1	440.4	443.6	523.2	511.1
Outstanding Domestic Debt	Rs. in billion	60.0	84.6	86.1	94.7	103.8	116.0	125.7	148.1	184.2	213.9	211.7
Outstanding Foreign Debt	Rs. in billion	223.4	232.8	219.6	233.97	216.6	250	277	256.2	259.6	309.3	299.4
Per capita	Rs.	12939.7	13209	12839	13602	13212	14711	16416	16773	15576	19484	18780

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Outstanding Debt												
Total Outstanding Debt/GDP	in %	62.6	59.4	53.3	51.6	45.7	46.1	43.0	36.9	32.3	34.1	30.1
Outstanding Domestic Debt/GDP	in %	17.2	16.0	16.1	15.9	15.9	15.4	15.0	15.4	13.4	13.9	12.4
Outstanding Foreign Debt/GDP	in %	45.4	43.4	37.3	35.8	29.8	30.6	27.9	21.5	18.9	20.1	17.6
Outstanding Foreign Debt/Revenue	in %	397.4	373.5	313.2	323.7	247	232.3	197.9	160.4	130.8	126.6	103.6
Outstanding Foreign Debt/Export	in %	447.5	431.8	374.1	388.4	364.8	421.8	409.2	421.2	403.5	416.5	587.0
Debt Service (Principal and Interest Payments)/Recurrent Expenditure	in %	31.1	31.2	32.0	30.5	29.7	24.9	21.1	15.2	14.3	14.5	
Outstanding Foreign Debt/Foreign Exchange Reserve	in %	206.4	178.8	169.1	141.8	131.2	117.6	97.4	95.3	95.4	70.4	66.0
Money and Banking##												

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
<i>Domestic Credit</i>	Annual % Change	10.4	9.9	13.8	15.1	11.7	21.3	27.1	17.2	14.6	9.0	8.9
<i>Private Sector</i>	Annual % Change	13.2	14.3	14.2	23.6	12.3	24.3	29.0	14.2	13.9	11.3	15.6
<i>Net Government Credit</i>	Annual % Change	5.9	-1.8	11.3	11.1	10.4	11.2	20.4	26.9	19.7	-0.3	-24.8
<i>Share of the Private sector in the Banking Sector credit</i>	in %	67.4	70.1	70.3	75.5	75.8	77.7	78.9	80.2	79.7	81.4	86.4
<i>Narrow Money Supply (M1)</i>	Annual % Change	8.6	12.2	6.6	14.2	12.2	21.6	27.3	8.0	5.2	18.5	1.6
<i>Currency</i>	Annual % Change	2.2	11.1	8.8	13.1	7.4	19.9	25.5	13.0	1.9	20.1	8.3
<i>Current Deposits</i>	Annual % Change	25.0	14.5	2.2	12.3	22.8	25.0	30.5	7.6	11.4	15.7	-10.5
<i>Broad Money Supply(M2)</i>	Annual % Change	9.8	12.8	8.3	15.4	14.0	25.2	27.3	14.1	12.3	22.7	6.2
<i>Fixed and Saving Deposits</i>	Annual % Change	10.4	13.1	9.2	16.7	14.9	27.0	27.3	15.5	14.8	24.0	7.6
<i>Total Domestic Credit/GDP</i>	in %	45.5	45.9	47.5	49.3	49.5	53.6	56.2	66.8	66.4	66.7	63.7
<i>Private Sector Credit/GDP</i>	in %	30.7	32.1	33.4	37.2	37.6	41.7	44.4	53.5	52.9	52.7	55.0
<i>Net Government Credit/GDP</i>	in %	11.9	10.7	10.8	10.9	10.8	10.7	10.6	11.4	11.9	10.6	7.2
<i>Narrow Money Supply/GDP</i>	in %	17.0	17.5	17.0	17.3	17.4	18.9	19.9	17.8	16.2	17.2	15.8
<i>Current</i>	in %	5.5	5.7	5.3	5.4	6.0	6.6	7.2	6.1	5.9	6.1	4.9

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Deposit/GDP												
Broad Money Supply/GDP	in %	50.0	51.7	51.0	53.0	54.3	60.7	63.8	68.8	67.1	73.6	70.6
Fixed and Saving Deposits/GDP	in %	32.9	34.2	34.0	35.7	36.9	41.8	43.9	51.0	50.8	56.4	54.8
External Sector												
Export (Goods)	Annual % Change	6.4	8.0	8.9	2.6	-1.4	-0.2	14.2	-10.2	5.8	15.4	4.2
Import (Goods)	Annual % Change	15.8	9.6	9.7	16.3	12.0	14.0	28.2	31.6	5.8	16.5	20.4
Export/Import Ratio	Annual % Change	40.2	39.6	39.3	34.7	30.5	26.7	23.8	16.2	16.2	16.1	13.9
Trade Deficit	Annual % Change	23.1	10.7	10.2	25.1	19.2	20.2	33.3	44.6	5.8	16.7	23.5
Income from Tourism	Annual % Change	35.7	54.5	-42.3	-8.7	6.0	84.2	49.9	0.6	-12.5	24.8	4.0
Expenditure on Tourism	Annual % Change	7.7	62.4	-3.3	23.4	32.0	32.2	50.5	2.8	-14.4	-6.8	80.0
Remittance Income	Rs. in billion	54.203	58.6	65.5	97.7	100.1	142.7	209.7	231.7	253.6	359.6	430.0
Remittance Income	Annual % Change	14.0	8.1	11.9	49.0	2.5	42.5	47.0	10.5	9.4	41.8	19.6
Current Accounts Balance	Rs. in billion	11.6	14.6	11.5	14.2	-0.9	23.7	41.4	-28.1	-12.9	76.0	26.5
Export/GDP	in %	10.1	10.0	10.0	9.2	8.2	7.3	6.9	5.1	4.7	4.8	4.0
Import/GDP	in %	25.3	25.4	25.4	26.6	26.8	27.2	28.8	31.4	28.9	29.6	29.0

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Total Trade/GDP	in %	35.4	35.4	35.3	35.8	34.9	34.5	35.6	36.5	33.6	34.4	33.0
Trade Deficit/GDP	in %	-15.1	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-26.3	-24.2	-24.9	-24.9
Income from Tourism/GDP	in %	2.4	3.4	1.8	1.5	1.4	2.3	2.8	2.4	1.8	2.0	1.7
Expenditure on Tourism/GDP	in %	1.3	1.9	1.6	1.8	2.2	2.6	3.2	2.7	2.0	1.7	2.4
Remittance Income/GDP	in %	11.0	10.9	11.1	14.9	13.8	17.5	21.2	19.4	18.5	23.1	22.4
Current Accounts Balance/GDP	in %	2.4	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	4.9	1.4
Balance of Payments	Rs. in billion	4.4	16.0	5.7	25.6	5.9	29.7	44.8	-3.3	2.2	131.6	11.8
Foreign Exchange Reserves	Rs. in billion	108.2	130.2	129.9	165.0	165.1	212.6	286.5	268.9	272.2	439.5	453.6
Foreign Exchange	Annual % Change	2.2	20.3	-0.2	27.0	0.1	28.8	34.8	-5.4	1.2	61.5	8.0
Capacity of Reserves to cover Import of Goods	Months	10.7	11.8	10.7	11.5	10.6	11.7	12.2	8.7	8.4	11.6	10.2
Capacity of Reserves to Cover Import of Goods and Services	Months	9.2	9.9	9.0	9.7	8.7	9.4	10.0	7.4	7.3	10.3	8.7

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13*
Exchange Rate ⁶	Per US Dollar=Rs.	77.8	73.8	72.1	72.3	70.5	65.0	76.9	74.5	72.3	81.0	87.1

¹Annual Preliminary Estimates²Base Year 2000/00=100;³Base Year 2005/06=100⁴Base Year 1999/2000=100⁵Base Year 2004/05=100

⁶Annual Average of Buying and Selling Rates

* Data for the first 10 months of the current fiscal year to the extent available, while it is for eight months in respect of other fiscal years.

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

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

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

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

Major Challenges of the Economy

Major Challenges of the Economy

1. Achieving higher rate of economic growth rate is imperative for leading the country to prosperity. It is a challenge to build foundation for achieving these objectives. Achieving higher rate of economic growth rate in the context of the country's average growth rate of 3.7 percent in the past decade would really be a challenge.
2. Agriculture plays major role in raising or lowering Nepal's economic growth rate. Higher production of agriculture made it possible to achieve growth rate of 4.5 percent in the previous year while it got contained to 3.6 percent due to lower production of agriculture. Hence, it is a challenge to raise the aggregate economic growth rate and the growth rate of agriculture as well by raising agriculture production.
3. Poverty remains as a major issue of the country. Success in reducing poverty by 1.4 percent in past three years against the target of reducing it by 4.2 percent has thrown more challenge to reducing poverty in coming days.
4. Containing inflation within desirable limit remains a challenge. Despite the fact that price rise to a certain limit is necessary for the growth of production and economy, but containing inflation is necessary in a situation whereby production within the country is not growing amid rising dependency on imported goods thereby adding owes to the livelihood of the people. It is a challenge to contain inflation within certain limit that is currently hovering around 10 percent.
5. The ever rising trade deficit has become a major worry. Export trade could not grow to the desired extent due to failure in raising domestic production and productivity. As a result, trade deficit figure is rising year by year. The task of reducing trade deficit by raising domestic production has become an additional challenge.

6. The spending capacity of government entities has not increased. Capital expenditure has been very low as compared to budgetary allocations. As infrastructure development is not possible without capital expenditure, spending capacity enhancement of public entities is a must. Ending the trend of getting closer to spending the recurrent recurrent budgetary allocation, but lesser spending of capital budget is still a challenge.
7. The task of prioritizing of government expenditure has also become very tough. Placing most of the projects/programs in priority one category shows as if all projects/programs are of the same priority. Such a practice of non-prioritization of expenditure has not only adversely affected towards achieving results, but also in managing public expenditure. Hence, achieving integrated and coordinated results through prioritization of public expenditure has become more challenging.
8. The growth rate of industry sector is still gloomy. Due to imperativeness of industrial production for economic development, raising industrial production through maximum utilization of domestic and external resources by creating industry-friendly environment; develop the proper human resource for industrial growth; develop industrial infrastructure; expand the market for industrial production; and raising industrial productivity are some other challenges posed to this sector.
9. Sufficient foreign investment could not be attracted despite the presence of appropriate policy and legal arrangements for such investments. Hence, attracting adequate foreign investment by removing roadblocks to investment is also a challenge.
10. It is not feasible for the government to invest in all areas. For this, investment mutually coordinated investment of government and the private sector is necessary. Augmenting investment in infrastructure development and other areas in the Public Private

Partnership (PPP) model and by putting appropriate legal, policy, structural and working arrangements in place stands as another challenge.

11. It is necessary to raise the level of investment in various sectors of infrastructures. Infrastructure development through optimum utilization of the government, private and foreign investment sources amid the constraint of funding source of the government, and carry on the task of social transformation is still another challenge.
12. Persistent liquidity problem is seen in banks and financial institutions. It remains a challenge of raising the liquidity management capacity of these institutions in the context of liquidity fluctuating between excessive and shrunken conditions from time to time due mainly to weakness observed in developing the strategy instantaneously as per the market demand.
13. Rise in the numbers of banks and financial institutions are making their regulation process difficult and complex. Such a situation calls for encouraging the merger of these institutions. Likewise, the task of country-wide expansion of financial services is getting more and more challenging.
14. The condition of capital market is generally normal. Despite importance of the role of the capital market in enhancing investment by bringing together the capital scattered throughout the country, there is presence of limited businesses in this market. Amid such a situation, on one hand it is a challenge of bringing the traditional and family businesses into this fold, bringing in institutional investment into the capital market is on the other.
15. Time to time emergence of problems in the cooperative sector, holding more than 15 percent share of the finance sector, has been making overall financial sector suspicious. Development of an

appropriate mechanism for regulating savings and credit cooperatives and strengthening it is another challenge.

16. The trend of overseas employment is on the rise due to lack of employment opportunities within the country amid the growing number of labor force making entry into the labor market annually. It is a challenge to raise production and productivity within the country while creating employment opportunities domestically.
17. In the context of rising numbers of overseas employees annually, on one hand is the challenge of developing mechanism and system for not exhausting the whole remittance income on consumption, but investing part of it in the productive sector, appropriately managing the returnees from overseas employment is also a challenge on the other.
18. Achievement from the tourism sector could not be made as expected despite abundant potential of this sector as it could not be developed to its maximum. Development of tourism infrastructure through development of touristic commodities and services, and their marketing and increased access as mediums remains as another challenge.
19. The greater portion of the population is still farther from the social development perspective though social indicators seem positive. Proportional development of the social services sectors like education, health, drinking water and sanitation has become more challenging.
20. Management of Public Enterprises is getting complex. It remains challenge of restructuring them as necessary by reclassifying them; initiating the process of disinvestment or liquidation; and managing the existing employees. In the context of huge amount against salary and allowance being borne from the State coffer

even though a number of Public Enterprises have been closed for long, resolving this issue has become more of a challenge.

21. Ever extending political transition has casted its shadow also on the economy. In the context of economic agenda overshadowed by the political one, bringing the political transition to an end as soon as possible; all sides stand together on the economic agenda; and carry ahead economic development activities at an easy pace remains as a major challenge.

1. Overall Economic Situation

1. Overall Economic Situation

- 1.1 Since last few years, economic and social development activities are being carried out with objectives of reducing poverty by achieving broader and sustainable economic growth, bringing desirable change in lifestyle of entire Nepalese by adopting inclusive development process, and laying foundation to transform Nepal into a prosperous nation. For this, policy, legal and structural arrangements have been made together with clear delineation of roles of the government, the private sector, the cooperatives, and Nepal's international development partners. Mobilization of local resources by encouraging community based activities has also yielded positive results.
- 1.2 Observation of statistics for first eight months of the current fiscal year 2012/13 shows overall economic situation of the country positive in general. Still, several economic indicators are visibly weaker. Specially, lower rate of economic growth, increasing trade deficit, and inability to contain inflation rate within desirable limit remain as issues and challenges. Raising domestic productivity and production is necessary to address these three imminent challenges.
- 1.3 As a result of the country awarding priority to poverty reduction, rate of population living below the poverty line has come down by 24 percentage points between FY 1993/94 and FY 2009/10. During this period, poverty declined by an annual average rate of 1.4 percentage points and then grew only by 0.47 percentage points in three subsequent years. People living below poverty line in the current fiscal year are estimated at 23.8 percent.
- 1.4 Economic growth and poverty are interrelated. Generally, economic development is believed to reduce poverty. Observation of the statistics of last 15 years shows that poverty has notably come down despite lower economic growth rate, meaning that reducing would be much easier if economic growth

rate could be raised. Per capita income of Nepalese also could not rise significantly in previous years due to failure towards attaining higher economic growth. Per capita income of Nepali in terms of Nepalese currency at current prices has reached Rs. 62,510. Per capita income of Nepalese people was US\$ 717 in mid-March, 2012, but this slid down to US\$ 658 by the third week of June 2013 due to depreciation of Nepalese currency against US Dollar. Such income stood at \$718 in FY 2010/11.

- 1.5 Higher economic growth can never be attained unless domestic production and productivity rise. According to preliminary data, economy in FY 2012/13 is estimated to grow by 3.56 percent at base prices and 3.65 percent at producers' prices against the estimated 5.5 percent. Such growth rates at the base price were 4.48 percent in previous FY 2011/12 and 3.85 percent in its preceding year. A number of factors like ever extending political transition, problems in industrial environment, low private sector investment, energy crisis, lower credit expansion of banks have restricted the growth of industrial production resulted in sluggish economic activities of the non-agriculture sector thereby restricting this sectors growth to 4.98 percent. Growth rate of agriculture also stood at 1.26 percent with decline in production of food grains due to absence of timely monsoon rainfall and insufficient rainfall in the winter.
- 1.6 The preceding decade was not encouraging for Nepal in terms of economic growth. Except for achieving 5.8 percent economic growth in FY 2005/06, growth rate in other years remained got limited either to 4 percent or close to it. In fiscal year 2006/07, growth rate stagnated to 2.8 percent. As such, the country could achieve the average economic growth rate 4 percent in the last ten years. During this period, sector-wise growth was also not that encouraging. Average growth rates of agriculture, industry and services sectors also stood at 3.3 percent, 2.7 percent and 5.3 percent, respectively.

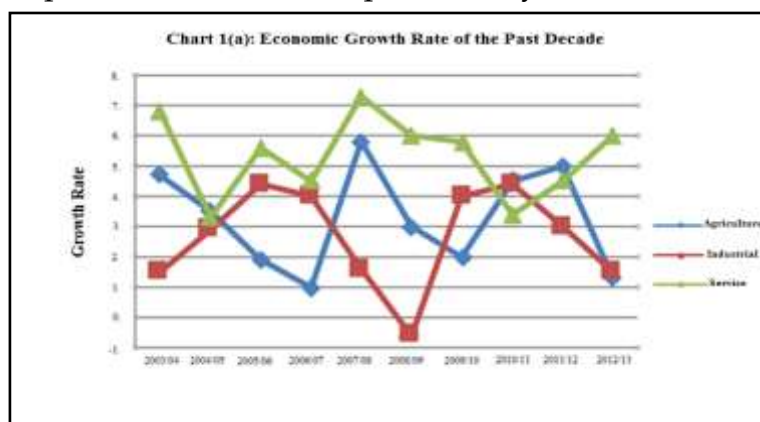
Table 1 (a): Economic Growth of the Past Decade

FISCAL YEAR	2203/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Average
Agriculture	4.7	3.5	1.9	1.0	5.8	3.0	2.0	4.5	5.0	1.3	3.3
Industry	1.5	2.9	4.4	4.0	1.6	-0.6	4.0	4.4	3.0	1.5	2.7
Service	6.8	3.3	5.6	4.5	7.3	6.0	5.8	3.4	4.5	6.0	5.3
Total	4.4	3.2	3.7	2.8	5.8	3.9	4.3	3.8	4.5	3.6	4.0

Source: Ministry of Finance

1.7 Service sector has contributed notably to overall economic growth in the previous decade. Except for two years, this sector

in all other years has registered the growth rate of more than 4.5



percent,

while that of agriculture sector registered greater fluctuations. The unstable growth trend of agriculture sector is clearly observable by this sector's failure to continuously achieve more than four percent growth rate beyond one year. Similarly, the growth rate of the industry sector could not reach even 5 percent during this whole decade, but saw a negative growth rate in FY 2008/09. The industry sector that recorded some positive growth for some period has started sliding down again since the previous fiscal year.

1.8 GDP in the current fiscal year is estimated to reach Rs. 170.1 billion at current prices with a growth of 10.8 percent. It was

153.6 billion in the previous fiscal year with an increase of 11.7 percent.

- 1.9 The change that is visible in the global economy at this period of globalization will obviously affect the Nepalese economy also. Hence, global economic growth needs to be analyzed while analyzing the growth of the Nepalese economy.
- 1.10 The world economic growth slowed down in 2012 in comparison to the year 2011. According to the World Economic Outlook published by IMF in April 2013, world economy, which had grown by 4.0 percent in 2011 grew only by 3.2 percent in 2012. Regional comparison shows that except for Middle East and North Africa, growth rate of all regions has slowed down in this period. Despite the respite witnessed in global recession observed in 2007 – 09, global production rate is not expected to improve much due to factors like, lack of improvement in global economy as expected; the still lingering European debt crisis; and the slowed down growth rate of emerging economies. According to IMF forecast, the world production in years 2013 and 2014 is estimated at 3.3 and 4.0 percent, respectively.
- 1.11 Though most of the regions recorded low growth rate in 2012, the growth rate of Middle and Eastern Europe has declined sharply by 3.6 percentage point as projected. Production in these regions had increased nominally by 1.6 percent. Among the developed countries, economic growth rates of European Union member countries has declined by 1.8 percentage points in the year 2012 compared to that of the year 2011 with negative growth rate. Likewise, the growth rates of Italy and Spain among the European countries have remained negative while that of France is zero.
- 1.12 As a result of recovery in the American economy, total output of the United States of America grew by 1.4 percentage points reaching 2.2 percent. The growth rates of Canada, Mexico and Brazil among the American Countries fell as compared to the previous year thereby recording 1.8 percent, 3.9 percent and 0.9

percent growths respectively. Japan, on the other hand saw progress in its growth rate which stood at 2 percent while the growth rate of South East Asian countries rose by 1.5 percentage points reaching 6.1 percent. Among the large Asian economies, China and India saw decline in their growth rates as compared to the previous year and grew only by 7.8 percent and 4.0 percent respectively.

Table 1 (b) : Global Economic Growth Rate

(Annual Percentage Change)

Regions	2010	2011	2012	Projection		
				2013	2014	2018
World Output	5.2	4.0	3.2	3.3	4.0	4.5
Developed Economies	3.0	1.6	1.2	1.2	2.2	2.5
Emerging and Developing Economies	7.6	6.4	5.1	5.3	5.7	6.2
Developing Asia	9.9	8.1	6.6	7.1	7.3	7.7
Middle East and North African Countries	5.5	4.0	4.8	3.1	3.7	4.6
Central and East European Countries	4.6	5.2	1.6	2.2	2.8	3.8
EU Member Countries	2.0	1.6	0.2-	0.0	1.3	2.0

Source: International Monetary Fund, 2013

1.13 Of the South Asian countries, Afghanistan, Bhutan, Nepal and Pakistan saw increased economic growth rate in 2012. Nepal felt increased economic growth as its calculation was based on the statistics taken until July 2012. India and Bhutan that attained double digit economic growth in 2010 saw decline in their growth rates. Since economic growth of Europe and United States of America directly affects the economies of South Asian Countries, economic growth of this region has declined by the change in growth rates of those countries. Likewise, China, the close neighbor of South Asian countries, that was able to attain

double digit economic growth in 2010, saw decline in its economic growth in 2011.

Table 1 (c) : Economic Growth of Neighboring Countries

(Annual Percentage Change)

Countries	2010	2011	2012	Projection		
				2013	2014	2018
Afghanistan	8.4	7.0	10.2	3.1	4.8	4.8
Bangladesh	6.4	6.5	6.1	6.0	6.4	7.2
Bhutan	11.7	8.5	9.7	6.3	8.6	10.0
India	11.2	7.7	4.0	5.7	6.2	7.0
Maldives	7.1	7.0	3.5	3.8	4.0	4.1
Nepal	4.8	3.9	4.6	3.0	4.0	4.1
Pakistan	3.1	3.0	3.7	3.5	3.3	3.0
Sri Lanka	8.0	8.2	6.4	6.3	6.7	6.5
China	10.4	9.3	7.8	8.0	8.2	8.5

Source: International Monetary Fund, 2013

Consumer Price

1.14 Continuous price rise is both the opportunity and challenge for any country. Producers are encouraged, and therefore it is regarded as an opportunity while price inflation will have negative impact on peoples' daily lives with lower economic growth resulting in no rise in consumer's income. Though monetary expansion should be kept within desirable limit through coordination between monetary and fiscal policies, strategies for resolving supply related problems and using the means of administrative control should go hand in hand. Despite the fact that adoption of monetary and fiscal strategies is not the reason for monetary inflation, supply related issues have caused higher inflationary rate in Nepal. An annual average inflationary rate in five years of last decade remained below 5 percent while this rose at higher rate in the subsequent years. The inflationary rate that rose by 12.6 percent in FY 2008/09 has remained close

to double digit growth though it had declined slightly in its successive fiscal year. The inflationary rate that remained at 8.3 percent in FY 2011/12 stood on an average of 9.98 percent in the first 10 months of the current fiscal year 2012/13.

- 1.15 There was a slight decline in global price rise in 2012 as a result of growth in aggregate demand, mainly attributable to gradual improvement in the world economy and recovery from global recession. Especially the improvement observed in the American economy and positive impact of Japan's growth rate has helped stabilize the price rise. European debt crisis and disturbed peace in African and Middle Eastern countries have resulted in price rise in those countries. Middle Eastern and African countries in particular have experienced double digit price rise. As US Dollar started getting stronger since the end of 2011, and rise in prices of precious metals including gold exerted the inflationary pressure on countries that rely on import of goods and services. IMF has projected gradual decline of such inflation in coming years.

Table 1(d) : Consumer Price based Global Inflation Rate

(Percentage)

Regions	2010	2011	2012	Projection		
				2013	2014	2018
Developed Economies	1.5	2.7	2.0	1.7	2.0	2.1
Emerging and Developing Economies	6.0	7.2	5.9	5.9	5.6	4.8
Developing Asia	5.6	6.4	4.5	5.0	5.0	3.9
Middle East and North African Countries	6.5	9.2	10.7	9.6	9.0	7.3

Regions	2010	2011	2012	Projection		
				2013	2014	2018
Middle and East European Countries	5.3	5.3	5.8	4.4	3.6	3.6
Counties of European Union	2.0	3.1	2.6	1.9	1.8	1.8

Source: International Monetary Fund, 2013

1.16 Rising inflation in countries across the globe has affected South Asian countries as well. Pressure exerted due to trade dependency of these countries on other nations of the world; soaring prices of precious metals and petroleum products; and US Dollar gaining strength have caused higher rate of inflation in these countries. However, the double digit inflation that South Asian countries had to bear has now been contained to single digit in recent years. Nevertheless, Maldives and Pakistan still have double digit price rise. The inflation rate that China had to face with unexpectedly higher price rise declined by 2.8 percentage points in 2012.

Table 1 (e): CPI based Inflationary Trend of Neighboring Countries

(Percentage)

Country	2010	2011	2012	Projection		
				2013	2014	2018
Afghanistan	7.1	10.4	4.4	6.1	5.8	5.0
Bangladesh	8.1	10.7	8.7	6.5	6.2	5.5
Bhutan	7.0	8.9	9.7	10.2	9.1	6.0
India	12.0	8.9	9.3	10.8	10.7	6.7
Maldives	6.1	11.3	10.9	5.8	5.1	4.4
Nepal	9.5	9.6	8.3	9.6	8.3	5.5
Pakistan	10.1	13.7	11.0	8.2	9.5	11.8
Sri Lanka	6.2	6.7	7.5	7.9	7.1	5.5
China	3.3	5.4	2.6	3.0	3.0	3.0

Source: International Monetary Fund, 2013

1.17 The reduced net aggregate domestic demand of developed and industrialized countries indicates that the global economy has yet to head towards the positive direction. The global recession of 2007-09, problems seen in the economy in recent years have resulted in less production and less employment opportunities which consequently led to the decline of net aggregate domestic demand of developed and industrialized countries. But, demand in the United States of America and Japan has increased with their economies improved. The International Monetary Fund has projected such demand to fall in 2013 while demand of European countries is projected to record negative growth.

Table 1 (f) : Net Aggregate Domestic Demand

(Annual Percentage Change)

Regions	2010	2011	2012	Projection		
				2013	2014	2018
Developed Economies	2.9	1.3	1.0	1.0	2.0	2.4
United States of America	2.8	1.7	2.1	1.7	3.0	3.0
European Countries	1.3	0.5	-2.2	-1.2	0.8	1.5
United Kingdom	2.3	-0.6	1.2	1.1	1.6	2.2
Canada	5.2	2.9	2.2	1.6	2.1	1.9
Japan	2.9	0.3	2.9	1.9	0.9	1.0

Source: International Monetary Fund, 2013

1.18 When demand declines in developed countries, the demand in those countries that have trade relation with these developed countries also falls causing fall in their export on the one hand and demand for labors seeking employment in those countries also declines on the other. This adversely affects the countries with small economy like Nepal. The reduction in the net aggregate demand will reduce economic activities thereby reducing trade, production and even employment which would in turn have adverse effect on overall economy. Since significant

rise in the growth rate of domestic demand in these countries has not been visible by 2012, such effect is likely to persist. However, such demand can be expected to rise as the world economy is gradually improving.

International Trade

- 1.19 At present no country in the world can remain in isolation. Amid the necessity of interdependency for economic development, country's own and global overall economic activities are promoted through production and trading goods and services of comparative and competitive advantages. The statistics reveal that Nepal's international trade has been weak in preceding years. The import volume soared up in the previous decade against the export volume. As such, the gap between import and export has been widening which has resulted in the rise of trade deficit volume. This has constrained the current account savings on one hand while domestic price has gone up as a result of huge pressure exerted on the price of imported goods due to depreciation of Nepalese currency against foreign exchange on the other.
- 1.20 The share of total export to GDP, which was negative by 10.8 percent in FY 2000/01, has remained negative by 28.5 in current fiscal year 2012/13. Such share stood at 23.4 percent in previous fiscal year. It shows that our trade deficit is increasing with the rise in its share on GDP. The shares of export and import to GDP stood at 11.3 percent and 38.8 percent respectively in the current fiscal year. Such shares in FY 2000/01 was 17.7 percent and 28.5 percent while shares of import and export to GDP in the current fiscal year has been lower by 7.4 percentage points and higher by 10.3 percentage points respectively. This indicates that Nepal's import has notably increased while export lagged behind. Such shares in the previous fiscal year were 33.4 percent and 10 percent respectively.

1.21 The effect of depletion in domestic demand of developed countries is visible also in world trade. In comparison to 2011, the volume of globally traded goods and services has hugely declined in 2012. The volume of total goods and services traded in 2012 increased merely by 2.5 percent as compared to 6 percent increase in 2011. It was 12.5 percent in 2010. Because of such decline in trading activities of developed countries, no positive sign in the balance of trade was visible even in emerging and developing economies. Trade balance of such countries has declined by 0.7 percent in 2011 and increased nominally by 0.2 percent in 2012. Goods and services equivalent to USD 22,413 billion were traded globally in 2012. This trade is higher by just 0.6 percent as compared to that of 2011.

Table 1 (g) : World Trade Situation

(Annual Percentage Change)

		2010	2011	2012	Projection	
					2013	2014
Total Trade Volume	Global	12.5	6.0	2.5	3.6	5.3
Export	Developed Economies	12.1	5.6	1.9	2.8	4.6
	Emerging and Developing Economies	13.3	6.4	3.7	4.8	6.5
Import	Developed Economies	11.5	4.7	1.0	2.2	4.1
	Emerging and Developing Economies	14.8	8.6	4.9	6.2	7.3
Trade Balance	Developed Economies	-1.0	-1.6	-0.7	0.2	0.1-
	Emerging and Developing Economies	2.7	3.3	0.2	-0.5	-0.9

	2010	2011	2012	Projection	
				2013	2014
Total Trade Amount (US Dollar in Billion)	18904	22276	22413	23487	24633
Total Amount of Goods Traded (US Dollar in Billion)	15175	18154	18255	19056	19932

Source: International Monetary Fund, 2013

1.22 Detailed situation analyses of various sectors and sub-sectors have been done on the basis of updated statistics in subsections hereafter.

Agriculture Sector

1.23 Production of rice crop fell by 11 percent as weather condition was not favorable for the crop and also the monsoon was not active as it should be. Likewise production of winter crops did not increase significantly due to inadequate winter rainfall. Maize production also declined by 8 percent, supply situation of chemical fertilizers did not improve as expected, owing to which agriculture production is expected to rise marginally by 1.3 percent. Such growth rate stood at 5.0 percent in the previous fiscal year. This sector averaged growth at 3.6 percent in previous five years.

1.24 Rice plays an important role in agricultural production. There has been heavy decline in rice production by 11.3 percent this year due to unfavorable weather conditions for rice farming that coupled with inadequate monsoon rain. Produce of this crop in this year got limited to 4,504,503 MT as compared to 5,072,249 MT in the previous year. Area under the rice crop also fell by 7.2 percent compared to that of previous fiscal year 2011/12 due to lack of monsoon rain. Of the major food crops, maize, wheat, millet, barley and buckwheat occupy places after rice. In the current fiscal year, maize production has declined by 8.3 percent and millet by 3 percent while wheat production is estimated to increase by 2 percent with the respective increments of barley and buckwheat by 6.0 percent and 0.3 percent. The area coverage

of these crops except that of barley and buckwheat had also declined. In total, production of major food crops in the current fiscal year has declined by 7.6 percent with a total yield of 8,738,350 MT.

- 1.25 Agriculture and forestry sub-sector is estimated to grow only by 1.2 percent in the current fiscal year as compared to 4.9 percent in the previous fiscal year, while growth rate in past years had averaged 4.0 percent. In this year, food crops is estimated to drop by 4.3 percent, fruits by 20.1 percent, meat and milk by 1.1 percent, and other animal-based products are estimated to grow by 5.6 percent.
- 1.26 Low growth in production of the agriculture sector has adversely affected its contribution to GDP. The contribution of agriculture and forestry sub-sector to GDP was 35.4 percent last year while this is estimated to total 34.3 percent with a decline of 1.1 percentage points as compared to that of previous fiscal year.

Fishery

- 1.27 Fisheries production in current fiscal year is estimated to grow by 4.0 percent as compared to the growth of 7.6 in previous fiscal year. Growth rate of this sub-sector in the preceding five years had averaged 5.9 percent. Despite lower growth rate of this sub-sector in the current fiscal year, its contribution to GDP increased by a margin of 0.2 percent.

Non-Agriculture Sector

- 1.28 Non-Agriculture sector is estimated to grow by 4.98 percent in the current fiscal year. In the preceding five years growth rate of this sub-sector had averaged 4.7 percent whereas it grew only by 4.2 percent last year. Industry and services sectors are the components of Non-Agriculture sector and the growth rate of services sector remained higher, and as a result overall growth rate of this sector remained sound as compared to that in the previous fiscal year. Growth rates of mining and exploration,

construction, wholesale and retail trade, hotel and restaurant, transport, warehousing and communication, financial intermediation are likely to improve this year than in the previous fiscal year while growth rates of education and health, production, electricity, gas and water are expected to fall. Contribution of agriculture sector to GDP has declined, and as a result contribution of non-agriculture sector to GDP is expected to rise by 1 percent reaching 65.3 percent this year as compared to the previous fiscal year.

Mining and Exploration

- 1.29 According to preliminary estimates, mining and exploration sector will grow by 5.5 percent. In the previous year, this sector grew only by 5 percent. Growth rate of this sub-sector in the preceding five years had averaged 3.1 percent only. Contribution of this sub-sector to GDP has been 0.6 percent. There has been no heavy fluctuation in its contribution in past ten years.

Industry

- 1.30 Progress of manufacturing industry has not been satisfactory. Nevertheless, this sub-sector which recorded negative growth rates in FY 2007/08 and 2008/09 has shown some improvement in succeeding years. Production of this sub-sector, which grew by 3.6 percent in FY 2011/12, is estimated to grow by merely 1.9 percent in this fiscal year. According to industrial production index, growth rate of this sub-sector has been on the lower side due to decreased production of soy beans, edible oils, liquors, resins, GI Pipes, animal feeds, noodles, soft drinks. However, processed tea, bricks, mustard oil, textiles, paints, beer, and medicines are likely to attain positive growths.
- 1.31 The industry sector has been in crisis for long due to lack of improvement in industrial environment, persistent energy crisis, ever extended political transition period, and failure to convince private and international investors for investment. A mere 1.7

percent annual average growth rate of this sector for the past five years indicates disappointing state of this sub-sector. These statistics usher the way to become attentive towards the development of this sector by resolving such problems.

- 1.32 Among various sub-sectors of the industry sector, this sub-sector that has most important contribution to GDP is at gradually declining state. Contribution of this sub-sector to GDP had remained at 8.5 percent during FY 2000/01 while it started declining in subsequent years and estimated to remain at 6.2 percent in the current fiscal year which was 6.3 percent in the previous fiscal year.

Electricity, Gas and Water

- 1.33 Production of this sub-sector that grew by 8.4 percent in previous year is estimated to grow merely by 0.2 percent in the current fiscal year. Though this sub-sector attained average 2.5 percent growth rate for the past five years, this cannot be considered satisfactory. This sub-sector could not achieve growth as electricity generation, and production and distribution of drinking water could not grow either. Despite immense availability of water and hydro power potential in the country, contribution of this sub-sector to GDP still remained low. Contribution of this sub-sector to GDP was 2 percent in the beginning years of previous decade while this sub-sector could never provide 2 percent contribution to GDP in any years subsequent to FY 2007/08. Contribution of this sub-sector is estimated to remain at 1.3 percent in the current fiscal year. Nonetheless, contribution of this sub-subsector to GDP is likely to increase once hydro-power projects under construction start generating electricity.

Construction Sector

- 1.34 Growth rate of the construction sub-sector that recorded more than 6 percent in FY 2009/10 could not grow in its succeeding

years. This sub-sector that attained growth rate of 0.2 percent in previous fiscal year is expected to grow only by 1.6 percent this year. Though real estate business saw slight improvement in the current fiscal year that led to achieve little growth as compared to that of previous fiscal year, achievement in this sector is not yet satisfactory. There has been no definite growth trend in this sub-sector in last five years. Recession in real estate business; cautious approach of banks and financial institutions on credit flow to real estate business; interest rate hike on credit flow of banks and financial institutions, and stunted growth in government capital expenditure against expectation have been the major contributing factors for annual average growth rate of 3.4 of this sub-sector in last five years. This sub-sector requires positive growth as it adversely affects construction related employment and production of raw materials.

- 1.35 Contribution of the construction sub-sector to GDP has remained stable during the last decade. During the period between FY 2000/01 and the current fiscal year 2012/13, contribution of this sub-sector to GDP is found to remain at 6 - 7 percent. Such contribution remained at 6.8 percent in the previous fiscal year while it rose slightly by 0.1 percent point reaching 6.9 percent in the current fiscal year.

Wholesale and Retail Trades

- 1.36 The production of wholesale and retail trades have been satisfactory in last five years. Though this sub-sector was able to achieve growth rate of only 1.4 percent in FY 2010/11, its overall growth rate seems to be sound in preceding five years. Production of this sector that has achieved an average growth rate of 4.1 percent in five years, and that rose by 3.1 percent in previous fiscal year is estimated to grow by 9.5 percent in current fiscal year. Import trade has played a major role for such rise in its growth rate. The decline in import trade in fiscal year 2010/11 had led to the subsequent decline in the growth rate of this sub-

sector while rise in the import trade in current fiscal year led to the rise in its growth rate. Among the various sub-sectors of non-agriculture sector, this sector has been the largest contributor to GDP with an estimated contribution of 14.4 percent in the current fiscal year with an increase of 0.7 percentage points as compared to that of previous fiscal year.

Hotel and Restaurant

- 1.37 The growth rate of Hotel and Restaurant has been satisfactory due to increase in per capita income, influence of urbanization and change in the people's life styles and their food habits. The growth rate of this sub-sector that fell once in FY 2009/10 in last five years has been rising gradually. The average growth rate of this sub-sector in the past five years remained at 5.6 percent while the growth rate in FY 2011/12 is estimated at 6.8 percent. Contribution of this sub-sector has increased by 0.1 percentage point reaching 1.8 percent.

Transport, Communication and Warehousing

- 1.38 According to preliminary estimate, production output of this sector will grow by 6.7 percent in the current fiscal year in comparison to a growth of 5.7 percent last year. Notable growth in transactions of the communication sub-sector is the main reason behind such improvement. An average growth rate of this sub-sector stood at 6.6 percent in the preceding five years. Contribution of this sub-sector to GDP was 8.6 percent in the previous fiscal year while this is estimated to remain at 9.2 percent in the current fiscal year. Such contribution to GDP hovered around 8 to 9 percent in the entire last decade. Communications sector has played major role to attain such growth.

Financial Intermediation

- 1.39 This sub-sector had zero growth rates in four years of the past five years while it is expected to grow by 6.7 percent in the current fiscal year. Such growth rate was 3.5 percent in the previous fiscal year. This sub-sector that had achieved growth rate of 24.4 percent in FY 2005/06 encompasses the financial

transactions of Nepal Rastra Bank, commercial banks, development banks in the banking sector, financial institutions, cooperatives, and microfinance institutions. Likewise, the sub-sector also covers transactions of Beema Samiti, and life and non-life insurances. In addition, it covers transactions of social security group like Security Board of Nepal, Employees Provident Fund, and Citizens Investment Trust. The growth observed in this sub-sector in current fiscal year is the result of progress seen in the capital market and improvement in the institutional good governance of banks and financial institutions including cooperatives.

- 1.40 Contribution of this sub-sector to GDP did not change notably despite increased access to finance and financial transactions. Contribution of this sub-sector hovered around 4 percent in the entire past decade. However, such contribution has reduced by 0.3 percentage points in the current fiscal year as compared to that of previous fiscal year.

Real Estate, Rent and Professional Services

- 1.41 Output of this sub-sector in current fiscal year is estimated to grow by 1.6 percent with a decline of 1.4 percentage points as compared to previous fiscal year. Some policy reforms initiated in the areas of real estate business transaction has led to the growth of this sub-sector in the current fiscal year as compared to that of previous year. Since last few years, this sub-sector had started experiencing lower growth rate due to policy adoption towards restraining the possibility of unrealistic price rise and transactions in the real estate business. As a result, this sub-sector averaged the annual growth rate of 5.9 percent in the past five years. Though real estate business encountered recession, rent and professional services remained stable that enabled this sub-sector to contribute around 8-10 percent to GDP. Contribution of this sub-sector to GDP was 8.3 percent in the previous year which is estimated to remain at 8.5 percent this year.

Public Administration and Defense

- 1.42 Based on budgetary allocation and expenditures on public administration and defense of the central government in this

fiscal year, output of this sub-sector is estimated to increase by 3.3 percent. Growth in output of this sector in the previous fiscal year stood at 5 percent while annual average growth rate of this sector in the preceding five years remained at 4.2percent. The contribution of this sub-sector to GDP is found to be 1.9 percent in the current fiscal year which was 2 percent last year. Budget that was not made available on time restricted government expenditure and as a result, this sub-sector recorded low growth with its low contribution to GDP.

Education

- 1.43 Output of the education sub-sector is expected to decline in this fiscal year as compared to the previous fiscal year despite increased government and private sector's investment. As per the preliminary estimate, output of this sub-sector that rose by 5 percent in FY 2011/12 is expected to grow only by 4.1 percent in the current fiscal year 2012/13. Annual average output of this sub-sector for the preceding five years was 6.4 percent. The contribution of this sub-sector to GDP has remained stable. Such contribution to GDP was 5.5 percent in last year which is 5.4 percent for this fiscal year.

Health and Social Work

- 1.44 Output of this sub-sector is expected to rise in this fiscal year as compared to the previous fiscal year as a result of increased government investment and transactions of private and non-governmental organizations in the health sector. This sub-sector, which grew by 5.3 percent in previous fiscal year estimated to achieve the growth of 5.5 percent in the current fiscal year. Annual average output of this sub-sector for the preceding five years was 6.9 percent.

Other Community, Social and Personal Services

- 1.45 Output of this sub-sector, which achieved an average growth of 7.6 percent in the previous five years and about 10 percent last year, is expected to rise by 7 percent in the current fiscal year as compared to the previous fiscal year. This sub-sector comprises Government delivered community services and other social and professional services. Output growth of this sub-sector is

attributed to central and local governmental budgetary allocations made for communities and social services, and inclusion of economic activities of the private sector operated entertainment programs like television and FM Radios. The contribution of this sub-sector to GDP hovered around 3-4 percent. Such contribution to GDP was 3.7 percent last year which slightly dropped and reached to 3.6 percent in the current fiscal year.

Sector-wise Detail

- 1.46 Analysis upon classification of GDP into three major sectors, i.e. Primary, Secondary and Tertiary shows that output growth rate of Primary sector (agriculture and forestry, fishery, mining and exploration) is estimated at 1.31 percent in FY 2012/13. Such growth rate of this sector in the previous year stood at 4.98 percent while annual growth rate averaged 4.1 percent in previous five years
- 1.47 According to preliminary estimate, the secondary sector is estimated to grow marginally by 1.49 percent growth in FY 2012/13 compared to that of previous fiscal year with a decline of 1.47 percentage points. This sector encompasses industrial production and electricity, gas and water, and construction sub-sector outputs. Though the construction sub-sector showed some growth, reduced growth rates of industrial output and construction sub-sector have been the reason for the decreased output growth of this sector in this fiscal year as compared to the previous year. Growth rate of this sub-sector in FY 2011/12 stood at 2.96 percent while average annual growth rate in the preceding five years was 2.48 percent.
- 1.48 The service sub-sectors dominated Tertiary sector has recorded a growth in the current fiscal year by 1.52 percent point. In FY 2011/12, the output of this sub-sector grew only by 4.5 percent in comparison to its previous year, while according to preliminary estimate; it is expected to grow by 6 percent this year. This sub-sector averaged annual growth rate of 5.42 percent in the preceding five years.

Structure of Gross Domestic Product (GDP)

- 1.49 Statistics reveal gradual changes occurring in the structure of Nepalese economy. Decreasing trend of contribution of agriculture and industry and increasing that of services sector is apparently visible. From sectoral point of view, Primary sector contribution to GDP in this current FY 2012/13 at current prices is estimated at 35.32 percent, which is less by 0.99 percentage point than in the previous fiscal year. Share of this sector in GDP was 37.89 percent in the fiscal year 2000/01, which gradually descended in succeeding years. But, contribution of this sector went up and remained at 37.37 percent in the fiscal year 2010/11. GDP share of sector averaged 35.08 percent in preceding five years. Contribution of this sector to GDP declined in the current fiscal year owing to the decreased agriculture outputs.
- 1.50 Though the contribution of the Secondary sector to GDP has been gradually falling, the contribution of this sector in current fiscal year to GDP has increased marginally by reaching 14.35 percent as compared to 14.30 percent in the previous fiscal year due to lower growth rate of agriculture sector. This sector shared 17.06 percent of GDP in FY 2000/01 at current prices and such share started declining gradually in its succeeding years.. Share of this sector in GDP averaged 15.31 percent in past five years.
- 1.51 Despite gradual rise in contribution of the Tertiary sector to GDP, contribution of this sector has been relatively lower than that of fiscal years 2008/09 and 2009/10. The share of this sector in GDP in the fiscal years between 2009/10 and 2011/12 stood below 50 percent while this share went up to 50.33 percent in the current fiscal year. This sector shared 45.06 percent of GDP in fiscal year 2000/01 at prevailing price, which grew to 49.39 percent in FY 2011/12. This sector comprises business, hotel and restaurant, transport, communications, financial intermediation, real estate transaction, public administration and defense, education, health, and other community social and personal services and increased outputs of almost all sectors has been the reason for the rise in contribution of this sector to GDP. The average contribution of this sector to GDP has remained at 49.84 percent.

- 1.52 GDP classification into agriculture and non-agriculture sectors as per industrial classification reveals the declining trend of contribution of agriculture while share of non-agriculture sector has increased to some extent. Contribution of this sector to GDP in FY 2001/02 was 37.4 percent, which is estimated at 34.7 percent in the current fiscal year. Such contribution was recorded at 35.8 percent in previous fiscal year 2011/12. Share of this sector in GDP in the preceding five years averaged 34.5 percent. While looking at the statistics of last five years, the agriculture sector has its lowest contribution of just 31.7 percent to GDP in FY 2007/08 whereas such contribution stood highest in FY 2010/11. The contribution of this sector remained low in the current fiscal year as a result of low agriculture production.

Consumption, Investment and Trade

- 1.53 Analysis of GDP from expenditure viewpoint shows that share of GDP consumed is on increase. The share of consumption to GDP in FY 2000/01 at current prices that stood at 90.5 percent is at 91.7 percent in the current fiscal year 2012/13. Such share stood at only 88.5 percent in the previous fiscal year. Share of the private sector in consumption that stood at 80.8 percent in FY 2000/01 dropped to 79.2 percent in the current fiscal year 2012/13 with slippage of 1.6 percentage point. Such share was just 76 percent in the previous fiscal year. Likewise, share of the government consumption to GDP that stood at 8.4 percent in FY 2000/01 rose by 1.4 percentage points reaching 9.8 percent in the current fiscal year 2012/13 which was 10.7 percent last year.
- 1.54 Private sector shared 87.3 percent of the total consumption in the current fiscal year, which was 89.3 percent in FY 2000/01. Of the total consumption of GDP in the current fiscal year, share of the government stood at 10.8 percent while consumption of non-profit institutions has been 1.9 percent. Food grain tops among the private sector consumption. Of the total private consumption in current fiscal year, the shares of food, non-food items and services remained at 65.7 percent, 23.6 percent and 10.7 percent respectively. The consumption expenditure on food items has been increasing as a result of increased consumption expenditure, change in food habits and increased price of food items while the consumption expenditure of service sector has

gradually been decreasing despite the growth in consumption of this sector due to competitive price and the use of newest technologies. During the fiscal year 2000/01, the consumption expenditures on food and service sectors remained at 59 percent and 12.3 percent of total private consumption while these expenditures remained at 64.6 percent and 11 percent respectively in previous fiscal year. The share of consumption of non-food items in total private consumption has also been gradually coming down. Such share that stood at 28.7 percent in FY 2000/01 dropped to 24.4 percent in previous year. Household consumption expenditure to GDP at current prices has inclined by 2.7 percent point totaling 84.1 percent.

- 1.55 The share of total investment to GDP is estimated to reach 37.8 percent in current fiscal year. Such shares stood at 20.2 percent in 2000/01 and 34.9 percent in the previous fiscal year. Of this, the share of total fixed capital formation was 19.6 percent in 2000/01 while this share is estimated to reach 21.2 percent with the growth of 1.6 percent point in current fiscal year. Such share stood at only 20 percent last year. The remaining share of the total capital formation comprises of change in reserves (including statistical error). The private and the government sectors are expected to contribute 81.1 percent and 18.9 percent respectively to the total fixed capital formation in current fiscal year. Such contributions were recorded 80.6 percent and 19.4 percent respectively in FY 2000/01 while previous fiscal year registered such contributions as 76.7 percent and 23.3 percent respectively.

Saving

- 1.56 The share of Gross Domestic Saving to GDP has slipped in the current fiscal year by 2.2 percentage points as compared to the previous fiscal year. Such shares were 9.5 percent in FY 2000/01 and 14.5 percent in previous fiscal year. Gross domestic saving in the current fiscal year at current prices is estimated at Rs. 159 billion, which was Rs. 176 billion in previous fiscal year. The decline in gross domestic savings seriously indicates towards the patter of rising consumption expenditure and decreasing savings. The share of Gross National Saving to GDP has reached 38.4 percent which is less by 1.5 percent point in 39.9 percent of

last fiscal year. Gross national saving in the current fiscal year is estimated at Rs. 653 billion which was Rs. 614 billion last year.

Gross National Disposable Income

- 1.57. Nepal's disposal income has been increasing since past few years. Such income in the current fiscal year 2012/13 is estimated to grow by 11.3 percent than that of previous fiscal year totaling Rs. 2.196 trillion at current prices. The rise in National Disposable Income is attributed to increase in remittance income since last few years. The Gross National Disposable Income had increased by 16.7 percent in FY 2011/12 as compared to its preceding fiscal year.
- 1.58. Based on Gross National Disposable Income, total consumption ratio stands at 70.2 percent with 29.8 percent gross national saving ratio in current fiscal year. Such ratios stood at 68.9 percent and 29.8 percent respectively in the previous fiscal year 2011/12.

2. Public Finance

2. Public Finance¹

Structure of Public Finance

- 2.1 Failure of political parties to reach to a consensus towards resolving the constitutional crisis emerged after dissolution of Constituent Assembly on 27 May 2012 has also affected the daily operations of the Government of Nepal. As a consequence, the Government could not bring budget for the fiscal year 2012/13 on time. In the beginning of the current fiscal year, the Government of Nepal was granted authority through Ordinance to spend one third of the expenditure incurred in the previous fiscal year. Due to the failure of political parties to reach to a consensus to allocate and mobilize resource that is necessary for country's economic development and to deliver the essential services to the people of the nation, the full budget could not be brought even by the time when this amount was already spent. And as a result, the Government of Nepal announced the budget of Rs. 351 billion for fiscal year 2012/13 through the reissuance of Ordinance in November 2012 based on the previous fiscal year's programs. The new government was formed under the chairmanship of the Chief Justice of Supreme Court with retired special class civil servants as other cabinet members in April 2013 to hold free and fair Constituent Assembly election, based on the consensus among four major political parties. The government so formed made public the estimated income and expenditure for the fiscal year 2012/13 on 9th April, 2013 by incorporating programs and

¹The Government of Nepal has started maintaining income and expenditure accounts since FY 2011/12 in Government Financial Statistics, 2001 format. As such, the data of its preceding fiscal years have been accordingly classified and presented in the Tables of Annex-2. The data of those fiscal years classified and recorded in CD in the old format are also kept intact.

budget announced through both Ordinances earlier, putting Constituent Assembly election on the top of its priority without making any changes in the existing revenue policy.

- 2.2 The total expenditure of the government budget for fiscal year 2012/13 announced on 9 April 2013 is estimated at Rs. 404.82 billion. The total expenditure of this year is higher by 19 percent as compared to the actual of fiscal year 2011/12. Such expenditure stood at Rs. 295.36 billion in fiscal year 2010/11 while it had increased by 15 percent to Rs. 339.16 billion in fiscal year 2011/12. The government revenue (revenue and grants) was Rs. 285.37 billion in fiscal year 2011/12 while this revenue is expected to grow by 19 percent reaching Rs. 340.98 billion in current fiscal year 2012/13.
- 2.3 Budget deficit of the government of Nepal that stood at Rs. 53.79 billion in fiscal year 2011/12 is expected to reach Rs. 63.83 billion in the current fiscal year. The growth rate of the budget deficit was only 8.4 percent in fiscal year 2011/12 while both the total expenditure and revenue are expected to grow by around 19 percent causing the budget deficit in the current fiscal year to grow by 18.7 percent. Analyzing the trend of revenue and expenditure, budget deficit and their ratios to GDP of last five years, the budget of this year that has been presented amid special political scenario of the country is also not different from the trend and structure of revenue and expenditure of previous years.

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

(In Rs. 10 Million)

Description	2008/09	2009/10	2010/11	2011/12	2012/13*
GDP	98827.20	119277.40	137495.30	153600.00	170119.40
Expenditure	21966.20	25968.91	29536.34	33916.75	40482.47
Government Income (Including Grant)	16985.57	21849.18	24574.12	28537.14	34098.92
Budget Deficit	4980.47	4119.73	4962.22	5379.61	6383.55

Description	2008/09	2009/10	2010/11	2011/12	2012/13*
Ratio to GDP (In Percent)					
Expenditure	22.23	21.77	21.48	22.08	23.80
Government Income	17.19	18.32	17.87	18.58	20.04
Budget Deficit	5.04	3.45	3.61	3.50	3.75
Revenue	14.16	14.92	14.69	15.91	17.02

**Estimated*

Source: Financial Comptrollers General Office

2.4 Government expenditure that grew by 18.2 percent in fiscal year 2009/10 has slowed down a little in its two succeeding years with growth rates of 13.7 percent and 14.8 percent in fiscal year 2009/10 and fiscal year 2010/11 respectively. Its growth rate (19.4 percent) in the current fiscal year is even higher than that of fiscal year 2009/10. The government revenue that registered growth of 28.6 percent in fiscal year 2009/10 did not grow by more than 12.5 percent and 16.1 percent respectively in fiscal year 2010/11 and fiscal year 2011/12. Revenue grew at the slower rate than expenditure in fiscal year 2010/11. The government expenditure that was close to 21.8 percent of GDP in 2009/10 remained at 22.1 percent in fiscal year 2011/12 while this ratio is estimated to grow and reach 23.8 percent in the current fiscal year 2012/13. The government revenue stood at 18.6 percent of GDP in fiscal year 2011/12 while this is estimated to remain at 20 percent in the current fiscal year 2012/13. The gap between the government revenue and expenditure stood at 3.6 percent of GDP in fiscal year 2010/11 while it dropped to 3.5 percent during the fiscal year 2011/12. However, such gap is expected to widen and reach 3.7 percent in this year. The current position of government budget deficit is less than 4 percent of the GDP which can be considered positive from the perspective of Public Finance Management.

Government Expenditure

2.5 The total government expenditure is expected to at Rs 404.82 billion in the current fiscal year as against Rs. 339.16 billion in the

previous fiscal year 2011/12. Of this, 71.7 percent was recurrent expenditure, 15.1 percent capital expenditure and 5.9 percent repayment of principle. The share of recurrent expenditure to the total expenditure was hovering around 72 percent between fiscal years 2009/10 and 2011/12 while effort has been made to contain such expenditure at 68.9 percent in the current fiscal year 2012/13. Capital expenditure had grown by 8.6 percent in fiscal year 2011/12 as compared to its previous fiscal year while this expenditure grew by 28.7 percent reaching Rs. 66.13 billion in the current fiscal year. Lower recurrent expenditure and higher capital expenditure are the positive aspects of Public Financial Management.

- 2.6 The share of Government credit disbursed to public enterprises and various projects to its total expenditure was 3.6 percent in fiscal year 2010/11, while this is estimated to reach 5 percent in the current fiscal year. The domestic lending and investments of the government that grew by 12.7 percent in fiscal year 2011/12 as compared to that of its previous year has soared up by 67.7 to Rs. 20.22 billion in this fiscal year. Likewise, about 6 percent of the government's total expenditure was spent on the repayment of principle of domestic and foreign loans in fiscal year 2010/11 and 2011/12, while it grew to 7.6 percent in the current fiscal year. The principle repayment of domestic borrowing that stood at Rs. 6.62 billion in fiscal year 2011/12 is expected to rise by 126.4 percent to Rs. 15 billion in the current fiscal year. The average growth rate of total expenditure of fiscal year 2010/11 to 2012/13 is estimated to remain at 15.9 percent on the basis of allocated amount of expenditure for this year.
- 2.7 Government's total expenditure in the first eight months of fiscal year 2011/12 had increased by 16.5 percent as compared to the corresponding period of its previous fiscal year totaling Rs. 167.27 billion. But, such expenditure decreased by 11.8 percent totaling Rs. 147.47 billion in the first eight months of the current fiscal year 2012/13 as compared to that of previous fiscal year. Of the total

expenditure in first eight months of the current fiscal year 2012/13, recurrent expenditure accounted for Rs. 131.65 billion, capital expenditure for Rs. 13.54 billion and principle repayment for Rs. 290 million while Rs. 870 million was on share investment in corporations and Rs. 1.54 billion on loan investments. Only expenditure on principle payment against domestic borrowing has increased in the first eight months of current fiscal year 2012/13 as compared to the corresponding period of the previous fiscal year. In the first eight months of the current fiscal year recurrent expenditure, capital expenditure, share investment, loan investment and principle repayment against foreign debts has declined by 3.9 percent, 16.2 percent, 82.9 percent, 11.4 percent and 97.2 percent respectively compared to the same period of previous fiscal year.

Table 2 (b) : Details of Government Expenditure

(In Rs. 10 million)

Description	2010/11		2011/12		2012/13*	
	Amount	Percent	Amount	Percent	Amount	Percent
Recurrent	21016.8	71.16	24346.0	71.78	27901.1	68.92
Capital	4732.77	16.02	5139.07	15.15	6613.46	16.34
Share Investment	994.36	3.37	1209.38	3.57	859.87	2.12
Domestic Loan Investment	1070.39	3.62	1206.37	3.56	2022.91	5.00
Principle Repayment of Domestic Debt	600.24	2.03	662.68	1.95	1500.54	3.71
Principle Repayment of Foreign Debt	1121.81	3.80	1353.24	3.99	1584.57	3.91
Total Expenditure	29536.3	100	33916.8	100	40482.5	100

*Estimated

Source: Financial Comptrollers General Office

Capital Expenditure

2.8 Of the capital expenditure of Rs. 66.13 billion in fiscal year 2012/13, economic affair is occupying the topmost position with Rs. 43.34 billion (65.5 percent) among the major components of capital expenditure. Even in the fiscal years from fiscal year

2009/10 to 2011/12, two third of the total capital expenditure has been spent on economic affair has been. From fiscal year 2009/10 to the current fiscal year 2012/13, housing and community amenities hold the second largest share of the capital expenditure. Share of housing and community amenities was 13.2 percent of the total capital expenditure in fiscal year 2011/12 and dropped by 2 percentage points to 11.2 percent in this fiscal year. During the fiscal years 2010/11 and 2011/12, general public service used to share 2.5 percent in the total capital expenditure while this share has increased notably to 7.8 percent in this fiscal year. The share of capital expenditure on public order and safety was close to 8 percent in fiscal year 2010/11 and started declining gradually in its subsequent years and stood at 5.6 percent in the current fiscal year. The share of capital expenditure on health service was 6.6 percent in the previous fiscal year while this fell to 4.9 percent in this year. The share of capital expenditure on environment protection, education, social protection and recreation, culture and religion has remained below 1 percent.

- 2.9 Capital expenditure on defense gained the highest increment of 29.8 percent in fiscal year 2011/12 as compared to the previous fiscal year while, general public service occupied the topmost position in capital expenditure with its increment of 312.7 percent in the current fiscal year. Capital expenditure on environmental protection, health and recreation, culture and religious affairs has declined by 15.6 percent, 3.3 percent and 8.1 percent respectively in fiscal year 2012/13 while that of defense, housing and community amenities and social protection stood at 29.8 percent, 21.5 percent and 12.4 percent respectively in the previous fiscal year were remain at 15.1 percent, 10.3 percent and 3.3 percent in the current fiscal year. But, capital expenditure on activities like public order and safety, economic affairs has increased by 16 percent and 28 percent respectively in this fiscal year as compared to that of previous fiscal year.

Table 2 (c) : Service and Function-Wise details of Capital Expenditure

Description	2009/10		2010/11		2011/12		2012/13*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	172.3	4.3	120.5	2.5	125.4	2.4	517.7	7.8
Defense	108.7	2.7	144.6	3.1	187.8	3.7	216.1	3.3
Public Order and Safety	321.0	7.9	354.8	7.5	319.0	6.2	370.2	5.6
Economic Affair	2631.1	65.0	3141.7	66.4	3387.9	65.9	4334.9	65.5
Environment Protection	71.6	1.8	46.0	1.0	45.2	0.9	38.2	0.6
Housing and Community amenities	485.0	12.0	558.3	11.8	678.4	13.2	748.6	11.3
Health	219.6	5.4	314.3	6.6	337.5	6.6	326.3	4.9
Recreation, Culture and Religion	13.9	0.3	14.3	0.3	20.2	0.4	18.6	0.3
Education	10.1	0.2	17.1	0.4	13.9	0.3	18.3	0.3
Social Protection	17.6	0.4	21.1	0.4	23.7	0.5	24.5	0.4
Total	4050.9	100	4732.6	100	5139.1	100	6613.3	100

**Estimated*

Source: Financial Comptroller General Office

2.10 Capital expenditure in the first eight months of the fiscal year 2011/12 stood at Rs. 16.15 billion. Capital expenditure declined by 19.9 percent in the first eight months of the fiscal year 2011/12 as compared to the corresponding period of its previous fiscal year. During the first eight months of the current fiscal year 2012/13, this expenditure fell by 16.2 percent and stood at Rs. 13.54 billion as compared to the same period of previous fiscal year. Government's failure to bring full budget in the beginning of the fiscal year and state of ambiguity on budgetary issues is the major factors for such decline. Nonetheless, such expenditures are being done towards the end of the fiscal year even in past years. This trend has been viewed as the specialty in the government's expenditure system.

Recurrent Expenditure

2.11 Of the total recurrent expenditure Rs. 279 billion in fiscal year 2012/13, general public service is occupying top position with Rs.

83.31 billion (29.8 percent). Of the current expenditure in the previous fiscal year, education service had largest share with its expenditure volume of Rs. 61.91 billion (25.4 percent). One fourth of the total recurrent expenditure was spent on health services in fiscal year 2009/10 and 2010/11 as well. Such expenditure is likely to drop to 22.7 percent this year. Around 8 percent of the total recurrent expenditure was spent on health services in previous fiscal years, while 7 percent of this expenditure has been allocated to health service in this fiscal year. Environment protection and recreation, culture and religion share below 1 percent of the total recurrent expenditure. About 8.5 percent of total recurrent expenditure was being spent on defense in previous year while only 6.9 percent of total recurrent expenditure has been allocated for this year. The shares of public order and safety, economic affair and social security service are expected to remain at 12.6 percent, 14.4 percent and 4.2 percent respectively in this fiscal year which are close to the share of previous fiscal year 2011/12.

Table 2 (d) : Service and Function wise Details of Recurrent Expenditure

(In Rs. 10 million)

Description	2009/10		2010/11		2011/12		2012/13*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	4091.3	21.9	4626.7	22.0	5455.0	22.4	8321.4	29.8
Defense	1672.8	9.0	1754.7	8.3	2078.0	8.5	1920.8	6.9
Pubic Order and Safety	2344.1	12.6	2558.9	12.2	3607.5	14.8	3505.7	12.6
Economic Affair	2984.4	16.0	3465.2	16.5	3473.7	14.3	4014.2	14.4
Environment Protection	64.0	0.3	63.7	0.3	46.5	0.2	52.4	0.2
Housing and Community amenities	257.2	1.4	289.8	1.4	323.4	1.3	509.7	1.8
Health	1576.1	8.4	1673.2	8.0	1949.5	8.0	1921.2	6.9
Recreation, Culture	130.3	0.7	127.9	0.6	186.4	0.8	172.1	0.6

Description	2009/10		2010/11		2011/12		2012/13*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
and Religion								
Education	4611.1	24.7	5481.6	26.1	6191.4	25.4	6324.9	22.7
Social Protection	928.4	5.0	974.9	4.6	1034.5	4.2	1158.7	4.2
Total	18659.6	100.0	21016.6	100.0	24346.0	100.0	27901.1	100.0

**Estimated*

Source: Financial Comptroller General Office

2.12. Analyses of recurrent expenditure show highest growth (70 percent) in housing and community amenities in fiscal year 2011/12 as compared to its preceding fiscal year and so did this item has highest growth (58 percent) in the current fiscal year. In fiscal year 2011/12, public order and safety accounted 41 percent, health 16 percent, and recreation, culture and religious affairs 46 percent growth in recurrent expenditure while recurrent expenditure in these individual items has declined by 3 percent, 1 percent and 8 percent respectively in the current fiscal year as compared to that of previous fiscal year. General public services expenditure grew by 18 percent on recurrent expenditure in fiscal year 2011/12 while this has surged up by 52 percent in this year. The recurrent expenditure on defense that had declined by 6.7 percent in fiscal year 2011/12 has further decreased by 7.6 percent in this year. The recurrent expenditures on services like economic affair, environment protection and social protection have increased by 15.6 percent, 12.7 percent and 12 percent respectively compared to those of previous fiscal year.

2.13 The recurrent expenditure in the first eight months of fiscal year 2011/12 was 137.03 billion. Such expenditure is decreased by 3.9 percent and limited to Rs. 131.65 billion in the current fiscal year 2012/13. Recurrent expenditure in first eight months of fiscal year 2011/12 had increased by 26.4 percent as compared to the corresponding period of fiscal year 2010/11.

Government Income

2.14 Government income increased by 16.1 percent totaling Rs. 285.37 billion in fiscal year 2011/12. It is estimated to grow further by 19.5 percent in this fiscal year and reach to a total of Rs. 340.98 billion. Details on the receipt of government incomes from fiscal year 2009/10 to fiscal year 2012/13 by sources are presented in table 2 (e). Revenue and foreign grants are the major sources of government income. The contribution of principle repayment to the total government income is negligible. There has been global practice of arranging finance by realigning foreign loan, domestic borrowings and change in cash reserves in a situation when government expenditure exceeds its income level. Nepal has also not been able to cover its expenditure through revenue, grants and principle repayments. Therefore, it has been mustering finances to cover those expenditures through the use of various instruments for securing both foreign loan and domestic borrowings.

Table 2 (e) : Details of Government Income

(In Rs. 10 Million)

Description	2009/10	2010/11	2011/12	2012/13*
Tax Revenue	15978.53	17722.71	21172.26	25257.25
Non-Tax Revenue	1820.56	2114.87	3265.15	3703.24
Total Revenue	17799.09	19837.63	24437.41	28960.49
Foreign Grants	3854.60	4592.22	4081.03	4698.92
Principle Repayment of Loan	195.40	144.27	18.70	439.50
Total Government Income	21849.08	24574.07	28537.14	34098.91

*Estimated

Source: Financial Comptroller General Office

2.15 Of the government's income sources, tax revenue grew by 21.1 percent on an average between fiscal years 2009/10 to 2011/12. Government income from principal repayment, however, has been declining significantly every year. Non-tax revenue decreased by 20.5 percent in fiscal year 2009/10 compared to its

preceding year, increased by 16.2 percent in fiscal year 2010/11, and by 54.4 percent in fiscal year 2011/12. The foreign grants increased by 46.1 percent in fiscal year 2009/10 and decreased by 11.1 percent in fiscal year 2011/12 as compared to its preceding year. This is expected to grow by 15.1 percent in the current fiscal year.

- 2.16 In the fiscal year 2011/12, 72.1 percent of total government expenditure was came from revenue 12 percent from foreign grants, 0.1 percent from principle repayment and the rest 15.9 percent from foreign loan and domestic borrowings. In the current fiscal year 2012/13, revenue is estimated to contribute 71.5 percent, foreign grants 11.6 percent, principle repayment 1.1 percent and foreign loan and domestic borrowing 15.8 percent to the government's total expenditure. Analysis of the sources of the government expenditure between reveals that the revenue had contributed 68.5 percent to the total expenditure in fiscal year 2009/10 while this contribution went up to 72.1 percent in fiscal year 2011/12. Likewise, foreign grants contributed 15.5 percent to total expenditure in fiscal year 2010/11 but its contribution started to decrease in subsequent years and came down to 11.6 percent by current fiscal year.

Revenue

- 2.17 Revenue has increased by 23.2 percent and reached Rs. 244.37 billion in fiscal year 2011/12 as compared to fiscal year 2010/11. Revenue collection in fiscal year 2012/13 is estimated to rise by 18.5 percent and reach Rs. 289.60 billion as compared to the previous fiscal year. Contribution of tax revenue to the total revenue stood at 89.8 percent in fiscal year 2009/10 while its contribution started declining gradually in its succeeding years and dropped to 86.6 percent in fiscal year 2011/12. The contribution of non-tax revenue has increased in those years. In this fiscal year, contribution of tax revenue to the government's total revenue is estimated to increase and reach 87.2 percent.

2.18 Tax revenue has increased by 19.5 percent in fiscal year 2011/12 as compared to fiscal year 2010/11 reaching Rs. 211.72 billion which is further estimated to rise by 19.3 percent in this fiscal year and arrive at Rs. 252.57 billion. Contribution of goods and services based tax that was more than 52 percent of the tax revenue in fiscal year 2009/10 is still hovering around the same figure in this fiscal year. Value Added Tax is the source of two third of goods and services based tax receipts. Tax from this source is expected to rise by 22.3 percent and reach 135.25 billion in current fiscal year. This amount is 46.7 percent of the estimated total revenue of this year.

Table 2 (f) : Sources of Revenue Income

Description	2010/11		2011/12		2012/13*	
	Amount	Percent	Amount	Amount	Percent	Amount
Tax on Income, Profit and Capital Gains	4135.0	20.8	5130.3	21.0	6168.1	21.3
Tax based on Remuneration	71.0	0.4	155.5	0.6	178.6	0.6
Property Tax	357.2	1.8	358.8	1.5	421.2	1.5
Tax based on Goods and Services	9479.3	47.8	11056.1	45.2	13525.1	46.7
Tax based on Foreign Trade	3571.4	18.0	4339.1	17.8	4744.5	16.4
Other Taxes	108.8	0.5	132.4	0.5	219.8	0.8
Total Tax Revenue	17722.71	89.3	21172.3	86.6	25257.2	87.2
Income from Assets	1296.4	6.4	1765.3	7.2	2096.5	7.2
Income from the sales of Goods and Services	244.8	1.2	691.3	2.8	746.8	2.6
Penalties, Fines and Confiscations	13.4	0.1	31.6	0.1	34.4	0.1
Voluntary Handover except Grants	0.2	0.0	0.1	0.0	0.1	0.0
Miscellaneous Revenue	560.1	2.8	776.9	3.2	825.3	2.8
Total Non-Tax Revenue	2114.9	10.7	3265.1	13.4	3703.2	12.8
Total Revenue	19837.59	100.0	24437.4	100.0	28960.4	100.0

*Estimated

Source: Financial Comptroller General Office

- 2.19 Tax levied on income, profit and capital gains increased by 24 percent in fiscal year 2011/12 as compared to its preceding year and reached a total of Rs. 51.30 billion while amount of such tax is estimated to grow further by 20.2 percent reaching a total of Rs. 61.68 billion. The income generated through the tax levied on income, profit and capital gains accounted for 19 percent of total government revenue i.e. 21.2 percent of tax revenue in fiscal year 2009/10 while its contribution stood at 21 percent to the total revenue and 24.2 percent to the tax revenue in fiscal year 2011/12. Entities contributed 59.4 percent in total tax collected on income, profit and capital gains in fiscal year 2011/12 while this is estimated to contribute 58.8 percent with the decrease of 0.6 percent point.
- 2.20 Non-tax revenue increased by 54.4 percent in fiscal year 2011/12 as compared to that of fiscal year 2010/11 and reached Rs. 32.65 billion. It is estimated to increase further by 13.4 percent in this fiscal year as compared to the previous fiscal year reaching a total of Rs. 37.03 billion. The contribution of income received from assets to the non-tax revenue was 63.7 percent in fiscal year 2009/10 while this started falling gradually in its subsequent years and dropped to 54.1 percent in fiscal year 2011/12. Shares of dividend and rent and royalty on the income from assets accounted for 53.4 percent and 36.7 percent respectively where as interest accounted for 9.9 percent in fiscal year 2011/12. In the fiscal year 2011/12, the income from assets increased by 36.2 percent, income from the sales of goods and services by 182.4 percent, amount received from penalties, fines and confiscation by 135.9 percent and miscellaneous revenue by 38.7 percent while they are estimated to increase by 18.8 percent, 8 percent, 9 percent and 6.2 percent respectively in this fiscal year.
- 2.21 Total revenue in the first eight months of the fiscal year 2011/12 increased by 22.8 percent as compared to that of its previous fiscal year reaching a total of Rs. 143.85 billion while the total revenue collection has grown by 24.2 percent reaching 178.68 billion in the

corresponding period of current fiscal year. The share of tax revenue collection in the first eight months of this fiscal year stood at 87.6 percent and that of non-tax revenue at 12.4 percent. Tax revenue and non-tax revenue both increased by 17.7 percent and 68.8 percent respectively in the first eight months of the fiscal year 2011/12 as compared to the same period of previous fiscal year while tax revenue increased by 25.1 percent and non-tax revenue by 17.9 percent in this fiscal year. Growth rate of non-tax revenue has declined by almost 50 percentage points in this fiscal year as compared to that of previous fiscal year.

Foreign Grants

2.22 A total of Rs. 40.81 billion was received as foreign grant in fiscal year 2011/12 against Rs. 45.92 billion in fiscal year 2010/11. The volume of such grant had gone up by 19.4 percent in fiscal year 2010/11 as compared to its preceding fiscal year 2009/10 while it dropped by 11.3 percent in fiscal year 2011/12. Grant receipt in fiscal year 2012/13 is estimated to rise by 15.1 percent as compared to previous fiscal year reaching a total of Rs. 46.98 billion. The share of multilateral grants stood at 52.7 percent in the total grants receipt of government in fiscal year 2010/11 while such grant amount dropped by 50.5 percent and its share dropped to 29.3 percent in fiscal year 2011/12. Foreign grant received in first eight months of fiscal year 2011/12 totaled Rs. 14.87 billion while such grant receipt in the corresponding period of this fiscal year has totaled Rs. 8.98 billion. This amount is lesser by 39.6 percent than the amount received during the same period of previous fiscal year.

Budget Deficit and Financing

2.23 The budget deficit refers to a financial situation whereby government's revenue and foreign grant receipts do not meet the volume of government expenditure. In such a budget or fiscal deficit situation, the government manages funds to meet its expenditure either through the change in cash reserves or through

loans from the donor agencies or domestic borrowings or through both means. As Nepal's income tends to be less than its expenditure every fiscal year consequently resulting in a situation of fiscal deficit. The government has been coping with fiscal deficit through the change in cash reserve or through foreign and domestic borrowings. Fiscal deficit from fiscal year 2009/10 to fiscal year 2011/12 and the sources of financing such deficit are presented in Table 2 (g).

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

Description	2009/10	2010/11	2011/12	2012/13*
Expenditure	25968.91	29536.34	33916.75	40482.47
Government Income	21849.18	24574.12	28537.14	34098.92
Fiscal Deficit	4119.73	4962.22	5379.61	6383.55
Sources of Fiscal Deficit Financing				
Foreign Debts	1122.34	1207.56	1108.31	2583.55
Domestic Borrowing	2991.40	4251.58	3641.87	3800.00
Change in Cash Reserves(-) Surplus	5.99	-496.91	629.44	0.00

**Estimated*

Source: Financial Comptroller General Office

2.24 Governments budget deficit had grown by 20.4 percent in fiscal year 2010/11 as compared to its preceding year reaching a total of Rs. 49.62 billion. Such deficit recorded a growth of 8.4 percent in fiscal year 2011/12 while this is estimated to increase by 18.7 percent to Rs. 63.83 billion in the current fiscal year. The fiscal deficit had declined by 17.3 percent in fiscal year 2009/10 as compared to its preceding year dropping to Rs. 41.19 billion. The share of fiscal deficit to GDP was 3.6 percent in fiscal year 2010/11 which decreased to 3.5 percent in fiscal year 2011/12 while this is expected to reach 3.7 percent in the current fiscal year.

2.25 Foreign loan that the government has mobilized to finance fiscal deficit in fiscal year 2011/12 dropped by 8.2 percent to Rs. 11.08

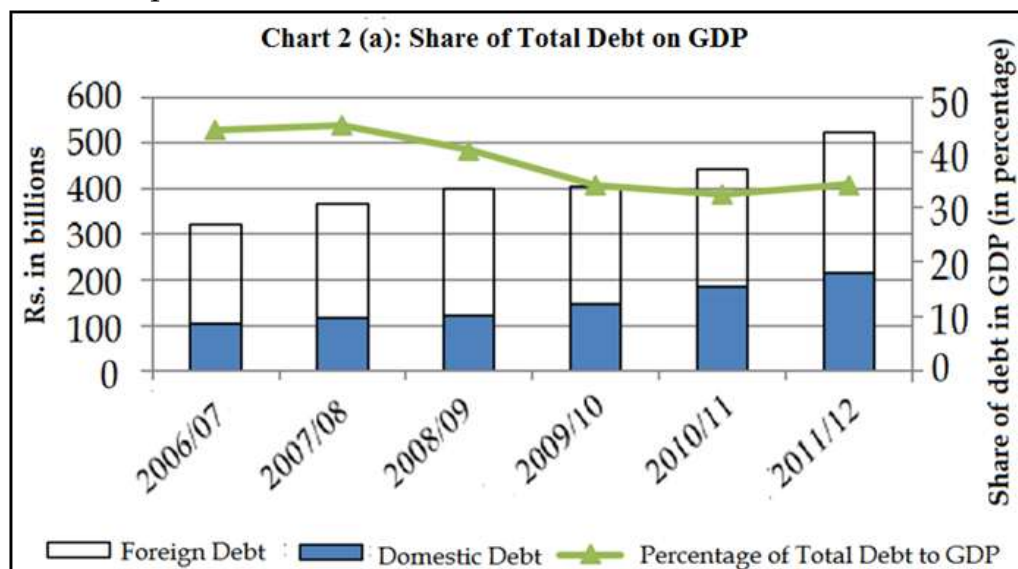
billion from Rs. 12.07 billion in fiscal year 2010/11. Similarly, domestic borrowing had dropped by 14.3 percent to Rs. 36.41 billion from Rs. 42.51 billion in the same period. Of the total fiscal deficit of Rs. 53.79 billion in fiscal year 2011/12, Rs. 47.50 billion was borne through foreign loan and domestic borrowing and the rest Rs. 6.29 billion was met through change in cash reserve. is estimated to raise Rs. 25.33 billion from foreign loan and remaining 38 billion from domestic borrowing to meet the budget deficit of this fiscal year. The estimated amount of foreign loan is higher by 133.1 percent where as domestic borrowing is higher only by 4.4 percent than those raised in fiscal year 2011/12. In the first eight months of current fiscal year 2012/13, a total of Rs. 1.6 billion is received as foreign loan while domestic borrowing has not yet been raised.

Total Public Debt and Debt Servicing Cost

2.26 The role of public debt is not only limited to financing government's fiscal deficit but also equally important in the construction of physical infrastructure required for overall economic development of the country. Nonetheless, the amount received from foreign loan and domestic borrowing to finance the budget deficit every year has led to increase in the stock of external as well as domestic liabilities of such loans. There are several examples that most of the countries in the world have been facing a number of predicaments due to their inability to payback their loans on time. Considering this fact, it is essential for Nepal to access, analyze and manage inherent risk of its public debt. Nepal's outstanding stock of foreign loans and domestic loan had increased by 9.8 percent in the fiscal year 2010/11 as compared to its preceding fiscal year reaching Rs. 443.63 billion. Such amount increased by 17.9 percent and reached to Rs. 523.20 billion in fiscal year 2011/12. The share of foreign debt to the total debt is 59.0 percent.

- 2.27 Though one of the major reasons for rise in the stock of public debt is the additional loan that the Government of Nepal borrows every year to finance its budget deficit, and the other reason is the depreciation of Nepalese currency against the loan borrowed in foreign currency in the preceding years. By mid-July of fiscal year 2010/11, the net outstanding foreign debt stood at Rs. 259.5 billion. The government additionally borrowed Rs. 15.70 billion of foreign loan in fiscal year 2011/12 to meet its fiscal deficit, while it paid back the principal of Rs. 13.53 billion during this period resulting in an addition of only 2.16 billion to the net increase in outstanding foreign debt for this year. However, foreign loan grew up by another Rs. 49.73 billion by mid-July of of fiscal year 2011/12 with net outstanding foreign debt reaching Rs. 309.28 billion. The increase in public debt of Rs. 47.56 billion is just due to the appreciation of foreign currency against the Nepalese currency. Stock of Nepal's public debt would be lower if the increased amount of debt liability due to exchange rate depreciation is adjusted.
- 2.28 In recent years, government has mobilizing less foreign loan and depending more on domestic borrowing. The share of foreign debt on total public debt had accounted for 67.5 percent in fiscal year 2006/07 and reached 69.3 percent in fiscal year 2008/09. This share had started to decrease in its subsequent years and dropped to 59.1 percent in fiscal year 2011/12. The ratio of public debt to GDP has started to decline in recent years. The ratio of public debt to GDP in fiscal year 2007/08 was 44.9 percent, which dropped to 32.3 percent by fiscal year 2010/11. It, however, has nominally increased to 34.1 percent in fiscal year 2011/12. Though the share of public debt to GDP does not seem so grim, reducing this debt burden, nonetheless, is the right step from the public debt management perspective.
- 2.29 The expenditure on repayment of principle and interest against public debt totaled Rs. 29.95 billion in fiscal year 2010/11 while such expenditure rose by 17.9 percent to Rs. 35.32 billion in fiscal

year 2011/12. Every year, more than 10 percent of government's total expenditure goes on the repayment of principle and interest against public debt alone. The outstanding public debt of the government stood at Rs. 511.11 billion by the end of the first eight months of current fiscal year 2012/13, which is less by 2.3 percent as compared to the corresponding period of previous fiscal year. The ratio of foreign debt to the total outstanding debt stands at 58.6 percent.



- 2.30 The total outstanding foreign debt was Rs. 256.24 billion by mid-July of fiscal year 2009/10 while this rose by 1.3 percent to Rs. 259.55 billion in fiscal year 2010/11. This debt attained a steep growth of 19.2 percent giving a total debt burden of Rs. 309.28 billion by mid-July of fiscal year 2011/12. An additional foreign loan of Rs. 13.84 billion was received in fiscal year 2010/11 while Rs. 15.70 billion was received in its succeeding fiscal year. The ratio of net outstanding foreign debt to GDP has increased to 20.1 percent by mid-July of fiscal year 2011/12 from 18.9 percent of its preceding fiscal year.
- 2.31 The total outstanding domestic debt stood at Rs. 147.66 billion until mid-July 2010, it grew by 24.7 reaching to a total of Rs. 184.20 billion in mid-July 2011. Such outstanding amount further

grew by 16.2 percent reaching a total of Rs. 213.92 billion by mid-July of the fiscal year 2011/12. Of the total stock of outstanding domestic debt of Nepal government, the share of Nepal Rastra Bank is gradually coming down while the share of commercial banks and other institutions and individuals has been going up. The share of Nepal Rastra Bank and commercial bank was 19.8 percent and 57.5 percent respectively in total domestic loan other institutions/private sectors' share was 22.7 percent in mid-July 2011 while such shares stood at 15.5 percent, 60.3 percent in mid-July 2012. The share of the other institutions and individuals has increased from 22.7 percent to 24.2 percent during this period. The declining trend in share of Nepal Rastra Bank and increasing trend in share of commercial banks and other institutions / individuals indicate that the investments of commercial banks and other financial institutions or individuals on government loans have increased and the government is relying more on capital market than on Nepal Rastra Bank while financing its fiscal deficit. This can be regarded as the strength of public financial management.

- 2.32 Analysis of the sources of domestic borrowings as of mid-July 2011 showed the share of treasury bills as 65.3 percent, Development Bonds 23.6 percent, National Saving Certificates 5.8 percent, Citizen Saving Certificate 2.5 percent, and 2.8 percent for Special Bonds, while these shares stood at 61.5 percent, 26.9 percent, 7.3 percent, 1.9 percent and 2.7 percent respectively by mid-July 2012. The share of treasury bills to the domestic loan of the Government of Nepal has show a slight decline in recent years. However, it still occupies nearly two third volume of government's total domestic debt. The higher volume of short-term loan indicates the maturity mismatch and roll over risk in public debt management. Timely initiative is a must to mitigate such risk.

Financial Situation of Local Bodies

The Income and Expenditure Status of Local Bodies

2.33 Local Self-Governance Act, 1998, Local Self-Governance Regulation, 1999 and Local Bodies Fiscal Administration Regulation, 2007 have granted authority to Local Bodies (District Development Committee, Municipality and Village Development Committee) to levy various taxes and fees in their own areas and operate local people's need and demand-led projects and programs through these earnings. Local Bodies' internal income (tax and fees) and the income from the government's revenue apportionment for local bodies and their expenditure details from fiscal year 2009/10 to fiscal year 2011/12 are presented in table 2 (h) below.

Table 2 (h) : Income and Expenditure of Local Bodies

(In Rs. 10 Million)

Description	2009/10	2010/11	2011/12
District Development Committee (DDC)			
Total Allocated Expenditure	3164.96	3318.18	3298.32
Total Income	279.71	295.96	321.99
Income from Internal sources	148.22	148.38	178.04
Income from Government's Revenue Apportionment	131.49	147.58	143.95
Actual Expenditure	2664.64	2969.53	2974.09
Municipality			
Total Allocated Expenditure	647.35	718.06	779.22
Total Income	162.22	222.81	290.67
Income from Internal Sources	162.22	222.81	274.3
Income from Government's Revenue Apportionment	0	0	16.37
Actual Expenditure	638.91	624.81	683.8
Village Development Committee			

(VDC)			
Total Expenditure	9.07	855.56	765.87
Total Income (Including Grants)	9.74	987.23	951.05
Income from Internal Sources and Government's Revenue Apportionment		90.40	97.64
		896.83	853.40

As provisioned in paragraph 7, point 47-1 (b), of Local Body Resource Mobilization and Management Working Procedure Manual 2012, the non-freezable receipt from the government, receipt from the internal source of the local body, and the receipts against the revenue distribution to be transferred to the next fiscal year and accounts maintained, such unspent amount is being included in that income year.

Source: Ministry of Federal Affairs and Local Development, Local Body Fiscal Commission

2.34 Analysis of income and expenditure of DDCs and Municipalities shows that DDCs are unable to cover even 10 percent of their expenditures through their own internal sources. The situation of Municipalities seems little more satisfactory and better than that of DDCs. However, their internal incomes could afford only 37 percent of their expenditures in fiscal year 2011/12. DDCs were able to spend only 90 percent of the allocated budget for the fiscal year 2011/12, while Municipalities could spend only 86 percent of the allocated budget in the same fiscal year.

Government Grants to Local Bodies

2.35 Government of Nepal has been providing Grants (conditional/unconditional) to local bodies with the objectives of making these institutions competent, strong, responsible and accountable in service delivery and to ensure people's maximum participation in the governance system through the means of decentralization. Such grants provided to the local bodies (DDCs, Municipalities and VDCs) have been helping in narrowing the wide gap between their income and expenditure. The government grants provided to these local bodies have not only helped to operate their offices but also helped in carrying out development works as per peoples' needs and aspirations and in increasing peoples' access to social services such as health and education.

- 2.36 Government of Nepal has been providing both conditional and unconditional grants to local bodies. Local Body Fiscal Commission has been carrying out important tasks in setting up provision of unconditional grants and its disbursements to these local bodies. Such grants are determined on the basis of criteria as recommended by the Commission. The Commission has tied unconditional grants to local bodies with their performance. DDC and Municipalities are being evaluated on the basis of Minimum Conditions and Performance Measures (MCPM), while VDCs are being evaluated only on the basis of Minimum Condition (MC) measures to determine the amount of unconditional grants. And for this , 10 minimum conditions have been set for VDCs, 13 for Municipalities and 13 for DDCs by the Commission. In addition to this, the performance of Municipalities and DDCs is being evaluated on the basis of Performance Measure Indictors and there are 40 such indicators set for Municipalities and 57 for DDCS.
- 2.37 The Commission has revised and amended Minimum Conditions and Performance Measures (MCPM) indicators that were set in MCPM Working Procedures Manual for DDCs and Municipalities in February 2013 as they were felt necessary to change in accordance with time. Performance indicators for VDCs have also been introduced to evaluate their performance. After this amendment, there are now 7 minimum conditions set for VDCs, 10 for Municipalities and 9 for DDCs while there are 13, 40 and 46 performance measure indictors have been set for VDCs, Municipalities and DDCs respectively.
- 2.38 The evaluation cycle of MCPM completes in every three years. A total of 64 DDCs, 54 Municipalities and 3407 VDCs passed the minimum condition criteria in the last performance evaluation carried out in fiscal year 2011/12. The numbers of DDCs, Municipalities and VDCs that failed to pass these criteria in this evaluation cycle were 11, 4, and 508 respectively. The details of gntants for capital and recurrent expenditure the government

provided from fiscal year 2009/10 to fiscal year 2011/12 are presented in table 2(i) below. The total grants the government provided to the local bodies was Rs. 18.30 billion in fiscal year 2010/11. It increased by 25.6 percent to Rs. 23.30 billion in fiscal year 2011/12. The grant allocated by the government for local bodies has dropped to Rs. 17.30 billion in current fiscal year which is less by 25.7 percent than previous year.

Table 2 (i) : Grants for Capital and Recurrent Expenditure

(In Rs. 10 Million)

Grants	2009/10	2010/11	2011/12	2012/13*
1. District Development Committee (DDC)				
Capital Grants	77.00	133.00	203.00	133.68
Recurrent Grants	172.00	243.00	361.00	309.79
Total	249.00	376.00	564.00	443.47
2. Village Development Committee (VDC)				
Capital Grants	626.40	626.40	769.20	512.65
Recurrent Grants	783.00	783.00	926.00	669.25
Total	1409.40	1409.40	1695.20	1181.90
3. Municipality				
Capital Grants	29.45	58.90	60.00	94.14
Recurrent Grants	5.55	11.10	11.00	11.00
Total	35.00	70.00	71.00	105.14
Grand Total	1693.40	1855.40	2330.20	1730.51

* Estimated

Source: Ministry of Federal Affairs and Local Development

2.39 A number of projects and programs have been implemented through capital grants offered to DDCs that directly benefiting the target groups. Such programs include rural roads, suspension bridges, road-bridges, irrigation, micro hydroelectricity, drinking water and sanitation, and community building among others. On the capital grant front, after the allocation of minimum capital grants to the DDCs , the residual amount is allocated to the districts on the basis of particular district's performance on the

evaluation of MCPM indicators and district specific indicators such as population, geographical region, area, cost and poverty. The government had provided grants of Rs. 3.76 billion to DDC in fiscal year 2010/11 while the volume was raised by 50 percent totaling Rs. 5.64 billion in fiscal year 2011/12 (Table 2 J). But the government has apportioned only Rs. 4.43 billion for grants to DDC in fiscal year 2012/13 which is less by 21.4 percent as compared to that of previous fiscal year.

- 2.40 Government of Nepal has been providing grants to Municipalities through two sources: Local Development Fees Fund and government's budgetary allocation. Municipal grant is being provided since fiscal year 2006/07 with the objective of ensuring equality in the mobilization of local resources and development outputs through enhanced people's participation for the institutional development of local bodies together with providing additional support to social activities and public works and their maintenance. Local Body Resource Mobilization and Management Operation Procedure Manual, 2013 has been brought into implementation in order to manage all kinds of government grants and Municipality's own internal resources. The Government of Nepal grants Rs. 710 million in fiscal year 2011/12, out of this Rs. 600 million was for capital and 110 million for recurrent expenditures (Table 2(i)). A total of Rs. 1.70 billion grant including Rs. 989.7 million to be received from external sources is to be distributed by the Government of Nepal. This grant amount was released for Municipalities by tying them with the conditions revised by Local Body Fiscal Commission and their performance evaluation based on minimum condition and performance measure indicators. The Government of Nepal has allocated Rs. 1.05 billion for Municipal grant for its own source for fiscal year 2012/13 which is 48 percent more than previous fiscal year.
- 2.41 Out of Rs. 2.30 billion earmarked as grants to Municipalities from the Local Development Fees Fund for fiscal year 2011/12,

Municipalities were authorized to spend Rs. 1.47 billion directly by themselves. A sum of Rs. 650 million was allocated to the Reserve Fund Program from this Fund. Rs. 548.5 million was released through this program and 232 physical infrastructure projects were implemented and 171 of these projects completed during the same fiscal year. Likewise, of the grant of Rs. 1.63 billion allocated to Municipalities in fiscal year 2012/13 through this Fund, Municipalities were provided authority to spend Rs. 980.03 million directly by themselves and of the Rs. 650 million earmarked for Reserve Fund Program. 242 projects have received an approval in the first eight months of the current fiscal year with allocation of Rs. 144.2 million for such projects.

- 2.42 As per the provision for availing Rs. 1.5 million to Rs. 3.0 million grants to VDCs from the budgetary allocation of capital grants. The grant amount is determined on the basis of population, cost and area related indicators of the concerned VDCs. All 3,915 VDCs across the board are provided with the grant of Rs. 1.5 million each from the source of Government of Nepal in this fiscal year 2012/13. In addition to this, necessary arrangement has been made to disburse foreign grants to 3,407 VDCs that have passed minimum common criteria based on the indicators of concerned VDCs. Programs including agriculture, rural roads, irrigation, rural electrification, drinking water and sanitation and community building among others that directly benefit the target groups have been implemented through this grant. Government of Nepal had disbursed a total VDC grant of Rs. 14.09 billion in fiscal year 2010/11 for capital and recurrent expenditures while this amount increased by 20.3 percent reaching 16.95 billion in fiscal year 2011/12 (Table 2 i). In fiscal year 2012/13, amount allocated for VDC grant totals only Rs. 11.81 billion which is less by 30.3 percent as compared to that of previous fiscal year.

3. Price and Supply

3. Price and Supply

Inflation Trend

- 3.1 Prior to fiscal year 2005/06 or between FY 2000/01 and 2004/05, the Consumer Price Index (CPI) based annual inflation rates were 2.5, 2.9, 4.7, 4.0 and 4.5 percent respectively while the CPI-based annual inflation rate stood at 8.7 percent between the FY 2005/06 and FY 2011/12. In the first eight months of the fiscal year 2012/13, the point to point based inflation rate of food and beverage group remained at 11.3 percent while that of non-food and service group stood at 9.3 percent. The price indices of these groups had increased by 4.2 percent and 9.4 percent during the same period of the previous year.
- 3.2 For the last few years both internal and external factors have been influencing the price rise. Internal factors that have adverse impact on productive activities and supply situation are low agricultural production and productivity, higher imports of agricultural commodities, frequent closures, strikes, load-shedding and political instability while price hike in petroleum products and the effect of high food price inflation observed in India are the major external factors. Additionally, open border between Nepal and India, pegging of Nepal's foreign exchange rate with Indian currency, and almost two third shares of Nepal's total trade transactions with India can be mainly attributed to the direct impact of Indian inflation on Nepal.

Overall Consumer Price Situation

- 3.3 The consumer price index based urban annual inflation rate which had been escalating for the last few years was stood at 7.0 percent during first eight months of FY 2011/12, has gone up to 10.2 percent in the corresponding period of reviewed year. Decline in the production of major food crops in the current fiscal year, price hike in petroleum products and Indian inflation have been the major reasons for exerting additional pressure on consumer price index in Nepal.

**Table 3 (a) : Consumer Price Index based Annual Point-to-Point
Inflation Rate**

(Base Year 2005/06=100)

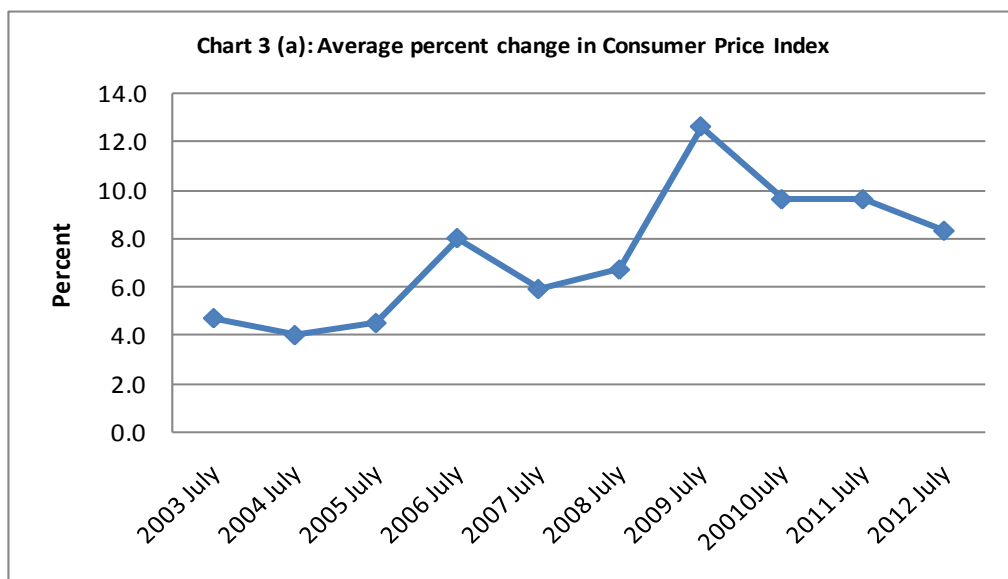
(Percentage Change)

	Fiscal Year						
Month	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Mid-July	4.5	5.6	11.9	10.1	9.5	7.7	11.8
Mid-Aug	5.5	6.1	12.5	9.2	8.6	8.5	11.2
Mid-Sep	6.5	5.4	13.3	8.6	8.9	8.9	10.5
Mid-Oct	6.4	5.3	13.7	9.1	8.4	8.5	10.5
Mid-Nov	5.8	4.6	13.4	10.3	9.6	7.5	10.4
Mid-Dec	4.6	4.8	13.8	10.7	11.3	6.8	9.8
Mid-Jan	5.1	5.2	13.2	11.0	10.2	7.0	10.1
Mid-Feb	5.4	6.0	12.8	10.0	10.7	7.0	10.2
Mid-Mar	5.6	8.0	11.6	9.8	10.6	7.5	
Mid-Apr	6.6	8.3	12.4	8.9	9.5	8.7	
Mid-May	6.7	10.1	12.0	8.2	8.8	9.9	
Mid-Jun	8.0	10.6	11.1	9.0	9.6	11.5	
Average	5.9	6.7	12.6	9.6	9.6	8.3	10.6

Source: Nepal Rastra Bank

3.4 Average consumer price inflation rate in the first eight months of the current fiscal year is 10.6 percent, which was stood at 7.7 percent in the same period of the previous fiscal year. This average inflation rate is higher than 7.5 percent targeted inflation

through the monetary policy that was made public by Nepal Rastra Bank for the current fiscal year, and 9.5 percent as projected by mid-term review of the monetary policy. Though monetary aggregates including money supply remained under control, the reasons for average CPI-based inflation rate reaching 10.6 percent are attributable to slower growth of overall domestic production, and higher food inflationary pressure in the neighboring country India.



Source: Nepal Rastra Bank

- 3.5 By geographical regions, price index recorded highest in Kathmandu valley with 10.8 percent rise followed by 10.2 percent in Terai, and 9.6 percent in the Hills. These rates were 5.6 percent, 7.1 percent and 8.6 percent respectively in the corresponding period of the last fiscal year. Price remained higher in Terai and Hills than in Kathmandu valley in previous year as a result of long closures (Bandhas) and strikes during the end period of constituent assembly.
- 3.6 Based on group-wise analysis, price of food and beverage group that carries 46.8 percent weightage in CPI on point-to-point basis increased by 11.3 percent in mid-March 2013. It had increased by 4.2 percent in the same period of the last year. Increase in the prices of cereal and cereal-based products, meat and fish, and

ghee (clarified butter) and edible oil sub-group has played major role for higher inflation rate of food and beverages. According to this, the prices of cereal and cereal-based products sub group have increased by 12.9 percent, meat and fish sub-group by 17.1 percent and ghee and edible oil sub-group by 13.9 percent.

- 3.7 The price of non-food and services sub-group that carries 53.2 percent weightage in consumer price index on annual point-to-point basis increased by 9.3 percent in mid-March 2013 as compared to an increase of 9.4 percent in mid-march 2012. Prices of all sub-groups under this category have increased except for communication (recording negative increase). Reason for such negative price rise in communication sub-group is attributable especially to competitive communication prices with market price and technological development and expansion.

Table 3 (b) : Point to Point Change in National CPI

(Base Year 2005/06 = 100)

(Percent Change)

Consumable Goods	Weight Percent	Fiscal Year/Mid-March						
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total (a+b)	100.0	5.4	6.1	12.8	9.9	10.7	7.0	10.2
a. Food and Beverage	46.8	5.4	8.5	18.1	14.8	17.3	4.2	11.3
Cereal and Cereal made Items	14.8	6.1	15.3	13.1	12.1	13.4	-2.4	12.9
Lentils	2.0	15.6	12.8	24.2	30.0	-8.1	-1.8	12.6
Vegetables	5.7	-3.1	0.2	21.1	2.3	73.1	5.1	9.4
Meat and Fish	5.7	8.5	5.5	24.9	24.5	7.7	5.8	17.1
Dairy Products and Eggs	5.0	7.1	7.8	16.5	13.4	10.5	17.4	7.3
Ghee and Oil	2.7	10.1	27.5	6.4	-3.1	3.1	13.3	13.9
Fruits	2.2	1.9	-4.7	19.7	21.3	33.4	9.8	5.2

Consumable Goods	Weight Percent	Fiscal Year/Mid-March						
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Sugar and Sweets	1.4	-10.0	-8.3	53.3	60.7	7.0	5.9	12.0
Spices	1.5	21.0	-0.4	11.0	34.0	22.1	-12.1	5.5
Soft Drinks	1.0	3.4	4.5	21.9	15.3	8.9	6.0	12.0
Liquor	1.7	4.9	2.1	13.0	12.4	2.1	9.2	4.4
Tobacco Products	0.9	6.4	10.0	17.5	11.4	17.1	9.0	11.4
Restaurants and Hotels	2.4	3.2	7.6	24.5	20.7	15.5	11.4	12.2
b. Non-food and Services	53.2	5.4	3.9	8.3	5.9	5.3	9.4	9.3
Garments and Foot wears	8.5	4.5	3.3	8.8	6.8	13.7	15.2	11.5
Domestic Goods and Services	10.9	6.4	4.8	6.8	6.7	6.4	6.3	9.7
Furniture and Domestic Instruments	4.9	7.4	5.2	14.0	5.3	7.3	13.4	12.7
Health	3.3	2.9	7.2	4.4	2.4	2.9	6.4	6.5
Transport	6.0	8.7	1.1	13.9	-0.7	11.3	17.0	8.4
Communication	3.6	0.0	0.0	0.1	0.0	-10.4	-8.2	-2.1
Entertainment and Culture	5.4	3.4	5.2	6.6	6.8	-2.0	8.8	6.2
Education	8.5	7.1	4.9	8.2	11.8	4.7	8.9	12.5
Other Goods and Services	2.2	2.4	1.0	12.5	8.4	5.4	9.9	10.8

Source: Nepal Rastra Bank

Consumer Price Situation by Sector

- 3.8 Taking FY 2005/06 as the base year, price index of Kathmandu Valley, which carries 31.16 percent weightage rose by 10.8 percent in mid-March 2013 on point-to-point basis while this figure was 5.6 percent in the same period last year. In the review period, the price index of food and beverage group has increased by 12.3 percent and that of non-food and services group by 9.2 percent. Among the food group, the price index of tobacco products rose at the highest rate (19.5 percent) followed by meat and fish (15.9 percent) and soft drinks (15.3 percent). The soft drink sub-group comprises of various foods that are sensitive to climate change including juice and butter milk has resulted in higher price rise. Likewise, on the non-food and services group, the price of furniture and household equipment increased by 14.9 percent, household goods and services increased by 14.4 percent, garments and foot-wears by 12.7 percent while the price increase for communication sub-group remained negative.
- 3.9 With FY 2005/06 as the base year, price index of Terai carrying comparatively the highest weightage of 42.85 percent has increased by 10.2 percent in mid-March 2013, which had increased just by 7.1 percent in the same period of the previous year. Under the food and beverages group, the prices of meat and fish, lentils, ghee and edible oil sub-groups have increased by 19.7 percent, 14.3 percent and 14.0 percent respectively. Likewise, under the non-food and services group, the prices in education, furniture and household equipment and garments and foot-wears have increased by 17.0 percent, 12.6 percent and 11.2 percent respectively while the price of communication sub-group has declined by 2.3 percent.
- 3.10 With FY 2005/06 as the base year, price index of Hills carrying comparatively the least weight of 25.99 percent has increased by 9.6 percent in mid-March 2013, which had increased by 8.6 percent in the same period of the previous year. Within the food and beverages group, the Hills also shows the highest increase in the prices of restaurants and hotel sub-group with 16.2 percent while the prices of ghee and oil, and meat and fish sub-groups have increased by 14.7 percent and 14.3 percent respectively. The price increase in education by 15.8 percent, garments and foot wares by 10.7 percent and household equipment by 10.4 percent

under the non-food and services group has led to an average increment of 8.8 percent in the price index of this group.

Wholesale Price Index

3.11 The point-to-point based national annual wholesale price index (1999/2000=100) has increased by 9.0 percent in mid-March 2013 which was increased by 6.3 percent a year ago. Under the National Price Indices the Index of agricultural products rose by 12.3 percent domestically produced industrial goods index rose by 3.5 percent and that of imported goods group rose by 6.6 percent.

Table 3 (c) : Annual Point-to Point Change of National Wholesale Price Index

(Base Year 1999/2000=100)

(Percentage Change)

	Weight Percent	Fiscal Year (Mid-March)						
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total	100.0	12.2	6.6	12.3	12.2	12.4	6.3	9.0
Agricultural Commodities	49.6	19.9	4.9	15.3	19.2	15.4	1.7	12.3
Domestically Produced Industrial Goods	20.4	8.7	9.0	8.8	12.1	8.2	9.5	3.5
Imported Goods	30.0	3.7	7.8	10.0	0.2	9.7	13.0	6.6

Source: Nepal Rastra Bank

3.12 Under the agricultural commodities group, there has been notable rise of 32.9 percent in the price of cash-crop sub-group while the price of animal products has increased by 11.6 percent. The highest price rise recorded in food items among domestically produced industrial goods is 6.3 percent, while prices of petroleum products and coal and chemical fertilizer and chemical goods under the imported goods group have increased by 15.5 percent and 10.2 percent respectively. The price rise in electric and electronic goods remained zero during the review period.

National Salary and Wage rate Index

3.13 The annual point-to-point national salary and wage rate index (2005/06=100) has escalated by 7.8 percent in mid-March 2012 against 27.6 percent increase in the corresponding period of previous year. The overall national salary and wage rate index had increased by 27.6 percent as a result of rise in salary index by 19.3 percent and wage rate index by 29.8 percent in mid-March 2012. During the review period, salary of civil servants did not have any increment resulting in zero percent increase in salary index, and there was a marginal increment in the wage rate of laborers, which led to increment of wage rate index by 9.6 percent.

Table 3 (d) : Annual point-on-point changes of National Wage Rate Index

(Base Year 2005/06=100)

(Percentage Change)

Consumable Goods	Weightage Percentage	Fiscal year / Mid-March					
		2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13
Overall Indices	100.0	9.0	19.3	13.7	19.1	27.6	7.8
1. Salary Index	27.0	10.9	16.8	13.8	0.0	19.3	0.0
1.1 Civil Service	2.8	23.5	28.1	14.6	0.0	18.7	0.0
1.2 Public Enterprises	1.1	8.8	21.9	11.1	0.0	28.0	0.0
1.3 Bank and Financial Institutions	0.6	50.5	18.2	1.3	0.0	42.4	0.0
1.4 Army and Police Force	4.0	9.3	30.9	13.0	0.0	26.5	0.0
1.5 Education	10.6	14.8	16.1	22.4	0.0	19.1	0.0
1.6 Private Institutions	7.9	-1.5	2.7	0.0	0.0	8.6	0.0

Consumable Goods	Weightage Percentage	Fiscal year / Mid-March					
		2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13
2. Wage Rate Index	73.0	8.4	20.1	13.6	25.5	29.8	9.6
2.1 Agriculture Labor	39.5	6.0	26.9	17.0	34.6	27.1	12.5
2.2 Industrial Labor	25.2	11.6	10.6	8.8	10.4	34.3	4.7
2.3 Construction Labor	8.3	10.9	18.1	10.6	20.4	34.1	6.3

Source: Nepal Rastra Bank

Retail Price of some of Major Commodities

3.14 While review average retail prices of 10 agricultural commodities among daily consumable items (rice, wheat flour, black lentil, mustard oil, clarified butter, mutton, potato, dry onion and ginger), it seems that the prices of dry onion, black lentil and pigeon peas recorded higher price rise of 51.9 percent, 40.9 percent and 30.4 percent respectively in mid-March 2013 as compared to the corresponding period of previous year.

Table 3 (e) : Retail Price of some Major Commodities

(In Rupees)

S.N .	Item	2011/12		2012/13*	
		Mid July	Mid-March	Mid-July	Mid-March*
1	Coarse Rice	35.3	33.6	35.9	38.0
2	Wheat Flour	34.3	33.8	36.2	39.5
3	Black Lentil	112.7	101.4	137.2	142.9
4	Pigeon Peas	96.3	80.3	100.1	104.7
5	Mustard Oil	139.9	144.1	178.0	185.7
6	Clarified Butter	498.0	531.7	551.6	623.0
7	Mutton	404.0	496.7	466.7	508.4

S.N .	Item	2011/12		2012/13*	
		Mid July	Mid- March	Mid- July	Mid- March*
8	Potato	23.9	23.9	34.1	25.6
9	Dry Onion	36.3	30.5	32.3	46.3
10	Ginger	75.2	46.1	52.1	52.1

**Preliminary Data*

Source: Department of Agriculture, Secretariat of Agriculture Business Promotion and Market Development, Hariharbhawan

Prices of Crude Oil and Gold

3.15 The price of Crude Oil Brent in International Market was US\$ 123.63 per barrel in mid-April 2012 which fell by 11.6 percent to US\$ 109.32 per barrel in mid-April 2013.

3.16 The price of gold in mid-March 2013 stood at US\$ 1595.50 per ounce with a decline of 3.2 percent in comparison to the corresponding period of previous year.

Table 3 (f) : Price of Oil and Gold at International Market

	Mid-June			Mid-March			Percentage Change			
							Mid-June		Mid-March	
	2010	2011	2012	2011	2012	2013	2011	2012	2012	2013
Oil (Dollar per Barrel)*	76.4	118	102.1	110	124	109.3	54.5	-13.52	12.1	-11.6
Gold (Dollar per Ounce)**	1189	1587	1590	1401	1648	1596	33.4	0.173	17.7	-3.2

**Crude Oil Brent ** Based on London Rate*

Source: Nepal Rastra Bank

Supply Situation

3.17 During the first eight months of the fiscal year 2012/13, supply of petrol has increased by 7.7 percent, diesel by 7.7 percent, aviation fuel by 4.3 percent and LP Gas by 17.3 percent, while that of kerosene decreased by 35.8 percent in comparison to the corresponding period of the previous year. Because of decline in

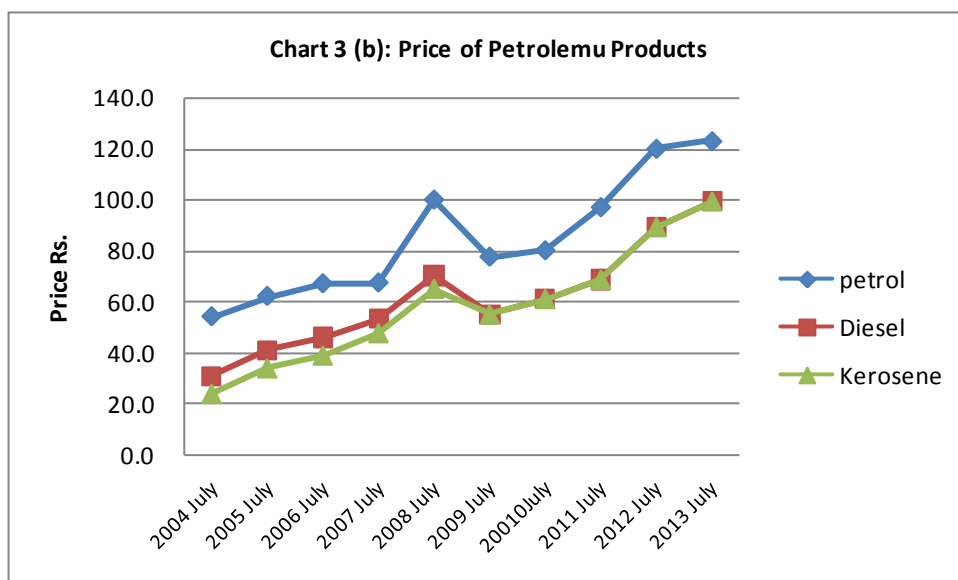
demand, the supply of kerosene has been decreased due to the reasons like kerosene is gradually being substituted by LP Gas and the price of kerosene has been adjusted with diesel since last couple of years in order to discourage unscrupulous traders from mixing kerosene in diesel.

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

Some Major Petroleum Products	First Eight Months		Percentage Change
	2011/12	2012/13	Mid-March /Mid-March
Petrol (KL)	131,817	141,924	7.7
Diesel (KL)	415,776	447,887	7.7
Kerosene (KL)	28,198	18,091	-35.8
Aviation Fuel (KL)	75,136	78,330	4.3
Grand Total	650,927	686,232	5.4
LP Gas (MT)	113,693	133,271	17.2

Source: Nepal Oil Corporation

3.18 Among petroleum products, price situation of Petrol, Diesel and Kerosene for the last 10 years has remained as follows:



3.19 The arrangement for fixing wholesale price (including VAT) of petroleum products based on Nepal Oil Corporation Depot sites

or customs points still exists. Arrangements have been made for the wholesale distribution of petroleum products from Biratnagar, Birgunj, Amalekhgunj, Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dang, Dhangadi, Dipayal and Janakpur. Under this arrangement, wholesale and retail prices may vary from place to place. As per the prices set on 1 April 2013, average per liter retail prices of petrol, diesel and kerosene in Kathmandu valley are Rs. 123 and Rs. 99 and Rs. 99 respectively, and that of LP gas is Rs. 1,470 per cylinder. Price of aviation fuel is set at Rs. 120 per litre.

- 3.20 Target of supplying 34,420 quintals of iodized salt to 22 districts comprising 9 remote districts and 13 extremely remote districts is set under the goiter control program in FY 2012/13. As per the target, a total of 22,960 quintals of iodized salt has already been supplied by Mid-March of 2013.
- 3.21 As per the policy of ensuring smooth supply of food grains in 30 remote hilly districts of the country, the supply of food grain to those districts through Nepal Food Corporation is also continued in the current fiscal year. As per the target supply 14,300 MT food grain in the current fiscal year, only 6,613 MT has been transported till mid-March 2013. At the same period of previous fiscal year, 10,506 MT of food grain was supplied against the target of 12,000 MT. The target set to store 25,000 MT of food grain at National Food Security Bank in various parts of the country for emergency supply in the current FY, 19,657 MT of such food grain has been stored by mid-March 2013. Similarly 8,000 MT of food grains has been stocked at SAARC Food Security Bank by mid-March 2013 as per the set target for the current fiscal year. Thus a total of 27,675 MT of food grain has been stored at National Food Security Bank and SAARC Food Security Bank in the review period.

Problems and Challenges

- 3.22 Despite desired level of monetary expansion, rise in inflation rate which is caused by structural reasons like overall decline in growth rate of domestic production accompanied by higher price of food grain in the major trading partner country, energy crisis,

price hike of petroleum products have created challenges in maintaining inflation in targeted range.

- 3.23 It is imperative to introduce policy for strengthening Nepal Oil Corporation, the authorized distributor of petroleum products, check leakages and encourage the private sector involvement on import and supply of petroleum products in order to avoid inflationary pressure caused by high price hike of such products. Likewise, arrangement has to be made in such a way that prices would be automatically adjusted in consistent with fluctuations in international market price so as to avoid immediate pressure on consumers due to high price hike. Besides, the economic burden as a result of price hike at international level can be reduced and welfare to consumer can be provided through the use of alternative instruments for price stabilization.
- 3.24 It is necessary to motivate consumers towards changing their consumption habit as the country has to fully rely on import of petroleum products amid its unexpected price rise in the international market. For this, government tax on petroleum products can be adjusted to the extent possible by introducing progressive tax rates while separating general users those get affected by the price rise and the luxurious and private vehicle users.
- 3.25 The situation like fluctuation in the production of food and other agricultural commodities and higher trading margin while supplying those products to the consumers end still exist. Therefore, it is necessary to develop the practices for setting cost of production based market prices of goods and services in order to mitigate these problems. In addition to this, an effective market monitoring mechanism needs to be carried out so as to curb the unscrupulous trading practices.
- 3.26 In one hand, difficulties on smooth and regular supply of basic consumable food items in various parts of Nepal still exist and on the other hand the individuals and the firms responsible for distributing food items have not been supplying such food smoothly which has to the price fluctuations of consumable food. Besides, it has been a challenging task to control market price due

to frequent closures and strikes and unscrupulous trading of various food and non-food items in different parts of Nepal.

- 3.27 It is imperative to set up necessary policy arrangement for the establishment of buffer zones in different parts of the country with the involvement of government and private sectors to facilitate the smooth supply of domestically produced agricultural goods that cannot be preserved for a long period of time. In addition to this, the supply of agricultural commodities can be made smooth if unused warehouses of cooperatives could be brought into operation for this purpose.

4. Money and Banking

4. Money and Banking

Monetary Policy

- 4.1. Monetary and fiscal policies are formulated with an objective of creating employment opportunities and attaining economic growth by maintaining macroeconomic stability. Fiscal policy is mainly formulated and implemented by publicly elected executives whereas arrangement of either autonomous Central Bank or monetary authority that is free from direct intervention of the government is created for formulation and implementation of monetary policy.
- 4.2. Nepal Rastra Bank, in pursuance of Nepal Rastra Bank Act 2002 has been making public monetary policy and its mid-term reviews on every year since fiscal year 2002/03. As mandated directed by the same act, monetary policy for fiscal year 2012/13 was made public on 25 July 2012 with the objectives of stabilizing price and maintaining external and financial sectors stability, enhancement of financial accessibility to general public, and creating conducive environment for sustainable and long term economic growth. Mid-term review of the policy was made public on 20 March 2013.

Monetary Policy Guideline

- 4.3. Since a stable financial sector is indispensable for maintaining monetary stability, monetary policy focuses on effective implementation and timely revision of on-site and off-site monitoring and supervision, early-warning signal, prompt reform initiative, risk-based supervision, stress testing, contingency planning and macro prudential regulation with the objective to improve the balance sheet of banks and financial institutions, and to strengthen the good governance. Similarly, monetary policy is functional in encouraging mergers of banks and financial institutions and enhancing public faith on these institutions by addressing liquidity and payment problems resulting from their institutional governance weaknesses.

- 4.4. In the situation that a large number of people in Nepal with no access to formal financial services, it has been a concern of monetary and fiscal policies to enhance enhance financial accessibility to general public. Apart from this, monetary policy has made efforts for developing entrepreneurship in underprivileged community through the introduction of micro-finance activities, helping poverty reduction initiatives in rural and urban areas by generating self-employment opportunities and conducting various income generating activities. Additionally, efforts are underway for enhancing financial inclusion and to make it accessible to the people through the development and expansion of micro-finance sector by addressing the needs of underprivileged group for long term development of the economy. Similarly, establishing “D” class financial institutions in those areas where banks and financial institution have their minimal or no presence; extending branch offices of banks and financial institutions; and encouraging promotion of banking services with branch expansions; enhancing financial literacy in such areas; and extending credit flows to underprivileged groups are among other efforts made by the monetary policy.

Economic and Monetary Targets

- 4.5. Though the Government of Nepal was not able to bring full-fledged budget in time, the monetary policy was formulated considering three-year plan that aimed at achieving overall economic stability, economic and employment growths, social security and economic development including the economic policies and programs of Government of Nepal.
- 4.6. The monetary policy for fiscal year 2012/13 was made public in perspective of satisfactory macroeconomic indicators; higher economic growth compared to that of last two-three years; comparatively lower inflation rate than that in the previous fiscal year; higher government revenue collection than that of last year; budget deficit contained within desirable limit; and notable current account surplus maintained with increased foreign exchange reserves and having historic saving in balance of payment despite the record of higher trade deficit.

- 4.7. The monetary policy for fiscal year 2012/13 had targeted to maintain the balance of payment surplus such a way that foreign exchange reserves would cover import of goods and services at least for 8 months, to limit inflation rate at 7.5 percent, and to achieve economic growth rate of 5.5 percent. Based on this, the broad money supply was projected to increase by 15 percent. Likewise, exchange rate was taken as intermediate target of monetary policy to achieve appropriate monetary target in a situation of having exchange rate of Nepalese currency pegged with Indian Currency. Similarly, timely revision intermediate target and implementation target of monetary policy was also mentioned in the policy document. The mid-term review of monetary policy, issued in mid-March 2013 re-estimated to achieve economic growth rate of 4.1 percent with the average annual inflation rate of 9.5 percent and the broad money supply growth rate of 15 percent.
- 4.8. In fiscal year 2012/13, domestic credit is estimated to grow by 16.0 percent. The credit flow from banks and financial institutions to private sectors is expected to rise by 16.0 percent in the current fiscal year compared to that of 12.5 percent in the previous fiscal year. While motivating banks and financial institutions credit towards productive sectors, it is expected to achieve economic growth rate of 5.5 percent. Observation of the government's net expenditure and domestic credit mobilization indirect that, credit flow rate of banks and financial institutions towards the government is expected to stand at 15.8 percent in the current fiscal year 2012/13.
- 4.9. Based on positive impact on deposit mobilization through targeted economic growth rate and balance of payment surplus, the monetary policy expects net deposit mobilization of bank and financial institutions to increase by 15.1 percent totaling Rs. 1,160 billion in fiscal year 2012/13.

Box 4 (a) : Major Indicators of Monetary Policy and their situation

- The average consumer price inflation in the first eight months stood at 10.6 Percent against the annual target of 7.5 percent
- with the target of maintaining BoP surplus, Foreign Exchange

Reserve was projected to be sufficient for financing for at least eight months of goods and services. The Foreign Exchange Reserve, however, is sufficient for financing merchandise imports of 8.8 month.

- In order to achieve 5.5 percent of economic growth, the growth rate of Broad Money was projected to 15 percent which stood at 6.2 percent in the first eight month.
- The Net Domestic Borrowing rose by 8.9 percent in the first eight months against its projected growth of 16 percent.
- Deposits of banks and financial institutions increased by 6.8 percent against the projected growth of 15.1 percent.

Monetary Policy Operating Instruments

- 4.10. Based on monetary policy target, liquidity situation and liquidity projection, open market operation is used as the major tool for the monetary policy. Continuity has been given to open market instruments such as repo and reverse repo for short term liquidity management and outright sale and outright purchase for mid-term liquidity management.
- 4.11. The bank rate of Nepal Rastra Bank has been redefined by clarifying the purpose of its application so that it could act as an effective tool of the money market. According to this, bank rate will be applied for the facilities like lender of the last resort and discount on securities. This rate has currently been set at 8 percent. As a new provision Standing Liquidity Facility (SLF) is available at bank rate. The earlier provision for calculating interest on SLF by adding 3.0 percent penal rate to higher rate either to 91-day Treasures Bills weighted average interest rates or to the existing bank rate, has been annulled.
- 4.12. Cash Reserve Ratio (CRR) to be mandatorily maintained by banks and financial institutions has been set at 6.0 percent for “A” Class, 5.5 percent for “B” class and 5.0 percent for “C” class institutions. The penal charges levied to bank and financial institutions for failing to maintain CRR has been amended. As per the new provision, banks and financial institutions shall be charged equal to that of bank rate for first time offence, 150 percent of bank rate for second time offence and 200 percent offences for third time

and beyond. Continuity has been given to Statutory Liquidity Ratio (SLR) related provision which was aimed at making automatic adjustment in liquid asset with increase in deposits of bank and financial institutions.

- 4.13. The inclusion of deposits of development banks and finance companies aside from commercial banks is mentioned in the monetary policy which is helpful in the Liquidity Monitoring and Forecasting Framework (MLFF), to make banking sector liquidity more realistic. In addition, the period of repo and reverse repo that was extended to a maximum of 45 days during liquidity crunch has now been brought down to 28 days again due to ease in liquidity in monetary market. Likewise, the provision for operating repo transaction in development bonds collateral aside from treasury bills is continued. The monetary policy has also provisioned the period of a maximum of 7 days for interbank transactions.
- 4.14. In order to increase the credit flow to the productive sector, the existing refinance rate against the collateral of good loan for a maximum period of 6 months has been reduced to 6.0 percent single refinancing rate. The provision has also been made that the bank and financial institutions shall not charge more than 9.0 percent interest rate on such refinanced loan to their customers.
- 4.15. A provision to banks and financial institutions has been made for refinancing loan at 6.0 percent for lending credits to both the landless and land owning farmers to run livestock and fish farming businesses in order to generate employment and income through the promotion of dairy and meat-oriented business. The customers shall not be charged more than 9.0 percent interest to the loan provided under this refinancing provision.
- 4.16. Special refinancing rate of 1.5 percent has been kept as it is for credit flows to sick, small and cottage, and export-oriented industries; and the category specified for foreign employment. With a view to increase the usage of such facility, there has been a provision to make special refinancing facility available to women and specified group and communities by making the process simpler thereby widening its scope. This provision has still

restricted the bank for not to take more than 4.5 percent interest from the borrowers against the usage of such facility. Similarly, arrangement for setting the interest rate by adding 0.25 on existing LIBOR rate for the commercial banks to financing in foreign currency on export is continued.

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

(In Percent)

Instruments	Fiscal Year					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Bank rate	6.25	6.50	6.50	7.00	7.00	8.00
Refinancing Rates						
Export Credit (Domestic Currency)	2.50	2.00	1.50	1.50	1.50	1.50
Export Credit (Foreign Currency)	3.25	0.25*	0.25*	0.25*	0.25*	0.25*
Sick Industries	1.50	1.50	1.50	1.50	1.50	1.50
Small and Cottage Industries	2.50	2.50	2.50	1.50	1.50	1.50
Productive Sector**			7.50	7.00	6.50	6.00
Cash Reserve Ratio	5.00	5.50	5.50	5.50	5.00	+
Standing Liquidity Facility (Penal Rate)	2.00	3.00	3.00	3.00	3.00	0.0#

* LIBOR Rate Plus

** New provision made in the Monetary Policy of fiscal year 2012/13

Penal rate provision is removed in the Monetary Policy of fiscal year 2012/13 as the standing liquidity facility is available at bank rate

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

Source: Nepal Rastra Bank

Monetary Aggregates Situation

4.17. Broad money supply increased by 6.2 percent and narrow money supply by 1.6 percent during the first eight months of the current fiscal year. In the same period last year broad money supply and narrow money supply had increased by 12.2 percent and 6.4 percent respectively. In review period, narrow money supply growth rate had declined owing to the decrease in current deposits while decreased expansion of foreign assets has led to the reduction in the growth rate of broad money supply.

Table 4(b) : Factors affecting Money Supply

Rs. In Million

		Changes in First Eight Months			
		2011/12		2012/13*	
		Amount	Percent	Amount	Percent
1	Net Foreign Assets@	81086.0	36.6	11777.0	3.1
2.	Net Domestic Assets (2.1-2.2)@	31161.0	4.4	58173.0	7.8
2.1	Net Domestic Credit	30685.0	3.4	88509.0	8.9
a.	Net Credit to Government	-21506.0	-13.2	-40390.0	-24.8
	i) Net Claims on Government	-10084.0	-6.2	-1202.0	-0.7
	ii) Government Saving	11421.0	-	39188.0	1651.6
b.	Credit to non financial Public Enterprises	2145.0	33.8	702.0	7.0
c.	Credit to Financial Institution	-1456.0	-9.4	1933.0	16.4
	i) Government	-2352.0	-43.3	462.0	23.2
	ii) Non Government	896.0	8.9	1471.0	15.0
d.	Credit to Private Sector	51502.0	7.1	126265.0	15.6
2.2	Net Non-monetary Liabilities@	-476.0	-0.2	30336.0	12.3
3.	Money Supply, M2 (3.1+3.4)	112246.0	12.2	69950.0	6.2

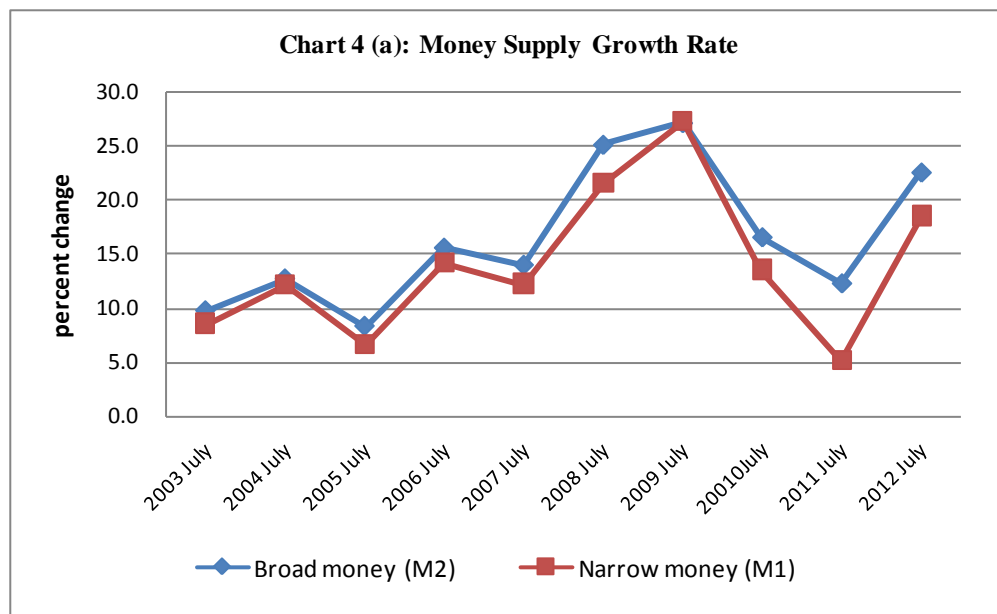
	Changes in First Eight Months			
	2011/12		2012/13*	
	Amount	Percent	Amount	Percent
3.1 Money Supply, M1 (a+b)	14352.0	6.4	4360.0	1.6
(a) Currency	18449.0	13.0	14177.0	8.3
(b) Current Deposits	-4097.0	-5.0	-9817.0	-10.5
3.2 Saving and Call Deposits	64965.0	16.2	58312.0	11.1
3.3 Time Deposits+	32930.0	11.0	7278.0	2.1
3.4 Time and Saving Deposits (3.2+3.3)	97895.0	14.0	65590.0	7.6

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

1. Exchange rate gain NRs. 843.9 million adjusted

2. Exchange rate gains NRs. 12824.9 million adjusted

Source: Nepal Rastra Bank



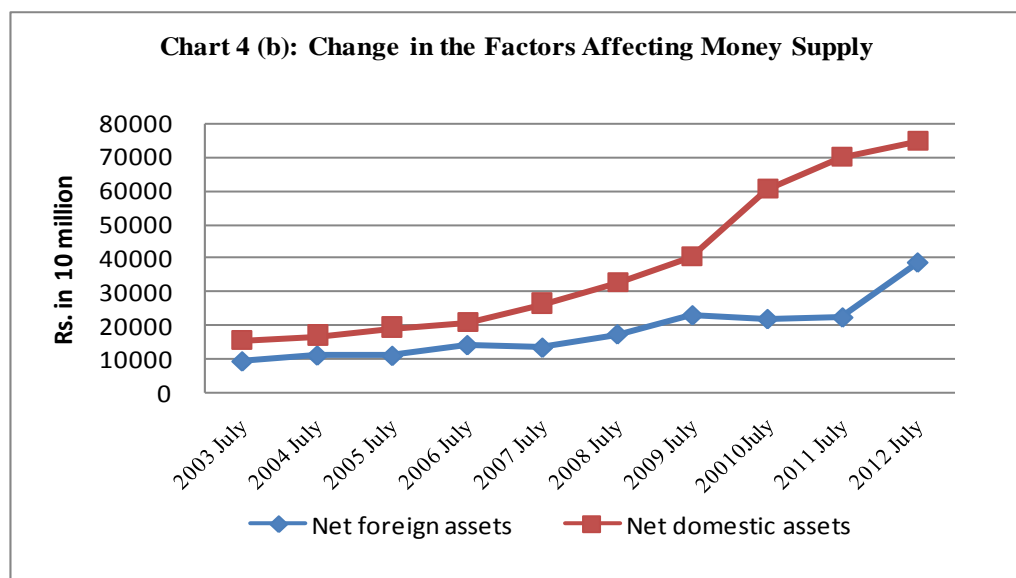
Net Foreign Assets

4.18. Net Foreign Assets (foreign exchange valuation gain-loss adjusted) during the review period rose by 11.78 billion (3.1 percent) due to notable rise in service incomes and remittance inflow. Such assets had increased by Rs. 81.09 billion (36.6 percent) in the same period of previous year. Net foreign assets growth has declined in review period due to expansion in imports against export, comparatively low growth in remittance inflow and decreased capital and current transfer inflow compared to the same period of previous year.

Net Domestic Borrowing

4.19. The net domestic borrowing has increased by 8.9 percent in the first eight months of fiscal year 2012/13. Such borrowing had increased by 3.4 percent during the same period of last year. Due to remarkable growth of private sector claims in review period, the net domestic borrowing growth remained higher. During the review period, net claim on government has declined by 24.8 percent. Such claim was decreased by 13.2 percent in previous year. The net claim on government has declined as a result of fall in credit flow to government and having government saving of Rs. 39.19 billion by mid-march of current fiscal year.

4.20. The net claim on the private sector in the first eights of current fiscal year has increased by (15.6 percent) Rs. 126.26 billion. During the same period of previous year, claims on such sector had grown by (7.1 percent) Rs. 51.50 billion. This increase in claim on the private sector is mainly as a result of policy measures that Nepal Rastra Bank adopted aiming at enhancing production, employment opportunities and income generation activities for sustainable economic development through expansion of investments of banks and financial institutions in agriculture, energy and productive sector.



Reserve Money

4.21. The volume of reserve money has decreased by 10 percent in the first eight months of the current fiscal year 2012/13. During the same period of previous year, reserve money had grown by 14.1 percent. Reason for such decline in the reserve money during the review period is the decline in net claim of Nepal Rastra Bank on the government accompanied by lower growth rate of net foreign assets. However, on annual point-to-point basis, such reserve money has increased by 7.5 percent in mid-March 2013.

Table 4 (c) : Change in Reserve Money

(Rs. in millions)

Particulars	Mid-July 2011	Mid-March 2012	Mid-July 2012	Mid-March 2013*	Percent change in first eight months	
					2011/12	2012/13
Currency Reserve	234189	267153	319323	287239	14.1	-10.0
Narrow Money	0.953	0.889	0.828	0.936	-6.7	13.0

Particulars	Mid-July 2011	Mid-March 2012	Mid-July 2012	Mid-March 2013*	Percent change in first eight months	
					2011/12	2012/13
Multiplier						
Broad Money Multiplier	3.937	3.872	3.542	4.181	-1.7	18.0

**Provisional*

Source: Nepal Rastra Bank

4.22. On money multiplier side, broad money multiplier has reached 4.181 with 18 percent increment in Mid-March 2013 as compared to that of Mid-July 2012. The narrow money multiplier has also increased by 13 percent during the same period. The reason behind notable growth in money multiplier is due to negative growth of reserve money during the review period.

Implementation Status of Monetary Instruments

4.23. During the first eight months of fiscal year 2012/13, Rs. 8.50 billion is absorbed through outright purchase under the open market operation. During the same period of previous year, Rs. 8.40 billion was mopped-up through outright sale whereas Rs. 743.7 million was injected through repo auction. Liquidity injection through repo auction was not carried out in the review period due to comfortable liquidity position.

4.24. Nepal Rastra Bank has made net liquidity injection of Rs. 155.17 billion through net purchase of US\$ 1.79 billion from the foreign exchange market (Commercial Banks) during first eight months of fiscal year 2012/13. In the same period of previous year, the net liquidity worth Rs. 160.60 billion was injected through net purchase of US\$ 2.05 billion from the foreign exchange market. The decline in purchase of US Dollar as compared to same period of previous fiscal year is due to comfortable liquidity situation in the review period.

Table 4 (d) : Open Market Operation*Rs. in million*

Particulars		2010/11	2011/12	First 8 months	
				2011/12	2012/13
A	Liquidity Absorption	21000	8400	8400	8500
	Outright Sale	2000	8400	8400	8500
	Reverse Repo	19000	-	-	-
B	Liquidity Injection	92386	744	744	-
	Outright Purchase	-	-	-	-
	Repo	92386	744	744	-
C	Net Liquidity Absorbed (a-b)	-71386	7656	7656	8500

Source: Nepal Rastra Bank

4.25. During the review period, Indian currency worth Rs. 170.42 billion has been purchased by selling US\$ 1.96 billion. During the same period of the previous fiscal year, US\$1.80 billion was sold to purchase Indian currency worth Rs. 140.82 billion.

Interbank Transaction and Standing Liquidity Facility

4.26. During first eight months of fiscal year 2012/13, commercial banks carried out interbank transaction worth Rs. 390.18 billion while other financial institutions (development bank and finance companies) carried out such transaction equivalent to Rs. 100.62 billion. Such transactions worth Rs. 129.17 billion and Rs. 113.65 billion were carried out by commercial banks and other financial institutions respectively in the corresponding period of previous fiscal year. During the review period, standing liquidity facility totaling Rs. 16.56 billion has been transacted. During the same period of previous fiscal year, standing liquidity facility worth Rs. Rs. 4.35 billion was transacted.

Short-Term Interest Rate

4.27. Among short-term interest rates, a slight increase in the weighted average interest rate of 91-day Treasury Bills and Inter-bank transaction were observed in mid-march of fiscal year 2012/13 as compared to same month of previous year whereas weighted average Inter-bank interest rate for other financial institutions has declined. Accordingly, weighted average interest rate of 91-days Treasury Bills has reached at 4.02 percent in mid-March 2013 which was stood at 0.97 percent in mid-March 2012. Similarly, weighted average interest rate of inter-bank transaction of commercial banks is reached 4.26 percent in mid-March 2013 as compared to 0.69 percent in mid-March 2012 while the rate is 4.81 percent in mid-March 2013 for inter-bank transaction among other financial institutions which was 7.58 percent in mid-March 2012 last year. Increase in such interest rates is noticed mainly due to policy adoption intended for money market to work itself on managing liquidity.

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

(Percent)

Description	Mid-April 2012	Mid-July 2012	Mid-Sept. 2012	Mid-Jan. 2013	Mid-April 2013
91-days Treasury Bills	1.09	1.15	0.31	1.52	3.49
Inter-bank	0.69	0.86	0.33	0.71	3.78

Source: Nepal Rastra bank

Financial Sector Expansion

4.28. By mid-April of current fiscal year, 32 commercial banks, 89 development banks, 65 finance companies and 28 "D" class micro finance development banks are in operation. Apart from bank and financial institutions, various institutions including 25 insurance companies, Employee's Provident Fund, Citizen Investment Trust and Postal Saving Banks through various means are engaged in financial service sector in the same period. After

the implementation of Merger By-Laws 2011, merger process among banks and financial institutions is continued.

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

Bank and Financial Institutions	Mid-July 2008	Mid July 2009	Mid July 2010	Mid July 2011	Mid July 2012	Mid April 2013
Commercial Banks	25	26	27	31	32	32
Development Banks	58	63	71	88	88	89
Finance Companies	78	77	79	80	70	65
Micro-Finance Institutions	12	15	18	21	24	28
Nepal Rastra Bank Licensed Cooperatives (limited banking transactions)	16	16	15	16	16	16
Nepal Rastra Bank licensed NGOs (micro-finance transactions)	46	45	45	38	36	33
Insurance Company	25	25	25	25	25	25
Employees Provident Fund	1	1	1	1	1	1
Citizen Investment Trust	1	1	1	1	1	1
Postal Saving Bank	1	1	1	1	1	1
Offices of Postal Savings Bank	117	117	117	117	117	117

Source: Nepal Rastra Bank

4.29. With increase in numbers of banks and financial institutions, their deposit mobilization and lending transactions have been expanding. From such activities, growth of financial inclusion and financial sector intensity in the economy can be asserted. Some financial transactions related major indicators of commercial bank and financial institutions are given in Table 4(g).

Table 4 (g) : Some Major Indicators of Bank and Financial Institutions*(Rs. in billion)*

Description	Mid-July 2008	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-July 2012	Mid-April 2013
Total Assets	604.5	833.5	996.1	1158.32	1380.8	1515.02
Total Deposits	505.7	676	795.3	871.91	1076.57	1159.51
Total Loans	358.1	495.2	622.6	713.09	804.46	943.97
Deposit/GDP Ratio (in percent)	62	68.4	67.9	64	68.8	74
Loans/GDP Ratio (in percent)	43.9	50.1	53.1	52	50.7	59.3
Market Share in Total Deposits (in percent)						
Commercial Banks ("A" Class)	85.6	83.4	79.4	78.9	80.62	80.32
Development Banks ("B" Class)	5.1	7.2	9.7	11.1	11.83	12.14
Finance Companies ("C" Class)	8.5	8.4	10	9.8	7.07	6.98
Other Institutions	0.9	0.9	0.9	0.2	0.48	0.55
Market Share in Total Lending (in percent)						
Commercial Banks ("A" Class)	78.6	76.8	74.2	74	77.39	77.03
Development Banks ("B" Class)	6.6	8.7	10.6	12.5	12.49	12.92
Finance Companies ("C" Class)	12.1	12.1	12.8	12.2	8.29	7.83
Other Institutions	2.7	2.4	2.4	1.3	1.83	2.22

Source: Nepal Rastra Bank

Branch Expansion

4.30. The number of branches of commercial banks that stood at 1,300 in mid-March 2012 rose to 1,472 in mid-March of current fiscal year. During this period, the total number of banks and financial institutions reached 2,457 comprising the number of branches of Development Banks and Finance companies to 713 and 298 respectively. Considering the number of these branches as a benchmark, Far Western and Mid-Western Development Regions are lagging behind in terms of financial sector expansion.

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

(Mid-March 2013)

Development and Zone	Region	Commercial Banks	Development Banks	Finance Companies	Total
Eastern Region	Development	270	95	36	375
Mechi		74	26	10	84
Koshi		136	60	18	214
Sagarmatha		60	9	8	77
Central Region	Development	731	266	171	1168
Janakpur		70	30	8	108
Narayani		138	98	35	271
Bagmati		523	138	128	789
Western Region	Development	261	267	78	606
Gandaki		111	123	37	271
Lumbini		121	125	31	277
Dhaulagiri		29	19	10	58
Mid-Western		124	62	11	197

Development and Zone	Region	Commercial Banks	Development Banks	Finance Companies	Total
Development Region					
Rapti		43	31	5	79
Karnali		13	0	0	13
Bheri		68	31	6	105
Far-Western Development Region		86	23	2	111
Seti		52	12	2	66
Mahakali		34	11	0	45
Grand Total		1472	713	298	2457

Source: Nepal Rastra Bank

4.31. The situation of financial accessibility by development region is as follows.

Table 4 (i) : Access to Finance

	Population	Branches of Bank and Financial Institutions	Financial Accessibility/Person
Eastern	5,811,555	375	15,497
Central	9,656,985	1,168	8,268
Western	4,926,765	606	8,130
Mid-Western	3,546,682	197	18,003
Far-Western	2,552,517	111	22,996
Total	26,494,504	2,457	

Source: Nepal Rastra Bank and Central Bureau of Statistics

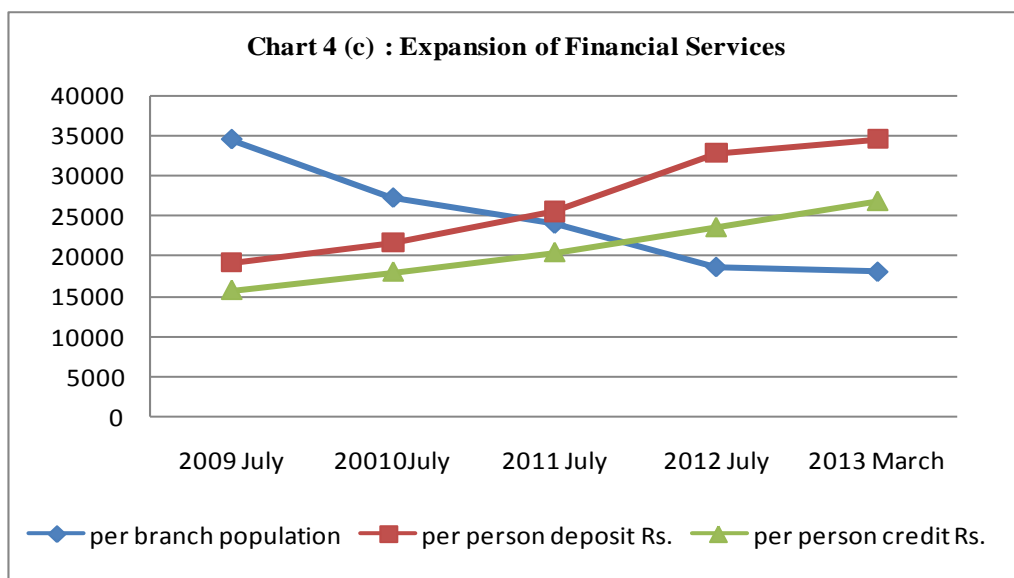
4.32. Considering the total deposits of commercial banks which occupy largest of share in banking transaction as a base, the average per person deposit which was Rs. 32,760 in mid-July 2012 has surged up to Rs. 34,546 in mid-March 2013. Similarly, the average per capita credit flow of commercial banks has reached Rs. 26,741 in mid-March 2013 from Rs. 23,498 in mid-July 2012. Such banking expansion make service delivery more effective which will consequently help achieve economic growth and the goal of poverty alleviation of the government.

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

	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-July 2012	Mid-March 2013
Commercial Bank Branches	752	966	1111	1425	1472
Population per Branch	34,435	27,184	23,960	18,592	17,998
Domestic Deposits of Commercial Banks (in Billion Rs.)	495.8	569.0	680.2	867.98	915.28
Per Capita Deposit (Rs.)	19,150	21,668	25,500	32,760	34,546
Commercial Banks Lending (in Billion Rs.)	406.7	472.3	544.2	622.57	708.51
Per Capita Credit (Rs.)	15,709	17,985	20,400	23,498	26,741

Source: Nepal Rastra Bank

4.33. The effect of financial expansion in the country can be observed from the chart below.



Deposit Mobilization and Credit Disbursement

- 4.34. Deposit mobilization of bank and financial institutions recorded a growth of 6.8 percent (Rs. 68.62 billion) in the first eight months of fiscal year 2012/13. During the corresponding period of previous year, deposit mobilization had increased by 11.4 percent (Rs. 94.07 billion). In the review period, deposit mobilization of commercial banks, development banks and finance companies has increased by 5.7 percent, 8.5 percent and 4.7 percent respectively. During the same period of the previous year, deposit mobilization of commercial banks and development banks had recorded a growth of 13.6 percent and 6.8 percent whereas that of finance companies experienced slight reduction. On annual point-to-point basis, deposit mobilization of banks and financial institutions reached Rs. 1080.44 billion in mid-March 2013 with increase of 17.8 percent (Rs. 163.14 billion). During this period, decrease in remittance and significant decline in money stock due to income together with decline in government expenditure has affected the deposit mobilization of banks and financial institutions. In addition to this, deposit mobilization has also been affected to some extent as a result of low interest rate on deposits.
- 4.35. Likewise, the private sector's claim on loans and investment of bank and financial institutions during the review period has

increased by 15.6 percent (Rs. 126.03 billion). During the corresponding period of previous year, such claims of private sector on loans and investment rose merely by 7.1 percent (Rs. 51.31 billion). The claims of private sector on loans and investment of commercial banks, development banks and finance companies is increased by 15.2 percent, 17.2 percent and 17.1 percent respectively.

Table 4 (k) : Deposit Mobilization and Flow of Credit

(Rs. in 10 million)

Heads	Mid-July 2011	Mid-March 2012	Mid-July 2012*	Mid-March 2013*	Percent Change in First Eight Months	
					2011/12	2012/13
<u>Deposit Mobilization</u>						
Commercial Banks	68023	77245	86169	91122	13.6	5.7
Development Banks	9111	9731	12213	13248	6.8	8.5
Finance Companies	8155	8154	7540	7895	0	4.7
Banks and Financial Institutions+	82323	91730	101182	108044	11.4	6.8
<u>Flow of Credit (in private sector)</u>						
Commercial	54425	59853	63336	72993	10.0	15.2

Heads	Mid-July 2011	Mid-March 2012	Mid-July 2012*	Mid-March 2013*	Percent Change in First Eight Months	
					2011/12	2012/13
Banks						
Development Banks	9269	9033	10333	12106	-2.6	17.2
Finance Companies	8595	8535	6862	8035	-0.7	17.1
Banks and Financial Institutions+	72290	77421	80531	93134	7.1	15.6

Source: Nepal Rastra Bank

*Provisional

+after inter account adjustment

Status of Non-performing Loans

4.36. Non-performing loans of banks and financial institutions and its ratio with total loans has marginally increased for all groups including commercial banks, development banks and finance companies in mid mid-January 2013 as compared to that of mid-July 2012.

Table 4 (I) : Non-Performing Loan Status of Commercial Banks

(Rs. in million)

Banks/Financial Institution	fiscal year 2010/11		fiscal year 2011/12		Mid-January 2013	
	NPL Amount	Percent	NPL Amount	Percent	NPL Amount	Percent
Commercial Banks	16868.0	3.2	16371.0	2.6	22190.0	3.2

Banks/Financial Institution	fiscal year 2010/11		fiscal year 2011/12		Mid-January 2013	
	NPL Amount	Percent	NPL Amount	Percent	NPL Amount	Percent
Development Banks	1581.0	2.4	4927.0	4.9	6641.0	5.8
Finance Companies	1099.0	1.7	7146.0	10.7	10303.0	14.1

Source: Nepal Rastra Bank

“D” Class Microfinance Institutions

4.37. Banks and financial institutions involved in micro-finance related activities have been carrying out their operations in the country with a view to engage ultra-poor women living in rural areas by extending micro-finance activities. The total number of "D" Class micro-finance institutions has reached 28 by fiscal year 2012/13 that includes 5 rural development banks, 20 rural banking system replicators and 3 wholesale lending Micro-Finance Institutions.

4.38. Total assets/liabilities of “D” Class microfinance institutions decreased by 0.27 percent to Rs. 29.74 billion by mid-March 2013 compared to mid-July 2012. The total deposits and borrowings of these institutions totaled Rs. 6.18 billion and Rs. 16.24 billion respectively in mid-March 2013 whereas loans and investments totaled Rs. 20.21 billion and Rs. 3.03 billion respectively.

Table 4 (m) : Sources and Uses of fund of microfinance institutions

(In Rs. Million)

	Description	Mid-July 2012	Mid-March 2013*	Percent Change
Resource	Capital Fund	2810.9	3541.6	26.00
	Deposit	5127.8	6184.8	20.61
	Borrowing	16575.0	16240.8	-2.02
	Others	4723.8	3223.9	-31.75
	Profit/Loss Account	577.9	545.0	-5.69

	Description	Mid-July 2012	Mid-March 2013*	Percent Change
	Resource/Utilization	29815.5	29736.1	-0.27
Utilization	Liquid Fund	5648.5	4202.1	-25.60
	Investment	2190.6	3028.5	38.25
	Credit and Lending	17700.0	20205.4	14.16
	Others	4158.9	2191.8	-47.30
	Profit/Loss Account	117.5	108.3	-7.83

**Provisional*

Source: Nepal Rastra Bank

Resources and Utilization of Other Financial Institutions

Employees Provident Funds

4.39. Employees' Provident Fund established in 1964 under the Employees Provident Fund Act 2019 (1964) has been managing provident funds of civil servants, military and police personnel, teachers, personnel of government as well as private institutions. During the first eight months of the current fiscal year, 468 thousand depositors are associated with the Fund as against 460 thousand depositors in the corresponding period of the previous fiscal year.

4.40. Besides providing borrowing facility to depositors, the Fund has been investing in real-estate business, industries and hydro-power projects. Compared to the previous fiscal year, assets/liabilities of the Fund increased by 18.0 percent totaling Rs. 125.75 billion in mid-July 2012, which further increased to Rs. 138.54 billion in mid-March 2013. Similarly, the total provident fund has reached Rs. 133.65 billion in mid-March 2013.

Citizen Investment Trust

4.41. Founded in March 18, 1990 under the Citizen Investment Trust Act 1990, the Trust is involved in activities like collection and mobilization of deposits from individual and institutions, and providing credit and loans. Moreover, the Trust has been working as the issue manager for facilitating share and bonds on behalf of various organized institutions. The Trust's asset/liability has been Rs. 35.70 billion in mid-July 2012. Compared to the corresponding

period of previous fiscal year the Trust's assets/Liabilities increased by 21.8 percent to Rs. 38.86 billion in mid-March 2013. On the sources side, deposits (collection of fund) rose by 29 percent to Rs. 36.83 billion in mid-March, 2013 as compared to the same period of previous fiscal year. Of the total fund collected in the first eight months of the review period, the share of employees saving increment retirement fund is 66.93 percent, 1.25 percent is that of citizens unit fund, 14.06 percent is of gratuity fund scheme, 4.24 percent is of investors' account plan, while the share of collection from the insurance fund is 13.51 percent.

- 4.42. Under the Trust's capital market service, the Trust has issued general and rights shares worth Rs. 7.81 billion on merchant banking transaction in fiscal year 2011/12. Likewise, the Trust has issued such shares worth Rs. 10.16 billion by mid-March 2013 while it has earned a total of Rs. 988.8 million through share registrar service charge, share issuance fee and guarantee commission fee.
- 4.43. As per the investment structure of the Trust until 2013 mid-March, Share of investment is 51.17 percent of total investment is in fixed deposits including fixed interest generating fund, 9.74 percent in government bonds, 5.17 percent in shares, 14.27 percent in term-loan and 13.74 percent in participatory borrowing/home loan. The investment on fixed deposit has declined by more than 15.86 percent in the review year compared to the same period of previous fiscal year.

Postal Saving Bank

- 4.44. 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 have been providing banking services as of mid-March 2013. The total deposit of postal saving banks, which was Rs 1.28 billion in mid-July 2012, has increased by nearly 100 million and reached close to Rs 1.38 billion in mid-March 2013. The total number of saving accounts have reached to 58,558 in mid-March 2013.

Deposit and Credit Guarantee Corporation

- 4.45. Deposit and Credit Guarantee Corporation was established on 20th September 1974 with the objective to encourage commercial banks for investing in priority sectors and avail banking services to deprived people at their doorsteps. It has continued guaranteeing loans and credits availed to deprived groups and credit in the priority sector including livestock, vegetable crop farming, foreign employment, and micro-finance and underprivileged group and small and medium-scale enterprises. The Corporation's paid up capital is Rs 1 billion, which comprises 87.7 percent, 10 percent, shares of Government of Nepal and Nepal Rastra Bank respectively. The remaining portion of the share is under the ownership of Nepal Bank Ltd and Rastriya Banijya Bank.
- 4.46. The Deposit and Credit Guarantee Corporation, that guaranteed credits worth Rs. 544.4 million until mid-March 2013. As per the directive of NRB, "A", "B", "C" and "D" Class banks and financial institutions are supposed to ensure deposit up to Rs. 200 thousand on personal saving and fixed account. The corporation, as of mid-April 2013, has guaranteed deposit of Rs. 230.71 billion of 184 banks and financial institutions against the target of guaranteeing Rs. 200 billion deposits in fiscal year 2012/13.

Credit Information Bureau

- 4.47. The Credit Information Bureau was established in 1990 in the initiative of Nepal Rastra Bank for collecting information on repayment of loans and making such information available to banks and financial institutions. The bureau also prefers information on blacklisted credit defaulters. The NRB owns 10 percent share, commercial banks 65 percent, development banks 10 percent and financial institutions 15 percent of the total shares of this Bureau. The number of blacklisted defaulters of banks and financial institutions has reached 4,032 in mid-July 2012. Banks and financial institutions have blacklisted additional 319 defaulters between mid-July 2012 and mid-March 2013 while 102 defaulters have been delisted from the black list.

Rural Self-Reliance Fund

- 4.48. Rural Self-Reliance Fund, established in 1991 has been providing wholesale credits with the objective of improving economic as well as social status of target groups through the optimum utilization of local resources and skills. In order to direct the overall management of the Fund and to make it time-relevant. Rural Self-Reliance Fund Credit Directives 2003 has been annulled and Rural Self-Reliance Fund Operation Directives, 2013 is introduced and made effective from 13 February 2013 as
- 4.49. The Fund has its provision of making credit available up to Rs. 90,000 to each individual borrower through cooperatives and Non-Governmental Organizations (NGOs) for economic upliftment of the underprivileged group of people. The Fund has accumulated a total capital of Rs. 443.4 million as Rs. 190 million from the Government of Nepal and Rs. 253.4 million from NRB is received to this Fund. The Fund has been providing credits to the affiliated organizations on the basis of their capacity and primary capital as directed by its Directives.
- 4.50. The Fund disbursed credit sum of Rs. 903.6 million to a total of 720 organizations including 667 cooperatives and 53 NGOs by mid-March 2013. Of this total credit, the Fund has recovered Rs. 501 million while a sum of Rs. 403.4 million is still in investment. The Fund's debt recovery rate against its credit flow to cooperatives and NGOs stood at 90.66 percent. NGOs and the cooperatives have been delivering services in 27 districts and 62 districts respectively through the credit made available by the Fund while a total of 37,030 rural household members are directly benefited thereby gradually improving their economic status and by engaging themselves in various income and self-employment oriented programs.

Table 4 (n) : Progress Details of Rural Self-Reliance Fund

Description	Mid-July 2012	Mid-March 2013
Number of Loan Disbursed Districts	62	62
Number of Loan Disbursed Institutions	710	721
Beneficiary Households	32,240	37,030

Disbursed Credit Amount (in Rs. 100 Million)	91.9	106.3
Amount Recovered (In Rs. 100 Million)	48.4	56.8
Amount Remained on Investment (In Rs. 100 Million)	43.6	49.5
Overdue Loan (As percent of amount to be recovered)	5.6	8.3
Loan recovered (Percent)	94.4	91.7

Source: Nepal Rastra Bank

Cooperative Licensed for Limited Banking Transactions

- 4.51. Co-operatives, established under the Cooperatives Act, 1991 and licensed by NRB, are carrying out limited banking transactions in line with NRB guidelines. By mid-March 2013, the number of such institutions has reached 16 with 15 cooperatives and one National Cooperative Development Bank. The total assets/liabilities of these Cooperatives have reached Rs. 11.65 billion by mid-July 2012. Likewise, deposit collections of these cooperatives reached Rs. 9.32 billion with credit and loans totaling Rs. 8.33 billion in mid-march 2013. These institutions have invested a total of Rs. 976.8 million in government bonds, fixed accounts and other instruments by mid-March 2013.
- 4.52. The number of Savings and Credit Cooperatives registered under the Cooperative Act, 1991, have reached 28,000 by mid-April 2013. Of the total number, about 12,600 have been carrying out saving and credit transactions while, 4,000 are engaged in multipurpose activities.

Table 4 (o) : A Glimpse on Activities of Saving and Credit Cooperatives

(Rs. in Million)

Description	Saving and Credit Cooperative		
	Mid-April 2011	Mid-April 2012	Mid-April 2013
Number of Cooperatives	10,558	25,371	28,248
Number of Members	14,06,021	36,19,913	41,14,234

Description	Saving and Credit Cooperative		
	Mid-April 2011	Mid-April 2012	Mid-April 2013
Share Capital	14,222	22,740	27,680
Saving	98,454	127,210	148,030
Investment	80,700	136,280	137,820

Source: Nepal Government, Ministry of Cooperative and Poverty Alleviation, Department of Cooperatives

Financial Sector Reform Program

- 4.53. With a view to implement recently procured GL System in Nepal Rastra Bank in order to modernize the transactions of Central Bank and to make accounting system efficient and prompt, the system has been brought in operation since April 15, 2013 subsequent to the completion of User Training. After the implementation of this system it is expected that the bank's activities, policy formulation tasks and their implementation will be more effective resulting in promptly availability of information on transactions of all offices of Nepal Rastra Bank and its departments.
- 4.54. The Financial Sector Reform Program is still continued even after completion of the project period in 2011, which was started in 2003 under the loan and grant assistance of the government of Nepal, World Bank and Department for International Development (DFID) of the Government of UK.
- 4.55. Of the tasks listed in capital scheme of Nepal Bank Limited, the amount to be received in lieu of right share from the Government of Nepal has already been deposited at the bank. Likewise, tasks including transferring share from OTC market to the employees, carrying out bank audits and listing of shares for its transactions in Nepal Stock Exchange have been completed while right shares issuance process for general shareholders has been carried out.
- 4.56. Out of the tasks mentioned in the approved capital plan of Rastriya Banijya Bank, Government of Nepal has already topped up the sum of Rs. 4.33 billion, while the loan amount of Rs. 3.47 billion the Government availed to the bank under the Financial

Sector Reform Project has already been converted into the Bank's share capital.

- 4.57. There has been a notable progress in negative capital fund of Rastriya Banijya Bank and Nepal Bank Limited as a result of Financial Sector Reform Program. Paid-up capitals of these Banks have surged up notably and the financial position of both the Banks is found satisfactory mainly because of the decrease in the volume of non-performing loans of the Rastriya Banijya Bank and these Banks have been operating in profit. These banks are in the phase of capital plan implementation.

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

Mid-July	Non-Performing Loan in Total Loan (Percent)		Negative Capital Fund (Rs. in Billion)	
	Nepal Bank Ltd	Rastriya Banijya Bank	Nepal Bank Ltd	Rastriya Banijya Bank
2003	60.47	60.15	9.80	22.39
2004	53.74	57.64	8.90	21.00
2005	49.64	50.70	7.16	20.00
2006	18.18	37.00	6.3	18.59
2007	13.50	27.60	6.25	17.21
2008	12.38	21.65	5.72	15.50
2009	4.94	15.64	4.88	13.48
2010	4.98	9.81	4.74	9.84
2011	5.28	10.92	4.79	10.45
2012	5.83	7.27	3.01	4.74
Mid-Jan 2013	7.06	6.53	3.23	1.39

Source: Nepal Rastra Bank

Other Provisions Relating to Bank and Financial Institutions

- 4.58. Of the 355 loan defaulters against whom actions were taken including seizure of their passports, 55 such defaulters were cleared against action by mid-July 2012. Action against one of the defaulters was withdrawn upon recovery of Rs. 11.2 million as a penal charge during the review period. Loan (Deliberate)

Defaulter Action Monitoring Committee has played the role of a facilitator to exert moral pressure in order to recover a sum of about Rs. 835.9 million from deliberate defaulters of the banks.

- 4.59. Of the total 66 grievances and complaints filed with Complaint Management Committee constituted under the convenorship of deputy governor of Nepal Rastra Bank, 27 such complaints have been settled while necessary correspondence is being carried out with concerned banks and financial institutions for the settlement of 11 such complaints. The Committee is receiving applications especially on the subjects like extending loan period, waiving the penal charges, stopping the auction for assets mortgages collateral, and releasing collaterals that have been blocked by the bank due to credit misuse by third party. This Committee has helped in resolving problems that have emerged between banks and the debtors and minimizing the problems seen in banking and financial sectors in connection with loan recovery and restructuring.
- 4.60. As mentioned in the monetary policy of fiscal year 2011/12 there is a provision of providing a sum of Rs. 1.5 million by Nepal Rastra Bank to every branch of those “D” class banks at zero percent interest if they to open their branches in 9 districts having little financial access.
- 4.61. There has been a significant progress in the merger process among banks and financial institutions after the introduction of the By-Laws 2011 on Merger of Banks and Financial Institutions. As a result, 26 institutions have started operating jointly subsequent to their merger while additional 28 institutions have secured latest approval for merger into 13 institutions from 28. Similarly, 24 institutions have secured approval in principle for them to merge into 10 institutions.
- 4.62. An arrangement is made for counting as credits to deprived sector for loan of limit of up to Rs. 10 million for cooperatives established with specific objectives other than Saving and Credit Cooperatives extending credit of up to Rs. 90,000 for group farming and livestock/poultry purposes through their group members.

- 4.63. Any individual has to mandatorily secure Permanent Account Number (PAN) before approaching banks and financial institutions for loans in installment or at once of Rs. 10 million or more.
- 4.64. Provision is made for "D" Class licensed institutions that microcredit can be disbursed up to Rs. 100 thousand per group member to ultra-poor and people with low income to run small enterprises or businesses against group guarantee and up to Rs. 300 thousand per group member against acceptable collateral whereas a maximum of Rs. 60 thousand per family can be made available as microcredit for the use of Solar Home Systems and/or Bio-Gas under the renewable energy technology.
- 4.65. Complying with minimum paid up capital requirement specified by Nepal Rastra Bank together with other conditions, provision has been made that "A" Class banks can establish liaison/representative office abroad securing approval from Nepal Rastra Bank.
- 4.66. A provision has been made that person recruited by the Government of Nepal in any position or any person/employees working as full time in school or educational institutions including public enterprises by no means can be elected or nominated in executive committee except representation on behalf of the Government of Nepal or its associated organizations/institutions.

Problems and Challenges

- 4.67. Although the country is in transition period, effective implementation of monetary and financial policies helps in maintaining overall economic and financial stability. It is imperative to maintain stability in financial sector through complete implementation of central bank adopted policy; and prompt and efficient monitoring and supervision works of banks and financial institutions thereby enhancing the effectiveness of monetary policy by using policy instruments in harmony with fiscal policy to achieve the targets of the policy. Similarly, it is also important to increase the number of banks and financial institutions in the region where financial accessibility is

comparatively low especially in mid-western and far-western development regions to enhance the financial inclusion and financial accessibility.

- 4.68. Though credit expansion of private sector has improved recently, low deposit growth rate as compared to credit flow has indicated that excess liquidity situation that was observed in the beginning of current fiscal year will no longer exist. In addition to this, need for the formulation of additional necessary policies is necessary to increase the flow of credit at productive sector.
- 4.69. Despite having improved credit expansion of private sector, decline in economic growth rate as compared to that of previous fiscal year has posed a challenge for enhancing private sector credit productivity. Hence, it is necessary to formulate policies that would encourage banks and financial institutions to disburse credit to invest in agriculture and industrial sectors.
- 4.70. Rural farmers have not been able to avail banking services and facilities according to their needs due to the minimal presence of banks and financial institutions in rural areas and their inadequate access to these institutions. In the context that the financial services of saving and credit cooperatives which are running active participation of rural farmers have been increasing. Therefore, in order to ensure capacity enhancement of such cooperatives and make them strictly maintain financial discipline, regulation and supervision of these institutions need to be strengthened.

5. Capital Market and Insurance

5. Capital Market and Insurance

- 5.1 Capital Market is a robust medium for mobilization of non-productive small savings spread across the country to the productive sector. Capital Market consolidates small savings and investments of the people engaged in different sectors of the economy, savers, saving mobilizers, and investors on one hand, while it helps enhancing availability of capital required for expeditious economic growth on the other. The capital fund necessary for the growth of productivity of various economic development sectors can be availed from the primary and secondary securities market.

Primary Market

- 5.2 During first eight months of the FY 2012/13, ten organized companies issued ordinary shares, two issued rights shares, the other two issued debentures, and one participated in mutual investment plan totaling mobilization of over Rs. 4.18 billion. The amount mobilized against issuance of shares in the review period rose up by 477.7 percent higher than in corresponding period of the previous fiscal year. In first eight months of FY 2011/12, three organized companies issued ordinary shares, three companies issued rights shares, and one company issued debenture mobilizing the total capital equivalent to Rs. 724.3 million.

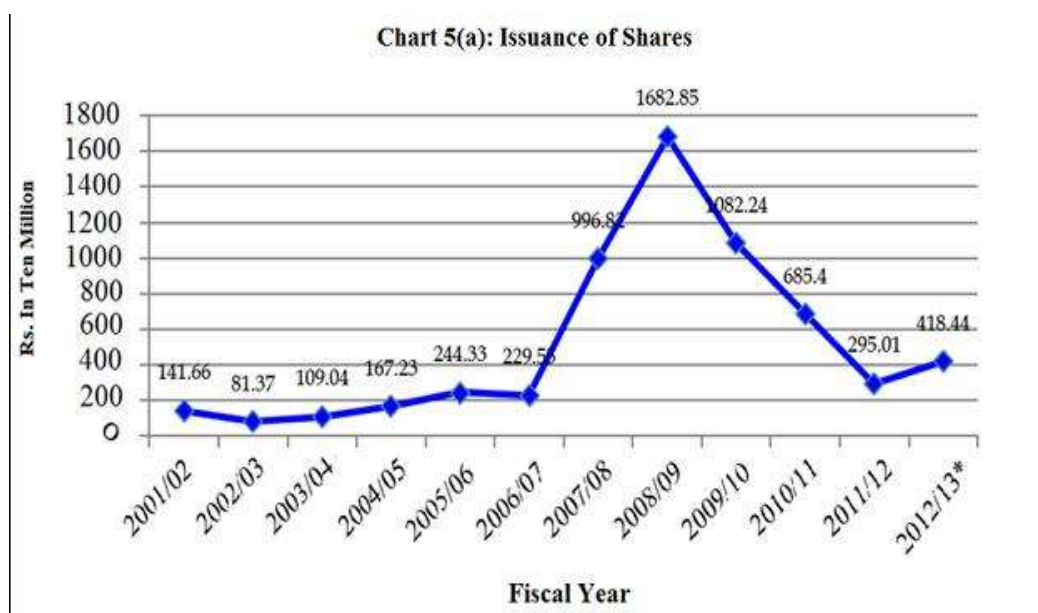
Table 5 (a): Primary Market Trend

(Rs. in 10 million)

Description	Fiscal Year						
	2007/08	2008/09	2009/10	2010/11	2011/12	First Eight Months	
						2011/2	2012/13
Capital Mobilization	996.82	1682.85	1082.24	685.40	295.01	72.43	418.44
Ordinary Share	92.48	181.57	264.93	172.88	129.85	12.35	273.64
Right Share	609.34	1426.28	817.30	507.52	45.16	20.08	14.80
Preference Share	-	-	-	-	-	-	-

Description	Fiscal Year						
	2007/08	2008/09	2009/10	2010/11	2011/12	First Eight Months	
						2011/2	2012/13
Debenture	295.00	75.00	-	5.00	120.00	40.00	80.00
Citizen Unitary Plan	98.00	95.34	100.88	31.54	32.70	33.08	48.86
Mutual Fund	-	-	-	-	-	-	50.00
Number of Organized Capital Mobilizing Companies	64	64	61	47	25	7	15

Source: Securities Board of Nepal (SEBON)



Secondary Market

5.3 By the end of the Fiscal Year 2011/12, the number of companies enlisted in Nepal Stock Exchange Limited was 216. Additional 15 companies have been listed while two have merged making the total number of listed companies 229 by the end of the first eight months of fiscal year 2012/13. Likewise, the number of corporate bonds in the same period has reached 19 with listing of a bond of

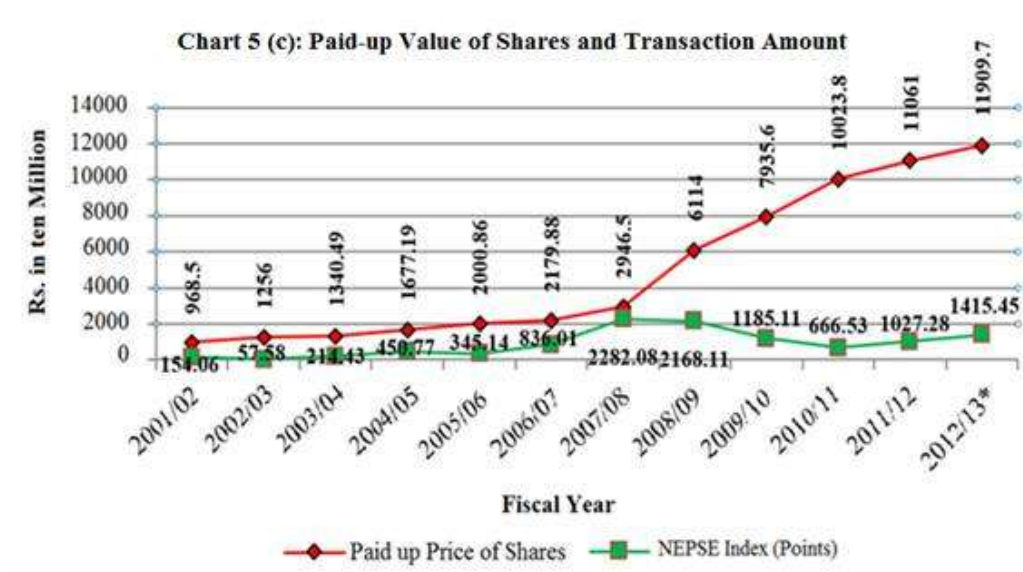
an organized institution worth Rs. 400 million. There has been no addition to 20 development bonds in this year than those were issued by the end of fiscal year 2011/12. In addition to this, the market capitalization value has soared up by 80.5 percent totaling Rs. 529.72 billion in the first eight months of the fiscal year 2012/13 from Rs. 293.56 billion in the same period of the previous fiscal year. The market capitalization value that had reached Rs. 368.26 billion at the end of the FY 2011/12 has continuously been growing to arrive at this point.

- 5.4 Altogether, 48.35 million units of shares worth Rs.14.15 billion were traded in the first eight months of FY 2012/13, with an increase of 168.2 percent in the corresponding period of the previous fiscal year as compared to 24.32 million units of shares worth Rs 5.27 billion traded in first eight months of FY 2011/12 indicating that FY 2012/13 will be encouraging for the capital market.



- 5.5 The paid-up value of listed shares rose by 9.8 percent reaching Rs. 119.10 billion in the first 8 months of the current fiscal year 2012/13 as compared to Rs. 108.47 billion in the corresponding period of the previous fiscal year. The paid-up value and the transaction value of listed shares were unceasingly rising until fiscal year 2007/08. Paid up value of shares, however stated

falling since fiscal year 2008/09. Reason for such drop in paid up value of shares is attributable to non-listing of new institutions in recent years resulting in the decline of transactions of listed companies.



5.6 The number of share transactions conducted in the first eight months of FY 2012/13 increased by 3.4 percent totaling 201,890 shares as compared to the 195,273 shares transacted in the same period of the previous year 2011/2012.

Table 5 (b) : Secondary Market Trend

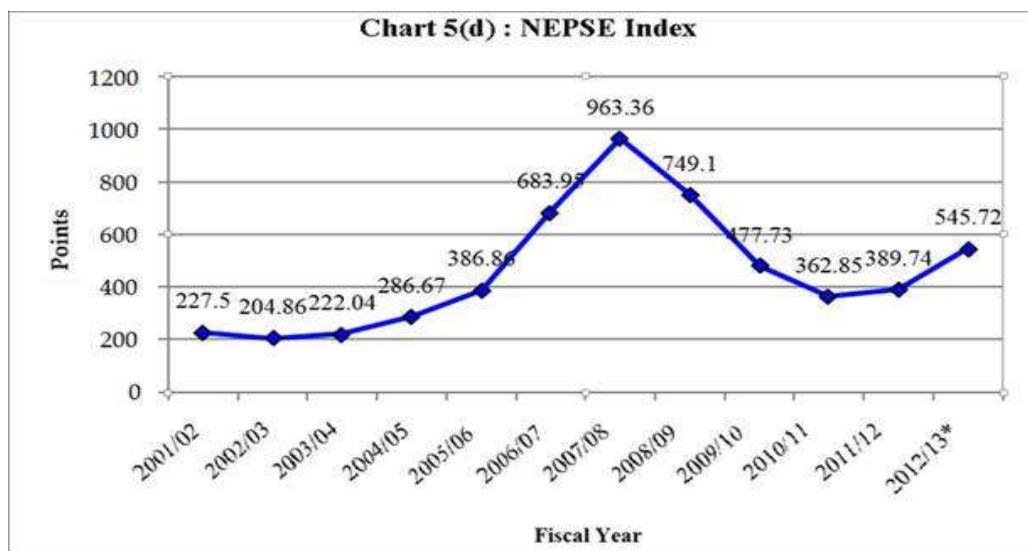
(In Rs. 10 Million)

Description	Fiscal Year				First Eight Months	
	2008/09	2009/10	2010/11	2011/12	2011/12	2012/13
Securities Transaction Amount	2168.11	1185.11	666.53	1027.28	527.67	1415.45
Number of Securities Transaction (1000)	30547.17	26231.35	26240.39	41878.9	24302.24	48356.99
Transactions Number	209091	213733	302364	293489	195273	201890

Description	Fiscal Year				First Eight Months	
	2008/09	2009/10	2010/11	2011/12	2011/12	2012/13
Market Capitalization	51293.9	37687.13	32348.43	36826.21	29355.64	52972.09
Percentage of Market Capitalization Transactions	4.23	3.14	2.06	2.79	1.8	2.67
Market Capitalization /GDP (Percent)	51.74	32.15	19.48	23.41	28.48	33.63
Paid up Price of Listed Shares (Rs. in million.)	6114	7935.6	10023.8	11061.0	10847.1	11909.7
Number of Listed Organized Institutions	159	176	209	216	215	229
Type of Securities Transaction (Script Traded)	170	198	222	230	211	207
NEPSE Index (Points)	749.10	477.73	362.85	389.74	313.92	545.72

Source: Securities Board of Nepal, Nepal Stock Exchange Ltd.

5.7 NEPSE index that indicates the state of the entire secondary market stood at 545.72 points in mid-March of the fiscal year 2012/13 which is higher by 73.8 percent as compared to the corresponding period of previous fiscal year. The NEPSE index was 313.92 points at the end of the FY 2011/12. Observation of the movement of NEPSE index indicates that the economy in aggregate is heading towards positive direction.



Securities Board of Nepal

5.8 The Securities Board of Nepal (SEBON) has been conducting information oriented/awareness raising program, investment education training programs in various districts for general investors with the objective of increasing the majority of investors by making them aware of the risks involved in their investments, enhancing the ownership of people of all levels in the shares transactions by extending share market throughout the country that were limited only in Kathmandu. Besides, it is focusing on increasing the participation of industrial entrepreneurs of all regions, promoting participatory development through the increased participation of general investors in country's industrialization, trading and extension and development of various infrastructures. Likewise, increasing the use and practices of security share, debenture, development bonds, Mutual Investment Plan and other developed financial instruments and determining appropriate price of such instruments, informing about the basic aspects of security markets by cooperating its stakeholders are the other objectives of SEBON.

5.9 Continuity has been given to implementation of works as mentioned in Five Year Capital Market Master Plan by including them in the annual programs of the Board for capital market

reform, effective monitoring provision, stability of capital market and sustainable development.

- 5.10 SEBON has issued a Manual on measures that licensed company or institution should take on money laundering, towards mitigating potential risks, and for longer term development of capital market in Nepal.
- 5.11 IKRA Nepal Ltd. has been granted license on 2 October 2012 for the running credit rating service in line with Credit Rating Regulation 2012. As this institution is already in operation, SEBON has made it mandatory for institution submitting application after 22 Feb 2013 to secure credit rating before issuance of public shares.
- 5.12 With the rising trend of mergers and acquisitions among organized institutions, preparation is underway for developing guidelines along with the provision for ensuring shareholders' rights over shares.
- 5.13 Web portals of the Board have been updated regularly and made it user-friendly by upgrading the website in order to update web portals, organize both the internal and external information system, mechanize internal activities of the Board and further improve the on-line reporting system in the capital market.
- 5.14 A total of four Funds including Siddhartha Mutual Fund, Nabil Mutual Fund, Laxmi Mutual Fund and NMB mutual Fund have been registered in the security market so as to establish and manage Mutual Investment Fund. By mid-March 2013, Siddhartha Mutual Fund has introduced its Units valued at Rs. 10 each equivalent to Rs. 500 million.
- 5.15 In consideration of the interest of investors, an arrangement has been made to facilitate them with credit facility from banks and financial institutions through Security Broker Company towards making such financing arrangement more organized.
- 5.16 A report on commodities derivative market has been prepared after research from experts, and a Draft By-Laws has also been prepared for regulating such market.

Nepal Stock Exchange Limited

- 5.17 A proposal has been submitted to the Government of India to secure bilateral cooperation for installation of modern software with Online Trading facility by replacing the existing Trading Software in use in NEPSE. Likewise, in the process of extending security transactions from different cities of Nepal with the installation of recent Online Trading Facility software, most are now equipped and enabled to instantly carryout security transactions.
- 5.18 Transactions worth Rs. 10 billion were carried out in FY 2011/12, while transactions worth Rs. 14.15 billion have already been carried out through licensed members by the review period against the target of Rs. 20 billion set for FY 2012/13. In the process of preparing the list of eligible companies for transactions to provide additional opportunities to the investors, a total of 15 such companies have been listed by mid-March 2013, while studies and researches are being conducted in order to make necessary arrangements for well- managed operation of Over the Counter and Right Renounce markets.
- 5.19 The number of share trading business companies has reached 50 by the review period of FY 2012/13. There are also 14 merchant bankers in the same period. In the first eight months of previous fiscal year 2011/12, there were 48 share brokers and 12 merchant bankers to carry out institutional security transactions.
- 5.20 The trading of Units equivalent to Rs.500 million at Rs. 10 per Unit are being carried out in Mutual Investment Project by the name of Siddhartha Investment Enhancement Project-1, while Nabil Mutual Fund, Laxmi Mutual Fund and NMB Mutual Fund are also registered. In the first eight months of the FY 2012/13, investment of Siddhartha Mutual Fund under Siddhartha Investment Enhancement Project has been Rs. 500 million and its project period will be of five years.
- 5.21 A Central Depository Service Company has been established with the objectives of making security transaction more systematic for the organized development of capital market, and for modernizing clearance and settlement works of security

transactions by maintaining their records electronically. The Company which has been established as a fully owned subsidiary company of Nepal Stock Exchange (NEPSE) has been carrying out a number of functions like transactions of shares, debentures, bonds, stocks, and conducting paperless transactions, facilitation, ownership transfers of securities/instruments and maintaining up to date records of such transactions electronically. The Company has developed the Central Depository Accounting Software (CDAS) as its infrastructure. In addition to this, Central Depository System has been initiated by converting the shares of companies into non-physical assets that are registered with SEBON by awarding them with depository membership.

- 5.22 The Citizen Investment Trust (CIT) has been providing capital market related services since the beginning of its establishment. The Trust has already issued ordinary shares and rights shares of more than Rs. 19 billion and provided sales management services. It has been making necessary preparations to play the role of an effective market maker by participating in secondary market share transactions so as to ensure progress in share market as this market is unstable due to fluctuations. Likewise, it has also been preparing to expand the scope of home loans considering the interest and benefits of the participants. In addition to this, policy arrangements are being made to avail other types of loan as well. Likewise, under the social security programs, arrangement of Accidental Insurance of Rs. 100,000 has been made for the participants of the Employees Savings Increment Approved Retirement Fund, which is effective from 18 January 2012 and assured the participants to providing the insured amount. A total of 17 families of the participants have already benefited the program so far.

Insurance

- 5.23 Insurance Committee established on 14 May, 1969 under the Insurance Act, 1992, has been carrying out its operation as a regulating agency by organizing, regularizing, developing and controlling the insurance business. Eight companies carry out life

insurance, 16 companies carry out non-life insurance and one company has been carrying out both the kind of businesses totaling 25 companies engaged in insurance business under the Committee. On account of ownership structure, three are in the form of foreign insurance company branches, three as joint investment venture with foreign companies, 18 on private ownership, and one on Government ownership.

- 5.24 The aim is to develop and secure insurance business by making it favorable to the national needs in order to provide financial security to all classes of the society against natural and social risks by acknowledging the global recognition of insurance. It is imperative to bring policy and structural changes in the insurance that provides financial and social securities to the people against the risks emerging from natural disaster considering its important aspects to their lives. Along with the extension and development of the insurance business, programs are being operated with the objectives of enhancing the contribution of insurance to GDP from existing 1 percent to 5 percent through the expansion of insurance facility in rural life and the economy.
- 5.25 The total financial source and utilization of life and non-life insurance companies in Nepal has reached Rs. 81.15 billion by mid-March, 2013 which is higher by 9.92 percent as compared to that of previous fiscal year. Such amount had reached Rs. 73.82 billion by the end of FY 2011/12.
- 5.26 In the FY 2007/08, insurance business of Nepal earned Rs. 9.34 billion through life and non-life insurance fees. There has been gradual increase in insurance earning in its subsequent years reaching a total of Rs. 16.14 billion in FY 2010/11. By the end of FY 2011/12, the total earnings from life and non-life fees reached Rs. 19.43 billion. By mid-March of 2012/13, such life and non-life insurance fees has reached Rs. 12.74 billion, which is estimated to reach close to Rs. 20 billion by the end of the fiscal year.

Table 5 (c) : Source and Utilization of life and non-life Insurance Companies

(In Rs. 10 Million)

Resource	Fiscal year 2010/11		Fiscal year 2011/12		Fiscal year 2012/13**	
	Life	Non-Life	Life	Non-Life	Life	Non-Life
a) Paid-up Capital	237.35	166.67	253.81	180.47	279.08	180.47
b) Reserve Fund	2,612.71	284.13	3,110.76	367.38	3,453.76	405.42
c) Other Liabilities	2,002.02	880.88	2,495.35	974.72	2,749.45	1,046.88
Net Resource	4,852.09	1,331.68	5,859.93	1,522.57	6,482.29	1,632.76
Utilization						
a) Cash in Bank & at Hand	119.59	87.33	170.48	100.16	177.01	144.76
b) Investment	4,362.73	828.1	5,151.64	934.98	5,710.99	988.51
c) Fixed Asset	105.68	98.02	137.53	107.84	144.34	111.24
d) Other Assets	264.08	318.22	400.27	379.6	449.94	388.25
Net Utilization	4,852.09	1,331.68	5,859.92	1,522.57	6,482.29	1,632.76

* Life Insurance of National Insurance Company for FY 2012/13, Non-Life Insurance for FY 2011/12 and its estimated figure for FY2012/13.** included the details only until mid-March 2013.

Source: Insurance Committee

5.27 The total investment of insures stood at Rs. 24.53 billion including that of life and non-life insurances until the FY 2007/08. Gradual increase in their investment has been observed in its succeeding years reaching a total investment of Rs. 45.10 billion in FY 2010/11. Similarly, by the end of FY 2011/12, the total investment of the entire insurance companies had reached Rs. 52.26 billion, which grew to Rs. 55.90 billion by mid-March of

current fiscal year while this amount is estimated to reach closer to Rs. 57 billion by the end of this fiscal year.

Table 5 (d) : Life and Non-Life Insurance Company's Fees and Investment Details

Fiscal Year	Net Insurance Fees (In Rs. 10 Million)			Growth Rate (%)	Investment (In Rs. 10 Million)			Growth (%)
	Life	Non- Life	Total		Life	Non- Life	Total	
2007/08	548.99	385.19	934.18		2034.99	418.31	2453.3	
2008/09	663.57	442.04	1105.61	18.35	2651.62	500.79	3152.41	28.50
2009/10	876.6	649.67	1526.27	38.05	2993.99	592.76	3586.75	13.78
2010/11	909.48	704.55	1614.03	5.75	3678.36	831.88	4510.24	25.75
2011/12	1159.89	783.51	1943.4	20.41	4283.33	942.99	5226.32	15.88
2012/13*	700.54	573.74	1274.28	-34.43	4593.38	996.31	5589.69	6.95

*Source: Insurance Committee * Details and Growth Rates are seen lower as the table includes details until mid-March of FY 2012/13 only*

6. External Sector

6. External Sector

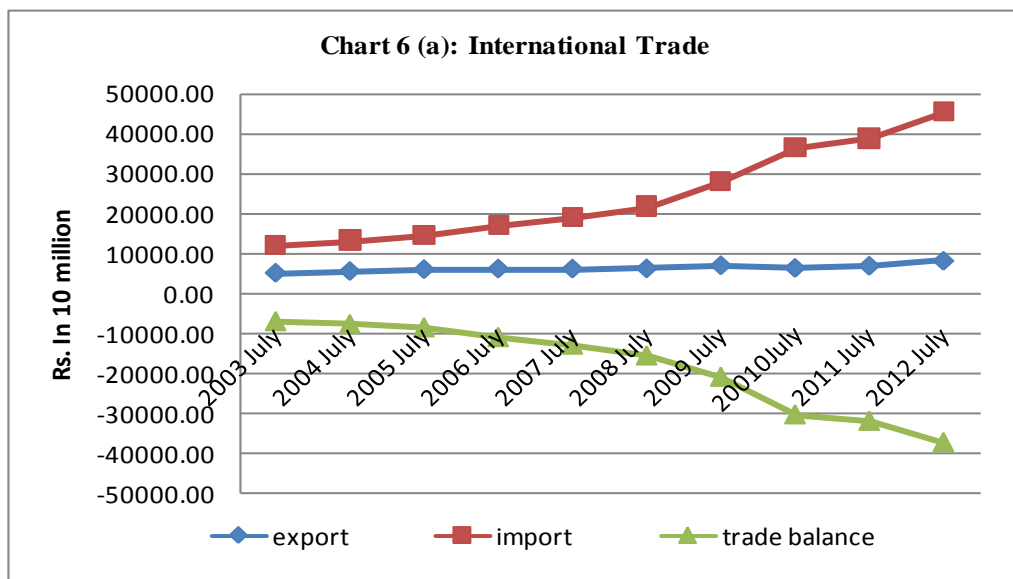
Structure and Tendency

- 6.1 External sector management mainly requires substitution of imports by increasing export trade thereby maintaining the balance of payment. In a situation where external sector management has become an important part of integrated economic policy together with the globalization and economic liberalization, management of this sector has been very challenging due to dominance of import over export and large dependency upon remittance inflow for balance of payments. There is a need to explore alternative ways in order to maintain balance of payments in a sustainable manner because various international events and nearly two third trade relation with India can have direct effect on remittances inflows.
- 6.2 Despite the fact that Nepal has been facing trade deficit in tradable goods owing to the country's inability to make notable progress in production, promotion and exports of tradable goods, in an average the current account is in surplus for the last ten years as a result of the receipt of significant amount from remittance income.
- 6.3 The transaction of tradable goods for the last ten years shows increasing trend in the balance of trade deficit despite current account surplus for the whole period. This is basically due to high growth rate in imports as compared to that of exports. As a result, trade deficit stood at 15 percent of GDP in fiscal year 2002/03 has reached to 25 percent in fiscal year 2011/12. The export that stood at 10 percent of GDP in fiscal year 2002/03 has now declined to 4.8 percent of GDP in fiscal year 2011/12. Likewise, the ratio of import to GDP that stood at 25 percent in fiscal year 2002/03 has surged up to 29 percent in fiscal year 2011/12.

Foreign Trade

- 6.4 The total export has increased by 5 percent and has reached Rs. 51.1 billion in the first eight months of current fiscal year 2012/13. Such export had increased by 14.1 percent and reached Rs. 48.6 billion in the same period of the previous year. On a monthly basis, the total export in March of the current fiscal year grew by 5

percent as compared to the export in February of the same fiscal year. In the review period, the share of export and import in foreign trade has been 12.4 percent and 87.6 percent respectively.



Export

- 6.5 Of the total export in first eight months of fiscal year 2011/12, export to India increased only by 2 percent as compared to 14.5 percent increment in the first eight months of the previous year. Likewise, export to other countries has increased by 11.2 percent in the review period as compared to 13.5 percent increment recorded in the same period of the previous year. The export to other countries that grew by 5.6 percent in US Dollar term in the review period of previous year has declined by 0.4 percent in the same period totaling US Dollar 203.6 million.
- 6.6 Export of few commodities like GI pipe, jute bags, wire, ginger and garments to India has recorded an increase while export of lentils, leather and processed leather goods with other countries has also been increased. Of the total export, the share of export to India is 65.2 percent while that of other countries stands at 34.8 percent.

Import

- 6.7 The total import of goods during the review period totaled Rs. 360.6 billion recording a growth of 22.1 percent as compared to 16.6 percent growth and totaling Rs. 295.24 billion during the same period of previous year 2011/12. Such higher growth in imports in the current fiscal year as compared to the corresponding period of the previous fiscal year is attributable to the higher growth of goods import from India and other countries. Reviewing the monthly records, the total import of goods in April of this year has declined by 1.1 percent in comparison to import of goods in the month of March.
- 6.8 Of the total imports in the review period, import from India recorded a sharp rise of 24.2 percent in comparison to 12.0 percent rise in the same period of the previous year. Likewise, the growth rate of imports from other countries that stood at 26.3 percent in the review period of the previous year has now reached to 18.2 percent during the same period of the current fiscal year. In US Dollar term, growth in imports of goods from other countries in the review period remained to 6.5 percent totaling US Dollar 0.41 billion as compared to growth of 16.8 percent in the same period of the previous year. Imports especially of petroleum products, vehicles and their spare parts, cement, rice, medicines and other equipment from India have increased while imports of readymade garments, pipes and pipe fittings, silver, equipment for telecommunications and MS wire rods from other countries have also been increased. Of total imports, the shares of India and that of other countries stood at 65.9 percent and 34.1 percent respectively.

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

(Percentage Change)

Description	2008/09	2009/10	2010/11	2011/2012	2012/13*
India	3.7	-3.3	10.1	14.5	2.0
Other Countries	42.9	-16.8	-1.7	13.5	11.2
Import	26.3	41.8	1.2	16.6	22.1
India	12.1	38.0	24.7	12.0	24.2
Other Countries	50.9	46.8	-27.2	26.3	18.2

Description	2008/09	2009/10	2010/11	2011/2012	2012/13*
Trade Balance	30.1	58.6	0.3	17.1	25.5
India	15.6	53.3	28.2	11.5	28.8
Other Countries	53.4	65.0	-30.9	28.9	19.5
Total Trade	24.2	31.8	1.9	16.3	19.7
India	10.2	29.3	22.4	12.4	21.0
Other Countries	49.4	35.2	-24.4	24.4	17.3
Export/Import Ratio	24.9	16.1	16.8	16.4	14.1
India	27.0	18.9	16.7	17.0	14.0
Other Countries	22.3	12.6	17.1	15.4	14.4
Share in Total Export (%)					
India	60.9	64.4	66.9	67.1	65.2
Other Countries	39.1	35.6	33.1	32.9	34.8
Share in Total Import (%)					
India	56.3	54.7	67.5	64.8	65.9
Other Countries	43.7	45.3	32.5	35.2	34.1
Share in Trade Balance (%)					
India	54.7	52.9	67.6	64.3	66.0
Other Countries	45.3	47.1	32.4	35.7	34.0
Share in Total Trade (%)					
India	57.2	56.1	67.4	65.1	65.8
Other Countries	42.8	43.9	32.6	34.9	34.2
Share of Import and Export in Total Trade					
Export	20.0	13.8	14.4	14.1	12.4
Import	80.0	86.2	85.6	85.9	87.6

* Provisional

Source: Nepal Rastra Bank

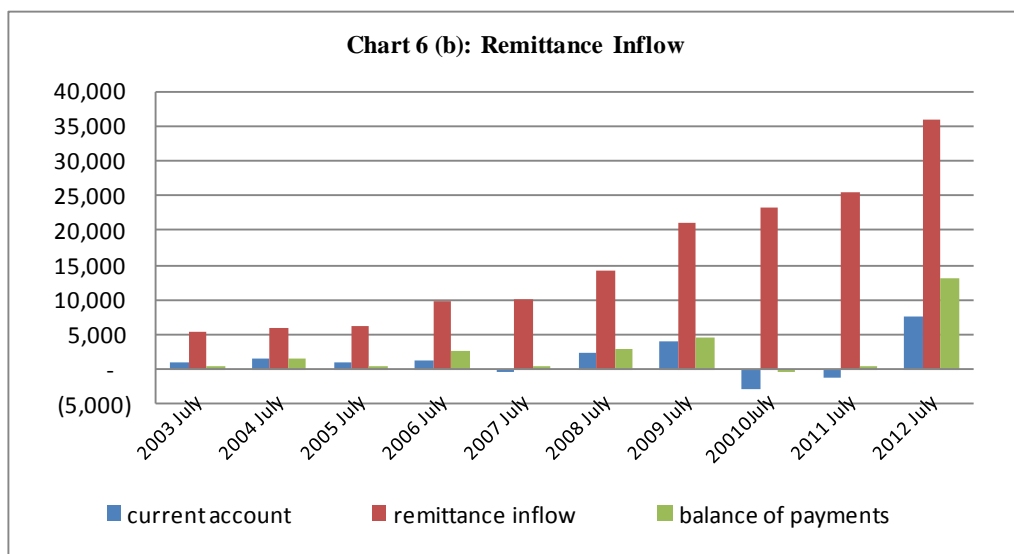
Trade Balance

6.9 Total trade deficit in the first eight months of the current fiscal year has grown up by 25.5 percent totaling Rs. 309.55 billion. Such trade deficit had recorded an increase of 17.1 percent in the same period of the previous year. Of the total trade deficit, deficit with India in review period has risen by 28.8 percent as compared to 11.5 percent increase in the same period of previous year.

Likewise, trade deficit with other countries in the review period has increased by 19.5 percent as compared to 28.9 percent growth in the same period of previous year. Due to high growth rate of import the export/import ratio in first eight months of the review period has fallen to 14.1 percent from 16.4 percent in the corresponding period of the previous year.

Balance of Payments (BoP) Situation

6.10 The BoP situation in the first eight months of the current fiscal year recorded a surplus of Rs. 11.78 billion as compared to the surplus of Rs. 81.9 billion in the same period of previous year. During the review period, the current account recorded a surplus of Rs. 9.5 billion while this figure was Rs. 37.51 billion during the same period of the previous year. The reason for such lower current account surplus in the review period is attributable to notable growth in import of goods and services and decreased growth rate in remittance inflow. In US Dollar term, the current account surplus in the review period stood at US\$ 107.6 million. Such surplus was recorded as US\$ 469.8 million in the same period of the previous year.



6.11 In the review period, FOB price based goods trade deficit recorded a higher growth rate of 25.4 percent totaling Rs. 297.87 billion as compared to the growth of 16.9 percent during the same period of previous year. During the review period, the net service

income recorded a surplus of Rs. 2.2 billion while such surplus stood at Rs. 11.7 billion during the same period of previous year.

- 6.12 The net transfer income that recorded a growth of 29.7 percent in previous year has increased by 16.8 percent totaling Rs. 299.94 billion in the review period of current fiscal year. The remittance inflow under transfer income that rose by 34.7 percent in the review period of previous year has increased by 22.2 percent totaling Rs. 266.9 billion in the same period of current fiscal year. In US Dollar term, remittance income that recorded a growth of 24.2 percent during the review period of previous year increased by 10.5 percent accounting US\$ 3.05 billion during the same period of current fiscal year. Looking at monthly figure, the remittance inflow in April of the review year has grown up by 49.9 percent as compared to that in March of the same year.

Table 6 (b) : Remittance Income

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
Rs. in Billion	100.14	142.68	209.70	231.73	253.55	359.55	266.09
Annual Percent Change	2.5	42.5	47.0	10.5	9.4	41.8	-
Ratio to GDP	13.8	17.5	21.2	19.4	18.5	23.1	-

* First Eight Month data

Source: Nepal Rastra Bank

- 6.13 During the review period, the amount received in capital account as net capital transfer totaled Rs. 5.16 billion. The capital account surplus stood at Rs. 10.26 billion during the same period of previous year. In the review period, a sum of Rs. 4.82 billion was received in the fiscal account as Foreign Direct Investment (FDI). This figure stood at Rs. 6.2 billion in the corresponding period of the previous year. Other investment assets stood at Rs. 9.12 billion during the first eight months of the previous year while Rs. 14.74 billion is added to it during the review period of the current fiscal year. Likewise, on other investment liabilities side, flow of government debt totaled Rs. 7.08 billion while a principle of Rs. 8.17 billion has been repaid in the review period.

Foreign Exchange Reserves

- 6.14 The total foreign exchange reserves that stood at Rs. 439.46 billion in mid-July 2012 grew by 3.2 percent to Rs. 453.61 billion by mid-March 2013. Such reserves in mid-March 2012 stood at Rs. 368.1 billion recording a growth of 35.3 percent in comparison to mid-July 2012.
- 6.15 Of the total reserves in the first eight months of the current fiscal year, the reserves with Nepal Rastra Bank declined by 0.8 percent totaling Rs. 372.33 billion as against Rs. 375.52 billion in mid-July, 2012. In US Dollar term, the total reserves of banking sector between mid-July 2012 and mid-March 2013 grew by 5.4 percent totaling US\$ 5.23 billion. Such reserves had increased by 20.6 percent in the same period of previous year. Likewise, during the review period, the non-convertible Indian currency reserves grew by 1.4 percent reaching INRs. 61.25 billion. During the same period of previous year, however, such reserve had increased by 64.6 percent.

Table 6 (c) : Total Foreign Exchange Reserve

(In Rs. 10 Million)

Description	Mid-July 2009	Mid-March 2010	Mid-July 2010	Mid-March 2011	Mid-July 2011	Mid-March 2012	Mid-July 2012	Mid-March 2013	Percent Change (Mid-July-Mid - March)	
									2012	2013
Nepal Rastra Bank	22419	18591	20537	19986	21310	30502	37552	37233	43.1	-0.8
Commercial Banks	6007	5837.3	6352	5762	5905.8	6308.5	6393	8128	6.8	27.1
Total Reserve	28426	24429	26889	25748	27215	36810	43946	45361	35.3	3.2

Source: Nepal Rastra Bank

- 6.16 Based on imports during the first eight months of the current fiscal year 2012/13, the current foreign exchange reserve is sufficient for financing the imports of goods for 10.2 months and that of goods and services for 8.8 months. The foreign exchange

reserves in mid-March 2012 were sufficient for financing the imports of goods for 10.1 months and that of goods and services for 9 months. Though the foreign exchange reserve has grown up in the review period compared to the previous year, it is able for financing imports for the shorter period of time as compared to the previous year that is mainly because of rise in the volume of imports and escalation in price of import goods.

Exchange Rate

6.17 Nepalese Currency appreciated by 2.1 percent against US Dollar between mid-July 2012 and mid-March 2013. During the same period of previous year, Nepalese currency had depreciated by 10.8 percent against US Dollar. The exchange rate of 1 US Dollar in mid-March 2013 stood at Rs. 86.77 whereas such exchange rate in mid-July 2012 was Rs. 88.60.

Table 6 (d) : Foreign Exchange Trend

Foreign Currency	Buying Rate (In NRS.)					Appreciation (+) Depreciation (-)	
						(in Percent)(Mid-July- Mid-March)	
	2010 Mid- July	2011 Mid- July	2012 Mid- March	2012 Mid- July	2013 Mid- March	2068	2069
US Dollar	74.44	70.95	79.55	88.60	86.77	-10.8	2.1
Pound Sterling	113.71	114.54	124.76	136.62	129.34	-8.2	5.6
Euro	94.79	100.34	104.35	107.98	112.86	-3.8	-4.3
Japanese Yen (of Ten)	8.45	8.95	9.67	11.18	9.02	-7.4	23.9

Source: Nepal Rastra Bank

Problems and Challenges

6.18 The external sector of Nepal is stable due to the remittances income. Though remittance income is helpful to accelerate Nepalese economy at present, such income is generally spent on consumption, which promotes the tendency of the imports of foreign goods and services. The trend of last few years reflects that Nepal's dependency is being increased on remittance inflow

and import of petroleum products. For the longer-term benefit to the economy, it is necessary to create an environment that would promote the growth of exportable goods and services, and reduce the level of dependency over the petroleum products.

- 6.19 Nepal's foreign trade has remained in deficit for the long period of time. The current account surplus that is generated through the trade of goods and services is must for sustainability of the external sector of the economy. Hence, it is imperative for Nepal to take initiative for export of agriculture and herbs based products and handicrafts to achieve comparative advantage in global markets and to diversify fiscal year its trade by countries and by products.
- 6.20 There is a possibility to improve BoP situation of Nepal through the development of tourism sector. For this, it is necessary to improve tourist arrival facilitation especially through the expansion and development of Chinese and Indian tourists focused tourism to attract more tourists to the country. Further it is desirable to prepare and provide information and promotional materials in Chinese language, identify fiscal year potential locations that could attract Chinese tourists, and establish tourism promotion liaison offices in those places in local participation.
- 6.21 Within international trade, the observation of export trade reveals problems like hassles at export points, insufficient export promotion initiatives, situation of the submission of same document to a number of entities, and lack of growth in production and productivity. Hence, development of necessary infrastructure is much needed for the promotion of export trade.

7. Poverty Alleviation and Employment

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 Although the economic development and poverty alleviation have been focused since the beginning of planned development in Nepal, poverty reduction started receiving priority subsequent to the political change of 1990. In this process, the Ninth Plan (1998-2003) prepared a Twenty-Year Action Plan on poverty alleviation while the Tenth Plan (2003-2008) was formulated in the form of Poverty Reduction Strategy Paper (PRSP). Though the ongoing Three-Year Plan that was started from FY 2010/11 has targeted to reduce current poverty level from 25.2 percent to 21 percent; preliminary data shows the poverty level at 23.8 percent.
- 7.2 The Nepal Living Standard Survey-III (NLSS-III) conducted in FY 2009/10 had calculated the population living below the poverty line on the basis of household expenses. Factors like rise in literacy rate, rise in the wage rate in agriculture and non-agriculture sectors, development of commercial vegetable farming, growing urbanization, growth in number of economically active human resource, and inflow of remittance have been the major attributes in the decline of poverty level by 17 percent in a span of 14 years from FY 1996/97.
- 7.3 While estimating incidence of poverty by using interrelationship between the poverty and Gross National Disposable Income method in the period prior to conducting poverty survey, the poverty incidence stood at 24.4 percent in FY 2011/12 while it is estimated at 23.8 percent FY 2012/13.
- 7.4 Though the current three-year plan targeted at reducing poverty level to 21 percent, a number of factors like failure in timely announcement of full budget, inability to meet capital expenditure target, and obstacles being faced at every stage of implementation of national priority projects have caused the reduction in government and private sector investments thereby affecting the poverty reduction as targeted.
- 7.5 Most of the Millennium Development Goal (MDG) set by the United Nation Development Program (UNDP) for its member nations that are targeted to be met by 2015 AD are likely to be

achieved. Some of the goals have already been achieved by now. The table 7 (a) below shows the updated status of MDG.

Table 7 (a) : Quantitative Poverty Indicator

MDG	Indicators	Progress 2010	Progress till date	Target 2015
Goal I	Population ratio having income less than 1 dollar a day	19.7	-	17
	Population below daily national poverty line	25.4	23.8	21
	Employed population having income less than 1 dollar a day	22	-	17
	Population having food less than the minimum requirement	36.1	15.7	25
	Underweight Children of age group (6-59 months)	36.4	28.8	29
	Children of age group (6-59 months) with stunted growth	46.8	40.5	30
Goal II	Net Enrolment Rate at Primary Level	93.7	95.3	100
	Ratio of students enrolled in grade 1 and continuing to grade 5	77.9	84.2	100
	Literacy rate of women and men of age group (15-24 years)	86.5	88.6	100
Goal III	Ratio of Primary Level Boy and Girl Students	1	1.02	1
	Ratio of Secondary Level Boy and Girl Students	0.93	0.99	1
	Ratio of Boy and Girl Students at Higher Education	0.63	0.59	1
	Literacy rate of women and men of age group (15-24	0.83	-	1

MDG	Indicators	Progress 2010	Progress till date	Target 2015
	years)			
Goal IV	Children below the age of one year vaccinated against measles	85.6	87.7	90
	Child mortality rate below the age of 5 years (per 1000 live births)	50	54	54(38)
	Infant mortality rate (per 1000 population live births)	41	46	34(32)
Goal V	Maternal mortality ratio (per 100,000 population live births)	229	-	213(134)
	Women using Skilled Health Worker for Maternity (percent)	29	36	60
Goal VI	Age Group between 15-49 with HIV/ AIDS Infection	0.49	-	0.35
	Infected with Malaria(in per 1000 population	5.7	0.19	3.8
	• Tuberculosis prevalence Rate(Per 100 thousand)	244	244	210
	Mortality rate from TB (Per 100,000 population)	22	22	20
Goal VII	Forest Covered Area (%)	39.6	-	40
	Population with access to sustainable water source (%)	80.4	83	73
	Population with sustainable access to improved sanitation (%)	43	62	53

Note: Goals provided in the brackets are revised Source: National Planning Commission

Poverty Alleviation Fund (PAF) Initiatives

7.6 Between the periods from beginning of the project to mid-March 2012, programs (including innovative ideas-based programs) are

being implemented in 1619 VDCs of 49 districts by 22,534 Community Organizations through which 640,522 targeted households have benefited. Of the total household beneficiaries of the Fund's program, Dalits constitute 28.5 percent while Janajatis are 24.4 percent. Likewise, a greater number of women of 75.0 percent among the community organization members is the evidence for the fund to have made meaningful effort directly outreaching the poor and backward communities as targeted by the Three-Year interim plan.

- 7.7 As per the effectiveness assessment study conducted by CEDA under the Tribhuvan University in 2010, positive results are seen in the consumption capacity of the poor, food security situation, incomes, social development, school going trend among the school children and women empowerment. Likewise, the study revealed that the beneficiary's consumption capacity has gone up by 31 percent at actual price while the consumption capacity of those households that have received financial support from 6 to 19 months has increased by 44.4 percent. The study has also shown that the food availability to the poor rose by 10 percent. Likewise, another social analysis study showed 82.5 percent growth in the average income of beneficiary households.

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

SN	FY	Disbursed Amount (Rs. in 10 Million)						
		Income Generation Program	Small Infrastructure Development Program	Innovative Program	Total			
					Total	World Bank Grant	Trust Fund Grant	Nepal government's Grant
1	2061/62	13.26	6.41	0.34	20.01	18.36	-	1.65
2	2062/63	15.51	9.07	13.81	38.39	31.76	-	6.63
3	2063/64	40.43	7.64	49.91	97.99	97.99	-	
4	2064/65	127.46	23.07	4.65	155.17	155.17	-	
5	2065/66	97.15	26.18	2.76	126.09	126.05	-	0.04

SN	FY	Disbursed Amount (Rs. in 10 Million)						
		Income Generation Program	Small Infrastructure Development Program	Innovative Program	Total			
					Total	World Bank Grant	Trust Fund Grant	Nepal government's Grant
6	2066/67	138.83	42.66	3.57	185.06	185.06	-	
7	2067/68	152.69	47.09	1.14	200.92	172.01	-	28.91
8	2068/69	144.55	91.45	2.41	238.40	166.19	68.56	3.66
Total		729.88	253.57	78.59	1062.04	952.59	68.56	40.89
9	2069/70*	35.06	11.87	0.95	47.89	42.72	4.28	0.89
Grand Total		764.94	265.44	79.54	1109.93	995.31	72.84	41.78

7.8 Between FY 2004/05 and FY 2011/12, a total grant of Rs. 10.62 billion has been provided to Community Organizations (COs) that are running income generating programs, small infrastructure development program and new programs under PAF in 49 districts. As the flow of grant amount from PAF to COs has been growing, it is felt necessary to conduct effectiveness reassessment study.

Youth and Small Entrepreneur Self-Employment Fund

7.9 Youth and Small Entrepreneur Self-Employment Fund was established in fiscal year 2008/09. Objective of the Fund has been to conducting self-employment and vocational training programs for educated and uneducated unemployed youths, and provide them employment opportunities through the provision of collateral-free periodic loans at concessional interest rate from banks and financial institutions so as to bring change in the traditional production system and for speedy growth of the country with the optimum utilization of productive labor.

7.10 The primary objectives of the youth self-employment program is to provide up to Rs. 200 thousand per person as periodic loan without collateral in an easy manner so that economically deprived group, women, *Dalits*, *Janajatis* and conflict affected

people, unemployed youths, and people with 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.

- 7.11 Youth Self-Employment Programs include agriculture and farming, rickshaw and cart service operation, traditional and ethnicity/class skill oriented program, one village one production program, skill oriented programs to create self-employment opportunities to unemployed, maintain coordination with government and international non-governmental organizations and banks and financial institutions. There has been a provision for the Fund to extend wholesale loan to banks, financial institutions and cooperatives to meet its objectives while banks and financial institutions will in turn provide micro-finance loan to target families and projects against group collateral.
- 7.12 Of the Fund's approved Rs. 2.59 billion to 20 banks and financial institutions for the operation of self-employment programs in FY 2011/12, Rs. 420.04 million has been released from which 4,206 persons were self-employed. Likewise, of the approved loan amount of Rs. 6.83 billion to be disbursed to additional 5 banks and 558 preliminary cooperatives for the operation of self-employed programs in the first eight months of the current fiscal year, credit sum of Rs. 963.3 million has already been disbursed through which 1502 persons are self-employed. The program conducted under Youth and Small Entrepreneur Self-Employment Fund has generated 13,862 self-employed youths by mid-June, 2013. The major areas of self-employments are animal husbandry, agriculture, floriculture, service, cottage industries and so on.

Employment

- 7.13 In Nepal about 450 thousand productive youths enter the labor market annually. An initiative has been taken to establish an Employment Information Center under the Department of Labor and develop it as an Employment Exchange Center so as to ensure easy employment access at domestic labor market to those youth entrants. Domestic Employment Promotion Programs are being rapidly implemented through vocational skill development

training centers by providing vocational skills to unemployed human resource and enabling them to engage in employment activities. Despite such limited initiatives; an increasing pressure has been felt in the area of foreign employment as a result of inadequate domestic labor market and youths' attraction towards the foreign employment. Hence, formulation of National Labor Policy has been started for having policy arrangement in order to focus the available resources towards employment creation in more effective way.

- 7.14 As per the National Labor Force Survey Report 2008 prepared in 2010, there are about 1.6 million children engaged as child labors. Of this, 621,000 children are forced to engage in the worst form of labor. Nepal has made commitment at national as well as international levels to end the child labor of such nature by 2016 and child labor of all types by 2020. There have been efforts towards elimination of child labor. On achievements made in the sector include, child labor related National Master Plan under the revision process; adoption of Child Labor Prohibition Act, 2000 and Regulation 2006; rescuing children from the worst form of labor; prohibiting child from entering such labor force; providing education to 160 children of the labors through day care and informal education centers; conducting awareness programs through child labor control and rehabilitation projects; conducting formal and non-formal education, establishing and operating child labor control fund and carrying out awareness programs through various non-governmental organizations; securing legal support, psychosocial counseling; conducting skill development trainings; and providing income generating and employment oriented trainings to the guardians of rehabilitated child labors.

Real Wage Rate

- 7.15 Real wage rate index has stood negative as Wage Rate Index has remained lower than the consumer price inflation rate. Annual Point-to Point consumer price inflation rates during mid-March of FY 2011/12 and FY 2012/13 rose by 7.0 percent and 10.2 percent respectively while wage rate index rose by 27.6 percent and 7.8 percent during the same periods. Despite the fact that real wage

rate obviously declines with rising inflation, inflation rate remained higher than the wage rate during the review period.

Foreign Employment

7.16 The Foreign Employment Policy, 2011 has been issued and is in implementation process with the primary objectives of developing competitive labor force by providing knowledge and skill as demanded by the international market and operating safe, organized and dignified foreign employment together with addressing women's foreign employment related issues. Likewise, the Three Year interim plan has set objectives of reducing country's unemployment situation thereby reducing poverty level; enhancing contribution of foreign employment in strengthening of country's economy; and managing safe and dignified foreign employment. The number of countries opened for foreign employment bound workers in an institutional way has reached 109.

7.17 The total number of workers gone for foreign employment during the period between FY 1994/95 and FY 2011/12 has reached 2,437,111. Various reports show that large numbers of Nepalese worker also have gone abroad for foreign employment without securing government permit. Based on official and unofficial records, more than 3 million Nepalese citizens seem to have gone abroad for foreign employment. The number of Nepalese workers who have gone for foreign employment has reached 276,787 by second quarter of the current fiscal year. Of this number, 16,713 are women while 260,074 are men. The country-wise distribution of foreign employment bound workers is as follows:

Table 7 (c) : Country-wise Foreign Employment Situation in FY 2012/13

S.N	Country	Male	Female	Total
1	Qatar	54639	582	55221
2	Malaysia	97543	4697	102240
3	Saudi Arab	60576	283	60859

S.N	Country	Male	Female	Total
4	UAE	32399	5686	38085
5	Kuwait	6150	3408	9558
6	Bahrain	2318	565	2883
7	Oman	2127	683	2810
8	South Korea	1613	151	1764
9	Lebanon	184	158	342
10	Israel	30	29	59
11	Afghanistan	211	2	213
12	Japan	650	101	751
13	Others	1634	368	2002
Total		260074	16713	276787

Source: Department of Foreign Employment

7.18 Of the total number of 2,437,111 foreign employment bound Nepalese workers in FY 2011/12, Malaysia is the first destination with 773,940 workers followed by Qatar with 690,395, Saudi Arabia with 492,896 and United Arab Emirates with 313,461 workers.

Employment and Labor Situation Analysis

7.19 Eradicating poverty from the country amid absence of clear policy and framework towards resolving the ever increasing unemployment problem in the country has been a challenging task. Aspiration of the nation's development can never be materialized until poverty is eradicated. Employment is an important medium for eradicating poverty. There has been increasing trend among the youths on visiting abroad for foreign employment. Employment opportunities in the country are very low. To rely on agriculture sector only cannot be a solution to this problem. In this situation, it is very much necessary to increase

employment opportunities inside the country by expanding the areas of investment.

- 7.20 Poverty could not be reduced as expected despite implementation of a number of poverty reduction programs in the past. It is undeniable fact that both the labors working inside the country and abroad are deprived of their rights, health and insurance facilities. A serious attention needs to be paid in this direction as well.

Targeted Programs for Poverty Alleviation and Employment

Karnali Employment

- 7.21 A program "One Family, One employment" is in operation in Karnali zone since FY 2006/07 with the objective of making employment opportunities available to the majority of the families of that zone, who are unable to support their livelihood with incomes they earn from their traditional professions, businesses or employments. About 73,913 unemployed household members from a total of 69,976 household are engaged with this program by mid-June, 2012. A total of 541 projects including motorable roads, school building, maintenance of micro-hydro projects, trails, mule tracks, and fruits and herbal farming were in operation through this program in FY 2011/12. Furthermore, this program has generated 796,518 jobs equivalent to employment of 10-12 man-days benefiting concerned people of Karnali zone. During the first eight months of the current fiscal year 2012/13, works are being carried out which include: updating the details of district's unemployed household members; form groups of unemployed household members and make selection of those projects that the groups have opted for; prepare cost estimates for those projects; and maintain working level coordination and integration with government and non-government agencies working in the districts.

Western Upland Poverty Alleviation Project

- 7.22 Western Upland Poverty Alleviation Project has been in operation on joint investment of the Government of Nepal, IFAD, concerned District Development Committees (DDCs), Village Development Committees (VDCs), private sector and local users with the

objective of enhancing living standards of ultra-poor residing in upland districts of Mid-Western and Far-Western Development Regions namely, Jumla, Humla, Bajhang, Bajura, Mugu, Dolpa, Kalikot, Jajarkot, Rukum, Rolpa, and Dailekh districts of Nepal. In the fiscal year 2010/11, on infrastructure development side, 32 irrigation, 59 drinking water,, 32 school buildings, 5 bridges, and 2 health posts have been constructed benefiting 20,209 households. Additionally, 61 leasehold forest user groups have been formed covering 4,490 deprived and poor households. Likewise, 183,966 tree saplings of various species were distributed to the groups for plantation and subsequently planted in an area of 496 ha of leasehold forest. Similarly, a total of 556 community organizations were constructed during the same period. During the first eight months of the current fiscal year, ongoing construction of 2 school and community building, 10 consecutive drinking water, 8 consecutive micro-irrigation, 3 drinking water projects have been completed.

Linking Local Initiatives with Local Skills Program

- 7.23 This program is in operation in Achham, Dailekh, Jajarkot and Kalikot districts through which training on formulating periodic plans for 25 VDCs was provided, periodic plans of 25 VDCs were formulated, capacity of 213 groups enhanced and 7200 small farmers were imparted with market access enhancement training. By mid-March of FY 2011/12, procedural training on the formulation of periodic plan of 25 VDCs has been provided. Likewise, this program has helped and facilitated in developing periodic plans of 25 VDCs, facilitated in developing capacity of 122 groups and formulation of business plans, conducted programs for 3000 small farmer households to provide them market access and cooperated in the establishment and operation of 6 agricultural product collection centers.

Addressing Nepal Food Security

- 7.24 This program is in operation since FY 2008/09 under the financial and technical support of World Bank to provide support to food security through Food for Work program with the objective to provide immediate relief to poor public marred by sky-rocketing food prices. This program is in operation in 21 districts where

Rural Community Infrastructure Development Program is in implementation. In FY 2010/11, beneficiary assessment was conducted, 8 computers were procured and training on monitoring and evaluation was provided. During the first eight months of the current fiscal year, process for the selection of consultants for strengthening Branchless Banking Payment system, Management Information System and hiring an Information Technology Officer for strengthening such systems in DDCs and VDCs is underway.

Problems and Challenges

- 7.25 Eradicating poverty from the country through appropriate programs for narrowing the inequality gap between the poor and the rich has been a difficult and challenging task.
- 7.26 The migratory pressure exerted on cities due to people's tendency to look for safer places within cities and locations with more physical facilities and amenities has created the problem of urban poverty and addressing such poverty related issue has been very challenging.
- 7.27 Reducing the existing unemployment problem by conducting programs in every area of the country through identification of local skill, capital and appropriate technology, and involving unemployed local youths in such programs has also been a daunting task.
- 7.28 There have been problems such as lack of awareness on child labor, inadequate infrastructure to monitor child labor at the local level, programs in implementation being far beyond the reach of the target groups, weak coordination among child labor related programs. Tasks like increasing coordination and cooperation between national and international agencies, changing the prevailing social norms and values, rescuing children from child labor and rehabilitating them, ensuring effective implementation of Child Labor Acts and Regulations, developing alternatives to agriculture, employment, social security, livelihood that are the major factors of child labor for poverty alleviation are other challenges.

- 7.29 It is necessary to formulate a human resource plan with a vision to identify the number and types of human resource requirement and ways to meet human resource demand so as to expedite country's development initiatives. It is equally important to give priority to country's own citizens to meet country's labor and skilled human resource demand required for existing large business and industrial academies.
- 7.30 Although the profession of agriculture is considered the national economy's backbone, reducing the prevalent disguised unemployment problem by making this profession the centre of attraction to the people is becoming difficult and challenging.
- 7.31 Overcoming poverty and backwardness of *Dalits*, women, *Madhesi*, *Janajati*, deprived and backward groups of people, residents of remote and far flung areas, ultra poor and small farmers excluded from country's mainstream of development due to social and economic reasons by involving them in the campaign of national development is equally difficult and challenging.
- 7.32 Situation as it stands now is inability to provide employment opportunities for estimated 450,000 labor force getting added to the labor market every year. Neither the exact number of unemployed skilled, semi-skilled and that of unemployed labors is identified, nor are studies and analysis on these being carried out. In addition, programs on where and how to mobilize labor force, how to involve them through what type of programs are lacking. Likewise, coordinative roles on how to utilize various kinds of labors are also lacking and as a result, the problem of unemployment is on rise day by day.
- 7.33 Combating labor related problems especially in the area of foreign employment is another daunting challenge like: foreign employment bound laborers getting cheated right from departure points; works and wages not paid as committed after arriving at the destination; difficult remittance process; laborers being endured physical tortures failure in providing even basic knowledge and information to laborers; and controlling and regulating unauthorized foreign employment bound laborers.

Likewise, it is imperative to make use of remittance income generated through foreign employment in productive activities.

- 7.34 There is a need to take initiative as quickly as possible for getting rid of various problems that laborers have been facing as Nepal does not have its diplomatic mission in every foreign employment providing country for extending relief measures to the laborers when needs arise.

8. Agriculture and Forestry

8. Agriculture and Forestry

Agriculture

- 8.1 The entire agriculture sector has been playing crucial role in the Nepalese economy. The role of agriculture is important mainly because it has been creating employment opportunities to the entire agricultural rural communities and providing food security to the country. It is imperative to make the agriculture sector efficient through the means of comparative and competitive advantages by commercializing and diversifying this sector in today's open market of international context. On the basis of available means and resources, the agriculture sector has been accorded top priority since the Fifth Five-Year Plan among the periodic plans. Special emphasis is given to the formulation of time-conducive agricultural policies and their effective implementation together with their monitoring and evaluations for development of this sector. The entire programs of agriculture developments are directed towards bringing positive changes in the lifestyles of majority of agricultural communities by enhancing overall agricultural production and productivity.
- 8.2 Contribution of the agriculture sector has remained close to one third of Gross Domestic Product (GDP) while about two third of country's ^१उत्पत्ति is active in this sector alone for income. Contribution of this sector that was 35.36percent in FY 2011/12 is estimated to remain at 34.33 percent in FY 2012/13, which is estimated to grow by 1.26 percent at constant prices of 2000/2001 and decrease by 3.68 percentage points than that of the previous fiscal year 2011/12.

Food Crops Production Status

- 8.3 In fiscal year 2012/13, the total food crops production (rice, wheat, maize and millet, barley, buckwheat) of Nepal is estimated to remain at 8,738,000 MT, which is less by nearly 8 percent with a decline of 720,000 MT from 9,458,000 MT of the previous fiscal year. Likewise, the total cultivated area covered under these food crops is also estimated to shrink to 3,344,000 hectares with a decrease of nearly 140,000 hectares resulting in productivity

decline by close to 4 percent as compared to that of previous fiscal year.

- 8.4 During FY 2012/13, rice production is estimated to decline by about 11 percent from 5,072,000 MT to 4,504,000 MT as compared to that of previous fiscal year. Rice productivity in the current fiscal year has also declined by 4.3 percent as compared to that of previous fiscal year. Failure to cultivate rice in an area of about 111,000 hectares due to late and weak monsoon attributed to such a decline in its productivity. The drought in this year has also mainly affected some of the farmer families in some districts and the rice crop of some areas. Rice production in this year has remained more or less equal to that of last year in 15 districts while it has increased in 20 districts, and the remaining 40 districts saw decline in its production.

Table No. 8 (a) : Area of Food Crops and their Production Details

Food Crops	FY 2012/13			FY 2011/12		
	Area (Ha)	Production (MT)	Productivity Kg/Ha	Area (Ha)	Production (MT)	Productivity
Rice	1420570 (-7.2)	4504503 (-11.3)	3171 (-4.3)	1531493 (2.3)	5072249 (13.7)	3312 (11.1)
Maize	849635 (-2.5)	1999010 (-8.3)	2353 (-5.9)	871387 (-3.8)	2179414 (5.4)	2501 (9.6)
Wheat	759843 (-0.72)	1882220 (2)	2477 (3)	765275 (-0.3)	1846107 (5.7)	2412 (6.1)
Millet	274350 (-1.3)	305588 (-3)	1114 (-1.7)	278030 (3.0)	315067 (4.1)	1133 (1.0)
Barley	28989 (4)	36973 (6)	1275 (2)	27871 (-2.1)	34736 (14.9)	1246 (17.3)

Food Crops	FY 2012/13			FY 2011/12		
	Area (Ha)	Production (MT)	Productivity Kg/Ha	Area (Ha)	Production (MT)	Productivity
Buckwheat	10681 (3.3)	10056 (0.3)	942 (-2.9)	10339 (0.3)	10021 (13.3)	969 (13.0)
Total	3344046 (-4)	8738350 (-7.6)	2613 (-4)	3484395 (0.2)	9457594 (9.8)	2714 (9.6)

Source: Ministry of Agriculture Development

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

- 8.5 Maize stands as the second major staple food after rice in terms of production. Production of maize is estimated at 1,999,000 MT in FY 2012/13 with a decline of nearly 8 percent than in the previous fiscal year. Area under its cultivation has also come down by nearly 2.5 percent. Its productivity is estimated to fall nearly by 6 percent to 2,352 kg/ha this year due to drought. Despite fall in maize production in FY 2012/13 due to the effect of persistent drought and stem rot disease outbreak in some areas, maize production in aggregate has not declined notably due to rise in areas of off-season and spring season maize cultivation.
- 8.6 In the fiscal year 2012/13, production of millet is estimated to decline by nearly 3 percent from 315,000 MT to 305,000 MT. Productivity of millet could not grow due to lack of uses of improved seeds, fertilizers and other new farming technologies in its farming.
- 8.7 Buckwheat, which is a major food crop in some areas of the mountain region, started getting a space in national statistics since last two years. According to this, buckwheat, which is cultivated in about 10,681 hectares of 50 districts of the country yielding 10,056 MT with per hectare productivity of 942 Kg. Area under its cultivation has increased by nearly 3 percent while its productivity

declined by almost 3 percent in FY 2012/13 as compared to those of previous fiscal year.

- 8.8 Wheat, which ranks third major food crop in terms of its production, is the second major food crop in terms of its contribution to GDP. Its production has increased by 2 percent to 1,882,000 MT in FY 2012/13 as compared to the previous fiscal year. Rise in its production attributable mainly to frequent winter downpour and snow fall, has caused estimated rise of three percent in its productivity. Total area under its cultivation, however, has decreased due to decline in area under this crop in most of the districts of eastern Terai. Its production has decreased in some districts of eastern and western Terai, while majority of mountain and hilly districts saw some growth in its production.
- 8.9 The area under barley cultivation is estimated to grow by about 4 percent and production nearly by 6 percent in the fiscal year 2012/13. The reasons for such growth in its production are mainly due to adequate winter rainfall and frequent snow falls in mid and far-western hills. Production of barley is only 37,000 MT among the entire food crop production.

Production Status of Cash Crops

- 8.10 Though the crops such as oilseeds, tobacco, jute, sugarcane and potato were generally considered as cash crops, other crops that fetch cash like green maize cobs are also accounted for cash crops in recent days. The area under this crop has remained at 481,000 hectares with its production of 5,880,000 MT and productivity of 12,000 MT/ha this year, is more or less equal in area under cultivation, but higher by 3 percent in terms of production and productivity, respectively as compared to that of lprevious fiscal year.

Table 8 (b) : The preliminary status of cash crop production of FY 2012/13

Cash Crops	Fiscal Year 2012/13			Fiscal Year 2011/12		
	Area (Ha)	Production (MT)	Productivity (Kg/Ha)	Area (Ha)	Production (MT)	Productivity (Kg/Ha)
Oilseeds	215600	179000	830	218321	181206	830

Cash Crops	Fiscal Year 2012/13			Fiscal Year 2011/12		
	Area (Ha)	Production (MT)	Productivity (Kg/Ha)	Area (Ha)	Production (MT)	Productivity (Kg/Ha)
	(-1)	(-1)	(00)	(2.2)	(2.8)	(0.7)
Potato	188012 (-1)	2753390 (7)	14645 (8)	187122 (2.5)	2682539 (7.0)	14336 (4.4)
Vegetables	246174 (0)	3409722 (3)	13851 (3)	255575 (4.7)	3400903 (6.2)	13307 (1.4)
Fruits	103733 (2)	1086852 (6)	10477 (3)	81625 (3.1)	885521 (6.5)	10849 (3.3)

Source: Ministry of Agriculture Development

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

8.11 Preliminary estimate shows that the production of oilseeds (mustard, yellow mustard, sunflower) is likely to decline by 1 percent to 179,000 MT in FY 2012/13 as compared to the previous fiscal year. Its cultivation area is also likely to shrink by 1 percent to 215,600 hectares. Though the production volume of sunflower has been gradually rising in recent years, overall oilseeds production is estimated to have declined corresponding to the decline in production of mustard seeds.

8.12 Production of potato in fiscal year 2012/13 is likely to rise by 7 percent with a total yield of 2,753,000 MT, while its cultivation area is likely to remain at 188,000 Ha with some decrease, and record a rise in its productivity of 7 percent with 14,645 Kg/Ha production. There has been notable rise in the productivity of potato in past years except to that of previous fiscal year. Production of potato, that is oriented towards taking a lead role in cash crops, is expected to grow only marginally this year. The market price of potato has seasonally increased recent years. Rise in its cost of production is the main reason for this. Though potato is used as a major food crop in some of the mountainous districts of the country, its production at current level is still not likely to meet the current demand.

8.13 Fruit production is estimated to reach 1,087,000 MT in the current fiscal year 2012/13 as against 1,030,000 MT that of previous fiscal

year. Likewise, its cultivation area is likely to increase marginally and reach 103,733 hectares. Net production of fruit is estimated to grow due to the rising trend of in commercial farming of bananas, oranges and a year of good mango production cycle.

- 8.14 The volume of vegetable production is expected to grow by 3 percent from 3.3 million MT to 3.4 million MT in fiscal year 2012/13 while area under this crop is estimated to remain at 246,000 hectares. The reason for such continuous growth in the area and production is due to increased practices of off-season vegetable farming as the major cash crop in recent years. And as a result, living standard of the farmers engaged in vegetable farming has improved significantly.
- 8.15 The production volume of tobacco is estimated to fall by 5 percent to 2,400 MT. Its production and cultivation area have continued to decline since last few years. Area under its cultivation is estimated to fall and remain at 1800 hectares.

Table No. 8 (c) : Preliminary Status of Industrial Crop Production in FY 2012/13

Industrial Crops	Fiscal Year 2012/13			Fiscal Year 2011/12		
	Area (Ha.)	Production (MT)	Productivity Kg/Ha	Area (Ha.)	Production (MT)	Productivity Kg/Ha
Pulses	333436 (00)	356743 (12)	10701 (12)	328272 (-1.8)	327148 (2.8)	997 (4.7)
Tobacco	1800 (-5)	2430 (-53)	1350 (05)	1110 (-2.2)	1200 (-3.1)	1081 (-0.9)
Sugarcane	64483 (0)	2930000 (2)	45438 (2)	64483 (2.4)	2869493 (5.6)	14336 (3.1)
Jute	11300 (7)	15500 (7)	1372 (0)	10540 (-0.2)	14424 (00)	1369 (0.2)
Tea	19056 (5)	19225 (3)	1009 (-2)	18149 (-0.1)	18726 (5)	1032 (5.1)

Industrial Crops	Fiscal Year 2012/13			Fiscal Year 2011/12		
	Area (Ha.)	Production (MT)	Productivity Kg/Ha	Area (Ha.)	Production (MT)	Productivity Kg/Ha
Coffee	1804 (1)	460 (10)	255 (9)	1780 (13.5)	418 (24.4)	235 (9.6)
Cotton	175 (30)	150 (13)	857 (-13)	135 (3.7)	133 (7.4)	985 (40)
Honey (Beehive)	125000	1625 (8)		125000	1500 (.80)	
Mushroom		1600 (5)			1530 (7.7)	
Silk Cocoon		40			40 (5)	

Source: Ministry of Agriculture Development

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

- 8.16 In the year 2012/13 area and production of sugarcane, which is one of the major industrial crops, is estimated to increase by 2 percent totalling 64,483 hectares and 2,930,000 MT, respectively. In the past, farmers were discouraged to continue with sugarcane farming as it was difficult to recover even the cost of production owing to problems in the sales of sugarcane, but now farmers are again attracted to this crop mainly due to rise in both consumption and the price of sugar resulting in rise of area under cultivation, production and productivity.
- 8.17 Jute is cultivated in six Eastern districts including Jhapa, Morang, Sunsari, Saptari, Siraha and Udayapur. Area under its cultivation and production are estimated to rise by 7 percent reaching 11,300 hectares and 15,500 MT, respectively, in FY 2012/13. Though its cultivation area, production and productivity had declined due to

unavailability of adequate jute seeds in the past, there has been progress in these fronts now.

- 8.18 Of the industrial crops like tea, coffee and cotton, production of coffee has increased by about 10 percent and its productivity by 9 percent in FY 2012/13. Farmers seem to have attracted towards this crop due to its export to third countries. Tea production has increased by almost 3 percent. Cotton is cultivated in about 175 hectares in the districts of Dang, Banke and Bardiya with production of 150MT of cotton. Its growth seems unusual due to its negligible production and cultivation area.
- 8.19 The number of beehives is expected to remain the same as that of the previous year with around 125,000 units in FY 2012/13. Net honey production is expected to rise by nearly 8 percent reaching 1,625 MT in FY 2012/13. Though the number of modern bees such as *Serena* and *Molifera* has increased, the number of wild bee hives like *Mude* and *Khope* has declined.
- 8.20 About 600 plant nurseries and flower shops located in Kathmandu valley are estimated to have carried out the flower transaction of about Rs. 1 billion. Such extensive increase in transaction was mainly due to hike in flower prices. Such transactions accounted for Rs. 660 million in previous year.
- 8.21 Production of mushroom comprising of various species, which is getting popular mostly in urban areas, is estimated to reach 1,600 MT in FY 2012/13 from its production volume of 1530 MT in the previous fiscal year. Similarly, silk cocoon production is expected to rise slightly reaching 40 MT this year as compared to that of last year.
- 8.22 In fiscal year 2012/13, total production of pulses (lentils, black gram, pigeon peas, soybean, grams etc.) is expected to rise by nearly 12 percent to 357,000 MT while cultivation area is expected to shrink a little to 333,000 hectares. Though production of lentil, that is cultivated on non-irrigable land, has increased due to rainfall, production of pigeon peas, gramsetc has declined due to overall production of this crop could record only a slight growth. In addition to this, the production of black gram, soybean, bean etc. has increased as compared to that of previous year.

8.23 Production and area under cultivation for all spices have increased in fiscal year 2012/13. Of the spices, production of garlic, turmeric and chili pepper rose by 40 percent, 41 percent and 14 percent, respectively. Though cardamom - a major export crop - witnessed a decline both in area coverage and production due to a spotty disease (*chhirke-phurke*), its production mainly in high cardamom producing districts like Taplejung and Sankhuwasabha rose by 16 percent due to introduction of new technologies and projects. However, ginger production in the period has declined by 10 percent.

Table 8 (d) : Preliminary Status of Spices Production in FY 2012/13

Spices	Fiscal Year 2012/13			Fiscal Year 2011/12		
	Area (Ha.)	Production (MT)	Productivity Kg/Ha	Area (Ha.)	Production (MT)	Productivity Kg/Ha
Ginger	19049 (-6)	228501 (-10)	11995 (-5)	20258 (-8.3)	255208 (-0.3)	12598 (9.3)
Garlic	7146 (21)	57022 (40)	7980 (16)	5911 (14)	41183 (29)	6967 (13)
Turmeric	5141 (19)	49649 (41)	9657 (18)	4325 (8.9)	35295 (27.9)	8161 (17.4)
Chilly	7220 (8)	31252 (14)	4329 (6)	6691 (6.1)	27203 (7.4)	4066 (1.2)
Cardamom	13129 (-8)	7000 (16)	533 (26)	14206 (9.9)	6026 (39.4)	424 (26.9)

Source: Ministry of Agriculture Development

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

Number of Domestic Animals/Fowls

8.24 In fiscal year 2012/13, the total number of cows/oxen is estimated to reach nearly 7,275,000 which is higher by 0.41 percent compared to the figure of previous fiscal year. Of the total number of cows/oxen, the number of milching cows has stood at 1,026,000 or 14.1 percent of the total, while its growth rate is 2.67 percent. Likewise, the number of buffaloes is expected to grow by 2.13 percent reaching 5,242,000. Of the total number of buffaloes, the number of lactating buffaloes is estimated to grow by 2.94 percent

as compared to that of previous fiscal year and remain at 1,370,000 (26.14 percent). Likewise, the numbers of sheep (Rams/Ewes) and he/she goats are estimated to reach 809,000 and 9,796,000, respectively, which are comparatively higher by 0.28 percent and 2.87 percent, respectively than those of previous fiscal year. The number of pigs is expected to rise by 2.0 percent as compared to that of previous fiscal year reaching 1,160,000.

Table No. 8 (e) : Description of number of Animals/ Fowls

Description	Fiscal Year			
	2009/10	2010/11	2011/12	2012/13
Cow	7199708 (0.34)	7226050 (0.37)	7249173 (0.32)	7274545 (0.41)
Buffalo	4832654 (3.25)	4995650 (3.33)	5140506 (2.94)	5242288 (2.13)
Sheep	801371 (-0.20)	805070 (0.46)	807083 (0.25)	809504 (0.28)
Goat	8844172 (4.38)	9186440 (3.87)	9519010 (3.62)	9785542 (2.87)
Pig	1064858 (1.95)	1108465 (4.1)	1130915 (2.03)	1160250 (2)
Chicken	25760373 (5.22)	39530620 (53.46)	44610305 (12.85)	47956078 (6.17)
Duck	379553 (-0.93)	378050 (-0.40)	376916 (-0.30)	375974 (-0.25)
Mulching Cow	954680	974122	998962	1025667

Description	Fiscal Year			
	2009/10	2010/11	2011/12	2012/13
	(2.34)	(2.04)	(2.55)	(2.67)
Mulching Buffalo	1252770 (3.41)	1291644 (3.1)	1331039 (3.05)	1370120 (2.94)
Egg Laying Chicken	7290875 (2.34)	7478645 (2.58)	7897449 (5.6)	8233091 (4.12)
Egg Laying Duck	175300 (-2.17)	175150 (-0.09)	174980 (-0.10)	174718 (-0.15)

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

Source: Ministry of Agriculture Development

8.25 The number of chickens is estimated to rise by 6.17 percent reaching 48 million in fiscal year 2012/13 as compared to that of previous fiscal year. The statistics justifies that the broiler chicken farming is sprouting in Nepal. About 988,000 broiler chickens and 109,000 eggs laying chickens were estimated to have imported in previous fiscal year 2011/12. The number of ducks is estimated to decline by 0.25 percent reaching 376,000 in FY 2012/13. The number of egg laying chickens to the total number of chicken is estimated to reach 8,233,000 while the number of egg laying ducks to the total number of ducks is estimated to remain at 175,000. Likewise, the numbers of yaks and rabbits are expected to reach 69,855 and 15,350, respectively and those of horse/donkey are estimated to reach up to 49,200 in current fiscal year 2012/13.

The Status of Domestic Animals/Fowls Production

8.26 Production of cows and buffaloes milk (excluding Yak) is estimated to reach a total of 1,681,000 MT in the current fiscal year 2012/13, which is higher by 3.6 percent than that of previous fiscal year. The share of cow's milk in the total milk production is estimated to remain at 29.3 percent while that of buffalo's milk

remains at 70.7 percent. Meat production is estimated to rise by 2.6 percent and reach 295,000 MT. The share of buffalo's meat to the total meat production is estimated at 59.3 percent, sheep 0.9 percent, goat (castrated/non-castrated) 18.8 percent, pigs 6.3 percent, fowls 14.6 percent, while that of ducks meat is estimated to remain at 0.1 percent.

Table No. 8 (f) : Status of Animal's/ Fowl's Production

Description	Fiscal Year				
	2008/09	2009/10	2010/11	2011/12	2012/13
Milk Production (MT)					
Cow	413919	429129	447185	468913	492377
Buffalo	1031500	1068300	1109325	1153838	1188716
Total	1445419	1497429	1556510	1622751	1681093
Meat Production (MT)					
Buffalo (Male/Female)	156627	162358	167868	172413	175145
Sheep	2711	2705	2722	2720	2721
Goat (Castrated/Non-Castrated)	48472	50315	52809	53956	55583
Pig	16992	17059	17923	18277	18709
Chicken	16662	17551	36085	40346	43112
Duck	226	225	218	217	216
Total	241690	250213	277625	287929	295486
Egg Production (In 1000)					
Chicken	616312	634660	691070	773950	825890
Duck	13628	13440	13065	13060	13050
Total	629940	648100	704135	787010	838940
Wool Production (KG)	583776	582447	586232	586975	587850

Source: Ministry of Agriculture Development

8.27 Total eggs production is estimated to rise by 4.69 percent in the current fiscal year 2012/13 reaching 838.9 million eggs from 787 million produced in the previous fiscal year. Of this total, the eggs of chicken shares 826 million and the ducks share 13 million.

Likewise, wool production from sheep is estimated to reach 5, 88,000 MT.

Major reasons behind fluctuations in agricultural production, area and productivity

8.28 The Effect of Weather: The major reason behind the decline in rice production is weak and delayed monsoon rain. Monsoon that generally onsets from June 10 got delayed by few days in FY 2012/13, and got weaker in mid-July, and again started to fluctuate from active to passive and other way around by mid-August. Though there had been precipitation until the beginning of September, rice production was very low in majority of Eastern and mid Terai districts mainly Siraha, Saptari, Dhanusha, Mahottari etc. Despite growth in both area under the rice cultivation and its productivity in Western and Mountain districts as compared to the previous fiscal year, its overall cultivated area and productivity have declined. The total production of rice, maize etc., suffered a negative growth in FY 2012/13 as a result of less than average precipitation coupled with uneven distribution of rainfall across the country. In FY 2012/13, weather seems to be favorable for winter crops mainly like wheat, barley, pulses (lentil, peas) and fruits. In this fiscal year, though December and January witnessed less than average precipitation, production of winter crops seemed satisfactory due to moisture retention in the soil.

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

Description	Fiscal Year						
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Chemical Fertilizer (MT)	8136	12751	3285	3157	42178	29604	146584
Improved Seeds and Seedlings(MT)	3514	3380	3781	3947	4337	4393	2964
Irrigation (Additional Ha)	18402	26967.5	14099	25850	30718	35748	47795
Agricultural Loan (in Rs., 10 Million)	1285.6	1388.2	1388	1337.6	1429.1	1419.2	2325.8

Source: Economic Surveys of previous years

8.29 **Impact of improved technology:** It is estimated that agriculture production in Nepal did not see a decline as a result of intervention of improved technologies developed in the agriculture sector such as improved seeds, fertilizers, pesticides, farming instruments and techniques, trained human resource and so on. Productivities of recommended rice varieties such as Sabitri, Bindeshwori, Radha-4 and Radha -12 in Terai, Khumal-4, 10 and 11 in mid-hills and Chandannath in upper hills have been found to be double than that of local varieties with more than 90 percent of the area under these rice varieties. Likewise, area covered by recommended maize seed varieties has also been more than 90 percent.

8.30 **Impact of Natural Disaster:** Unlike in the past, floods, landslides, inundation, river bank erosion, gales and storm, hailstones have negligible effect on monsoon crops in this fiscal year 2012/13. About 500 hectares of land were destroyed by inundation, river bank erosion and sand burial in this year. Likewise, rice could not be planted in an area of about 110,000 hectares of land due to less precipitation. The overall damage caused by natural disaster except to that of drought has been observed very less as compared to that of previous fiscal year. Floods, landslides, inundation and drought are among the natural disasters to affect agricultural crops.

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

Agricultural Products	2006	2007	2008	2009	2010	2011	2012
Rice	120000	88800	30873	92000	567	859	110450
Maize	47	4271	549	1700	563	656	21801
Millet	0	1451	3.2	0	13	2	3691
Total	120047	94522	31425	93700	1143	1517	135942

Source: Ministry of Agriculture Development

8.31 Impact of Chemical Fertilizers: There has been extensive rise in sales and per hectare usage (approximately 47 Kg) of chemical fertilizers in FY 2011/12 as compared to its preceding fiscal year. The prices of fertilizers are seen lower due to the Government of Nepal subsidy on set quantity of chemical fertilizers since last few years. The Agriculture Sector Performance Review has arrived at a conclusion that two third volume of total fertilizers consumption comes from non-formal sources. Though the target set for the demand of fertilizers by the Agriculture Perspective Plan is 700,000 MT for this year, Agriculture Inputs Company could distribute approximately 146,000 MT of fertilizers only in FY 2011/12. By mid-March 2013, about 96,000 MT of fertilizers have been distributed. Fertilizers such as ammonium sulphate, A.P.S, N.P, S.M.P are not in use in this year like in the previous years. However, vermic compost has been gaining popularity. Fertilizers are being easily brought in this country due to huge subsidy available in India open border.

Table 8 (i) : The status of sales and distribution of Chemical Fertilizers

Name of Fertilizers	Fiscal Year					Usage Kg/ha		
	2008/09	2009/10	2010/11	2011/12	2012/13*	2006/07	2007/08	2008/09
Urea	7703.3	50237	85119	99196	58313	19099	30842	6126
DAP	1.5	25210	22021	43724	37076	29131	19074	10066
Potash	0	2359	2818	2733	1126	686	2	0
Total	7704.8	77806	109958	145653	96515	48916	49918	53640

**Of the first eight months*

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

8.32 Water Induced Disaster Control: The Department of Water Induced Disaster Control has been implementing programs based on emergency rescue, water induced disaster mitigation, natural resource conservation, utilization of river banks and flood affected

areas, and institutional arrangement and development. Works are being carried out especially in flood, landslide, river cutting, sedimentation, inundation affected areas. People's embankment program that has been in operation since FY 2009/10 with the target of training 10 rivers, embankment works were underway in 14 rivers by the end of fiscal year 2011/12. Program execution is underway based on the Master Plan designed with objective of conducting impact study on rivers from the foothills to Nepal-India border and their training and managing on priority basis. Likewise, policy has been adopted to implement programs by integrating engineering and bio-engineering technologies. Embankment works are being carried out on Bagmati, Lalkabaiya, Kamala and Gaagan rivers under the Indian support while works on Banganga was initiated in FY 2011/12. Under the infrastructure protection work, physical infrastructures of Sindhuli-Bardibas Road are protected from landslides and sedimentation while gorge control and soil erosion control works have been completed.

- 8.33 **Irrigation:** Efforts are being made for effective expansion of land under irrigation that is being carried out since last few years in order to enhance agricultural production. Of the country's total 2,641,000 Ha of arable land, irrigation command area is only 1,766,000 Ha programs are being implemented by providing organized irrigation facility through the construction of surface irrigation and groundwater irrigation systems. In FY 2011/12, additional 47,795 Ha of land has been brought under irrigation including 32,565 Ha under new irrigation projects, and 15,230 Ha through renovated farmers' irrigation canals. Additional irrigation facility was provided in 35,748 Ha of land in FY 2010/11 with an additional extension of 33.7 percent of such facility as compared to its preceding fiscal year. During first eight months of the fiscal years of 2011/12, additional irrigation facility was provided to 17,447 Ha of land against 9,585 Ha of land in the corresponding period of current fiscal year. This irrigated land area is less by 49 percent as compared to that of previous fiscal year. Such reduction in the irrigated land area is mainly due to the inclusion of only underground shallow tube-well irrigated land area in the first eight months of the current fiscal year 2012/13.

Table 8 (j) : Additional Irrigation Extension

(Area in Ha)

1	Geographical Region	New Irrigation	Innovated Farmer's Canal	Fiscal Year 2011/12	First Eight Months	
					Fiscal Year 2011/12	Fiscal Year 2012/13
a	Hill	6503	9900	16403	1345	0000
b	Terai	26062	5330	31392	16102	9585
	Total	32565	15230	47795	17447	9585
2	Type/Category					
a	Surface	10005	15230	25235	12935	0000
b	Underground	22560		22560	4512	9585
	Total					

Source: Ministry of Irrigation

8.34 Agricultural Credit: Arrears of commercial banks out of their lending to the agriculture sector stood at Rs. 28.79 billion by the end of FY 2011/12 which stood at Rs. 18.27 billion in FY 2010/11. Such arrears that stood at Rs. 4.97 billion in the first eight months of FY 2011/12 grew by 30.9 percent to Rs. 8.89 billion by the corresponding period of FY 2012/13.

Table no. 8 (k) : Status of Credit Flow of Commercial Banks

(Rs. In Million)

Types of Credit	2010/11	2011/12*	2012/13**	Change In First Eight Months			
				2011/12 (Amt)	2012/13 (%)	2011/12 (Amt)	2012/13 (%)
Farming Related Services	2048.7	2797.9	6224.6	599.0	29.2	3426.7	122.5
Tea	1311.0	1757.2	1967.2	136.6	10.4	210.0	12.0
Animal Husbandry and Animal Husbandry Related Services	2081.8	4382.5	11646.6	941.0	45.2	7264.1	165.8

Forest, Fisheries, and Slaughter Houses	193.6	258.7	475.9	17.7	9.2	217.2	83.9
Other Agriculture and Agro-based Services	12643.5	19597.7	17370.6	3285.3	26.0	-2227.1	-11.4
Total	18278.5	28794.1	37685.0	4979.5	27.2	8890.9	30.9

Note: * Unprocessed, ** As of mid-March 2013

Source: Nepal Rastra Bank

8.35 Cooperative Based Farming: Cooperative based poultry and pig farming programs have been introduced by targeting *Dalits*, socially poor and backward people, *Janajatis*, women, marginalized and bonded laborers and landless farmers of four districts of Kailali, Banke, Bardiya and Dang. This program has been implemented in additional 26 districts including Saptari, Jhapa, Morang, Sarlahi, Udayapur, Ramechhap, Dhading, Sindhupalchowk, Syangja, Dolakha, Kavre, Dhanusha, Bhaktapur, Nawalparasi, Lamjung, Parbat, Sindhuli, Parsa, Makwanpur, Mahottari and Baglung aside from those four districts. Farmers' income has been enhanced and sense of cooperatives developed through this program.

8.36 Fishery Development Program: In fiscal year 2011/12, Fishery Development Centers scattered across the country have distributed 122,515 hatchlings, 15,150 fries, 6,868 thousand fingerlings and 27,000 fingerlings of *Saundarya* fish to farmers engaged in pisciculture in their coverage districts. Likewise, a total of 25.7 MT of fish for consumption has been produced and sold. A total of 32,460 MT consumable fish was estimated to have produced in FY 2011/12 by harvesting them in water mass including 7,300 Ha of ponds, 100 Ha paddy fields, 100 Ha enclosures, 25,000 Ha marshland, 60,000 cubic meter cages, with trout harvesting in raceway ponds of 0.9 hectares. Likewise, a total of 53,960 MT of fish is estimated to have produced and harvested at the national level including 21,500 MT through management and development of pisciculture in natural water mass like rivers,

lakes, reservoirs, marshland, irrigated rice fields. Per capita fish available for consumption with this production is estimated at 2 kg.

- 8.37 **Small Irrigation Cooperative Farming:** In FY 2011/12, a total of 179 small irrigation systems were constructed including 118 new construction and 61 renovated under the cooperative based small irrigation schemes. Likewise, a total of 2524 irrigation systems were constructed including 1,722 new construction and 802 renovated under small irrigation construction and maintenance schemes. Similarly, 83 on cooperative farming schemes, transport subsidies on 2168.84 MT of chemical fertilizer and 72.62 MT of improved seeds have been distributed. From this, a total of 8,708 farmer's families have availed cooperative based small irrigation scheme providing irrigation facility to land area of 2,214 Ha while a total of 56,058 farmer's families are benefited by small irrigation and maintenance scheme providing irrigation facility to land area of 13,183 ha. Likewise, cooperative farming scheme has benefited 5,122 farmer's families through such farming in 1,126 hectares of land. Similarly, the community water pond of 500,000 liter capacity is being constructed in Dadeldhura with the objective of providing support to food security and poverty alleviation through the means of agriculture mechanization and agriculture farm structure development by transforming subsistence farming system to competitive commercial agriculture system while demonstration of various agriculture mechanization technology was conducted in Saptari, Palpa, Rupandehi and Gulmi districts through which about 800 farmers have acquired knowledge on such technology.

Organizations Involved in Agriculture Development

Small Farmer Development Bank Limited

- 8.38 Small Farmer Development Bank Limited, that has been providing wholesale credits to Small Farmers' Agricultural Cooperatives and other micro-finance institutions established and operated by small farmers of rural Nepal to run agro-based micro-finance programs, is operating a number of programs such as capacity enhancement

of such microfinance institutions and small farmers involved with these institutions through social/community development programs, livestock insurance program, small farmer cooperative replication and service extension programs, and training and seminars.

Table 8 (I) : Credit and Investment Status of Small Farmer Development Bank Limited

(Rs. 100 thousands)

Description	Fiscal Year				Progress in First Eight Month	
	2009/10	2010/11	2011/12	2012/13	2011/12	2012/13
District	39	40	41	43	42	49
Number of Organization	224	234	251	291	268	343
Group	22313	24412	28423	31968	29982	36040
Member	140962	159767	189899	228418	208780	266667
Net Domestic Source (Rs.)	12816	19021	29929	41033	35239	50811
Approved Credit (Rs.)	10760	10804	15427	27550	18981	20815
Credit Investment (Rs.)	6349	9558	18709	26738	15500	19624
Loan Recovery (Rs.)	13276	5924	11095	18751	9963	14578
Amount on Investment (Rs.)	7527	11161	18775	26762	24312	31808

Source: Small Farmer Bank Ltd.

8.39 During the first eight months of FY 2011/12, there were 268 cooperatives of 42 districts affiliated to this bank, while by the same period of the current fiscal year, the bank has been able to extend its services to the additional 75 such cooperatives of seven districts reaching to 343 cooperatives in 49 districts. Membership of this bank has soared by 28 percent in the first eight months of the current fiscal year 2012/13 as compared to the corresponding period of the previous fiscal year reaching a total of 266,667 members. With this, about 1.3 million people have been reaping benefits from its programs. The credit investment of this bank during the first eight months of the current fiscal year rose by 27 percent as compared to the same period of the previous fiscal year reaching Rs. 1962.4 million. The loan amount approved by first eight months of the previous fiscal year was Rs. 1889.1 million

while it has reached to Rs. 2081.5 million by the corresponding period of this fiscal year. During this period, loan recovery rate has increased by 46 percent while amount on loan investment has increased by 749.6 million reaching Rs. 3180.8 million. Share, saving and reserve fund of small farmer members total Rs. 5801.1 million and capital of more than Rs. 8260 million has been mobilized in small farmer cooperative sector through this Bank's investment.

- 8.40 The Meat-Oriented Livestock Credit Program under the loan support of the Government of Nepal has been initiated in FY 2010/11 with the objective of encouraging small farmers to engage them in livestock farming to substitute imports of meat products by increasing their production within the country. Though the Bank has started meat-oriented livestock credit program since mid-April, 2011 with a total credit of Rs.1.05 billion for 18,000 farmers, about 59,000 farmers from 205 cooperatives have approached for credit of Rs. 2.5 billion by the first eight months of the current fiscal year. The bank has already approved credit sum of Rs. 2.26 billion to provide credit facility to nearly 48,000 farmers affiliated to 204 cooperatives. Of such approved credit, 24,506 farmers of 202 cooperatives have been disbursed credit sum of Rs.1.55 billion through which, 117,991 livestock heads are being raised. So far, 48 percent of this credit amount is being invested on the purchase of she-goat, 9 percent on pigs, 5 percent on buffalo calf and 38 percent in she-buffalo. The livestock raised from this credit is estimated to have yielded meat and dairy products of more than 3 billion annually.
- 8.41 A total of 14,299 units of livestock worth Rs. 2205.2 million were insured in FY 2011/12 from livestock insurance program operated with the grant assistance of the Government of Nepal while 14,000 units of livestock worth Rs. 1170.0 million have been insured in the first eight months of the current fiscal year. Likewise, establishment of 40 cooperatives under Small Farmer Cooperative Replication Program is underway while capacity enhancement program of 10 cooperatives is being carried out. About 70,000 families have been reaping benefits from livestock credit

promotion program, trainings/seminars and social/community programs in current fiscal year.

- 8.42 Installation of software is in progress subsequent to procurement of hardware for the development of information technology sector of banks through Rural Finance Sector Development Cluster Program-I in operation under the Financial Sector Reform Program on financial support of Asian Development Bank. Under this program, of the restructured 60 low performing institutions, 54 such institutions have attained encouraging success as expected. Likewise, an agreement has been signed with ADB for its financial and technical support for the operation of second phase of the program which is now in the execution phase. Under this program, of the target to extend micro-finance service to 30,000 families affiliated with 60 cooperatives in 25 hilly and mountainous districts, such service has been extended to 105,000 families affiliated with 122 cooperatives in those districts. The Government of Nepal has also started cooperating with Youth and Small Entrepreneur Self-Employment Fund to reduce rural unemployment.

Nepal Agriculture Research Council (NARC)

- 8.43 Nepal Agriculture Research Council (NARC) has adopted the policy in line with National Agriculture Policy 2004 and Agriculture Perspective Plan 1996 providing support to the national economy by increasing agricultural production and productivity, and reducing production cost through the development of modern agricultural technology thereby improving farmers' living standard. This has been giving emphasis on enhancement of production and productivity of agro-based products, development of commercial and competitive farming system, protection, conservation, and promotion of natural resources and environment. NARC has made significant contribution in increasing the productivity and production of food crops especially of rice, maize, wheat and potato thereby providing support to the food security of Nepal. Likewise, there has been notable growth in vegetable production and availability of off-season vegetables.

8.44 In the first eight months of the current fiscal year 2012/13, among the new varieties of rice, NR 1190-24-4-2-2-2-3 series, Radha-13, drought resistant Dry Rice-4, Dry Rice-5, Dry-Rice-6 have been recommended for mid-hills, inner Terai, and low hills. Yellow blast disease resistant BL 3235 and BL 3503 varieties of wheat have been recommended for hills. UG 99 resistant NL 1064 and NL 1073 varieties of wheat are under recommendation process. TPS technology developed burn disease resistant HPS 2/6 and HPS 7/6 varieties that yield high production are under registration process. Likewise, two varieties of potato developed through cloning technology that yield high production and resist burn disease have been recommended for introduction. Preliminary success has been achieved in potato seed producing method through hydroponic technology, and 613 MT of foundation seed has been produced.

Table 8 (m): Description of Foundation Seed Production and Introduction of Crop Varieties of last 10 years

Fiscal Year	Source Seed Production (MT)	Introduction of Crop Varieties	Remarks
2003/04	690	1	Rice, Maize, Wheat, Pulses, Oilseeds, Hill-Crops (Barley, Millet, Buck Wheat), Potato, Sugarcane, Jute, Vegetables, Ginger, Grass Seeds
2004/05	749	9	
2005/06	669	4	
2006/07	575	10	
2007/08	864	2	
2008/09	781	9	
2009/10	715	0	
2010/11	806	13	
2011/12	911.8	7	
2012/13	613.0	10	

**Of the first eight months*

Source: NARC, Annual Report, 2012

Status of Imports and Exports of Agro- Products

8.45 Exports of food items and live animals, and that of tobacco and beverages, have increased by 21.8 percent and 87.6 percent reaching Rs. 12.23 billion and Rs.140 million, respectively, in the first eight months of FY 2012/13. Exports of such products stood at Rs 10.04 billion and Rs.70 million, respectively in the corresponding period of previous fiscal year. Export of such items during the first eight months of current fiscal year 2012/13 is estimated to decline by 9.2 percent as compared to the corresponding period previous fiscal year. Food items and live animals worth Rs39.57 billion and tobacco and beverages worth Rs2.79 million were imported in the first eight months of the current fiscal year 2012/13. Imports of these items are higher by 58.9 percent and 55.2 percent, respectively as compared to those in previous fiscal year 2011/12. Such import is estimated to increase by 58.9 percent in the first eight months of the fiscal year 2012/13. Though exports of food item and live animals that registered an average growth of 16.6 percent in last ten years and declined by 31.3 percent in FY 2009/10, such exports received growth of 9.6 percent in FY 2011/12 and reached a total of Rs. 15.93 billion. Likewise, the imports of food item and live animals that had registered an average growth of 22.1 percent in ten years have increased by 39.4 percent to Rs. 29.26 billion in FY 2011/12.

Cooperative Sector

- 8.46 The State has recognized the cooperative sector as an integral part of national development after the interim Constitution of Nepal, 2006 adopted policy to develop country's economy through public, private and cooperative sectors. Organizational structure has already been developed from the primary level to national and international levels for the development, extension and promotion of cooperatives in the country. Since the cooperative is an economic and social system, the peoples' needs can be met through the mobilization of their limited means and resources.
- 8.47 The number of cooperatives grew by 187.2 percent, membership by 225.8 percent, capital by 2656.7 percent and net saving by 653.5

percent and net investment by 5576.7 percent in FY 2012/13 as compared to that of FY 2006/07. Attraction towards cooperatives can be easily assumed as sectors like financial service, production, processing, marketing, health, education, transportation, communication, electricity, housing, tourism and insurance have started conducting entrepreneurial and business transactions based on the cooperative modality. Cooperative institutions that had their saving mobilization worth Rs. 19.51 billion in FY 2006/2007, recorded a booming growth in savings of 653.5 percent reaching a total of Rs. 147 billion by the first eight months of the current fiscal year. This indicates that cooperative plays an important role in saving mobilization. Likewise, the total share capital of all cooperative institutions has reached Rs. 29 billion.

- 8.48 Cooperatives getting engaged in business by utilizing their own limited resources, means, and skills is considered an important medium of the social economy. The trend of cooperatives to engage themselves in business sectors like savings and credit, dairy, fair-price shops, tea, coffee, vegetables and fruits, agriculture, honey, sugarcane, tangerine, herbs, health, tourism and communication has continued to grow. Saving and Credit Cooperative has its share of 45 percent in the total number of cooperatives operating with several objectives while the number Agro-based Cooperatives also remains close to that of Saving and Credit Cooperatives.

Table No. 8 (n) : Cooperatives and their membership number, capital, investment, saving trend

(In Rs. Thousand)

FY	Institution Nos.	Member Nos.	Net share Capital (Rs.)	Net Saving (Rs.)	Net Investment (Rs.)
2006/07	9720	1259747	1045563	19517517	2414848
2007/08	12646	1843759	8959172	29308434	30024625

FY	Institution Nos.	Member Nos.	Net share Capital (Rs.)	Net Saving (Rs.)	Net Investment (Rs.)
2008/09	19724	21383348	8482476	45676944	52660117
2009/10	22646	2963114	20196274	121831359	10545357
2010/11	23301	3141581	20225139	117295228	116835814
2011/12	26501	3842657	27095151	139543971	134383241
2012/13	27914	4104025	28823060	147069663	137084873

Source: Department of Cooperatives

8.49 Capital grant of up to 50 percent cost of machinery equipment is being provided for establishment of agro-based cooperative enterprises. In last four years, a grant sum of Rs. 908.42 million has been provided for the establishment of 200 agro-based industries on government-cooperative partnership. Intensive monitoring of large financial cooperatives is being carried out in cooperation of Nepal Rastra Bank and monitoring of such 116 cooperatives has been completed by the end of FY 2011/12. In the first eight months of the current fiscal year 2012/13, monitoring of 40 such cooperatives has been conducted while 5600 persons are imparted with trainings.

Table 8 (o) : Description of Active Cooperatives

(In Rs. 10 million)

Nature of Business	Institution No.	Member		Share Capital Rs.	Deposit Rs.	Investment Rs.
		Male	Female			
Saving and Credit	12451	1087	1060	20757.3	112739.1	95367.6

Nature of Business	Institution No.	Member		Share Capital Rs.	Deposit Rs.	Investment Rs.
		Male	Female			
Multipurpose	4009	613	397	6008.3	30156.5	34467.1
Agriculture	6135	300	223	830.6	1718.3	2734.0
Dairy	1764	82	25	164.9	373.5	389.2
Consumer	1443	36	24	229.3	475.6	925.1
Electricity	407	52	12	68.1	37.0	93.8
Vegetables and Fruits	209	15	18	55.8	294.8	586.3
Tea	105	4	2	90.0	12.8	23.2
Coffee	85	2	2	8.2	14.9	13.2
Herbs	167	4	2	25.7	4.5	11.9
Bee Keeping (Apiculture)	69	2	1	7.0	4.1	4.9
Communication	115	9	4	103.6	29.2	29.3
Health	49	6	4	245.8	116.2	168.1
Sugarcane	49	1	0	4.7	10.7	2.1
Tangerine	33	1	0	0.9	6.1	6.2
Others	783	49	66	223.0	1076.4	2262.8
Total	27914	2264	1840	28823.1	147069.7	137084.9

Source: Department of Cooperatives

Land Reform

- 8.50 Collection of land data has been initiated subsequent to preparation of Action Plan for implementation of Recommendation Reports of the High Level Commission on Scientific Land Reform. Study on retrieving information from the existing digital data has also been initiated. Likewise, Distribution, Usage and Regulation Manual, 2012 has been prepared for managing the distribution of digital data.
- 8.51 National Land-Use Policy has been approved while tasks including classifying land into 6 categories on the basis of above mentioned land use policy and revising the existing Acts/ Rules as required for the implementation of land use policy have been initiated.
- 8.52 In the process of delivering computerized land administration services through the Land Revenue Offices, 41 such offices have been providing computerized land ownership certificates. District level land-use maps of all 75 districts and VDC level land-use map of 45 VDCs of Nepal have been developed. Land Measurement Office of Lalitpur has been delivering its entire services through computerized system. Program on mappings and measurements of VDC blocks is underway. A guideline has been revised for using 5.5 percent of VDC grants on the Land Management Strengthening Program.
- 8.53 In FY 2011/12, a total of 23,681 freed bonded laborer (*MuktaKamaiyas*) families have been resettled. Of such families to be resettled, each of 248 such families have been provided with Rs. 151,000 to procure land by mid-March, 2013. There are still 3,616 families to be resettled.
- 8.54 Of the total 4,184 land tillers (*Haliya*) families whose identification was verified, 2,331 families have been distributed with identity cards by the fiscal year 2011/12. Similarly, 3,667 such families' identification was verified and identity cards were distributed to 2,164 such families by the same period of current fiscal year. A total of 7,851 families have been identified as land tillers (*Haliya*) and identity cards to 4,494 such families have been distributed so far.

Forest and Soil Conservation

8.55 Forestry and Soil Conservation related works are being carried out with the objectives of enhancing productivity of forests through scientific, inclusive and participatory management of forest resources while promoting ecosystem services and providing support to poverty reduction by creating employment opportunities through the promotion and commercialization of forestry related activities. Forest management works are being done with the multiple objectives of maintaining 40 percent of the total land under forestry, conducting study and researches, ensuring development and sustainable management of forests, vegetation, watershed, conservation area and bio-diversity, managing income earned through carbon saving after the conservation of forest that ultimately contribute to environmental adaptation, creating green employment opportunities through public-community-private investments in environment friendly industries and businesses and making forest sector stakeholders accountable towards the people.

Table 8 (p) : Forest Resource Statistics

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

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

8.56 Works such as maintaining environmental awareness and cleanliness through conservation and use of forest resources, forest conservation and sustainable management and use of forest

resources, promotion of forest based industries, extension of herbal farming, soil conservation and watershed management, wildlife conservation, studies and researches on flora and fauna have been carried by embracing of participatory decentralized management system to improve the living standard of local communities through climate change adaptation, and neutralization.

- 8.57 Four main pillars for prosperity have been identified in FY 2012/13, with vision of the Forestry as “Forestry for Prosperity”; while sustainable management of forests through optimum utilization forest, flora and fauna, wildlife, watershed, protected areas, and bio-diversity as goals for employment creation and income generation through the medium of commercialization of forests, thereby improving the people’s livelihood; ensuring good governance in the forestry sector for sustainable development of the country and maintaining ecological balance.
- 8.58 Of the total land area of Nepal, forest occupies 29 percent and shrub covers 10.5 percent. The total stem volume stood at 388 million cubic meters and Sal forest (*Sorrea Robusta*) accounts for 28 percent of this volume. Likewise, total biomass stood at 429.0 million tons, average stem volume 178 cubic meters per hectare and average number of trees stood at 408 per hectare.
- 8.59 The number of users groups, area of handed-over community forest and beneficiary household in community forestry, leasehold forestry and partnership forestry sectors has increased in the first eight months of the current fiscal year 2012/13 than that of the corresponding period of the previous fiscal year. The community forestry model program has been executed in Rupandehi, Kapilbastu, Nawalparasi and Kailali districts in this fiscal year. Works like formation/registration of users’ group, preparation of action plan, forest conservation, livelihood and good governance oriented programs and adaptation against adverse effect of climate change have been conducted as set by Forestry Development Master Plan, 1989 and provisioned by Forest Act 1993.

Table 8 (q) : Forest Related Comparative Achievements

Description	Fiscal 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13
Community Forest			
Community Forest User Group No.	15256	15535	17810
Area of Handed-Over Community Forest (Ha.)	1350655	1378555	1665419
Community Forest Beneficiary Household No.	1782550	186867	2194545
Leasehold Forest			
Leasehold Forest User Group No.	4080	4721	5206
Area of Handed-Over Leasehold Forest (Ha.)	19990.6	23196.6	23534.37
Leasehold Forest Beneficiary Household No.	38436	43747	44197
Partnership Forest			
Model Programs Operated Districts	Bara, Parsa, Rautahat, Sarlahi and Mahottari	Bara (3), Parsa (2), Rautahat (3), Mahottari (3), Sarlahi (1), Kapilvastu (2), Rupandehi (1), Nawalparasi (1),	Bara, Parsa, Rautahat, Mahottari, Sarlahi, Kapilvastu, Rupandehi, Nawalparasi, Kailali

Description	Fiscal 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13
		Kailali (1)	
Partnership Forest Group (No.)	9	17	19
Partnership Forest Area (Ha.)	22730	43445	54072
Beneficiary Household (No.)	244386	363030	476732
Beneficiary Population (No.)		2979125	3321738

Source: Ministry of Forest and Soil Conservation

- 8.60 Programs implemented for the formulation of policy provisions of Bio-Diversity Treaty 1992 and National Bio-Diversity Strategy, 2002 have been given continuity. Presidential Chure Conservation Program that is being implemented since FY 2010/11 to prevent environmentally vulnerable Chure area from deforestation and soil- erosion is set to implement in 26 districts. International Mountain Year 2012 was marked with a slogan of “Sustainable Development of Mountain Regions” where outstanding 3 groups and organization who contributed heavily in bio-diversity, forest conservation and sustainable mountain development were honored with 200 thousand cash prize.
- 8.61 Of 5 geographical regions of Nepal, mapping and survey works of Terai and Chure Siwalik are completed. Likewise, 90 percent of forest survey work of mid-hills has been done. A total of 150,000 herbarium samples that are being preserved in National Herbarium and Botanical Laboratory are being regularly managed while electronic database on 170 herbarium samples is prepared.

9. Industry Sector

9. Industry Sector

Industry

- 9.1 Industrial development is a sustained and most dependable pillar of country's economic development. The role of industrialization is crucial in reducing the existing unemployment and under-employment rates by lowering the heavy dependency on the agriculture sector. Investment in industries will enhance industrial production and productivity, create more employment opportunities, use local skills, utilize means and resources and contributes in substituting imports by promoting exports. Industrial Policy, 2010 has been implemented with the multiple objectives of developing industrial infrastructure for attracting private, domestic and foreign investments in the industry sector, utilizing existing industrial infrastructures effectively, develop and operate Special Economic Zones with greater emphasis on export promotion and reducing poverty through the promotion of cottage and small scale industries.
- 9.2 Secretariat of Nepal Business Forum in the Ministry of Industry is active and operating with the objective of providing solutions to industrial problems in line with Public-Private Partnership (PPP) principle. The Council of Ministers in principle has approved the policy along with the revised work orders for the Technical Committee as submitted by the High-level Taskforce on Sick Industries.
- 9.3 The status of group-wise industrial productions and industrial indices shows 3 percent growth in the production of food items, beverages, cigarettes, footwear and soap, cement, plastic made goods in FY 2012/13 as compared to the previous fiscal year 2011/12. Productions of noodles and biscuits under the food items are expected to rise by 1349 MT and 1326 MT respectively in current fiscal year 2012/13. Likewise, the juice production is estimated to surge by 1,247,000 liters. Under the beverage items, productions of soft drinks, beer and liquor are expected to rise by 472,000 liters, 118,000 liters and 392,000 liters respectively. Similarly, production of footwear, plastic made goods, cement, soap and PVC wire is also expected to rise.

- 9.4 The overall Index of major industrial productions rose from 107.5 with the growth of 3.8 percent reaching 111.6 in FY 2011/12 as compared to its previous fiscal year. Among the major industrial productions, fiscal year 2011/12 witnessed growth in the indices of industrial products like mustard oil, rice, noodles, sugar, liquors, beers, soft drinks, jute products, woolen carpets, manufactured metal goods, medicines, plastic goods, galvanized pipes, electric wires and cables. While, this fiscal year saw some decline in industrial indices of products like vegetable ghee, soybean oil, biscuits, processed tea, yarns, cotton fabrics, garments, lube oils, processed leathers, rosin, cement and cigarettes.
- 9.5 During FY 2011/12, a total of 279 industries have obtained license for their operation including 105 service oriented industries, 61 tourism industries, 59 production oriented industries, 33 energy related industries, 12 agro-based industries, 7 mining industries, and 2 construction industries. These industries have provided employment opportunities to 16,960 individuals with total project cost of Rs. 84.48 billion.

Table 9 (a) : Licensed Industries for Operation

(In Rs. 10 Million)

Production Oriented	Number		Total Project Cost		Total Fixed Capital		Number of Employment Generated	
	up to 2011/12	FY 2011/12	up to 2011/12	FY 2011/12	up to 2011/12	FY 2011/12	up to 2011/12	FY 2011/12
	2207	59	16787.14	1718.99	12163.38	1478.08	256933	6527
Service Oriented	1356	105	8851.50	95967	6398.05	894.07	89562	5530
Tourism	855	61	3864.36	181.07	3426.90	164.89	34830	1908
Construction	40	2	621.90	49.00	587.5	45.60	2718	176
Energy Oriented	114	33	18319.91	5501.49	17611.27	5326.36	14157	1816
Agro-based	217	12	1142.72	16.12	967.93	14.27	26949	396
Mining	42	7	374.38	16.40	330.40	12.91	4624	607
Total	4831	279	49961.91	8447.74	41485.43	7936.18	429773	16960

Source: Department of Industry

- 9.6 By the end of the fiscal year 2011/12, a total of 4,831 industries of different nature were granted licenses to operate in Nepal. Among such industries, 2,207 (45.7 percent) are production oriented; 1,356 (28.1 percent) services industries and 855 (17.7 percent) tourism industries. The total project cost of those licensed industries is Rs. 499.62 billion generating employment for 429,773 people.
- 9.7 By the end of FY 2011/12, a total of 279 industries were granted license on project cost basis and of this, 63 are large industries, 42 are medium and 174 are small scale industries. Likewise, among these licensed industries, share of large industries remains at 94.6 percent, 3.4 percent of medium scale industries and two percent for small scale industries to the total project cost.

**Table 9 (b) : Industries Licensed for Operation on Project Cost Basis
(Fiscal Year 2011/12)**

(In Rs. 10 Million)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Number of Employment
Large Industry	63	7984.55	7577.58	7422
Medium Industry	42	289.96	228.19	2786
Small Industry	174	168.23	130.41	6752
Total	279	8442.74	7936.18	16960

Source: Department of Industry

- 9.8 Foreign investments are being mobilized in the industry sector for export promotion through import substitution by identifying and mobilizing available domestic means and resources. The Department of Industry has been assigned with major responsibilities for its implementation, awarding licenses and management.
- 9.9 A total of 227 industries got approval for foreign investments which is higher by 8.6 percent compared to that of preceding

fiscal year. The foreign investment has the highest attraction towards energy sector. During this period, the number of foreign investment run industries other than service, tourism and mining industries has declined. The number of employment generated by these industries has also declined to 9,050 in FY 2011/12. By the end of fiscal year 2011/12, a total of 2,335 industries from 73 countries have been granted licenses to operate on foreign investments generating employment for 164,482 individuals. Of this total, 31.8 percent accounts for production oriented, 32.4 service oriented and 26.8 for tourism industries. Similarly, of the total employment generated, 48.7 percent is from production oriented, 21.8 percent from service oriented and 16.2 percent from tourism industries.

Table 9 (c) : Licensed Industries for Foreign Investments

(In Rs.Million)

Types of Industry	Number		Total Project Cost		Net Fixed Capital		Foreign Investment		Number of Employment Generated	
	Upto 2011/12	FY 2011/12	Upto 2011/12	FY 2011/12	Upto 2011/12	FY 2011/12	Upto 2011/12	FY 2011/12	Upto 2011/12	FY 2011/12
Production Oriented	743	31	5815.19	353.74	4337.28	301.41	2654.36	98.85	80180	1771
Service Oriented	756	106	2807.02	211.48	2304.13	182.11	1497.21	199.75	35942	3815
Tourism	625	64	2132.12	90.47	1994.61	77.87	923.78	83.75	26709	1847
Construction	42	0	360.53	0	268.31	0	276.28	0	3016	0
Energy	51	4	4576.87	500.95	4521.35	483.25	1751.63	299.75	8537	590
Agro-based	75	15	184.86	17.42	124.86	15.10	105.55	16.22	3994	497
Mining	43	7	533.42	17.17	435.43	13.07	306.19	15.77	6104	530
Total	2335	227	16410.03	1191.23	13985.77	1072.81	7515.00	714.09	164482	9050

Source: Department of Industry

9.10 In first eight months of the current fiscal year 2012/13, a total of 186 industries have been registered for operation from which

employment opportunities has been created for 9,505 people. Expected shares of foreign investment in energy oriented, industrial production oriented, construction oriented and service oriented industries in terms of their total project costs are 34.2 percent, 31.7 percent, 13.9 percent and 10.7 percent respectively. A total of 1,711 trademarks were registered during this period.

Table 9 (d) : Industries Licensed for Foreign Investments(In the first eight months of FY 2012/13)

(In Rs.10 Millions)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Industrial Production	48	703.27	596.83	213.99	3499
Service Industry	43	237.71	88.57	113.44	1762
Tourism Industry	44	129.04	115.38	95.68	1668
Energy	8	759.22	716.14	266.99	434
Agro-based Industry	24	39.26	39.26	37.76	816
Mining	9	43.57	72.00	67.25	781
Construction	10	309.30	82.20	275.60	545
Total	186	2221.37	1710.38	1070.71	9505

9.11 Of the industries approved for foreign investment by the end of FY 2011/12 on project cost basis, 195 (8.4 percent) are large scale, 262 (11.2 percent) are medium scale and 1,878 (80.4 percent) are small scale industries. The employment generated by these industries remains at 26.9 percent, 19.7 percent and 53.4 percent respectively. Of the total foreign investment of Rs. 75.15 billion, share of large scale industry has been the highest with 69.4 percent while those of medium and small scale industries are 18.6 percent and 12 percent respectively to this total. This indicates that the foreign investments are apparently attracted more towards large scale industries in Nepal from the investment volume perspective.

Table 9(e) : Licensed Industries for foreign investments on project cost basis

(By the end of Fiscal Year 2011/12)

(In Rs.10 Millions)

Types of Industry	Number	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Large Scale Industries	195	12456.81	11273.97	5216.92	44194
Medium Scale Industries	262	1888.74	1337.53	898.10	32463
Small Scale Industries	1878	2064.47	1374.27	1399.98	87825
Total	2335	16410.3	13985.77	7515.00	164482

Source: Department of Industry

9.12 Of the countries that are establishing foreign investment industries in Nepal, India tops the list with 525 industries followed by China with 478, USA with 198, South Korea with 170 industries and Japan with 167 industries. Comparatively, the number of industries licensed for foreign investment is growing together with the number of employment these industries have been generating in recent years than in the previous years. It is clear that, increased foreign investments in industries will play positive role in the overall industrial development of the country.

Utilization of Production Capacity of Some Industries

9.13 Analyzing the production capacity utilization of some selected industries, utilization of total production capacity of some industries in FY 2011/12 is found to have increased marginally as compared to the previous fiscal year. Capacity utilization of cement and beer industries has increased by 3 percent with the utilization of 57.7 percent and 82.4 percent of their total respective

production capacities as compared to the previous fiscal year while that of sugar, cigarette, matches, shoes and Jute industries has increased marginally by one percent with their respective capacity utilization of 32.3 percent, 92.9 percent, 74.7 percent and 67.7 percent of their total capacities.

Current status of Industrial Districts

- 9.14 Industrial Districts have been established with the objective of supporting industrial development by making physical infrastructures and facilities available to establish, operate and promote industrial institutions. Industrial Estate Management Limited has been established with the objective of carrying out tasks such as conducting feasibility studies on industrial districts, carrying out development and promotional activities, providing consultation services in order to profitably operate industries established in industrial districts, supporting and cooperating the industries established under the private sector, public participation or cooperatives.
- 9.15 Currently, 11 such districts are in operation including Balaju, Hetauda, Patan, Nepalgunj, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Dhankutta and Gajendranarayan Singh industrial estate.
- 9.16 By first eight months of the current fiscal year 2012/13, a total of 873 Ropanis (approximately 43.69 Ha) of land occupied by 11 industrial districts within the country is leased out to various industries. A total of 498 industries are in operation while 52 such industries were closed during first eight months of the current fiscal year 2012/13. During the same period, 72 industries are under construction phase in the industrial districts.

Cottage and Small Scale Industries

- 9.17 Cottage and small scale industries make major contribution in the development of developing countries. Development of micro-enterprises, cottage and small scale industries is a must in countries like Nepal as these industries form the backbone and foundation of economic development where resources are limited, capital and its mobilization position is weak, and

entrepreneurship cannot be promoted as expected. Department of Cottage and Small Scale Industries and offices under this Department, Micro Enterprises, and Cottage and Small Scale Industry Development Committees have been working for development and promotion of this sector. For the promotion and development of cottage and small-scale industries, demand driven programs including skill development, entrepreneurship development, technical counseling, credit flow and information dissemination are being conducted in an integrated manner as per the objectives of on-going interim plan for reducing poverty. Likewise, market demand-based employment, skill, and entrepreneurship development training programs are being conducted with priority given to empowering and uplifting differently able people, backward class people, *Dalit Janajatis*, conflict affected, and women by specifically setting the target in annual program.

- 9.18 In the current fiscal year 2012/13, with a view to provide training in various topics to 15,111 persons for enabling them to get engaged in employment and self-employment activities, a central level cottage and small scale industry training center, micro-enterprises development programs for poverty alleviation in 20 districts and training program for conflict victims through 27 district cottage and small industries are in operation. Business Incubation Program is undergoing in the Department of Industry with the objective of transforming youths having new ideas, creativity, skill and techniques into entrepreneurial businesses. So far, 11 persons have acquired certificates on incubation while business incubation works are being done for 15 trainee entrepreneurs. Cottage and Small Scale Industry Credit Management Manual has been brought into implementation for managing credit disbursement related works and making seed capital available with a view to provide support to such skill oriented training recipients for them to use their learned skill for establishing cottage and small scale industries.
- 9.19 For the promotion and development of cottage and small-scale industries, demand driven programs including skill development, entrepreneurship development, technical counseling, credit flow

and information dissemination are being conducted in an integrated manner for the upliftment of differently able people, backward people, *Dalits*, *Janajatis*, conflict affected, and women. Arrangement of online service at the office of cottage and small scale industries has been made in order to provide prompt, efficient, transparent and quality services to the people.

- 9.20 A total of 18,008 cottage and small scale industries were registered in FY 2011/12 while 9,702 such industries are registered by mid-March of FY 2012/13. The total capital investment in industries registered in FY 2011/12 had reached Rs. 17.27 billion.
- 9.21 Of the small scale industries registered in FY 2011/12, the numbers of private firms are 15,831, partnership firms 1,225 and that of private limited firms are 952.
- 9.22 Under the Entrepreneurship Development Program, 3,498 entrepreneurs were prepared in FY 2011/12 while 392 persons have already received such trainings by the first eight months of the current fiscal year. Likewise, various training programs were conducted to provide trainings to 2,059 entrepreneurs in FY 2011/12 for the promotion of industries and a total of 300 persons have already received such training by the first eight months of the current fiscal year 2012/13.
- 9.23 Of the total 9,702 industries registered under the Department of Cottage and Small Scale Industries in the first eight months of the current fiscal year 2012/13, the number of private firms is 8,411, partnership 547 and that of private limited firms is 744. A capital of Rs. 11.98 billion has been invested in these industries.
- 9.24 A total of 1,078 business entrepreneurs were provided trainings in different areas in FY 2011/12 through the Cottage and Small-Scale Industries Training Center established for developing entrepreneurship by providing skill development and skill enhancement training to entrepreneurs interested to run cottage and small scale industries, while such training has been imparted to 863 interested entrepreneurs during the first eight months of the current fiscal year.

- 9.25 Company registration and administration related tasks are being performed through the Office of Company Registrar throughout the country. In the fiscal year 2011/12, of the total companies registered with Office of the Company Registrar, private limited companies were 10,145, public limited 34 and 52 non profit sharing companies, while these figures stood at 7,131 for private companies, 29 for public limited companies and 50 for non-profit sharing companies in the first eight months of the current fiscal year. The Office has made an arrangement for the companies registered with this Office for viewing their individual profiles through online at www.cro.gov.np.

Mines and Geology

- 9.26 As a result of exploratory studies and works conducted at departmental level for establishing cement industries in every development region in pursuant to the Balanced Regional Development concept of the Government of Nepal, a total of about 1.07 billion tons of limestone deposits have been discovered in various parts of the country including Udayapur, Dhankuta, Makwanpur, Lalitpur, Dhading, Shyanga, Arghakhachi, Surkhet, Dang, Salyan, Baitadi and Palpa. Of this total volume of limestone deposit discovered, about 540 million tons are proven, 110 million tons are semi-proven, and 420 million tons are feasible.
- 9.27 Likewise, 316.1 million cubic meter of natural gas in Kathmandu valley; 180 million tons of magnesite mine in Dolakha, 10 million tons of iron mine in Lalitpur (Fulchoki) and Ramechhap (Those), 4.1 million tons of copper mine in Makwanpur (Kalitaar) and Dadeldhura (Bawangaon), 5.1 million tons of coal in Dang, Rolpa, Palpa and Arghakhachi; and gold, copper and lead deposits are discovered in Rolpa, Baitadi and Darchula.
- 9.28 Apart from this, mines of polished stones, semi-precious stones, dolomite, marble, phosphorite, chalk that are of economic advantage have been discovered in various parts of the country. Likewise, agreement has been signed with private investors for the exploration of these mines to establish mines based industries. In addition to this, exploration programs are in operation for iron

in Nawalparasi, limestones in Palpa and copper in Solukhumbu districts.

- 9.29 A total of 562 licenses for mine exploration and 91 licenses for minerals extraction have been issued to private investors engaged in the extraction and exploration works of small and medium sized mines yielding quick economic return such as limestone, chalk, marble, gemstone (Kinite, Turmaline, Quartz Crystal), coal and quartzite with the policy of attracting them towards these works. Now private investors are attracted towards the exploration of metal mines such as iron, copper and placer gold.
- 9.30 Department of Mines and Geology, under the geological survey and research program, has conducted geological survey of entire Mahabharat range specially that of Chure hills and some parts of high mountainous regions in the first phase and their mapping is being done in the second phase. Geo-Engineering and Geo-Environmental exploration survey that was being carried out in Kathmandu valley, Pokhara, Butwal, Bhairahawa, Hetauda, Dharan, Biratnagar, Surkhet, Nepalgunj, Janakpur and Dhangadi for organized urban development and waste management has been completed.
- 9.31 Seismic Stations have been established to collect data by keeping constant watch and recording data arrays on earthquake in the Himalayan range. In the process, researches are being conducted on reoccurrence of seismic activities, time and the structure of Himalaya by collecting and analyzing the data that are obtained through the seismographic observations and recordings.

Industrial Infrastructure Development Program

- 9.32 Works on access road, electricity transmission line extension and extension of Special Economic Zone under Special Economic Zone Development Committees at 14 different places of the country are being carried out under the Industrial Infrastructure Development Program that is in operation since FY 2008/09 with objectives of providing encouragement for the establishment of various natural as well as mine base industries in the country.

- 9.33 Under Industrial Infrastructure Development Program, Cement Industries have been encouraged mainly on Access Road Program. Currently, construction of access road to mines and industries and transmission line extensions works are being carried out in 13 cement industries that have been established and operating in various parts of Dang, Palpa, Rupandehi, Chitwan, Lalitpur, Makwanpur, Siraha, Dhanusha and Arghakhachi districts. Though an initiative for the extension of access road has been encouraging, this has yet to be expedited since physical progress of only 23.9 percent on average has been achieved so far in this direction. In addition, the access road has given emphasis to only cement factories recently and therefore road infrastructure needs to be developed in other sector as well in coming days. Construction works on access road linking with the potential sites for the establishment of cement industry and electricity transmission line extension under Industrial Infrastructure Development Program are given continuity.
- 9.34 Development and extension of electricity have been given attention in industrial infrastructure development works. Recently, Kusum-Hapure 132 KV Transmission Line, 132 KV sub-station and transmission line in Hetauda, Mirchaiya-Katari Project of 132 KV and Lamahi-Ghorahi 132 KV transmission line are in operation. In FY 2011/12, an agreement is reached on three projects which are now in implementation phase while next three projects have been proposed for reaching into an agreement.

Special Economic Zone

- 9.35 Works on the establishment, extension and feasibility study of Special Economic Zone (SEZ) at 14 different places of the country are being carried out with objectives of creating employment opportunities, attracting both domestic and foreign investments, reducing trade deficit through export promotion and import substitution in pursuant to the industrial policy of establishing SEZ. Directives for the formation of Special Economic Zone Development Committee, 2012 has been issued while formation of the Committee as per such Directives is underway. The physical infrastructure construction work in Bhairahawa under

SEZ program is in the phase of completion while preliminary works are being carried out in Simara. The progress made so far and the current status of SEZ program is presented in the map below.

- 9.36 Industrial Security Force has been formed with the objective of maintaining good industrial relation in labor related management and industrial peace in industrial districts.
- 9.37 Preparation is underway for the implementation of Fourth Phase of Micro Enterprise Development Program (MEDEP) while this program which is implemented with the objective of mitigating rural poverty and unemployment related problems has been internalized and extended in 45 districts. Preparation of strategic plan is on final stage for the extension of MEDEP in all 75 districts within 5 years from now for reducing poverty. Micro and Small Enterprises Development Fund Manual, 2012 has been issued. Women Entrepreneur Fund Operation Working Manual, 2012 has been endorsed targeting women entrepreneurs.

Standards and Metrology

- 9.38 In the current fiscal year 2012/13, eleven Nepal Standardization, Follow-ups, and Testing Standards have been approved and Nepal Standard logo has been made mandatory for additional four products. Process for acquiring accreditation for Chemical, Good, Microbiology, and Metrology Labs of Department of Standards and Metrology from National Accreditation Board for Laboratories (NABL) India is in progress. Memorandum of Understanding (MoU) has been reached with Nepal Pashmina Association for conducting standards tests of Pashmina. A total of 5 Scopes of Accreditation have been secured in connection with ISO 9001:2008
- 9.39 In the process of implementing National Standards, 977 such Standards have been formulated and a total of 257 products have been provided with National Standard Certification thereby ensuring consumers on using quality products. The Department of Standards and Metrology has been conducting tests on taxi meters and checking purity at fuel pumps and monitoring weighing measures (Balance and weights) on a regular basis.

Commerce and Supplies

- 9.40 Foundation was laid for construction of Modern Dry Port (Container Frontier Station) at the customs checkpoint of Larcha, Tatopani, on Nepal-China boarder under the financial and technical support of the Government of China. This dry port which is under construction will cover an area of 4.2 Ha. with its parking capacity of 182 container trucks at a time. The entire monitoring and inspection of goods containers arriving from China will be conducted at this dry port after the construction of this Station. Likewise, customs checking and other activities for exporting goods to China will also be carried out through this Station. This arrangement will help reduce the existing congestion at Nepal China boarder and end the problems like the cumbersome process of customs checking. Under this project, program is also set for extending road from Larcha Dry Port to Friendship Bridge (Miteri Pul) on Nepal-China boarder.
- 9.41 Validity period of existing Nepal-India Trade and Transit Treaty which was due to expire on 4th January 2013 has been extended till 4th January 2020 under the provision of Article XI of the Treaty.
- 9.42 Trade Policy Analysis Wing has been established for making data and information available required for bilateral, regional and multilateral level trade negotiations, providing policy feedbacks for the formulation and amendment of trade related policies and strategies and providing concrete suggestion for taking necessary steps in order to receive maximum benefits from international trade by carrying out regular study and analysis on the trend of Nepal's foreign trade.
- 9.43 Proposal has been prepared for two projects for the development of Pashmina and medicinal as well as aromatic plants in order to operate special program for the development and promotion of exportable goods and services as identified by Nepal Trade Integrated Strategy 2010. Execution of these two projects is expected to contribute greatly towards promoting international export trade by adding value to Nepalese sheep wool and herbal

products, enhancing capacity of entrepreneurs and businessmen, and providing brand publicity.

Box 9 (a) : Major Initiatives taken for Trade Expansion

- Working Manual, 2012 pertaining to the selection of important entrepreneurs, honors and rewards has been approved in order to honor and appreciate outstanding exporters, investors, employers, entrepreneurs and foreign importers
- Ginger Scheme has been implemented in Jhapa district to increase the price of ginger by improving its exportable quality.
- National Trade and Transport Facilitation Committee has been established for facilitating Nepal's domestic and foreign trade, and for maintaining inter-ministerial coordination.
- Work on the establishment of Herbal Collection and Business Promotion Center in Surkhet district has been initiated in investment partnership of the private sector for exporting goods at reasonable prices by collecting exportable herbs, warehousing (stocking), processing and improving quality.
- Procurement of machines and quality standardization works are being carried out for producing six products of *Singhadarbar Baidyakhana* including *Chewanpras*, *Bajikar*, herbal tea, *Silajit*, *Kustadi* tooth powder of an exportable quality through their quality improvisation.
- Handicraft Trade Fair and International Trade Fair were organized in Kathmandu in private sector's participation.

Supply

- 9.44 Supply Policy, 2012 has been issued for making arrangements for the supply of most essential goods and services of good quality in a simple, easy and regular manner to the consumers at right

prices while ensuring their rights and interests and using such goods and services fearlessly.

- 9.45 A Committee has been formed and preparation on the formulation of work plan is underway for the implementation of Supply Policy 2012, that has been issued with a view to make arrangement for the supply of most essential goods and services of good quality in a simple, easy and regular manner to the consumers at right prices while ensuring their rights and interests of those consumers by creating environment for using such goods and services fearlessly.
- 9.46 Drafts on Domestic Trade Policy and Consumer Policy have been prepared. United Market Monitoring Manual, 2012 for effective market monitoring and Red and Blue Gas Cylinder Use Manual, 2012 have been endorsed and brought into implementation.
- 9.47 Department of Commerce and Supply Management, Offices under this department together with district based Monitoring Officer have conducted market monitoring of 3,719 traders by mid-March 2013.

Tourism

- 9.48 Analyzing the number of tourists visiting Nepal, their growth rates and their length of stay, the number of tourists visiting Nepal during the period (January 2012 to January 2013) has increased by 9.08 percent from 736,215 to 803,092 tourists as compared to its figure during the period between January 2011 and January 2012. The average length of stay per tourist during the period (January 2011 to January 2012) was 13.12 days while their average length of stay has slightly declined to 12.87 as compared to that of last year.
- 9.49 Of the total number of tourists visiting Nepal between the periods of January 2012 and January 2013, 43.30 percent of them came for tours and travels, 13.59 percent for trekking and mountaineering, 12.76 percent for religious trip, 4.09 percent for recreation 3.15 percent for trade, 3.85 percent on official visits, 1.71 percent for meetings/seminars, 0.22 percent for rafting while 14.99 percent came with other purposes.

- 9.50 During this period, among the five countries with largest number of tourists' arrivals, 20.60 percent were from India, 8.90 percent from China, 7.80 percent from Sri Lanka, 6.0 percent from USA, and 5.0 percent from United Kingdom. For the same period in the previous fiscal year, 20.0 percent tourists came from India, 8.40 percent from China, 8.10 percent from Sri Lanka, 5.70 percent from USA, 5.0 percent from UK.
- 9.51 Nepal Tourism and Hotel Management Academy established in the government sector has been conducting academic program so as to contribute in producing high level and basic level human resources for the development of tourism sector. In last three years, 278 students in Bachelor of Hotel Management (BHM) and 237 students in Bachelor of Tourism & Travel (BTTM) have been studying with about equal number of students by gender. Similarly, in the Academy Master of Hotel Management (BHM) program has also been started since FY 2011/12 acknowledging the needs of high level educated human resource required for tourism and hotel industries where 68 students are studying.
- 9.52 On basic, medium and supervisory level trainings, a total of 5,497 persons have completed trainings in the last three years including 380 on hotel management, 609 on tours and travel, 2,496 on trekking, 1,158 in other tourism related trainings, 854 on mobile and homestay training. In the Academy 33,523 trainees have been taken training in different levels within first eight months of fiscal year 2012/13. Majority of the trained human resources are self-employed carrying out their own businesses while some of them have gone for foreign employment as well. On the rural tourism and home stay training side, Taragaon Development Committee has provided homestay training to 206 individuals from 20 different places of various districts.
- 9.53 A total of 1,700 skilled manpower were produced including 228 through academic courses, and 1,472 through training programs in the tourism sector in FY 2011/12, while 201 skilled human resource was generated from academic courses and 1,124 from training programs totaling 1,325 more skilled human resource by mid-March, 2013. The total number of human resource produced so far by the Academy stands at 33,535.

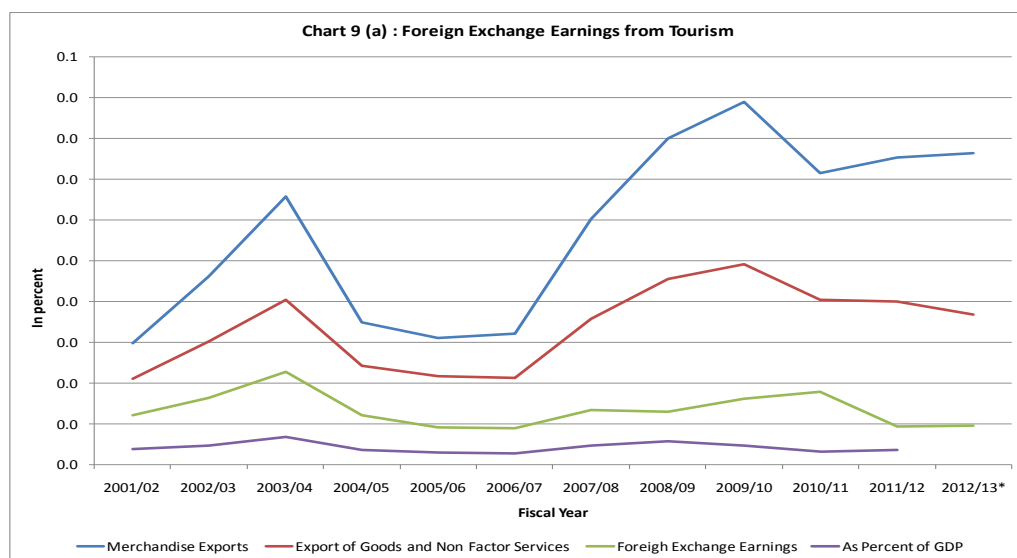
Box 9 (b) : Major Achievements of the Tourism Sector

- The Year 2012 was marked as Visit Lumbini Year with the objective of developing Lumbini, the birth place of Lord Buddha listed in world heritage site, as a major religious site and by inviting domestic and international support for its development.
- Altogether 795,794 and out of them 539,210 domestic tourists, 120,583 Indian tourists, 136,001 tourists from third countries paid visits to this area in Visit Year 2012. The number of tourists to visit this religious site has been higher by 35 percent as compared to that of the previous fiscal year.
- The Visit Lumbini Year, 2012 has its positive impact on tourism promotion of Lumini area due to its extensive publicity, growth in the number of luxurious hotels, up gradation of Bhairahawa-Lumbini section road.
- Employees have been encouraged to travel various parts of the country with incentive provisions and facilities being awarded once a year with the objective of promoting domestic tourism.
- The process for procurement of 2 Aircrafts for international flights and 6 for domestic flights for Nepal Airlines Corporation has been concluded, while negotiation with the previously bidding company has been completed for procuring two narrow body Aircrafts, which are expected to be delivered by the end of 2014. An Agreement has been signed on 29th November 2012 between Nepal Airlines Corporation and Chinese Aircraft Company 'AVIC International Holding Corporation' for procurement of 6 Aircrafts for domestic flights.

9.54 Observation of the status of mountaineering expedition team and mountaineers shows that the number of mountaineering

expedition teams arriving Nepal was 259 between January 2011 and January 2012, which reached 300 between January 2012 and January 2013 while the number of mountaineers has reached 2,566 from 1,951. The amount of royalty earned during this period rose by Rs. 112.6 million reaching Rs. 345.16 million as compared to the royalty earned during January 2011 to January 2012.

- 9.55 During the period from January 2011 to January 2012, the number of classified star hotels registered with tourism industry stood at 106 while this figure went to 107 between January 2012 and January 2013. The number of tourist class hotels, lodges, and resorts except star hotels that stood at 721 during January 2011 to January 2012 went up to 746 by January 2013. The number of beds in star hotels has increased by 48 to that of previous fiscal year reaching a total of 9,371 beds in current fiscal year while the number of beds in tourist class hotels, lodges and resorts other than the star hotels have increased by 829 to that of previous fiscal year reaching to a total of 22,286 in current fiscal year.
- 9.56 Foreign exchange earnings during FY 2011/12 grew by Rs. 5.39 billion reaching Rs. 30.70 billion as compared to its previous fiscal year. In the first eight months of the current FY 2012/13, foreign exchange amounting Rs. 21.45 billion was earned. This amount is 38.2 percent of foreign exchange earned from the total commodity exports, 18.4 percent of foreign exchange earned from the total export of goods and services and 4.8 percent of the total foreign exchange earned during the period.



Source: Nepal Rastra Bank

9.57 In current fiscal year, private sector tourism entrepreneurs participated successfully in tourism fair held in India (New Delhi, Kolkata, Bangalore, Mumbai, Chennai, Pune, Ahmadabad and Surat), Philippines, Japan, Spain and Italy and Nepali tourism entrepreneurs organized Sales Mission in India, Denmark, Norway and Sweden. Promotional materials including travelers' information in 11 languages, 32 types of brochures, 5 types of booklets, 9 varieties of posters, CD, DVD, coffee-table books, folders, bags, maps, postcards and in-focus were produced and distributed. Likewise, website of Nepal Tourism Board has been revised and updated as per tourists' needs.

Table 9 (f) : Achievements of Ministry of Culture, Tourism and Civil Aviation

Description	As of January 2012	As of January 2013*
Tourist Arrival	736,215	803,092
Tourist's Length of Stay (In Days)	13.12	12.87
Earnings from Tourism (In 10 million Rs.)	2,461.10	3,070.28
Earning Per Tourist (Rs.)	33,429	38,230
Per Tourist Per Day Expenses (Rs.)	2,548	2,970

Description	As of January 2012	As of January 2013*
Average Exchange Rate Per US Dollar (Rs.)	78	85.05
Per Tourist Per Day Expenses (in US Dollar)	32.67	34.93
GDP (In 10 Million Rs)	153,600	170,119
Contribution to GDP (in %)	1.6	1.8
Direct Employment (In Thousand)	110	160
Inflow of Regular International Flights (In No.)	27	26

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

*Preliminary Estimate

Challenges

- 9.58 Investment and business friendly environment could not be developed as expected due to weak industrial security situation, uneasy labor relation, unstable political situation and inadequate supply of electricity.
- 9.59 Export based industries couldn't be tied up with productive sectors of the economy (Agriculture, Forestry, Tourism etc.), most of the exportable goods have to rely on imported raw materials, physical infrastructures could not be developed to provide adequate support to exports while existing physical infrastructures have also not been fully utilized and quality of major exportable goods could not be maintained as per delineated standard and the institutional capacity for verification of such quality has not been up to the international standard.
- 9.60 Tasks with regard to the commerce administration, market monitoring and market security are being performed dividedly by district based offices in absence of coordination among their respective entities. Hence, coordination among their respective line agencies needs to be made effective.
- 9.61 Market monitoring could not be effectively carried out due to lack of coordination and cooperation among the stakeholder agencies

responsible for protection of consumer interest, Ministry of Home and District Administration Offices, Department of Standards and Metrology and its offices, Department of Medicine Management and its entities, and other stakeholder agencies responsible for protecting the consumers' interest. Hence, there is the need of developing an appropriate mechanism for fostering inter-agency coordination and cooperation.

- 9.62 It is necessary to build coordination and cooperation among Ministry of Home, Ministry of Labor and Employment, Ministry of Industry, Ministry of Commerce and Supplies in order to curb prevailing syndicate and cartel like malpractices in a consolidated effort of central and different administrative entities.
- 9.63 Policies on security, physical construction and transport need to be revised and made tourism friendly with regard to making arrangement of facilities and incentives in the long run so as to establish the tourism sector as a national priority awarded sector by truly acknowledging its contribution to the national economy.
- 9.64 It is imperative to make arrangement especially for local communities, conflict affected and backward people to reap benefits derived from the tourism sector through overall tourism infrastructure development by bringing mountaineers, trekkers and home stay tourists to rural communities.

10. PHYSICAL INFRASTRUCTURE

10. PHYSICAL INFRASTRUCTURE

Urban development

Housing Development

- 10.1 Until fiscal year 2011/12, Housing Development Program was carried out in the name of Urban Area Development and Market Center Study Program. Guided Land Development Program has been prepared in Doti, physical development implementation program were operated in 31 market centers; physical development plan reports of seven locations have been implemented under this program in fiscal year 2011/12. Likewise, physical infrastructure development of various 41 places, construction of 177 community buildings and six large buildings (Mahendra Narayan Nidhi Mithila Cultural Center, hostel at Singati of Dolakha, Chitwan Ratnanagar meeting hall, meeting hall at Putalibazar of Syangja, meeting hall at Butwal and meeting hall at Pokharithok of Gorkha Prithivinarayan Municipality) are underway. Regarding studies, works carried out include preparation of Detailed Project Report (DPR) of major infrastructures by formulating physical development plans of 14 market centers, preparation of detailed engineering design for construction of four meeting halls, soil testing (Bhimshwor of Dolakha, Pokharithok market at Prithivinaraya Municipality of Gorkha, Ratnanagar and Doti Municipalities) and seven Master Plans, Studies, Profililing, law policy amendments.
- 10.2 During the first eight months of fiscal year 2012/13 physical infrastructure of 39 market centers and other 79 places are being developed while construction of meeting hall sat Regional Headquarters/District Headquarters in partnership with the private sector; meeting halls construction at Ratnanagar, Dipayal and Butwal Municipalities; construction of a 500 persons capacity meeting hall at Putalibazar Municipality in

collaboration with local entity; Mahendra Narayan Nidhi Mithila Cultural Center building; and construction of 176 community buildings are in different stages of implementation. Similarly, preparation works of physical development plans of five locations are underway while physical development plans of six places are being implemented whereas execution of the guided land development, preparation of preliminary list of small towns and market centers, preparation of Land and Housing Revolving Fund Manual, works like land purchase and public construction for rehabilitation of families displaced by natural disaster are in different stages of implementation.

Rural Development through Small Town Market Development

- 10.3 A number of urban infrastructure development works were in operation including implementation of 62 different small town Master Plans/Infrastructure Development Projects/Study Reports in fiscal year 2011/12 aimed at promoting rural-urban interrelationship through development of small town markets. Other objectives of such initiative have been towards developing necessary infrastructure for Municipalities of the future, reducing the trend of urban migration, and reducing poverty through market promotion for locally produced commodities through the development of rural infrastructure. Likewise preparation of DPR by formulating master plan/physical development plan of various small towns (Martadi of Bajura, Gamgadhi of Mugu, Manigram of Rupendehi, Dhanushadham of Dhanusha, Diktel of Khotang and Bhurigaon of Bardiya) and also implementation of guided land development program in various six places were also implemented.
- 10.4 Master Plan/Physical Development Plan/Study Reports of 42 small towns are in different stages of implementation in fiscal year 2012/13 to enhance rural and urban interrelationship in rural urban area, whereas implementation work of guided land

development in Kushma of Parbat is also being carried out. Likewise, preparatory work on Detailed Engineering Report for major infrastructures by formulating physical development plans of small town in Martadi of Bajura, Sulichaur of Rolpa, Sundarbazar of Lamjung, Syafrubesi of Rasuwa, Dunaibazar of Dolpa and Kolti of Bajura is being carried out.

Integrated Action-Oriented Plan

- 10.5 Since fiscal year 2011/12, Digital Urban Base Maps of three Municipalities (Byas, Damak and Surkhet) are being prepared with cost sharing involvement of local bodies, periodic plan formulation work of seven Municipalities (Lalitpur, Chautara of Sindhupalchowk, Taplejung, Tamghas of Gulmi, Rajapur of Bardiya, Gaur of Rautahat and Kathmandu) is being carried out, whereas works on periodic plans for two municipalities (Pulatibazar and Bhadrapur) that was started in FY 2010/11 has been completed.
- 10.6 Works are in progress in fiscal year 2012/13 for preparation Digital Urban Base Map with cost sharing involvement of Municipalities, while work has been started to upgrade the current Base Maps of Bhaktapur and Bhadrapur municipalities into the Urban Maps; feasibility studies on land development program has been completed in Butwal and Lekhnath Municipalities. Formulation of periodic plan of Kathmandu is underway while plan formulation of Lalitpur Sub-Metropolis is underway upon the plan review on cost sharing basis. Likewise, works on preparation of Digital Engineering Design of Taudaha Pond area situated at Balkhu Dakshinkali corridor; preparation of Digital Engineering Design and Land Readjustment Plan of Land Pooling Project at Pokhariya Parsa; preparaion of planning norms and standard for formulation of urban planning; amendment of urban policy by reviewing implementation status of the National Urban Policy, amending Periodic Plan Preparation Manual 2012 of Municipalities, preparation of model

building while for urban areas, preparation of physical development plan Urban Development Committees (Town Development Committees of Urlabari of Morang and Tamghas of Gulmi) - are in operation.

Special Physical and Infrastructure Development

- 10.7 Sustainable Development Master Plans for five locations were formulated based on base maps prepared; and physical and infrastructure development construction, and maintenance works in 39 different locations were carried out in fiscal year 2011/12. Likewise, physical and infrastructure construction and repair maintenance works were carried out in 257 special places.
- 10.8 In fiscal year 2012/13, physical and infrastructure development works are underway at 33 locations whereas preparation of Master plan for 13 places as per the sustainable development concept of mobilizing local people's participation in physical and infrastructure construction and maintenance work of different 192 distinct places. Environmental improvement and cleaning works are continuously in operation in Gokarneshwore Mahadev Temple area, Taudaha Area, and Bajrayogini Temple area of Kathmandu; and Suryabinayak Temple and Changu Narayan areas of Bhaktapur based on Master Plans prepared under the annual programs of the Project.

Intensive Urban Development

- 10.9 Intensive Urban Development Program is in implementation for developing physical infrastructure in major cities of the country. Planned urbanization and environmental improvement is the major objective of this program. In fiscal year 2011/12, various works were carried out such as completion of urban infrastructure and environmental improvement work in different locations of urban area; implementation of periodic plan/physical development plan of 23 municipalities; and operation of program relating to rain water harvesting and

refilling at community schools of 25 municipalities. Likewise, implementation of small infrastructure development program in 4 municipalities (Itahari, Kamalamai, Panauti, Bharatpur) as indicated by poverty mapping; implementation of integrated infrastructure development program based on need assessment report of FY 2009/10 on 4 places (Rajbiraj, Janakpur, Malangua, Kapilwastu); preparation of DPR of major infrastructures in 10 towns lying in the periphery of mid-hill people's highways and north-south corridors; land acquisition for infrastructure development of one among 10 towns (Basantapur of Terhathum, Khurkot of Sindhuli, Fidim of Panchthar, Galchi Baireni of Dhading, Dumre Bhansar of Tanahu, Burtibang of Baglung, Chaurhajari of Rukum, Ramak Karnali of Dailekh, Sanfebagar of Achham, Patan of Baitadi), major infrastructures development work for construction of modern towns in three locations completed, and implementation of carried over infrastructure development program of six large urban corridors (Duhabi-Inaruwa-Itahari-Dharan, Panchkhal-Dhulikhel-Banepa-Panauti, Pokhara-Lekhnath-Dulegauda, Kapilbastu-Lumbini-Siddharthanagar-Butwal, Surkhet-Dashrathpur-Chhinchu, Attariya-Dhangadi) given continuity; implementation of Healthy City Program in three Municipalities (Dharan, Bhimeshwar, Kapilwastu) were in operation. Works like studies, project report, and guideline preparation were carried out in different 19 locations.

- 10.10 Infrastructure development program of six large corridors are being carried out in fiscal year 2012/13. Works such as implementation of Periodic Plan/Physical Development Plan of 24 Municipalities, construction of various infrastructures for building nine new towns are in progress. Likewise, implement of infrastructure development in four places, and infrastructure development relating to land acquisition in two places, and other infrastructures that are based on need-based assessment of FY 2009/10 are underway. Programs such as Healthy City in

Bhimeshwor and Kapilwastu, and Eco-city in Nepalgunj are being carried out.

Mid-Sized Towns Integrated Urban and Environment Improvement

10.11 The aim has been to increase living standard of the people by improving inclusive economic growth and health situation in six Municipalities (Banepa, Panauti, Dhulikhel, Biratnagar, Birgunj and Butwal) where Mid-sized Town Integrated Urban and Environment Improvement Project are in implementation. In fiscal year 2012/13, Agreements have been signed with Design and Supervision Consultant for four among these six Municipalities, and with an NGO; Contract Agreement for Kavre Valley Integrated Drinking Water Project signed; bid notice for construction work (road improvement and sewerage system with processing facility) in Biratnagar Municipal area published; and preparation of detailed design of infrastructure development of Birgunj have been completed.

Outer Ring Road Development Project

10.12 Agreement concluded for planning and engineering design for land acquisition work of this project that started from fiscal year 2004/05; and evaluation of environmental social impact together final report of DPR work for 10 Km length between Satungal and Paiyantar have been completed and Final Report has been received by the second trimester of this fiscal year 2012/13.

Building Construction Code, Government Building Construction

10.13 The objective of this program has been to develop Building Code and implement those Codes, Carry out construction of government buildings and collect the inventory of government buildings depicting their current statuses, identify alternative construction materials and construction of natural disaster and earthquake resilient and government buildings economically. Construction works of the office building for Urban Development and Building Construction Department, 13 offices

of Divisional Offices/ Projects, and other 15 government buildings were underway in fiscal year 2011/12. In this process, works such as construction of Krishna Prasad Bhattarai Ashram at Bandegaun of Lalitpur in underway as a carried over project; reinforcement works of six government/community buildings; on the job training were conducted for enabling Butwal, Birgunj and Janakpur towards implementation of the Building Code.

- 10.14 Construction of office building of Urban Development and Building Construction Department, 13 offices of Divisional Offices/office building of projects carried over from the previous fiscal year has been given continuity in fiscal year 2012/13 as well. Similarly, construction works of six new buildings were started along with site office building of Divisional Office in Rolpa while construction work has been gradually advancing for 12 buildings along with Krishna Prasad Bhattarai Ashram at Bandegaun, Lalitpur. In current fiscal year, reinforcement work of four Government/Community buildings is progressing. Likewise, collection of data relating to digital database preparation and repair maintenance of Government buildings and preparation of maintenance plan has been completed. Besides, works such as study of old historical buildings of four locations that were constructed by using local skill and materials; National Housing Policy; publication of manual on architectural design of private hospitals and nursing homes; and preparation of retrofitting related guidelines are in progress.

Biratnagar Ring Road

- 10.15 A 30 Km Biratnagar Ring Road Project is underway to be built as a planned and well managed urban development model with about 182 meter Right of Way on both sides of it by acquiring necessary land under the land pooling system to cope with the traffic pressure resulting from rapidly expanding settlements in peripheral VDC of Biratnagar due to rising population pressure in this sub-Metropolis. In fiscal year 2011/12, detailed plan DPR

of 41 Km length ring road through land development has been completed and third phase work is in progress. Implementation of pilot land development program was initiated and track opened in about one Km length that has DPR completed and construction work started as per Detailed Engineering Design and DPR. In fiscal year 2012/13, Detailed Plan Report preparation work for the third phase of about 41 Km length ring road through land development has been in progress while returning land to its owners after preparing readjustment plan in three areas to implement DPR is in progress. Similarly, construction work as per Detailed Engineering Design and DPR are being carried out by opening the track.

Model Integrated Settlement Development (Terai-Madesh-Hill-Mountain)

10.16 The objectives of this program are: integrated infrastructure development of district headquarters of non-municipal districts; infrastructure development of one small town of each in each development region along the People's Highway (*LokMarga*); develop infrastructure as per the concept of Model VDCs; integrated infrastructure development program through model integrated settlement and intense settlement program by integrating the scattered settlements in appropriate locations; constructing housing unit for *Dome, Musahar, Chamar, Dhusadh, Khatwe* and other *Dalits* and ethnics/tribes on the verge of extinct such as *Raute, Kusunda, Surel, Badi, Gandarva, Chepang*. Some programs implemented in previous fiscal year 2011/12 were: Integrated Infrastructure Development Work carried out through intense settlement program in seven districts, of which studies were completed in previous fiscal years; Model village study report implementation in seven locations; model integrated settlement development program in 12 locations; program for carrying out integrated infrastructure development works in 13 district headquarters of non-municipal districts;

Infrastructure development program of five small town settlements lying along the People's Highway (*LokMarga*); Integrated intense feasibility study work at Salyan and Jajarkot; formulation of plan for integrated intense settlement of Gauri Shankar, Dholakha; and study or preparation of DPR of seven model villages.

- 10.17 Construction work were carried out in previous fiscal year 2011/12, by targeting *Dome, Musahar, Chamar, Dhusadh, Khatwe* and other *Dalits* and ethnics/tribes on the verge of extinct such as *Raute, Kusunda, Surel, Badi Gandarva, Chepang*, etc under the *Janata Awas* (People's Housing) program. In fiscal year 2012/13, some of the programs in operation are: continuation of intense settlement program in seven districts that was started in previous fiscal year; infrastructure development in two locations as per model VDCs plan; model integrated settlement development program in 11 locations; integrated infrastructure development of 16 district headquarters in non-municipal districts; and physical development plans of four settlements and small towns lying along the *LokMarga*.

Nepal-India Border Integrated Check Post Development Project

- 10.18 Construction of well-planned and effective integrated border check posts along Nepal-India boarder are in progress at four locations in full grant assistance of the Government of India with an objective of further strengthening and diversifying trade, commerce and economic relationship among people of two countries that exists since long time. In fiscal year 2011/12, compensation was distributed to the people of Birganj and Biratnagar against land acquisitioned for building Integrated Customs Point (ICP) along with carrying out various infrastructure development programs as relief measures for the project affected people of the area. The task of securing land at ICP Bhairawa and Nepalgunj was also carried out. In FY 2012/13, compensation distribution work is in progress against

the land acquired for main ICP area in Biratnagar and link road, whereas infrastructure development works are underway as relief measures for the project affected people of the ICP Birgunj Project area.

Integrated Urban Development Program

10.19 This project is in operation since July 2012 with an objective of raising the living standard of the people in urban dwellers through development of urban environment infrastructures in urban areas (Janakpur, Dharan, Siddharthanagar and Nepalgunj) of Nepal in Terai. The objectives of this five-year tenure project are to develop urban infrastructure in Municipalities, implement Community Development Programs, promote gender equality and social inclusion, and assist in project management and administrative reform. In fiscal year 2011/12, four Municipalities (Janakpur, Dharan, Siddharthanagar and Nepalgunj) were selected under this program and project implementation unit offices were established. Except for Janakpur, Agreements have been concluded for Engineering Design and Supervision Consultant and NGO for implementation of Community Development Programs in all three municipalities. Agreements have been signed at the central level with Project Management and Supervision Consultant, and Gender Equity and Social Inclusion.

Republic Monument and Republic Pillar

10.20 Soil investigation and seismic hazard review work was started following the decision to construct a Republic Pillar of special design at Gankhel of Kirtipur, instead of Gusingal of Lalitpur, as an identity of Nepal's national unity and integrity, and a symbol of the Historical People's Movement. Construction of Republic Monument on the Eastern section of Narayanhiti Palace Museum has begun in fiscal year 2012/13 while in case of Republic Pillar; Agreement has been signed with consultant for Pillar Design and

Land Scaping Review. Tender is received for Approach Road leading to the pillar construction site, and bids have been evaluated for construction of the site office. Similarly, Agreement has been signed for construction of the Pillar Prototype.

Rural Access Improvement and Decentralization Project

10.21 This project is in operation in 28 districts for suspension bridges and in 30 districts for roads under the World Bank's financial assistance with objectives of carrying out repair maintenance of roads operable throughout the year and rural roads at local levels, and improving community infrastructure and transport facility. Under this program, 66 suspension bridges, 77 community infrastructure and transport service and 150 capacity enhancement training related with this were carried out in fiscal year 2011/12, while 50, 20 and 75 of these activities were respectively completed by the end of first eight months of current fiscal year 2012/13.

Rural Reconstruction and Rehabilitation Program

10.22 This program is in operation with the objectives of providing market access to rural people by developing local infrastructures and their social, economic development with increasing employment opportunities there by improving their living standard. Under this program, 13 motorable bridges, 33 suspension bridges, 24 drinking water projects and 80 other infrastructure constructions have been completed by the end of first eight months of current fiscal year as compared to 3, 113, 138 and 40 respectively completed in fiscal year 2011/12.

Rural Community Infrastructure Development Program

10.23 This program is in operation in 21 districts for the construction and improvement community infrastructures. The main objective of this program is to enhance self-reliance capacity of poor families of rural areas thereby bringing improvement in their food security situation. Under this program, construction of

rural roads and small income generating activities are being carried out. In fiscal year 2011/12, a total of 113 livelihood and income generating activities were conducted while 43 such programs are carried out in fiscal year 2012/13.

Decentralized Rural Infrastructure and Livelihood Improvement Project

10.24 This program is in operation since the fiscal year 2005/06 with objectives of constructing economic, social infrastructure of rural areas in 18 districts, expanding transport networks, carrying out rural employment activities and enhancing institutional capacity at the local level. Under this program in fiscal year 2011/12, construction of 22 Km new roads, restoration and upgrading of four Km roads and construction of 1600 meters suspension bridges were completed. In fiscal year 2012/13, DPR approved for new roads construction in six districts and Annual Road Maintenance Plan preparation in three districts have been completed under this program. Likewise, suspension bridges as carried over programs have been constructed in 8 districts, while Annual Road Maintenance Plan is prepared for rehabilitation and upgradation of roads in three districts.

Suspension Bridge Sector-Wise Program

10.25 This program operating in all 75 districts of the country has the objective of bringing improvement in rural access through construction and extensive repair maintenance works of suspension bridges on the main and local roads. On suspension bridge aspect, a total of 136 carried over, Community Agreements for 235 bridges, foundation and concreting of 31 bridges, and fabrication of 76 iron parts were carried out whereas stretching and installation on 28 suspension bridges were also conducted. By the end of first eight months of fiscal year 2012/13, survey design for 14 suspension bridges,

construction of 50 other secondary infrastructures and total of 71 suspension bridges have been completed.

Local Level Roads, Bridges and Community Access Improvement Program

10.26 This program in operation since 2011 in all 75 districts of the country with the objective of providing support towards achieving the goals of poverty alleviation through construction of bridges necessary to ensure regular transport operation on local roads has now bridge construction work in progress in 44 districts. In fiscal year 2011/12, total of seven bridges were constructed through this program while a total of 92 were under construction. In the first eight months of fiscal year 2012/13, construction work of two bridges has been completed.

Local Transport Infrastructure Sector-wise Program

10.27 This program, which was being implemented as Agriculture and Local-level Roads Project with the objectives of constructing rural agriculture roads as well as maintaining rural tracks and mule tracks so as to link agriculture production pockets to main roads, and to enhance economic activities of the private sector by assisting production and marketing of agricultural production pocket areas as envisaged by the Agriculture Perspective Plan is in operation as Local Transport Infrastructure Sector-wise Program from 2009/10. Survey of 500 Km roads and construction of 50 cause-ways and bridges were completed in fiscal year 2011/12 under this program. Earthen roads construction, roads repair and maintenance, roads black topping, roads gravelling together with survey of 75 Km road and construction work of three cause-way bridges have been completed in fiscal year 2012/13.

Rural Drinking Water and Sanitation Project

10.28 This program is in implementation with the target to access drinking water facility to the entire population and sanitation

facility to 40 percent of the total population. In fiscal year 2011/12, under this program, a total of 154 carried over and new drinking water projects were completed; three rain water harvesting programs, installation of four deep tube-wells and installation of 203 shallow tube-wells were completed. In the first eight months of fiscal year 2012/13, Design Estimate and Water safety Plan training program was conducted for engineers and sub-engineers.

Rural Water Resources Management Project

10.29 Works are being carried out in the areas of Water Resource Master Plan, arsenic minimization, gravity drinking water, irrigation, micro hydroelectricity, and solid waste management with objective of improving environmental condition and living standards of the people through sustainable drinking water and sanitation management in (Humla, Dailekh, Kailali, Doti, Achham, Bajura, Bajhang, Darchula, Baitadi and Dadeldhura) districts of Far-West and Mid-West Regions. A total of 219,000 people had benefitted from drinking water and sanitation, irrigation and micro hydroelectricity schemes in fiscal year 2011/12. By the end of first eight months of fiscal year 2012/13, a total of 108,466 people have benefitted from drinking water, sanitation, irrigation and micro hydroelectricity schemes.

Western Nepal Rural Drinking Water and Sanitation Project

10.30 This Rural Drinking Water and Sanitation Project were started in fiscal year 2008/09 in Tanahu, Syangja, Parbat, Baglung, Myagdi, Kapilvastu, Rupendehi, Nawalparasi and Pyuthan districts. The objective of this project is to enhance drinking water and sanitation facilities in six hilly districts and this project covers, and to reduce the arsenic level in three Terai districts. In fiscal year 2011/12, 65,851 people benefited from new gravity drinking water sanitation program, 305,657 from sanitation and health program, 4,370 from arsenic reduction program, and 21,234 from

capacity enhancement, environment protection and income generation program. By the end of first eight months of fiscal year 2012/13, a total of 1,01,952 people have benefited from this program.

Local Infrastructure Program for Livelihood Improvement

- 10.31 This program is in operation in Achham, Dailekh, Jajarkot, Kalikot, Dolakha, Okhaldhunga, Khotang, Ramechhap districts aimed to bring improvements in food security situation of rural farmers of the said districts. fiscal year 2011/12, construction of 124 small irrigation channels were completed so as to raise people's living standard, their income source and boost up cash crops production in food deficit areas through this program. In the first eight months of fiscal year 2012/13, a total of 54 small irrigation channels have been constructed whereas 76 public awareness promotion programs have been completed.

Community Managed Irrigation Project

- 10.32 This project is in operation in Kanchanpur, Kailali, Dang, Kapilvastu, Doti, Salyan, Rukum, Rolpa, Pyuthan, Bajhang, Jumla and Mugu. Objectives of this project are to make poor, deprived and other backward communities self-reliant on food production through their access to irrigation facility, and to expand sustainable irrigation facility in the additional 17,000 Hectares of land through construction and restoration of community managed small irrigation system so as to support in uplifting living standard of local farmers in the said 12 districts this program covers. In fiscal year 2011/12, training was imparted to 36 individuals, and 12 orientation programs were conducted whereas one consultancy service was procured. Survey and design of one small irrigation related training, one GIS related training, 36 feasibility surveys and 20 small irrigation study design have been completed in the first eight months of fiscal year 2012/13.

People's Participation-based Development Program

10.33 In accordance with the objective of creating employment opportunity at local levels by carrying out participatory based employment oriented development activities for the construction of infrastructures that are identified as per the local demands and urgency, 352 projects were selected in fiscal year 2011/12 with earmarking of Rs.200 million to the Ministry of Local Development. Under this heading, 723 projects have been selected also in fiscal year 2012/13.

Special Program on Karnali and its Vicinity

10.34 This program is in operation since FY 2011/12 in Jumla, Humla, Mughu, Kalikot, Dolpa, Darchula, Bajhang, Bajura, Achham and Jajarkot districts. In fiscal year 2011/12, District Development Committees were provided with Rs. 100 million for the program, whereas in the first eight months of fiscal year 2012/13, those DDCs are authorized with Rs. 100 program and budget by issuing Special Program on Karnali and its Vicinity (Implementation Manual, 2012).

Special Program for Backward Terai-Madhesh

10.35 This program has been executed by targeting the poor and backward settlements and communities of 19 districts of Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusa, Mahottari, Sarlahi, Bara, Parsa, Rautahat, Nawalparasi, Rupandehi, Kapilbastu, Dang, Banke, Bardiya, Kailali, Kanchanpur that lie behind in terms of Human Development Index for Terai-Madhesh. In fiscal year 2011/12, District Development Committees were allocated with Rs. 100 million for program and budget. In the first eight months of fiscal year 2012/13, Special Program for Backward Terai-Madesh (Implementation Manual, 2012) has been issued and program districts authorized with budgetary allocation of Rs. 100 million for the program.

Local-self Governance and Community Development

10.36 This program is implemented in all DDCs, Municipalities and VDCs through local bodies, communities and non-government organizations. The main objective of this program is providing support to poverty reduction initiatives by enhancing local people's access to public goods and services that are prioritized based on localities and inclusiveness. Policy has been adopted to mandatorily allocate 10 percent each to women and children and the rest 15 percent to the backward class out of 35 percent to be set aside for target groups from budgetary allocation made to local bodies under the Local Governance and Community Development Program. Sample test conducted in 10 out of the districts that are adopting gender equality and social inclusion policy showed increased participation of the target groups in formulation and implementation of programs based on demand and requirement of women, children and other backward class of the people. A total of 46,658 members from Citizens' Forum and Citizens Awareness Center were made to participate in local plan formulation training with the objective of ensuring maximum participation of local people in plan formulation process. Result Based Monitoring System has been initiated in VDCs, Municipalities and DDCs.

Table 10 (a): Status of Infrastructures Built Under the Program and Project

Particular	Number of infrastructures completed		
	Unit	FY 2011/12	FY 2012/13*
Gravel	Km	676	731
Black Topped	Km	287	178
Road repair	Km	3754	3075
Culvert	Km	311	165
Irrigation	Hectare	11930	7179
School Class Room	Number	3368	1604

Particular	Number of infrastructures completed		
	Unit	FY 2011/12	FY 2012/13*
Track Construction	Km	-	445
School repair	Number	1315	835
River control	Km	-	27
Health Post Building Construction	Number	828	203
Micro Hydro	Km	-	340
Community Building	Number	-	901
Training Hall	Number	-	49

**Of the first eight months*

Source: Ministry of Federal Affair and Local Development

10.37 In fiscal year 2011/12, local bodies have constructed a total of 31,650 small community infrastructures. Such infrastructures created comprise upgrading of 3075 Km of roads, black topping of 178 Km of roads, construction of 731 Km of new roads, and construction of 165 culverts. A total of 1,234,340 households have directly benefited from construction of these infrastructures. Besides, additional land area of 7,179 hectares was irrigated with reconstruction of 835 school buildings. Training has been provided to VDC Secretaries by developing VDC accounting computer software system. Book keeping of account through the use of such software has been initiated in some of the VDCs.

Energy

10.38 Traditional sources of energy hold majority in the energy demand and its consumption in Nepal. Though Nepal has huge water resource with high energy potentials, energy crisis has been ever rising due to failure in attaining notable success in

hydro-electricity generation. Situation of energy source and consumption for last five years is depicted as under.

Table 10 (b): Energy Consumption Status

Energy Source	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13*
Traditional	8015	8185	8342	8500	8711	5680
Firewood	7149	7301	7467	7606	7767	5074
Agricultural Residues	337	344	324	331	369	231
Cow Dung	529	540	551	563	575	375
Commercial	1038	1139	1464	1580	1436	866
Coal	193	182	286	293	348	196
Petroleum Products	655	775	965	1058	1088	670
Electricity	190	182	213	229	243	172
Renewable	59	64	70	75	82	51
Total	9112	9388	9876	10155	10229	6597

** Of the first eight months*

Source: Ministry of Energy

10.39 Energy consumption in fiscal year 2011/12 rose by 0.73 percent and increased upto 10,229 Tons of Oil Equivalent (ToE) as compared to that of fiscal year 2010/11. During the first eight months of fiscal year 2012/13, energy consumption equaled to 6,597 ToE which is lower by 19.58 percent as compared to the corresponding period of the previous fiscal year.

10.40 The ratios of traditional, commercial and renewable energy consumption that stood at 85.16 percent, 14.03 percent and 0.78 percent respectively in fiscal year 2011/12 stood at 86.1 percent, 13.13 percent and 0.77 percent respectively in the first eight months of fiscal year 2012/13. It shows that heavy reliance of

Nepalese economy over traditional energy sources has remained unchanged.

- 10.41 Of the traditional energy consumption, the share of firewood that stood at 75.93 percent, agriculture residues at 3.6 percent and livestock residues at 5.62 percent in fiscal year 2011/12, its remains at 76.91 percent, 3.5 percent and 5.69 percent respectively in the first eight months of fiscal year 2012/13. In fiscal year 2011/12, of the commercial energy consumption, contribution of petroleum products was 10.64 percent, coal 3.40 percent and electricity 2.37 percent while share of petroleum products was 10.16 percent, coal at 2.97 percent and electricity 2.61 percent in the first eight months of fiscal year 2012/13

Coal

- 10.42 In fiscal year 2011/12, consumption of coal rose by 18.77 percent and reaching upto 348 ToE as compared to its preceding fiscal year. Consumption of coal has increased by 0.41 percent reaching 196 ToE in the first eight months of fiscal year 2012/13 as compared to same period of fiscal year 2011/12.

Electricity

- 10.43 Between fiscal year 2010/11 and 2011/12, electricity generation licenses for 52 large and small hydroelectricity projects with approximately 1761 MW installed capacity have been granted to NEA, its subsidiary companies and the private sector hydroelectricity companies. Fourteen MW of electricity promoted through the private sector is being supplied by connecting to the national transmission grid. By the same period, additional projects with installed capacity of 25 MW were in the processes of test transmissions.
- 10.44 In fiscal year 2012/13, structural reform has been carried out in NEA based on activities towards professionally strengthening it. Such improvement would help NEA deliver prompt and reliable services to its customers.

- 10.45 On projects under the NEA in fiscal year 2012/13, eight are study projects, two in the process of execution, nine ongoing, 41 projects under the 132 KV transmission line extension and other voltage categories, 64 distribution line projects, and three other projects.
- 10.46 Of the target set to complete feasibility studies of Nalsyaugad, Andhikhola, Tamor and Dudkhoshi hydropower projects in fiscal year 2012/13, 80 percent of work has been completed on Nalsyaugad and Andhikhola hydropower projects while 25 percent work accomplished on Tamor hydropower project.
- 10.47 Of the target set to construct physical infrastructure (including road, bridge, building and major civil construction works) of Tamakoshi Hydropower Project in fiscal year 2012/13, construction of building was fully completed with the completion of 75 percent road construction and 50 percent bridge and civil construction works completed.
- 10.48 Under the transmission line projects, construction works on Khimti-Dhalkebar (95 percent), Hetauda-Bharatpur (25 percent), Kabeli corridor (25 percent), and Bharatpur Bardighat (30 percent) have been accomplished in fiscal year 2012/13 while construction works on Pathalaiya Sub-station and Syangja Sub-station are completed. Under the distribution line project, about 200,000 households have been provided with services after having construction of 300 Km of 33 KV transmission lines and 100 Km of 11 KV transmission lines in fiscal year 2012/13.
- 10.49 Preliminary study works have been completed on Budigandaki, Uttarganga, Nalsyaugad, Tamor, Kaligandaki hydropower projects in the first eight months of fiscal year 2012/13. Likewise, license related tasks have been completed for Dudhkoshi, Nistipanaha, Gaudikhola and Khadakkot hydropower projects.
- 10.50 Various physical infrastructure construction works on Tamakoshi, Chameliya, Rahughat and Upper Trishuli hydroelectric projects have been completed in the first eight months of fiscal year 2012/13. Scoping and Terms of Reference

of environment impact assessment has been completed while upgradation work on 11.5 Km of Entry way has been completed under Upper Trishuli hydroelectric project.

- 10.51 The detail of electricity demand, consumption, generation, and other physical infrastructures based on results/returns/achievements of NEA operated programs are given in Table 10(c) below. In the first eight months of fiscal year 2012/13, electricity generation of 40.4 MW has been added while no progress could be made in electricity transmission line extension despite continuous rise in demand and number of electricity consumers.

Table 10 (c) : Electricity demand, Consumption, Generation and Physical Infrastructures

Particulars	Fiscal Year			
	2009/10	2010/11	2011/12	2012/13*
Production (MW)	689.4	697.9	705.6	746
Transmission Line (Km)	1,972.6	1,917.6	1,987.4	1987.4
Customer Number	16,70,610	18,54,275	20,53,259	2238052
Distribution Line (Km)	82,871.24	89,108.86	95,815.98	98000
Available Energy (GWH)	3,130.77	3,389.27	3858.37	4205.22
High Demand (MW)	885	946.1	1,026.00	1094

**of the first eight months*

Source: Ministry of Energy

Petroleum (POL) Products

- 10.52 Consumption of Petroleum Products (POL), which is an important source of energy, has been growing day by day. However, its supply could not be made easily accessible to all. Amid policy and institutional efforts on making supply and

distribution of POL products accessible to all by effectively putting its distribution system in order has been a real challenge. Details of POL for previous years is as under:

Table 10 (d) : Consumption of Petroleum Products

Description	Fiscal Year					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
Petrol (KL)	100,842	124,169	162,274	187,640	199,748	141,332
Diesel (KL)	302,706	466,468	612,505	655,127	648,513	443,800
Kerosene (KL)	155,215	70,089	55,788	49,494	41,808	17,370
Aviation Fuel (KL)	68,938	68,965	82,631	101,314	109,808	78,038
LP Gas (in MT)	96,837	115,813	141,171	159,286	181,446	133,271
Total	724,538	845,504	1,054,369	1,152,861	1,181,323	8,13,811

**Of the first eight months*

Source: Nepal Oil Corporation

- 10.53 Consumption of POL products in fiscal year 2011/12 totaled 999,877 Kilo Liter (KL) with an increase of 0.63 percent, while consumption of LP gas totaled 181,846 Metric Ton (MT) with an increase of 13.9 percent. Consumption of POL products and LP gas that totaled 645,876 KL and 113,693 MT respectively during first eight months of FY 2011/12 rose by 5.4 percent and 17.2 percent totaling 680,540 KL and 133,271 MT respectively during in the corresponding period of fiscal year 2012/13.
- 10.54 Diesel, Kerosene, Petrol and Aviation Fuel has occupied major share of POL products consumption. Shares of diesel, kerosene, petrol, and aviation fuel excluding LP gas in fiscal year 2011/12 stood at 64.9 percent, 4.2 percent, 19.9 percent, and 11.0 percent respectively. Observation of the consumption ratio of first eight months of the current fiscal year 2012/13 shows shares of diesel, kerosene, petrol, and aviation fuel as 65.2 percent, 20.8 percent, 2.6 percent, and 11.4 percent respectively.
- 10.55 Policy has been implemented in fiscal year 2012/13 to maintain stock of POL products by enhancing storage capacity to meet the demand for at least a month; set equal prices of diesel and

kerosene for maintaining the purity of diesel and combating the practice of mixing and misusing the VAT exempt kerosene in it; allow the productive industrial sector or hotel to make bulk purchase of POL products for industrial or commercial use at cost price directly from NOC if they wish so. Likewise, selling and distribution process of LP Gas at cost price through introduction of blue colored gas cylinder for commercial use has been promoted.

- 10.56 Theoretical decision has been made to bring private sector in POL business with Petroleum Product and Gas Business (Regulation) Order, 2012 issued by the Government of Nepal while in case of selling and distribution of blue colored cylinder for commercial use, "Ordinance on use and distribution of red and blue colored LP gas cylinder, 2012" issued by the Government of Nepal has been in implementation stage.
- 10.57 Consultation is underway with experts and Indian Oil Corporation for initiating the POL products pipeline laying work. Works on current storage capacity enhancement of NOC and depot repair maintenance are being carried out. Also, NOC has program to install Flow M eter in at least two depots by the end of current fiscal year.

Environment and Climate Change

- 10.58 The Ministry of Science, Technology and Environment has been carrying out various tasks of promoting and developing science/technology, ensuring good governance by making user accessibility easy in public information flow through effective use of information technology, managing appropriately the opportunity and challenge of environmental impact and weather change in overall development of the country, easy supply of clean energy in rural areas through sustainable development and extension of alternative/renewable energy technology, bringing improvement in economic and social situation of rural public by operating small industries and businesses using renewable energy technology. All these works that were being carried out by two different ministries, Ministry of Environment, and Ministry of Science and Technology is now being carried out by the Ministry of Science, Technology and Environment after the merger of these two ministries into one.

- 10.59 Works like capacity enhancement programs for environment and climate change, running regular program on raising public awareness through the Second National Information Program, and works related with adverse impact and risk assessment of climate change are being carried out.
- 10.60 Considering the nature of steps to be taken by Nepal bearing the areas adversely affected by climate change in mind, appropriate, disaster and risk reduction, lower carbon emission and climate friendly programs are being carried out on regular basis. For this, local adaptation projects have been formulated in 69 VDCs of 14 districts of Mid-western and Far-western region and Tikapur Municipality as directed by the National Adaptation Program and Climate Change Policy, 2010 which would build enabling capacity of the local people to cope with the impact of climate change thereby improving their economic and social condition.
- 10.61 Nepal has been engaged in implementation of White Papers issued by Ministerial level Conference on Climate Change with participation of Ministries for Environment of Mountain Countries held on 5 and 6 April 2012 in Kathmandu. Likewise, Nepal has got the opportunity to lead the Negotiation Team from among the least developing countries at UNFCCC in 2013/14.
- 10.62 As per the decision of the Government of Nepal, Department of Information Technology has been formed and established in the process of bringing effectiveness on practical usages of the Department of environment and the Information Technology Policy and Provisions therein. This has fulfilled the long felt need of a government structure working in the areas of environment and information technology.
- 10.63 Various Standards and Measurements have been issued including National Standard on Measurement of Sound Pollution, 2012; the Standard for Measurement of Dust Exhausted in the Atmosphere by Cement Crusher Industries, 2012; the Standard for Measurement of Smoke Exhaustion from the Diesel Generators; and the Standard for Measurement of Smoke Exhaustion from Boilers and the Height of Chimneys, 2012 have been issued with the objective to allow the people

living healthy lives by ensuring human health and environmental protection.

- 10.64 Selection of consultants for air quality monitoring of Kathmandu Valley has reached at the final stage. New Renewable Energy Subsidy Policy, 2012 with contextual amendment has been adopted upon approval from the Government of Nepal. Similarly, in the process of addressing environmental management in terms of policy, incinerator standard measurement work is being carried out while background study related to lead-in-paint is being carried out.
- 10.65 Stakeholders Consultation has been completed for the purpose of managing and simplifying the Environmental Impact Assessment (EIA) while 18 EIA Reports and 24 Scoping Documents/Terms of Reference have been approved.
- 10.66 Nepal has actively participated in 18th Conference of Parties held in Doha, capital city of Qatar as well as organized separate side event. In this conference, Nepal as a leader of Least Developed Countries has also showed its activeness and liveliness while participating in Negotiation.
- 10.67 During this period, upgradation and improvement of Water Measurement Centers has been carried out in major Watershed Areas; improvements of water quality lab and water quality measurement have been completed while scientific study on Meteorology has been carried under the Meteorology Program.
- 10.68 Similarly, daily weather forecast for general public and special weather forecast service for Mountaineers and Climbers has been provided under weather forecast program. Weather information is received from Satellite Distribution System while water measurement, rain measurement and operating centers improvement, and water level measurement works in flood forecasting centers are conducted under the flood forecasting program. Similarly, significant rise in revenue has been observed as a result of increased user of meteorological and weather statistics in digital format.

Alternative Energy

- 10.69 Alternative Energy Promotion center that is established for sustainable development of alternative/renewable energy technology in Nepal and supplying it to the rural sector; help

bringing improvements in the livelihoods of specially the rural people by operating small industries and enterprises based on energy technology; reducing poverty while protecting the environment is involved in extending necessary assistance and consultation to GoN on formulation of policies and plans on alternative energy technology; setting up short term and long term policies; implementing programs through coordination with various energy related organizations; carry out quality control, monitoring and evaluation works towards achieving these objectives.

10.70 Major policies adopted in the sector of renewable and alternative energy by GoN are Rural Energy Policy, Renewable Energy Subsidy Policy and the Three-Year Plan. Major objectives of these policies have been providing necessary grant amount for promotion, development and extension of clean, reliable and sustainable energy source and technologies that are available in immense quantity in the country; transfer of technology; and involving private sector and NGOs for its promotion and development. Target has been set to contribute in maintaining environmental balance, employment creation and inclusive development with development and extension of renewable energy technology so as to provide 10 percent of total energy consumption from renewable energy source and making it accessible to 30 percent of population in coming 20 years. About 14 percent of total population has been now availing electricity facility from renewable energy source. Similarly, it is observed that of total population, 27 percent are using clean renewable energy.

10.71 The status of alternative energy sector in last 3 years and till the first eight months of FY 2012/13 is as under:

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

Major Programs	Unit	Fiscal Year			First Eight Months	
		2009/10	2010/11	2011/12	2011/12	2012/13
Electricity generated through micro and small hydropower	KW	1,695	2,453	3,258	1,619.7	3,207
Installation of Solar Home Electricity	Nos.	36,135	57,059	35,627	27,868	32,608

Major Programs	Unit	Fiscal Year			First Eight Months	
		2009/10	2010/11	2011/12	2011/12	2012/13
System						
Solar Pump Installation	Nos.	2	22	1	1	12
Solar Lamp Installation	Nos.	5,913	6,308	10,384	5,502	1,383
Solar Dryer/ Cooker Distribution	Nos.	338	272	202	118	86
Bio-Gas Installation	Nos.	19,511	17,907	18,979	3,081	238
Improved water mill installation	Nos.	986	353	971	510	365
Improved Stove Installation	Nos.	87,154	84,168	118,461	43,878	56,334

Source: Alternative Energy Promotion Center

10.72 Observation of data of last three years shows an increase in electricity generation from micro and small hydro power projects. During the first eight months of current fiscal year 2012/13, electricity generation from micro and small hydropower projects has increased by 98 percent as compared to that of corresponding period in previous year. Such increase was limited to 18.39 percent in the corresponding period of previous fiscal year 2011/12. Also the number of solar home electricity system and improved stoves installed has increased in the first eight months of current fiscal year as compared to corresponding period in FY 2011/12. Number of solar lamps installed that totaled 5,502 in the first eight months of previous fiscal year 2011/12 dropped by 74.86 percent to 1,383 in the corresponding period of current fiscal year 2012/13. Likewise, as compared to the first eight months of previous fiscal year 2011/12, number of solar pump, lamp, bio gas, improved water mills has decreased in the corresponding period of current fiscal year 2012/13. Though the progress made in the first eight months of current fiscal year is less due to non-full budget, start of new program, time consumed for new grant policy on renewable energy, it is observed that target will be achieved by the end of fiscal year.

10.73 Out of the target set for fiscal year 2012/13 under this program, by the first eight months of this fiscal year, 238 bio gas plant have been installed against the targeted 19,000; 3,207 KW of electricity generated from micro and small hydropower plants against the targeted 5,010 KW; 32,608 solar systems installed against the targeted 60,000; 56,334 improved cooking stoves installed against the targeted 107,000; twelve solar drinking water pumps installed against the target of 20; and 365 improved water mills installed against the target of 1000. The above mentioned programs have benefited 59,647 households through the access to electricity; 56,572 households availed with clean fuel and technology for cooking; and 600 families have benefited with access to drinking water. Additionally, access to clean energy in rural areas has brought improvement in education, health, and environment.

Problems and Challenges

- 10.74 There has been continuous rise in the loss on POL products due to failure in adjusting the sales price with price rise in the international market and difficulties being faced in smooth supply of these products since the country have not been able to import required quantities due to inadequate cash flow.
- 10.75 Difficulties is being faced due to inability of supply and distribution of POL products by timely import caused by frequent closures of highways due to various reasons like agitation, strike, and *chakka jams* where as price of petroleum products could not be adjusted according to situation, due to which the debt volume has swelled up as a result of compulsorily procuring these essential products on credits to ensure uninterrupted supply.
- 10.76 Though there has been significant increase in the number of population benefiting through renewable energy technology, steep price rise in the cost of building micro hydro projects especially in rural areas, is creating difficulties in garnering

necessary fund beyond the subsidy amount amid non-increase in such grant fund.

- 10.77 Due to dearth of subsidy, solar energy based electricity could not be installed as per demand received from remote and high remote areas.
- 10.78 With the theoretical decision made by the GoN to bring the private sector in POL products business, NOC has to tactfully compete with that sector amid its financially adverse situation.

11. Transport and Communication

11. Transport and Communication

Road Transport

11.1 Upgrading of 1,180 Km of earthen (fair weather) road, 407 Km of graveled road and 290 Km of black topped road was carried out by mid-March of FY 2011/12, while 194 Km of earthen road, 169 Km of graveled road and 128 Km of black topped road have been upgraded by mid-March of current fiscal year 2012/13. Likewise, regular and periodic maintenance work of 2,714 Km road has been completed by mid-March of the current fiscal year.

Table 11 (a) : Last three year's annul progress

S.No.	Particulars	Units	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13*
1	New road construction	Km	968	1180	194
2	Upgraded to gravel road	"	663	407	169
3	Upgraded to black topped	"	485	290	128
4	Road Maintenance (Regular and Periodic)	"	Yearly	6574	2714
5	Periodic Maintenance	"	784	500	330
6	Bridge Construction	No.	47	47	16
7	Road joining District Headquarter	No.		1(Manang)	1(Mugu)

Source: Department of Road

*First Eight Months of FY 2012/13

11.2 By the end of FY 2011/12, total roads length of the country totaled 24,389 Km road comprising 10,192 Km black topped, 5,787 Km graveled and 8,410 km earthen (fair weather), which reached to 24,583 comprising 10,320 Km black topped, 5,828 Km graveled

and 8,435 Km earthen road by mid-March of the current fiscal year.

Table 11 (b) : Road Facility extended by Department of Road

(In Km.)

S. No.	Types	Fiscal year				
		2010/11	2011/12	Added in 2012/13	Till FY 2012/13*	
					Total	Share (Percent)
1.	Black Topped	9,902	10,192	128	10,320	41.98
2.	Graveled	5,670	5,787	169	5,828	23.71
3.	Earthen (Fair Weather)	7,637	8,410	194	8,435	34.31
Total		23,209	24,389	194	24,583	100

Source: Department of Road

*First Eight Months of FY 2012/13

11.3 Following is the progresses made on road facility expansion, construction work carried out by local bodies at the local level under the infrastructure development, operation, and repair and maintenance related projects, schemes and programs implemented by other than Department of Roads.

Table 11 (c) : Extension of Road Network by Local Bodies

(In Km.)

Program and Projects	Particulars	Unit	Fiscal Year		
			2010/11	2011/12	2012/13*
a. Rural Access Improvement and Decentralization Project	Perennial Road	K.m.	64	231	87
	Seasonal Road	K.m.	12	66	50
b. Rural Reconstruction and Rehabilitation Sector Development	Rural Road Construction and Improvement (including black	K.m.	260	335	147

Program and Projects	Particulars	Unit	Fiscal Year		
			2010/11	2011/12	2012/13*
Program	top)				
c. District Road Support Program	New road construction	K.m.	22	55	11
	Regular Road Repair and Maintenance	K.m.	307	343	147
	Road Rehabilitation	K.m.	9	17	15
d. Rural Community Infrastructure Development Program	Rural Road Construction	K.m.	69	36	25
e. Rural Access Program	Rural Road Construction	K.m.		113	26
f. Local Transport and Infrastructure Sectoral Program	Earthen (fair weather) Road Construction	K.m.	700	650	115
	Road Repair and Maintenance	K.m.	650	800	250
	Road Black-Topped	K.m.	20	35	
	Road Graveled	K.m.	370	375	75
g. Local Self-Governance and	Graveled	K.m.	214	676	731
	Black topped	K.m.		287	178

Program and Projects	Particulars	Unit	Fiscal Year		
			2010/11	2011/12	2012/13*
Community Development Program	Road Maintenance	K.m.	3401	3754	3075

Source: Department of Road

*First Eight Months of FY 2012/13

Transport Vehicles

11.4 The number of transport vehicles registered between FY 1989/90 and FY 2011/12 across the country stood at 1,348,995 while such number rose by 142,427 reaching a total of 1,491,422 vehicles by the first eight months of the current fiscal year compared to the corresponding period of the previous fiscal year, with a growth of nearly 40 percent as over and above the imports in the corresponding period of the previous fiscal year.

Table 11 (d) : Number of Transport Vehicles

Types	Fiscal Year			Total by First Eight Month of FY 2012/13	Growth Percent compared to Previous FY (First Eight Months)
	1989/90 to 2011/12	Of the First Eight Months			
		Additional 2011/12*	Additional 1 2012/13*		
Bus	26,875	1,016	2,040	28,915	101
Minibus/Mini truck	11,979	602	933	12,912	55
Crane/Dozer/Excavator/Truck	46,860	593	2,234	49,094	277
Car/Jeep/Van	129,140	5,403	6,279	135,419	16
Pick up	12,749	1,208	3,494	16,243	189
Microbus	2,478	61	93	2,571	52
Tempo	7,453	6	52	7,505	767
Motorcycle	1,031,880	90,305	121,182	1,153,062	34
Tractor/Power Tiller	73,306	2,512	5,954	79,260	137

Types	Fiscal Year			Total by First Eight Month of FY 2012/13	Growth Percent compared to Previous FY (First Eight Months)
	1989/90 to 2011/12	Of the First Eight Months			
		Additional 2011/12*	Additional 2012/13*		
Other	6,275	73	166	6,441	127
Total	1,348,995	101,779	142,427	1,491,422	40

Source: Department of Road

*First Eight Months of FY 2012/13

Policy and Institutional Reforms Carried out in Current Fiscal Year

- 11.5 A number of tasks have been carried out as per the policy towards curbing the number of vehicle accidents, providing compensation to accident victims, facilitating insurance provision, providing smooth and easy transport facility to the general public by making transport services robust, and effective. Such tasks include computerization of driving license, and monitoring of the practical examinations for driving licenses through CCTV.
- 11.6 Construction of latest technology-based Vehicle Fitness Test Center to carry out scientific testing of vehicles has already been completed. Likewise, third party insurance system is in implementation.
- 11.7 With a view to well manage urban transport system, Department of Transport Management has been extending its services through its five offices including three Transport Management Offices in Bagmati Zone, and one service center each at Sano Bharyang of Kathmandu and Sallaghari of Bhaktapur. All zones except for Karnali have one Transport Management Office. Services are being delivered through its branch offices at Hetauda, Gaur and Bharatpur of Narayani zone. Similarly, services are being extended through the Kohalpur unit of Bheri Transport Management Office. Thus, services are being delivered through 15 offices, 2 service centers, 3 branch offices and 1 unit each in 13 zones.
- 11.8 Transport Management Offices are connected through IT networks. Notable progress has been achieved in revenue

collection through introduction of e-billing system. Introduction of e-billing system further has brought an end to the practice of tax evasion by submitting forge receipts.

- 11.9 A modern Computerized Vehicle Fitness Test Center has been established at Teku of Kathmandu and the Request for Proposal is invited from the private sector for its operation. As the work is in progress, the Center is likely to come into operation in near future.
- 11.10 In an effort to make the written test for driving license more scientific, separate curriculums for two wheelers and four wheelers have been developed and adopted. Examinations are being taken by developing question paper on the basis of such curriculum. Similarly, with a view to make the practical test of driving license more respectable and scientific, a newly designed testing method has been implemented that came into effect on 14th April, 2013.

Civil Aviation

- 11.11 A manual for the provision of including domestic air-fare in air-tickets has been approved, which will be brought into effect from July 16, 2013 on all domestic flights departing from Kathmandu while this provision will be gradually introduced in other domestic airports once their necessary infrastructures are ensured.
- 11.12 Five Domestic airports including Kalikot, Masinechaur (Dolpa), Shitaleshwara (Lamjung), Resunga (Gulmi), and Falgunananda (Ilam) are under construction. Black topping of the runways of Rukum, Salle, Chaurjhari, Bajura, Dang, Faplu, Khanidanda, Rumjatar, Ramechhap, Dolpa and Mugu is in progress. Installation work of PAPI Cable CCR (Constant Current Regulator) and Accessories at airports of Biratnagar, Surkhet, Janakpur, Chandragadhi and Tumlingtar has been completed.
- 11.13 On the Tribhuvan International Airport (TIA) Improvement Project front, construction works for the extension of 300 meter runway on the South, apron extension, parallel taxiway and link taxiway have been carried out in the first phase under the Master Plan, while on International Terminal Reconstruction and

Communication System Improvement Project side, consultants have started their works after signing of the Grant Agreement with Asian Development Bank. The number of domestic airports has reached 54 with addition of one airport at Masinechaur, Dolpa by mid-March of FY 2012/13. By mid-March of FY 2012/13, the number of international airlines in operation in mid-March of FY 2012/13 stood at 26 after closures of services of Gulf Air, Kingfisher and GMG. The number was 29 during the same period last year.

Table 11 (e) : Civil Aviation

S. No.	Description	Numbers by Mid-March 2012	Numbers by Mid-March 2013
1	Nepalese Airlines with International Flights	2 Nos	2 Nos
2	International Airlines in Nepal	29	26
3	Country with Bilateral Air Service Agreement	36	36
4	Air Seats on Each Side of the Aisle	5,255,000	5,255,000
5	Domestic Airlines (Fixed wing + Rotor wing)	17	17
6	International Airport	1	1
7	Domestic Airport	53	54
8	All-Season Airports	16	19
9	Total Number of Domestic Airports in Operation	35	35

Source: Ministry of Culture, Tourism and Civil Aviation

11.14 For strengthening aviation security, Hold Baggage X-Ray is in operation at Pokhara and Biratnagar airports while Hand Baggage X-Ray has been installed at Pokhara airport in FY 2012/13 as provisioned in annual budget and program. Likewise, Walk Through Metal Detector has also been installed at Lukla

airport. Handheld Metal Detector has been provided for security check at various STOL airports. In addition to this, Civil Aviation Security Regulations and executed programs are being amended in line with changed context. Similarly, for expansion, development and strengthening of rescue and fire fighting services at airports, Workshop/Seminars and mock emergency exercises were conducted at Bhairawa, Simara, Nepalgunj, Biratnagar airports while Large Foam has been procured and availed at Tribhuvan International Airport. The concerned parties are provided training together with equipment like fire extinguishers to avoid possibilities of fire breakout. Preparation of Rescue and Firefighting Manual has been completed so as to further strengthen and manage airport rescue firefighting services in line with Nepalese context. The recommendations of ICAO based on its audit carried out in 2006 and 2010 on Nepal's Air Traffic Safety System are being implemented.

- 11.15 In the course of embracing developed technology, Civil Aviation Authority of Nepal has approved the ICAO recommendation for development of Performance Based Navigation System (PBN) Implementation Plan based Airspace, Air Route and Procedure in Nepal, which is in phase-wise implementation process. The Required Navigation Performance-Authorization (RNP-AR) approach design based on PBN for runway 2 of Tribhuvan International Airport in cooperation of Quovadis, a subsidiary of Airbus Company has been implemented through Aeronautical Information Publication (AIP) Supplement in May 3, 2012.
- 11.16 Aviation Sports affiliated institutions that have been operating so far as an airline company after securing Airline Operation Certificate (AOC) will now be issued with Air Sports Operation Certificate (ASOC) by forming a separate unit with representation of the Ministry, Authority and concerned business entrepreneurs. Likewise, Government of Nepal has implemented Aviation Sports Regulation, 2012 to carry out functions like issuing pilot licenses, management and regulation of those institutions.
- 11.17 New Generation of Aviation Professional Initiatives that has gained recognition as Associate Member from Train Air Plus under the Train Air Programme of ICAO and New Upgraded

Train Air Plus Programme under the ICAO Competency Based Training Approach have been implemented in Civil Aviation Training Academy.

- 11.18 Grading and fencing works have been completed on 3,106 Ropanis (Approx. 155.6 Hectares) of land that was acquisitioned in 1975 at Chhinne Danda on the tourist hub of Pokhara for construction of regional level international airport of appropriate standard. The preliminary engineering survey and layout plan for the construction of airport have also been prepared. In an effort to develop Gautam Buddha Airport as regional level international airport with the loan and grant support under Nepal Portion, South Asia Tourism Infrastructure Development Project (SATIDP) of Asian Development Bank, compensation has been distributed for 85 percent of the total 146 Bigha (approx. 97 Hectares) of land that has to be acquired for such construction.
- 11.19 As per the Agreement concluded between the Government of Nepal and Landmark Worldwide Company of People's Republic of Korea for construction of International Airport at Nijgadh of Bara district, the final report submitted by this company has been presented to the BOOT Committee and efforts are underway to arrange financial resource for investment.

Rail Transport

- 11.20 After the establishment of Department of Railway in FY 2010/11, programs including Mechi-Mahakali Electric Railway, Kathmandu Valley Metro Project, and Indian Government assisted Railway Program have been initiated through the Railway and Metro Development Project. In the current fiscal year 2012/13, preparation of detailed study report of Simara-Bardibas section under the Mechi-Mahakali Electric Railway project and 135 Km Simara-Birgunj Link railroad has been completed. Similarly, starting from this fiscal year 2012/13 subsequent to appointment of consultant, work is underway for preparation of Detailed Report for Simara Butwal Section (179 Km) of Mechi-Mahakali electric railway and Butwal Bhairawa(Lumbini) Link (44 Km). Likewise process is underway for selection of consultant for the preparation of Detailed Study Report of Butwal Gaddachauki section (421 Km). The feasibility

study of Kathmandu Valley Metro (77.28 Km) is completed. Implementations of these projects are expected to facilitate public transport, generate employment opportunities and contribute significantly to national economy through the enhancement of economic activities.

Information and Communication

11.21 The Ministry of Information and Communication mainly covers postal services, telecommunications, printing services, press and electronic communications and motion pictures. The above mentioned services providing agencies regarded as the backbone of information and communication have been conducting various institutional, structural, legal and policy strengthening programs through the Ministry and the agencies under it. The stated major objectives of these agencies are formulation of national policies related to this sector, delivery of commitments expressed at international forums, bring effectiveness in the flow of information in line with the spirit and sentiments of Federal Democratic Peoples' Republic of Nepal and development and extension of information and communication in rural Nepal.

Table 11 (f) : Comparative situation of statistics of last three fiscal years

	Fiscal year				Remarks
	2009/10	2010/11	2011/12	2012/13*	
FM Radio	400	390	475	489	License No.
FM Radio Regular Transmission	238	330	328	363	„
Television	34	32	39	31	„
Television Regular Transmission	11	15	18	23	„
Cable Television	634	714	744	772	„
DTH	9	9	1	1	„
Licenses for Downlink	1	91	106	84	„

VHF/UHF Transmitter	43	38	38	23	„
Sales and Distribution of Radio Devices	13	20	20	40	„
Number of Feature Film Censored	175	91	182	118	
Number of Commercial Movies Censored	166	168	175	103	
Foreign Movies Shootings	60	73	66	42	License No.

Source: Ministry of Information and Communication

**First Eight Months of FY 2012/13*

11.22 The number of licensed television transmission companies stood at 39 in FY 2011/12, which has come down to 31 by mid-March of FY 2012/13 with termination of licenses of 8 by this date. Likewise, a total of 106 companies were granted permit for downlink in FY 2011/12 while 22 such companies failed to renew their licenses bringing the number of such licensed companies to 84 by mid-March of FY 2012/13.

11.23 In the current fiscal year 2012/13, contract has been awarded to ICRAFT Co. Pvt. Ltd., Korea for laying optical fiber subsequent to invitation of bids for establishment of information hub between Nepal, India, Bangladesh and Bhutan under the South Asian Sub-Regional Economic Cooperation (SASEC) Information Highway Project.

11.24 Government of Nepal has approved Proportional Distribution of Government Information and Advertisement Manual 2012.

Science and Information Technology

- 11.25 Tasks of benchmarking of IT Equipment together with management of optical fiber for networking in government offices have been accomplished through National Information Technology Center (NITC). Online entry permit granting system for the entrant at Singhdurbar has been upgraded while necessary application/system has been developed to provide on-line services to service seekers.
- 11.26 In the context of providing study and research opportunities within the country to talented citizens, 14 such students are granted with research fellowship, assistant research fellowship to 6, and one was awarded with Ph.D. In addition, 20 students have been provided with research scholarships upon request of M. Sc Desertification Central Department of TU.
- 11.27 Besides conducting Astrological study, Astronomical Almanac, for the year 2013 has also been prepared. Scientific World Journal, Scientific World Magazine and Science and Technology Bulletin are being published towards creating scientific awareness among the general public. An International Space Science and Technology related ten-day program on International School on Astronomy and Space Science School has been completed.
- 11.28 Digital Signature has been introduced subsequent to the construction of Public Key Infrastructure (PKI) Data Center while Draft Amendment on Electronic Transactions Regulation, 2007 has been prepared.
- 11.29 Inventory preparation work is underway for the promotion and development of indigenous technology. Orientation training on ISO: 17025 standards for the standardization of science laboratory have been completed while Concept Paper for establishment of a Science Learning Center has been developed in consultation with Ministry of Education and the Department of Education.

Postal Sector

- 11.30 Postal service is the oldest and mostly used service by the public, which has extended its institutional network up to the remotest villages of Nepal. Besides delivery of letters and parcels, various

other services like issuance of postage stamps, conducting Postal Saving Bank, Money Order Services, E-DV Form service, Express Mail Service and E-post service are rendered through the Department of Postal Services and the offices under it. Followings are the number of offices including Tele-centers under this Department.

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

Postal Services	Mountain	Hill	Terai	Total
Regional Postal Directorate				5
District Post Office				70
Area Post Office	170	372	300	842
Additional Post Offices	492	1541	1041	3074
Post Offices operating the Postal Saving Bank				117
Post Offices with Money Order Services				79
Tele-Centers (Till mid-March of FY 2012/13)				401

Source: Ministry of Information and Communication

11.31 The total number of Tele-Centers at post offices stood at 112 in the fiscal year 2009/10 while this number has reached 401 in the first eight months of the current fiscal year 2012/13.

Telecommunication Service

11.32 There have been both quantitative and qualitative growths in telecommunication services together with rise in the number of telecommunication service providers and users with availability of newer and most modern telecommunication facilities. All VDCs of Nepal has now access to telephone service. By mid-February 2013, the total number of telephone subscribers reached 19,615,076 with telephone density of 74 percent while the internet subscribers during the same period stood at 6,278,931 with its density of 24 percent.

Table 11 (h) : Comparative statistics of last three fiscal years

Types of Services	FY2009/10	FY2010/11	FY2011/12	Till mid-March 2013
Total Number of Telephone	8933678	13163649	16971477	19615076
PSTN	583542	608979	633258	635941
Mobile Telephone	7648305	11602814	15056109	17395482
Limited Mobility	445631	719776	1080405	1383717
GMPCS	1742	1742	1742	1742
Telephone Density (percent)	31.3	46.4	63.76	74
Total Internet Subscriber	1359805		4944479	6278931
Internet Density (Percent)	4.85	10.85	18.94	24
ADSL Internet	45434	68343	95623	102521
GPRS	1153643	2830695	4683921	5865902
CDMA 1X, EVDO		154548	188219	226509
Dial-up	27686	20355	15079	15458
Wireless Modem	13000	22288	46602	50266
Cable Modem	32500	15629	17968	18275

Source: Ministry of Information and Communication

11.33 During this period, the total number of telephone distributed by various service providers is as follows:

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

	First Eight Months				
Service Providers	2009/10	2010/11	2011/12	2012/13*	Growth Percent
Nepal Telecom Limited	6326068	7522136	8595771	1073635	14.27
United Telecom Limited	538833	613801	698298	84497	13.76
Ncell Pvt. Ltd.	4479021	7463071	9553404	2090333	28
STM Telecom Sanchar Pvt. Ltd.	5185	5336	5363	27	0.5
Nepal Satellite Telecom Pvt.	77238	146319	149708	3389	2.31
Smart Telecom	91469	311227	576503	265276	85.23
Others	1742	1742	1742	0	0

Source: Ministry of Information and Communication

*First Eight Months of FY 2012/13

Print Media (Information Dissemination)

11.34 Department of Information, Gorakhapatra Corporation, Rastriya Samachar Samiti, (RSS) and Press Council, agencies under the Ministry of Information and Communications, have been disseminating information through print media. Gorkhapatra Corporation has been publishing news and articles in 30 different national languages under the Build New Nepal Campaign.

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

	Fiscal Year		
Types	2010/11	2011/12	2012/13*
Basic Journalism Training	130 persons	6 Times	3 Districts

	Fiscal Year		
	2010/11	2011/12	2012/13*
Journalist in-service Training			25 persons
Anchoring Training for Blinds	25 persons	25 persons	25 persons
Photo Journalism Training			25 persons
People's Welfare Advertisement and its Payment	90 Million	99.1 Million	41.3 Million
Registration Of Permanent Newspapers	146	156	68
Registration of Temporary Newspapers	510	557	141
Distribution of Press Representative Certificates	508	987	194
Renewal of Press Representative Certificate	2068	2232	209

Source: Ministry of Information and Communication

**First Eight Months of FY 2012/13*

11.35 The number of newspapers and magazines registered in different districts by mid-March 2013 totals 6,590. As compared to FY 2011/12, the number of registered weekly newspaper has gone up by 12.8 percent by mid-March 2013 reaching 2,497. Likewise, the number of the registered annual publications, which was 83 in FY 2011/12, has come down to 82 with shift of one of such publications to another category. Of the newspapers published on language basis, 43 newspapers that were published in Newari language in FY 2011/12 have come down to 41 by mid-March

2013 as two of those newspapers are being published by mixing with other languages.

Table 11 (k) : Newspapers registered in various districts

Types	Fiscal year			
	2009/10	2010/11	2011/12	2012/13*
Daily	363	399	426	569
Half Weekly	20	20	24	32
Weekly	1929	2086	2213	2497
Fortnightly	368	392	408	428
Monthly	1740	1868	1981	1983
Two Monthly	214	229	237	336
Quarterly	470	495	518	557
Trisemesterly	24	26	29	30
Half Yearly	67	68	72	76
Annually	79	82	83	82
Total	5274	5665	5991	6590

Source: Ministry of Information and Communication

**Till mid-May 2013*

11.36 Rastriya Samachar Samiti (RSS) has been providing photo service in order to diversify its services. Likewise, it has a service provision of voice clip to provide support to FM Radios.

11.37 Nepal Television's national transmission coverage in FY 2012/13 in terms of population and geographical coverage stood at 72 percent and 50 percent respectively. Likewise, in the same period, transmission coverage of NTV Plus of Nepal Television in terms of population and geographical coverage stood at 40 percent and

25 percent respectively. Similarly, the coverage of FM Radio transmission through Radio Nepal in terms of population is 86 percent. In mid-March 2013, national transmission coverage of Nepal Television in terms of population and geographical coverage stood at 72 percent and 51 percent. During the same period, the transmission coverage of NTV Plus of Nepal Television in terms of population grew to 61.5 percent while geographical coverage remained at 25 percent. Likewise, coverage of FM Radio transmission through Radio Nepal in terms of population during the same period rose 88 percent.

Table 11 (l) : Newspapers registered by Languages

Language	Fiscal Year			
	2009/10	2010/11	2011/12	2012/13*
Nepali	3916	4076	4275	4510
English	420	427	457	476
Nepali/English	950	990	1030	1165
Newari	30	33	43	41
Sanskrit	2	2	2	4
Hindi	19	21	24	23
Maithili	17	21	27	39
Bhojpuri	5	6	8	6
Urdu	3	4	4	8
Tibetan	1	2	2	3
Tharu	8	9	9	13
Limbu	2	2	2	3
Doteli	2	2	2	4
Tamang	4	6	8	10
Others	272	281	288	315
Total	5648	5873	6181	6590

Source: Ministry of Information and Communication

**Till mid-May 2013*

Challenges and Issues

11.38 Due attention could not be paid towards diversifying the postal services after decline in exchange of letters as a result of advent of the most modern technology in the communications sector. Though telecommunication and motion picture sectors have attained quantitative improvements, these sectors have not been

able to grow qualitatively. The financial liability of national news media like Gorakhapatra, Nepal Television, and Radio Nepal has ascended owing to obligation towards the nation for publishing and airing news and programs in different languages while entry of private FMs, Televisions and print media in government programs and advertisements, have created a situation for national level transmission agencies to compete with those private companies.

- 11.39 Expansion of national transmission and terrestrial transmission of NTV Plus remains a challenge due to the country's diverse geographical landscape.
- 11.40 It has been additional challenge for national level transmission companies to forge ahead while competing with private television channels and sustaining national level transmission operations.
- 11.41 There is a need for NTV to switchover the existing analog system, through which the programs of Nepal Television are being developed, edited and transmitted, to digital system, which is another daunting challenge for NTV to do it at once with its own financial source.
- 11.42 Though the existing Policies, Acts and Rules require amendments with changed context along with the rapid technological advancement, progress in this regard could not be done as desired.
- 11.43 Gorakhapatra Corporation and Department of Printing have to rely on the ageing machines as they have not been able to use machines that would enable them to stay in competition with machines of modern technology.
- 11.44 News Agencies like Radio Nepal, Gorakhapatra Corporation, RSS and Nepal Television have their own individual stringer correspondents. An arrangement for these correspondents working in an integrated manner could not be made that would help in cost reduction.

12. Good Governance, Peace and Reconstruction

12. Good Governance, Peace and Reconstruction

- 12.1 The objectives of civil service have been to make people's needs sensitive and accountable, capable, and responsive that acknowledge the basic norms and values of federalism and decentralization; well disciplined and rule of law abiding. The objective also include transparency, result oriented and inclusiveness in the civil service. Likewise, strategies include developing performance based reward and punishment system through gradual implementation of e-governance and policies, recruitment, placement, transfer, promotion and making the salary anticipatable, legitimate, and that follows basic principles of motivation. Works like formulation and implementation of e-governance manual, time-conducive revision on the training curriculum of civil servants reform in administrative structure and deployment, appointment, placement, pre-anticipated transfer, promotion, training and salaries and perks, and implementation of performance based motivational system are being carried out.
- 12.2 An Inclusive Support Center in the Civil Service has been established under the Ministry of General Administration with a view to provide support to target groups on policy formulation by facilitating the effort of diversification, create an environment that would help benefit the target groups to avail inclusive policies for the diversification of civil service and make qualitative and quantitative analysis of the prevailing system.
- 12.3 A total of 79,489 employees including 16,711 at officer level, 41,696 at assistant level and 21,082 classless employees have been working in civil and health services until the current fiscal year 2012/13. There are 19 training providing institutions in operation for enhancing knowledge, skill, capacity and efficiency of civil servants who are directly involved in establishing citizen friendly governance system. These institutions have imparted short and long term trainings in various subjects to 13,292 employees in fiscal year 2011/12 and 5,104 employees by the end of first eight months of the current fiscal year 2012/13.
- 12.4 Works like time sought reforms and amendments of prevailing Acts and Rules so as to make them effective in pursuant to the principles of good-governance and rule of law and drafting of

new Acts and Rules to address contemporary needs have been felt necessary. With this view, the Ministry of Law and Justice, Constituent Assembly and Parliamentary Affairs have carried out a number of works including approval related tasks on 24 various Draft Bills; 123 Rules and 34 Formation Order Drafts; 119 international Legal Opinions and Treaties/Agreements related works, 26 various legal opinion related works and 361 collection of information for publication in Nepal Gazette. These works are expected to bring simplicity, clarity and transparency in legal processes thereby facilitating work performance in line with the principle of the Rule of Law.

Result Oriented Management

- 12.5 Effort is being made to institutionalize the concept of Managing for Development Results (MfDR) at various levels towards making the development management result oriented and effective. This concept has been implemented in the Ministries Physical Infrastructure and Transport, Education, Federal Affairs and Local Development, Agriculture Development, and Energy and in some Divisions under these Ministries. Business plans of these entities have been prepared under this process. Likewise, effort has been made to implement Result-Based Budget in these entities by following this principle. In addition to this, preparation of Result Framework of education, agriculture, health, forestry, local development, infrastructure, drinking water, energy and environment sectors has been initiated for Thirteenth Periodic Plan that begins from the coming fiscal year 2013/14.
- 12.6 With a view to make the budget process objective thereby interlinking it with Periodic Plan, Mid-Term Expenditure Framework is being formulated through a different approach than in the previous years. Documentation is in process for integrating the results of programs and projects with that of sector in order to make this framework result oriented.
- 12.7 The concept of Performance Contract has been adopted in projects of national pride from the current fiscal year 2012/13 to promote accountability in the implementation of programs and projects for ensuring their success. This will further enhance the level of success for programs and projects.

Monitoring System Reform

- 12.8 Continuity is given to the effort that has been initiated since last few years for making the overall monitoring system result based. It is imperative to make the monitoring of concerned policies, programs and projects result oriented in order to achieve goals and objectives set by the periodic plan. In consideration of this fact, continuity is given to preparation of Monitoring Framework with Performance Indicators in an effort towards making sources of information reliable and orderly for measuring outcome indicators.
- 12.9 An integrated Monitoring and Supervision Guidelines Draft with incorporation of various manuals, working procedures and forms that are currently in use for monitoring and supervision works has been prepared so as to make the monitoring tasks of programs and projects simple, transparent and organized. While preparing this Guideline, Ministry, Departments, central level agencies and development partners were consulted for their comments and suggestions. This Guideline is expected to make monitoring and supervision works of government entities realistic, reliable and organized.
- 12.10 Provision has been made for forwarding annual progress reports through the web by developing software on the basis of projects' basic information and status detail form with a view to promote the use of modern Information Technology (IT) in Monitoring and Evaluation. This will further enhance the use of IT in data collection and analysis.
- 12.11 Provision is made in the New Manual for internalization of participatory monitoring arrangement together with institutionalization of public hearing and social audit system as Stakeholders' and the people's perception and feedback in the process of implementation of programs and projects greatly contribute to their successful execution.
- 12.12 Although Monitoring and Evaluation related works are of technical nature, frequent transfer of technical manpower still persists despite knowledge of the importance of their technical capacity enhancement and continuity of their services. Hence, nearly 250 employees working in these areas have been imparted result oriented management and monitoring and evaluation

trainings in fiscal year 2012/13 in the process of enhancing capacities of those employees through continuation of various training opportunities.

- 12.13 The National Development Problems Resolution Committee, an apex body of monitoring and evaluation constituted under the chairmanship of Honorable Prime Minister has held three meetings where various decision were made with regard to policy related issues and problem solving while implementing projects. Likewise, the process for carrying out progress review on time and problem solving has gained an extra momentum at Ministerial level Development Problem Resolution Committees.
- 12.14 Strengthening Monitoring & Evaluation System (SMES) Project is now in operation under the support of Japan International Cooperation Agency (JICA) with an effort to strengthen overall monitoring system. Under this project, programs for strengthening monitoring system are being implemented in Ministries of Federal Affairs and Local Development, Physical Infrastructure and Transport Management, Education, Agriculture Development, Forest and Soil Conservation at the central level and in Kavrepalanchowk, Dolakha, Ramechhap, Sindhupalchowk and Sindhuli districts at the local level.

Local Good Governance

- 12.15 Numbers of entities including 75 District Development Committees (DDCs), 58 Municipalities, 3915 Village Development Committees (VDCs), Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR), 3 Commissions, 5 Committees, 2 Academies/Institutions and 26 Projects and Programs are active in their respective fields for effectively performing the tasks of decentralization, devolution and local development related policy making and implementation; maintaining coordination among the local entities; formulation, monitoring and evaluation of remote areas and rural development related policies, plans and programs; vital statistics registration; social security; inclusive development, and local level infrastructure development related policies and programs. In addition to this, a central level good governance section has been established for the promotion of transparency,

accountability, and people's participation and complaints handling, which has already started working.

- 12.16 A letter of commitment 2012 has been issued and brought into implementation in FY 2012/13 for providing guarantee to the people at the local level on the presence of a responsible and accountable government, and for maintaining good governance in all local entities through effective service delivery while raising the role and credibility of local entities to new heights by promoting transparency, accountability, and public participation. Likewise, Local Bodies' Resource Mobilization and Management Procedures Manual 2012, and Immediate Action Plan on Governance and Financial Reform, 2012 have been implemented. In addition, incentive allowance of Rs. 1,500 is being provided to every VDC in order to encourage VDC Secretaries to work in their designated VDCs, as they were moving to district headquarters or other places of their convenience by abandoning their VDC working posts on the excuse of security threats.
- 12.17 Result oriented monitoring indicators have been adopted subsequent to their approval so as to make local bodies' implemented programs result oriented. Monitoring work is being carried out regularly in order to make monitoring and inspection works of local bodies effective. Likewise, E-bidding process in 74 DDCs and 12 municipalities has started to make bidding process systematic and respectable. District Poverty Monitoring and Analysis System (DPMAS) has been implemented in all 75 DDCs to monitor implementation of project/program, availability of resource and utilization, effect/impact by measuring poverty monitoring indicators at the local level.

Peace and Reconstruction

- 12.18 In the context of maintaining peace, law and order, and security in the country as the prime duty of the State, Ministry of Home Affairs has implemented Security Policy, Armed Police Force Mobilization Manual, Public Service and Roads Obstruction Control Work Plan, Abduction and Organized Crime of the Serious Nature Control Work Plan, Special Plan for the Valley, Terai-Madhesh as well as Eastern and mid-Western Hills Security Work Plan and Awareness Campaign for Peace and Security Management among others. Special security program has been

implementation for the effectiveness of peace security, end of impunity and protection of human rights. Likewise, Governance Reform Immediate Action Plan 2012 has been implemented for ensuring good governance. Similarly, various programs have been carried out in all 75 districts in line with disaster preparedness and mitigation plan. A manual 2012 on issuing citizenship for people living in sex and gender minority communities has been issued.

12.19 Formulation, implementation and management of immediate and long-term policies, strategies, projects and programs that are necessary for establishment of sustainable peace by managing conflict, reconstruction of physical infrastructures damaged in conflict, providing relief and rehabilitation to conflict victims, reintegrating and managing combatants in cantonments, and making the task for creating environment for peace and consensus building are being carried out. In addition, various tasks like holding peace talks with several concerned parties to arrive at consensus, managing and mobilizing peace trust fund, and demining of explosives have been carried out. Likewise, works like approval and implementation of national action plan of UN Security Council Resolution Nos. 1325 and 1820, rehabilitation of conflict affected children, and their reintegration; formation of Local Peace Committees (LPCs) for strengthening peace from the local level, and their mobilization are also in operation. During this period, LPCs have been constituted in all 75 districts while these committees have their presence in 31 municipalities and 2167 VDCs and works are being carried out for strengthening peace locally.

12.20 Similarly, Peace Support Project (PSP) is in operation under the financial support of World Bank with the objective of providing employment/self-employment service and psychosocial counseling service to the conflict affected people so as to provide immediate relief to the claimants of persons died in conflict. Under this project, relief support as mentioned above has been provided in FY 2011/12 and by mid-March 2012/13 with the expense of Rs. 435.14 million and Rs. 31.37 million respectively. Likewise, employment/self-employment services were provided to a total of 3,030 conflict affected people of 12 districts in

- FY2011/12 under this project. Additionally, programs are underway subsequent to the selection of service provider in the process of providing such services to 11,740 conflict affected people of 42 districts by mid-March of FY 2012/13.
- 12.21 In the fiscal year 2011/12, a sum of Rs. 2.35 billion was spent on Relief and Rehabilitation under Reconstruction and Rehabilitation Program and Rs. 301.6 million by mid-March 2013.
- 12.22 On reconstruction side, the total number of physical structures that were damaged during the conflict stood at 3,647 while, apart from those damaged structure, the number of such structures that require reconstruction due to their absence of utilization and maintenance, has now reached close to 9,000. Of such physical structures, construction of 281 was completed in FY 2011/12. Of the target to complete 284 physical structures in the current fiscal year 2012/13, the construction of 13 such structures has been completed by mid-March 2013. Likewise, among the physical structures damaged during conflict period, 2,800 such structures have been reconstructed by mid-March 2013.
- 12.23 Numbers of programs are in operation under the Peace Fund including distribution of sustenance allowance to the Maoist combatants in cantonment, their medical treatments, cantonment access roads construction, reconstruction of police offices; caretaking of combatants, secretariat expenses of special committee for reintegration and rehabilitation, collection of voters' list with photographs by the Election Commission, capacity building of LPCs, national action plan for implementing UN Security Council Resolution Nos. 1325 and 1820, rehabilitation and reintegration of conflict affected children.
- 12.24 In fiscal year 2011/12, the Peace Fund received a total of Rs. 2.39 billion including Rs. 1.73 billion from donor community and 662.91 million from the Government of Nepal. Likewise, the Fund received a total of Rs. 1.53 billion including Rs. 1.39 billion from the donor community and Rs. 143.46 million from the Government of Nepal by mid-March of the current fiscal year 2012/13. So far, the fund has received Rs. 6.71 billion from donor organizations and Rs. 7.68 billion from Government of Nepal totaling Rs. 14.39 billion from the time of its establishment while it has released Rs. 13.51 billion to various organizations/agencies.

- 12.25 On the cantonment management front, local level based cantonment offices have been dissolved on 16th December, 2012 while office of the Cantonment Management Central Coordinator's Office was dissolved on 14th January, 2013.
- 12.26 Out of 17,051 combatants remaining at different cantonments after the second round of verification, 1,395 such combatants are undergoing training in the process of reintegrating them in Nepal Army and 6 of them opted for rehabilitation and underwent various skill oriented trainings while the rest of combatants have taken voluntary retirement.
- 12.27 12.27 In fiscal year 2011/12, negotiations with 31 different groups were held and reached into several consensus and agreements. By the end of mid-March 2013, negotiations were held with 9 groups. So far, different armed groups have handed over a total of 151 units of weapons to the Government of Nepal after conclusion of negotiation with 54 different groups.
- 12.28 Though the number of persons dead during armed conflict was 17,831 only 14,106 persons have received the relief. With regard to 3,725 families not yet coming forward to receive such relief, detail of the dead is in the process of up dating after revelation of double counting of names upon conducting the tracing program carried out in 10 districts.

Table 12 (a) : Highlights on Relief, Financial Assistance, Reconstruction, Rehabilitation and Army Reintegration

Program	Total Number	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13*	Total Progress	Remaining Number
Relief to Dependents of Dead Persons(Rs. 100,000)	17,831	332	225	6	14106	3,725
Relief to Dependents of Dead Persons(Rs. 300,000)	14,831	-	10249	28	10277	4554
Relief to Single Women Dependents of Common People	4700	1192	165	5	4449	251

Program	Total Number	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13*	Total Progress	Remaining Number
dead in Conflict (Rs. 25,000)						
Relief to Dependents of Disappeared People	1517	105	1381	31	1517	-
Relief to Single Women Dependents of Disappeared People (Rs. 25,000)	1000	-	500	111	611	389
Relief against the damage of personal properties	16200	825	3342	321	8321	7879
Financial Assistance to Persons turned into Physically Challenged	8191	1794	1420	2961	6961	1230
Relief to Abducted Persons	3142	998	1244	900	3142	-
Monthly Relief to Injured in People's Movement (above 50 percent)	30	23	30	30	30	-
Gratuity to Martyr's Families	26	26	26	26	26	-
Scholarship to the children of injured persons in People's Movement	28	26	28	28	28	-
Relief to Dependents of Persons dead after	-	25	31	2	58	

Program	Total Number	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13*	Total Progress	Remaining Number
Peace Accord						
Financial Assistance to Children who lost their Parents	-	121	348	522	522	-
Financial Assistance to Physically Challenged Persons losing more than 51 percent of their body parts.	-	736	736	736	736	-
Financial Assistance to Internally Displaced Persons	79552	-	-	-	25000	54552
Reconstruction of Completely Damaged Physical Structures	9000	487	281	13	2800	6200
Recipients of Employment/Self-Employment Services	-	-	3030	-	3030	-
Management of Former Maoist Combatants	17051	-	-	-	17051#	

**First Eight Months*

#1395(Reintegrated), 6 (rehabilitated), 15,650 (voluntary retired)

Problems and Challenges

12.29 Despite completion of reintegration of combatants, considered as one of the important tasks in peace process, due to the availability of limited resources some more time would be required to complete the reconstruction work as per expectation.

- 12.30 Difficulty is being faced in carrying out effective implementation and monitoring/evaluation works since such works have to be carried out through institutions/agencies under other ministries due to absence of local entities of Ministry of Peace and Reconstruction.
- 12.31 It is imperative to provide adequate resources to LPCs that are established with the objective of playing crucial role at the local level for maintaining sustainable peace by strengthening peace process and effectively utilizing the financial support received from the donor agencies in the post conflict period.

13. Social Sector

13. Social Sector

- 13.1 Fundamental right of citizens to education has been guaranteed by the Constitution of Nepal. There is the necessity of preparing patriotic citizens that possess versatile capabilities like making contribution to social and economic transformation of the country, compete internationally in this age of globalization, and carry out the responsibilities of nation building by providing opportunities of quality education to achieve the twin goals of “Education for All” and the MDG by 2015 AD. For this, education programs like Pre-Child Development and Pre-Primary Education; School Education; Higher Education; Technical and Vocational Education; and Informal and Life-long Education together with overall management of education formulation of policies and programs, programs execution, and monitoring are being carried out through various entities, autonomous institutions, and Universities.
- 13.2 School education and overall program management related to it are being carried out through five Regional Education Directorates, 75 District Education Offices, and 1,053 resource centers located at the local levels under the department of Education. Likewise, specialized programs of the education sector like curriculum and textbook development; human resource engaged in education management; management of school teachers; examination and assessment; informal education; technical and vocational education; technical and vocational training promotion project; higher secondary education are being performed.
- 13.3 Significant achievements have been made in education sector in past five years due credit to investment made and priority accorded to it. Net enrollment in class one has increased by 13.2 percentage points while enrollment in primary and secondary levels have increased by 6.2 and 12.4 percentage points respectively during this period, Likewise, the number of primary

and secondary teachers with basic training has increased by 29.5 percentage points and 16.7 percentage points respectively. In this period, overall literacy rate has reached to 69.5 percent. Similarly, student-teacher ratio is also on gradual decline. It is now 42:1 for primary and 31:1 for secondary level.

Table 13 (a) : Indicators of Education Based Achievements (Percent)

Indicators	Unit	Fiscal Years					
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
Enrollment in Grade 1							
New enrollment with kinder garden experience	Percent	33.1	36.2	49.9	52.1	54.3	55.6
Gross Enrolment Rate	Percent	141.0	147.7	144.0	142.4	140.7	137.7
Net Enrolment Rate	Percent	78.0	81.0	86.4	89.0	90.7	91.2
Enrollment (Easily visible Enrolment Rate)							
Elementary Education Development/P re-Primary		60.2	63.4	66.2	70.0	72.9	73.7
Basic Education (1-8)	Percent	116.0	123.0	123.0	124.0	123.7	120.1
Secondary Education	Percent	36.0	40.0	44.7	46.2	49.4	51.7
Net Enrolment Rate							
Primary Education	Percent	89.1	91.9	93.7	94.5	95.1	95.3
Basic Education	Percent	71.0	73.0	83.2	86.0	86.6	87.5
Secondary Education	Percent	20.0	21.0	23.9	27.1	30.6	32.4
Teachers W/ Required Qualification and Trainings							
Basic Education	Percent	62.0	66.0	75.0	79.0	91.1	91.5
Secondary Education	Percent	74.0	77.0	85.0	88.0	90.1	90.7

Indicators	Unit	Fiscal Years					
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
Teachers with Required Certification							
Basic Education	Percent	90.0	91.0	92.0	94.0	-	96.9
Secondary Education	Percent	90.0	91.0	92.0	94.0	-	98.0
Student/Teacher Ratio							
(Approved Teacher Posts of Community Schools and Teachers Working on Relief Teachers Grant System)							
Basic Education	Ratio	44:0	43:0	44:0	46:0	44:0	42:0
Secondary Education	Ratio	42:0	39:0	34:0	35:0	36:0	31:0
Repetition Rate							
Grade 1	Percent	29.5	28.3	26.5	22.6	21.3	19.9
Grade 8	Percent	13.0	11.0	7.0	6.6	6.0	6.0
Continuation Rate as per Cohort Method							
Grade 5	Percent	54.0	58.0	77.9	80.6	82.8	84.2
Grade 8	Percent	37.0	41.0	62.0	66.0	67.5	69.6
Coefficient of Efficiency							
Basic Education	Ratio	0.5	0.5	0.61	0.65	0.66	0.77
Achievement through Learning							
Grade 5	Percent	50.0	53.0	-	-	-	-
Grade 8	Percent	44.0	46.0	-	-	-	-
Pass Rate							
SLC	Percent	62.0	68.0	64.3	55.5	47.16	41.57
Higher Secondary	Percent	23.0	25.0	28.0	31.0	42.39	-
Literacy Rate							
Age Group (15-24)	Percent	73.0	75.0	78.0	80.0	-	-
Age Group (Above 6 Years)	Percent	63.0	69.0	76	78.0	60.9	65.9
Age Group	Percent	52.0	56.0	60	62.0	56.5	-

Indicators	Unit	Fiscal Years					
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
(Above 15 Years)							
Gender Parity Index (GPI) based Literacy (Above 15 Years)	Ratio	0:6	0:7	0:90	0:9	0:62	

**First eight months*

Source: Ministry of Education

School Management

13.4 Management of schools is being handed over to communities since the fiscal year 2002/03 as per the policy of engaging stakeholder communities through devolution of school management and operation to local communities. Progress achieved on handing over school to communities from FY 2002/03 and first eight months of the current FY 2012/13 is as follows:

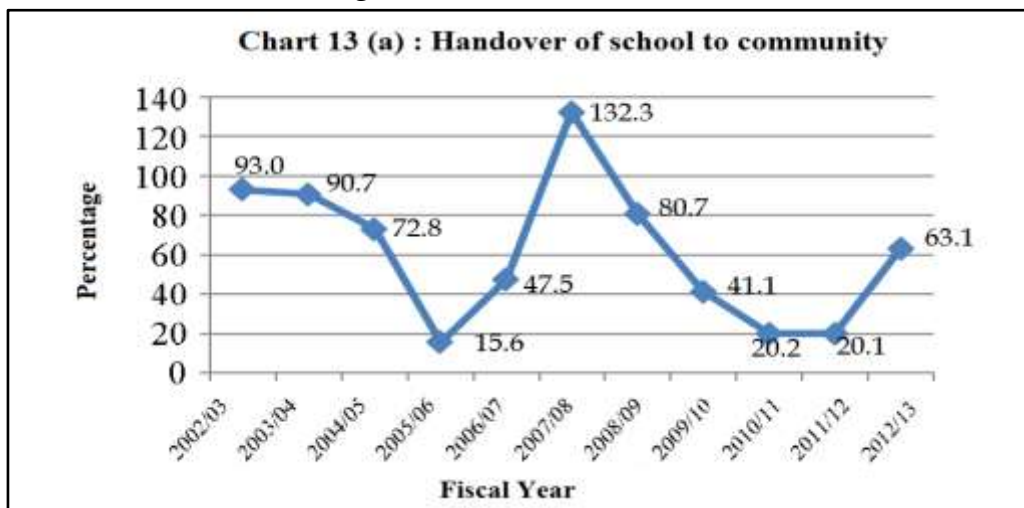
Table 13 (b) : Detail of School Management Handed Over to Communities

Fiscal Year	Target (Number)	Progress (Number)	Percentage
2002/03	100	93	93.0
2003/04	1000	907	90.7
2004/05	1500	1092	72.8
2005/06	1600	241	15.06
2006/06	2000	949	47.45
2007/08	2500	3308	132.32
2008/09	2500	2017	80.68
2009/10	4000	1647	41.18
2010/11	5400	1195	20.19
2011/12	2500	507	20.28
2012/13	750	473	63.1
Total		12429	

**First eight months*

Source: Ministry of Education

- 13.5 As of now a total of 12,429 schools have been handed over to the communities. The handing over activity that was very much encouraging in the initial years has relatively slowed down in succeeding years. Nonetheless, in comparison to success of handing over of just 20 percent schools to communities in past two years against the target, achievement of 63.1 percent is made towards handing over of schools management in FY 2012/13. Lack of progress on handing over as targeted is attributable mainly to unwillingness of communities to run schools; absence of the people's representatives at the local level; and opposition of the teachers' organizations etc.



Pre-Primary Education and Child Development Program

- 13.6 By first eight month of the current FY 2012/13, 29,535 community-based and 4,639 private schools operated child development centers totaling 34,174 pre-primary classes and Child Development Programs are in operation. Such centers are established and operated in pursuance of the policy of running pre-primary and initial child development programs and expanding community and school-based child development centers with objectives of enrollment in grade one, providing continuity to education, and capacity enhancement of the children of 3 - 4 years age group by targeting overall

development of the children, caring, and socializing them to fully prepare for primary level education. Children enrolled in grade one in the previous academic year with experience of child development centre accounted for 54.3 percent, which has increased to 55.6 percent in this academic year. Pre-primary education 3-4 years age group enrollment and achievements from FY 2009/10 to mid March 2012/13 as follows:

Table 13 (c) : Pre-Primary Education 3-4 Years Age Group Enrollment and Achievement

Fiscal Year	Added Child Development Centers (No.)	Total Child Development Centers (No.)	Beneficiary Children (No.)	Early Childhood Development Enrolment Rate	Experience of Child Development Center among Children Enrolled in Grade 1
2009/10	2000	26772	947278	66.02	49.90
2010/11	2000	28775	1018543	72.9	54.30
2011/12	500	29273	1053054	73.3	55.60
2012/13*	262	29535	Under enrolment process	-	Under distribution process

* First eight months

Source: Ministry of Education

13.7 In addition to school-based Child Development Centers, Community-Based Child Development Centers have also played significant roles in child development. Progress of community-based Child Development Centers over the years is as follows:

Table 13 (d) : Progress Detail of Community-based Child Development Centers

Fiscal Year	Children's Simple Enrolment Rate	Children's Enrolment Number
2004/05	39.4	512151
2005/06	69.9	922557
2006/07	41.4	553983

Fiscal Year	Children's Simple Enrolment Rate	Children's Enrolment Number
2007/08	60.2	823106
2008/09	63.4	881247
2009/10	66.2	947278
2010/11	72.9	1018543
2011/12	73.3	1053054

Source: Ministry of Education

Scholarship Program

13.8 Scholarships are being provided at different levels of school education with the objectives of expanding equitable access of students at different levels of education; improving the rate of retention; and broadening meaningful teaching opportunities. Program as per the scholarship criteria is selected by the school and amount is annually availed to targeted student through District Education Offices. The details of scholarships provided from FY 2008/09 to 2011/12 are as follows:

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

(In Numbers)

Scholarship	Fiscal Year				
	2008/09	2009/10	2010/11	2011/12	2012/13*
Girl Students	761939	1066799	2293744	2276479	1426986
Handicapped Students (1-8)	17200	38586	62163	69944	40736
Handicapped Students (9-10)	-	33746	4494	6193	40736
Specially Targeted Groups (22 Ethnic Groups/ Janajatis)	61725	86937	104157	86712	59785
Dalit (1-8)	-	984007	1100349	1200816	646293
Dalit (9-10)	-	-	-	75511	55112
Martyr's Children	-	56	37	62	52
Capacity Development and Scholarship for Kamlari)	-	2946	7673	7886	3573
Conflict Victims	-	758	3808	8097	1127
Student of Mountain Hostels	-	-	413	407	337
Students of Feeder Hostels	-	-	400	400	118
Students of Model Schools	-	-	148	222	133

Scholarship	Fiscal Year				
	2008/09	2009/10	2010/11	2011/12	2012/13*
Mountain Boarding School Hostel Students	-	-	220	140	80
Secondary Education	-	-	58836	59023	9856
Scholarship for Endangered Ethnic People, extremely marginalized including Children of Free Bonded Laborer, Tiller, Cattle Grazers and Badi.	-	-	13595	32703	6861
Science Students of Higher Secondary School	-	-	80	76	-

**First eight months*

Source: Ministry of Education

Educational Human Resource Center

13.9 Educational Human Resource Development Center is the entity responsible for capacity enhancement of all levels of personnel and teachers belonging to Education Service under the Ministry of Education and its entities. As per the guidelines of the School Reform Program, a policy is adopted for conducting three Teachers' Professional Development (TPD) Modules each of 10 days totaling 30 days every five years with the objectives of resolving problems related to tutoring of teachers, and their continuous professional development. The detailed progress report of programs operated by center is as follows:

Table 13 (f) : Progress on Training Programs conducted under the Educational Human Resource Center

(In Numbers)

Programs	Fiscal Year		
	2009/10	2010/11	2011/12
ToT for TPD/Principles on Leadership Capacity Development	1398	1524	1276
One Month In-Service Training for Gazette -III and II Officers	33	46	35
One Month Management Training for	15	20	13

Programs	Fiscal Year		
	2009/10	2010/11	2011/12
Technical .Asst.			
Professional module training for Secondary Level Teacher through Lead Resource Center/ETC	3648	4870	4940
TDP module training for Teachers of Traditional School, Monastery, Madarsha, Gurukul	-	141	150
Training for Department of Education nominated Multi Lingual Teachers at the ETC Resource Centre	135	159	3325
Training through Distance Learning Method for the 1.8 percent of Teachers yet to complete 10 Month In-Service Training		464	533
Service entry training to newly appointed officer level staff	-	63	38
Training for Multiple Class School Teachers	-	46	763
A Ten-Day In-Service Training for Resource Persons	-		
Training for resource teachers to teach students with special needs	-	77	100
Basic ICT Training for Teachers	-	60	50
3 months Training of Resource person/trainer/ roster/ School Inspectors/Under Secretaries through development of professional development course by using online/ offline method	-	20	150
Integrated ToT on Peace, Human Right, and Civic Education and on Child Friendly Teaching Method	-	2297	600
ToT on Profession, Business, and Technology	-	26	216
A Ten-Day Training on Profession, Business and Technology for Teachers teaching in Grade-6 of 100 Schools who	-	-	186

Programs	Fiscal Year		
	2009/10	2010/11	2011/12
are on Probationary Period			
Leadership Capacity Development Training to School Principals	902	375	715
Leadership Capacity Development Training to Officials of Teacher Professional Organizations	-	204	-
10 day in-service training to basic education level teachers (Training-TPD)	-	86664	65000
License offered to run Open Secondary School	85	-	-
A Ten-Day In-Service Training for Secondary School Teacher	-	5418	4940

Source: Educational Human Resource Development Center/Ministry of Education

Teachers Management

13.10 Teachers' Service Commission has been carrying out the tasks of making recommendation for permanent appointment and promotion of teachers in approved vacant positions in community schools; providing teaching licenses to candidates for teaching; and extending advisory service to the Government Nepal on terms and condition of teachers' services. The Commission issued teaching license to 127,176 persons in FY 2011/12 as compared to 127,384 certificates issued in FY 2010/11.

Curriculum and Textbook Development

13.11 Curriculum Development Centre has been carrying out the tasks like - development, improvisation, and updating of curriculum and textbooks; updating of curriculum, educational materials, and teachers tutoring activities for improving education quality; bringing out policies necessary for regulating authoritativeness of subject matters for qualitative improvement of curriculum and production activities; preparing and making to prepare curriculums and textbooks necessary for educational institutions

of religious nature (like *Gurukul*, Monastery, and *Madarsa*); and development and publication of textbooks in mother languages.

Education to the Children of Martyrs and Conflict Victims

13.12 Martyrs' Memorial Academy established with the objective of providing access to the school education to children of martyrs, disappeared and injured during the conflict period. The detail of education provided to such children with residential (hostel) facility is given in the Table below:

Table 13 (g) : Detail of Schools and Benefiting Students

(In Numbers)

School	Academic Session				
	2009	2010	2011	2012	2013
SahidSmriti Boarding School, Sunsari	99	239	234	262	2070
SahidSmriti Boarding School, Giri, Dolakha	101	182	200	217	240
SahidSmriti Boarding School, Kaski	147	208	218	228	240
SahidSmriti Boarding School, Manpur, Dang	148	244	285	350	400
SahidSmriti Boarding School, Rajpur, Doti	140	185	169	195	220
Total	635	1058	1106	1252	1400

Source: Ministry of Education

Food for Education Program

13.13 This program is carried out with the goal of increasing the admission rate of students, raise the level of daily attendance, reduce the class dropout rate, increase the studying capacity of students, bringing improvements in health condition of students and increase the number of girls' admission by targeting those districts which has less access to the education. This program is operating in 17 districts and providing services with following programs:

Table 13 (h) : Detail of Food for Education Program

Fiscal Year	Program	Target Rs.	Progress
2010/11	Day Snacks Program	194000	157741
	Girl Student Encouragement Program	65352	56949
	Mother and Child Health Care Program	29000	19162
2011/12	Day Snacks Program	194000	132000
	Girl Student Encouragement Program	62000	40197
	Mother and Child Health Care Program	26000	15497
2012/13*	Day Snacks Program	194000	126000
	Girl Student Encouragement Program	62000	44026
	Mother and Child Health Care Program	26000	14325

**First eight months*

Source: Ministry of Education

13.14 Daily tiffin allowance of Rs. 15.00 to all 105,000 children studying in 0 - 5 classes in five districts of Karnali zone, and as per the quota set for students of 14 districts of Sunsari, Saptari, siraha, Sindhupalchok, Rasuwa, Bara, Dhading, Nawalparasi, Kapilvastu, Dang, Bardiya, Pyuthan and Rolpa is being distributed through schools at the rate of Rs. 12.00 per student.

Technical and Vocational Education

13.15 Educational programs of Diploma/Certificate and Technical SLC levels are being conducted through annexed Community schools of the Council, and private schools affiliated to it in the areas of Agriculture, Engineering, Health, Development and Management with the objective of making contribution to the national economy by creating self-employment opportunities through the production of skillful human resource. Additionally, on the side of professional trainings as per the need of national and international labor market - life-use, skill and labor oriented short-term trainings in the areas like rural animal health, bee keeping, vegetable cultivation, horticulture, plant nursery, cooking, baking, electrical fitting, plumbing, construction business, computer, radio, television repair, photography,

beautician are being conducted. Details of trainings so conducted are given below:

Table 13 (i) : Technical and Vocational Training Programs

Program	Indicator	Unit	Fiscal Years		
			2067/68	2068/69	2069/70*
Regular Program					
Constituent					
Technical SLC	Enrolment	Person	922	922	1278
	Production	Person	820	820	654
Diploma Certificate	Enrolment	Person	299	-	1,220
	Production	Person	-	-	640
On Community School Side (Annex Program)	Enrolment	Person	1,200	1,700	2,645
	Production	Person	441	1,200	859
Affiliation Granted Private Schools					
Technical School Level	Enrolment	Person	7,840	9,245	10,040
	Production	Person	5,406	7,051	654
Diploma and Certificate Level	Enrolment	Person	11,122	12,138	11,910
	Production	Person	4,725	6,252	5,087
Technical School/Polytechnic Extension					
Affiliated School Side	School Extension	No.	1	6	18
Affiliation Granted Private School					
1) Permanent Affiliation- Technical SLC-Diploma Certificate Level	School Extension	No.	2	12	4
2) Granting Short-Term Affiliation and Approval	Developing Skills	No.	9	9	1
Vocational Training Program					

Program	Indicator	Unit	Fiscal Years		
			2067/68	2068/69	2069/70*
Assessing skills after providing short-term Training	Developing Skills	Person	878	821	340
Vocational Training for Livelihood	Developing Skills	Person /Week	13,241	3,825	1039
Scholarship Programs for Target Group					
Diploma/Certificate Level	Social Security	Person	225	225	225
Technical SLC Level	Social Security	Person	150	150	150
Free Technical Education for Marginalized Groups					
Diploma/Certificate Level	Social Security	Person	480	524	1124
Technical SLC Level	Social Security	Person	228	425	678
Community Service					
Human Health Service	Service	Person	17,284	7,125	7,275
Veterinary Service	Service	No.	6,623	3729	6,029
Technical Service and Counseling to Farmers	Service	Person	3,358	486	1,177
Health Camp	Mobile Service	No.	2	7	-
Skill Assessment and Verification	Verification	Person	43942	24,000	7,562
Technical Education in Community Schools (Annex) Program Extension	School	No.	14	-	29

*First eight months

Source: Ministry of Education

13.16 Vocational Education and Training Promotion Project is in operation in the financial and technical assistance of the World Bank with objectives of broadening the access to quality training opportunities towards instantly supply the skilled human resource as per the market demand, and help strengthening the technical education and vocational training program in Nepal. Activities of this program are mainly focused on enhancing inclusive access to technical and vocational training by especially targeting 75,000 facility deprived youth groups belonging the poor, those living in backward regions, women, *Dalits*, highly marginalized ethnic communities, and physically challenged. The detail of achievements made in the first eight months of fiscal years 2011/12 and 2012/13 are given below:

Table 13 (j) : Details of Vocational Education and Training Enhancement

Program	Unit	Fiscal Year	
		2011/12	2012/13*
Skill Test Assessors Training	Person	1050	225
Skill Test Manager Training	Person	72	51
Head Instructor Training	Person	40	40
Instructor and Assistant Instructor Training	Person	200	202
Scholarships for Diploma and Technical SLC Level Students	Person	904	908

**First eight months*

Source: Ministry of Education

13.17 Result-based short-term 390 hours training was imparted to 7,360 participants in 18 districts through 68 training providing institutions in first eight months of fiscal year 2012/13. Likewise, 1,000 participants from three districts of Kathmandu valley were selected for voucher-based short-term training and sponsored to 25 institutions, while notice has been published for certification of informally trained 6,000 people.

Informal Education and Open Schools

13.18 Informal Education Center has been carrying out the activities in the areas of basic literacy, drafting policy framework for post-literacy alternative education; development and expansion of the program; implementation and monitoring; development and production of curriculum and study materials; and capacity enhancement of human resource engaged in the informal education sector. Such activities of the Center is in pursuance of the National Education Policy of ensuring the fulfillment of learning opportunities to all those opportunities deprived illiterate adults through provisions of basic and post-literacy continuous education facility; and mainstreaming the teenagers into the education system to those remaining out of schools by providing them with schooling-equivalent alternative education opportunities. Additionally, illiterate adults targeted National Literacy Campaign is launched and beginning from FY 2012/13 a Literate Nepal Campaign program is launched. Community Studies Center with the objective of promoting community learning, and local business oriented income generation programs are also in operation by forming groups of deprived women of backward communities. The detail of programs in operation under this such arrangement is as follows:

Table 13 (k) : Programs in operation under the Non-Informal Education Program

Program	Unit	Fiscal Year	
		2011/12	2012/13*
Literacy Class	Class	-	Running
	Number of Participants	769,336	
Skill Training	Class	2,352	-
	Number of Participants	68,770	
Adult Literacy	Class	3000	Running
	Number of	60,000	

Program	Unit	Fiscal Year	
		2011/12	2012/13*
	Participants		
Female Education-II	Class	3000	-
	Number of Participants	60,000	
Primary Education Extension Program	Class	248	248
Non-formal Primary Education	Class	526	526
Lower Secondary Open School	School	37	37
Income Generating Group	Group	5,050	5,050
Subject-Wise Training	Number	45,450	Running
Saving and Credit Training	Person	10,100	Running
Establishment of Community Study Center	Center	83	-
Establishment of Non-formal Education and Orientation to Non-formal Education Branch Heads	Region	-	5
	Person	-	80
Orientation on Program Implementation	Region	5	5
	Person	-	160
Review and Feedbacks	Region	5	-
Non-formal Primary Education		526	526
35-Day Rural Health Workers Training on Agriculture, Veterinary and Public Health	District	3	-
	Person	264	-
Establishment of Non-formal Education and Orientation to Non-formal Education Branch Heads	Region	-	5
	Person	-	80

*First eight months

Source: Non-Formal Education Centre/Ministry of Education

13.19 Literacy programs were conducted in FY 2011/12 in nine districts namely Terhathum, Solukhumbu, Rasuwa, Manang, Mustang, Myagdi, Humla, Dolpa and Mugu, 344 VDCs of other districts, and 18 wards of Municipalities aiming at eradication of illiteracy. In FY 2012/13, similar programs with same objective are being carried out in 13 districts namely Taplejung, Paanchthar, Sankhuwasabha, Bhojpur, Okhaldhunga, Lalitpur, Bhaktapur, Lamjung, Kaski, Parbat, Palpa, Jumla, and

dadeldhura. Beside those 13 districts, programs are in operation in selected VDCs/Municipalities of every district with the target of making the people fully literate. As a result, it is estimated that 1,105,063 adults will be literate by fiscal year 2012/13.

- 13.20 Open schools of grades 6 – 8 and 9 – 10 are brought into operation since 2006 A.D. by targeting the people unable to provide continuity to school education. Grades 6 – 8 Lower Secondary School is operated by shortening the three-year course into a two-year comprehensive course under the management of Informal Education Center. Thirty seven open Secondary Schools are in operation by academic session of 2012/13. Open Secondary School Program is also in operation by shortening the 9 – 10 grades education to one-year under the management of Educational Human Resource Development Center by targeting the people unable to complete formal school education. There are 84 such open Secondary Schools operating in 75 districts by academic session 2012/13. Among 7,174 students who appeared in SLC examination of 2011 studying in such schools, 3,069 students (42.77 percent) have passed SLC.

Detail of Schools, Students, and Teachers and their Ratios

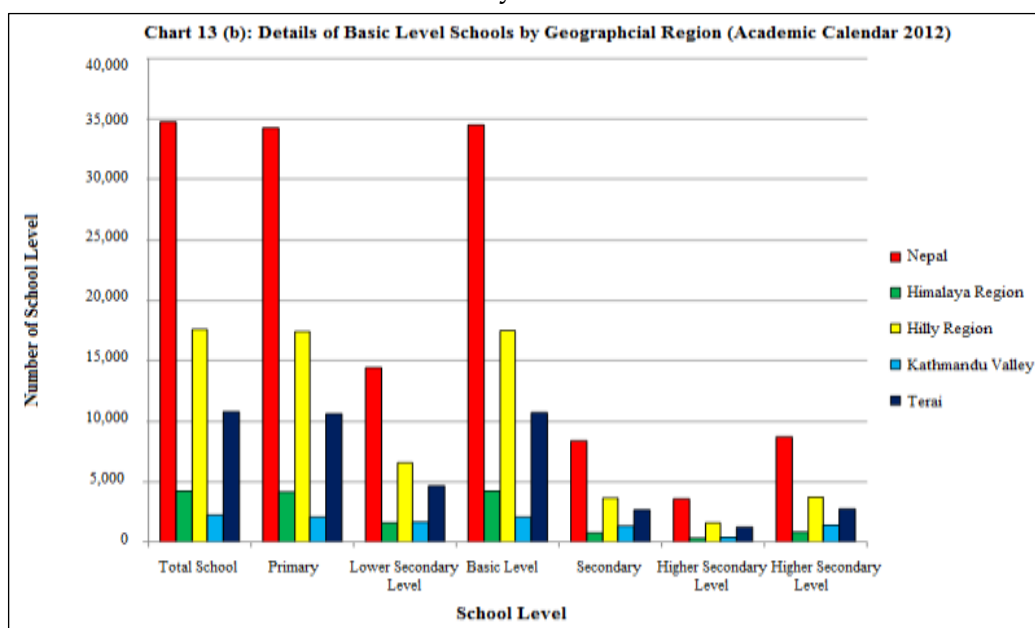
- 13.21 Distribution of schools in Nepal by ecological regions and students studying in those schools in academic session 2012 shows 34,298 Primary Schools of which 12.17 percent are in Mountains, 50.78 percent in Hills, 6.06 percent in Kathmandu valley, and 31.00 percent in Terai. Similarly, of the total 14,247 lower Secondary Schools, shares of Mountain, Hills, Kathmandu valley and Tarai stood at 10.93 percent, 45.48 percent, 11.61 percent, and 31.99 percent respectively. On Secondary Schools front, shares of Mountain, Hills, Kathmandu valley, and Tarai share 9.30 percent, 43.67 percent, 15.74 percent, and 31.29 percent totaling 8,416 in the country.

Table 13 (l): Distribution of Schools by Geographical Regions

Geographic al Region	Total Numb er of School	Primar y Level(1-5)	Lower Secondar y Level (6-8)	Basic Leve l (1-8)	Secondar y Level (9-10)	Higher Secondar y Level (11-12)	Higher Secondar y Level (9-12)
Nepal	34,782	34,298	14,447	34,484	8,416	3,596	8,711
Mountain	4,210	4,173	1,579	4,203	783	318	790
Hill	17,556	17,418	6,570	17,504	3,675	1,575	3,726
Kathmandu Valley	2,213	2,077	1,677	2,092	1325	438	1444
Terai	10,803	10,630	4,621	10,685	2,633	1265	2,751

Source: Ministry of Education

13.22 Out of 8,416 total Secondary Schools in the country, Mountain shares 783, Hills 3,675, and Tarai 2,633. The number of Secondary Schools in Kathmandu valley stood at 1,325.



13.23 Ratios of Schools, Students and Teachers in Primary Schools (grades 1 – 6), Lower Secondary Schools (grades 6 – 8), and Secondary Schools (grades 8 – 10) in the country is given in the following Table:

Table 13 (m): Ratio of School, Student and Teacher in Academic Year 2012 by Level

Ratio	Primary Level (1-5)	Lower Secondary (6-8)	Basic Level (1-8)	Secondary Level (9-10)	Secondary Level (9-12)
Student/School	133:1	126:1	186:1	104:1	145:1
Teacher/School	47:1	33:1	59:1	6.4:1	7.0:1
Student/Teacher	38:1	60:1	42:1	31:1	23:1

Source: Ministry of Education

13.24 Similarly, Teachers to Students Ratios of all private/government (all community managed schools) in academic session of 2012 by Development Region is as follows:

Table 13 (n): Ratio of Student per Teacher

Region	Per Student Teacher Ratio					
	Private/Government Total			Only Government (All Community Schools)		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
Nepal	25:6	36:2	23:7	29:4	43:6	31:4
Eastern Region	24:1	38:4	27:2	26:7	42:9	32:4
Mountain	20:8	30:0	21:7	22:1	31:3	22:6
Hill	19:3	34:1	27:9	20:0	35:3	29:8
Terai	29:0	44:1	27:8	35:9	56:4	38:1
Central	30:0	32:3	19:5	36:1	45:0	30:2
Mountain	19:7	34:8	25:3	20:5	37:0	27:2
Hill	19:5	32:9	21:0	22:2	38:6	28:6
Terai	56:4	61:9	38:5	61:7	76:5	45:9
Kathmandu	17:4	17:9	11:4	14:9	18:2	15:9

Valley						
Western	17:7	30:5	19:7	20:1	35:5	25:1
Mountain	4:0	7:0	5:0	3:6	7:1	4:9
Hill	14:8	28:6	19:3	15:7	31:6	23:2
Terai	25:4	35:0	20:7	33:6	47:7	31:8
Mid-Western	31:7	52:2	36:7	34:1	57:2	41:9
Mountain	25:5	42:3	28:2	26:8	43:7	28:3
Hill	34:8	55:8	43:5	37:3	58:7	45:2
Terai	30:0	50:9	32:6	32:6	60:8	44:0
Far Western	27:2	40:2	35:1	30:6	41:6	35:6
Mountain	22:1	29:7	23:9	23:5	30:4	24:1
Hill	25:9	34:4	26:7	28:5	35:2	27:6
Terai	33:2	60:0	56:9	41:5	60:4	58:6

Source: Ministry of Education

13.25 The Region-wise detail of schools operating in the country under the government, communities, and the private sector across the country is given below:

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

Development Region	Government Run			Community Run			Private Run		
	Primary Level	Lower Secondary Level	Secondary Level	Primary Level	Lower Secondary Level	Secondary Level	Primary Level	Lower Secondary Level	Secondary Level
Eastern	5466	1495	767	875	877	471	1020	602	391
Central	6664	1965	1025	1292	915	568	2121	1695	1360
Western	5867	1567	956	530	718	395	1153	824	567
Mid-Western	3775	943	471	1108	851	385	467	251	164
Far Western	2662	827	385	867	692	382	431	225	129
Total	24434	6797	3604	4672	4053	2201	5192	3597	2611

13.26 The Central Development Region has the largest number of schools when compared by region. Of the community managed primary schools, there are more such schools in Far Western Development Region than in the Western Development Region.

Traditional Schools

13.27 The numbers of Primary, Lower Secondary, Basic and Secondary level traditional hostels/Gurukul, Monastery, *Vihars*, and *Madarsa* schools operating in the country in academic session of 2012 stood at 806, 41, 818 and 15 respectively, the detail of which is given below:

Table 13 (p) : Detail of Traditional Schools

Traditional Schools	School Unit	School Levels			
		Primary	Lower Secondary	Secondary	Basic
Madarsha	689	688	21	6	689
Monasteries/ <i>Bihar</i>	74	72	5	0	74
Ashram/Gurukul	55	46	15	9	55
Total	818	806	41	15	818

Source: Ministry of Education

Detail of Teachers

13.28 Of the teachers engaged in teaching in community and institutional schools, the number of female and male engaged in the former type stood at 65,517; and 1,56,606 totaling 2,23,123 while such number in the latter type stood at 34,535 and 44,739 totaling 79,274. The detail of all type of teachers engaged in schools is given below:

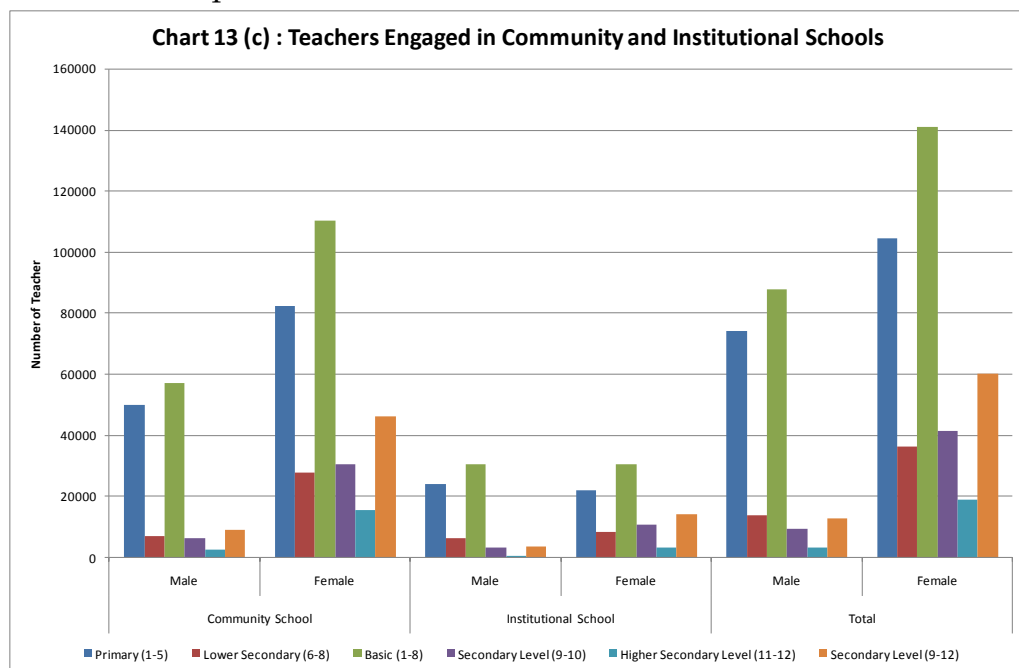
Table 13 (q) : Detail of All Kind of Teachers Engaged in Community and Institutional Schools

Level	Community School			Institutional School			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Primary (1-5)	49980	82399	132379	24189	21966	46155	74169	104365	178534
Lower Secondary (6-8)	7248	28020	35268	6561	8560	15121	13809	36580	50389

Level	Community School			Institutional School			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Basic (1-8)	57228	110419	167647	30750	30526	61276	87978	140945	228923
Secondary Level (9-10)	6426	30622	37048	3254	10829	14083	9680	41451	51131
Higher Secondary Level (11-12)	2863	15565	18428	531	3384	3915	3394	18949	22343
Secondary Level (9-12)	9,289	46187	55476	3785	14213	17998	13074	60400	73474
Total	66517	156606	223123	34535	44739	79274	101052	201345	302397

Source: Ministry of Education

13.29 Among the Basic Level teachers, there are more women in institutional schools than men. In comparison to one third women teachers engaged in community schools, there are more than 40 percent women teachers in institutional schools



13.30 Observation of conditions of female teachers engaged the teaching profession in all categories of schools shows greater need of improvement. Comparison, however, shows some

improvement in the primary level with gender equity index of 0.71 while such indices for Lower Secondary and Secondary Levels show 0.38 and 0.62 respectively. Statistics on participation of women also in institutional level has been positive.

Table 13 (r) : Gender-wise Detail of Teachers by Schools and by Levels

Types of School	Primary (1-5)			Lower Secondary (6-8)			Basic (1-8)		
	Girls %	Boys %	GPI	Girls %	Boys %	GPI	Girls %	Boys %	GPI
GPI in total number of Teachers in all types of School	41.5	58.5	0.71	27.4	72.6	0.38	38.4	61.6	0.62
GPI in total number of Teachers in Institutional School	52.4	47.6	1.10	43.4	56.6	0.77	50.2	49.8	1.01
GPI in total number of Teachers in Community Schools	37.8	62.2	0.61	20.6	79.4	0.26	34.1	65.9	0.52
GPI in total number of Teachers working at approved posts in Community Schools	37.9	62.1	0.61	20.1	79.9	0.25	34.3	65.7	0.52

Source: Ministry of Education

13.31 Majority of teachers working in approved positions in Community Schools are trained. Some are with partial training while very few are without any training. Only 3.5 percent and 6.2 percent teachers at the Primary and Basic Levels are without any training respectively. Likewise, 87.1 percent of Secondary Level (grades 9 - 10) teachers are trained while 4.8 percent are partial trained, the remaining 8 percent without any training. Training related details are given in Tables 13 (s).

Table 13 (s) : Numeric Detail of Teachers Training at the Basic Levels

Training Status	Primary			Lower Secondary			Basic		
	Girls	Boys	Total	Girls	Boys	Total	Girls	Boys	Total
Trained	68,886 (92.9)	97,879 (93.8)	166,765 (93.4)	10792 (78.2)	29221 (79.9)	40013 (79.4)	79,678 (90.6)	127,100 (90.2)	206,778 (90.3)

Partially Trained	1,961 (2.6)	3,638 (3.5)	5,599 (3.1)	474 (3.4)	1887 (5.2)	2361 (4.7)	2,435 (2.8)	5,525 (3.9)	7,960 (3.5)
Untrained	3,322 (4.5)	2,856 (2.7)	6,178 (3.5)	2543 (18.4)	5472 (15.0)	8015 (15.9)	5,865 (6.7)	8,328 (5.9)	14,193 (6.2)
Total	74,169	104,373	178,542	13,809	36,580	50,389	87,978	140,953	228,931

Source: Ministry of Education

Note: Figures in brackets represent percentage

Table 13 (t): Numeric Detail of Teachers Training at the Secondary Level

Training Status	Secondary (9-10)			Higher Secondary (11-12)			Secondary (9-12)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Trained	5,481 (85.3)	26,805 (87.5)	32,286 (87.1)	1,840 (64.3)	10,156 (65.2)	11,996 (65.1)	7,321 (78.8)	36,961 (80.0)	44,282 (79.8)
Partially Trained	326 (5.1)	1462 (4.8)	1,788 (4.8)	212 (7.4)	870 (5.6)	1,082 (5.9)	538 (5.8)	2,332 (5.0)	2,870 (5.2)
Untrained	618 (9.6)	2,359 (7.7)	2,977 (8.0)	811 (28.3)	4,539 (29.2)	5,350 (29.0)	1,429 (15.4)	6,898 (14.9)	8,327 (15.0)
Total	6425	30,626	37,051	2863	15,565	18,428	9,288	46,191	55,479

Source: Ministry of Education

Note: Figures in brackets represent percentage

Students Detail

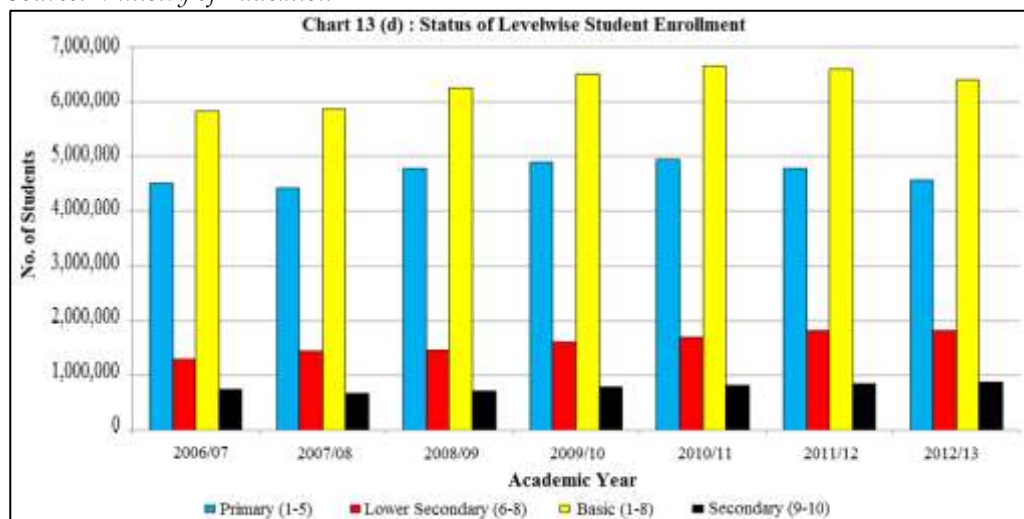
13.32 Observation of the status of students' enrollment for past few years shows a rising trend. The number of students enrolled in academic session 2012 stood 4,576,693 at the Primary; 6,399,885 at the Basic; and 878,047 at the Secondary levels. The data in detail is presented in the following Table and Chart.

Table 13 (u) : Students Enrollment Status

Level	2006	2007	2008	2009	2010	2011	2012
Primary (1-5)	4,515,059	4,418,713	4,782,313	4,900,663	4,951,956	4,782,885	4,576,693
Lower Secondary (6-8)	1,301,134	1,443,515	1,466,862	1,604,422	1,699,927	1,812,680	1,823,192
Basic (1-8)	5,816,193	5,862,228	6,249,175	6,505,085	6,651,883	6,595,565	6,399,885

Level	2006	2007	2008	2009	2010	2011	2012
Secondary (9-10)	739387	671182	715378	790348	811910	848569	878047

Source: Ministry of Education

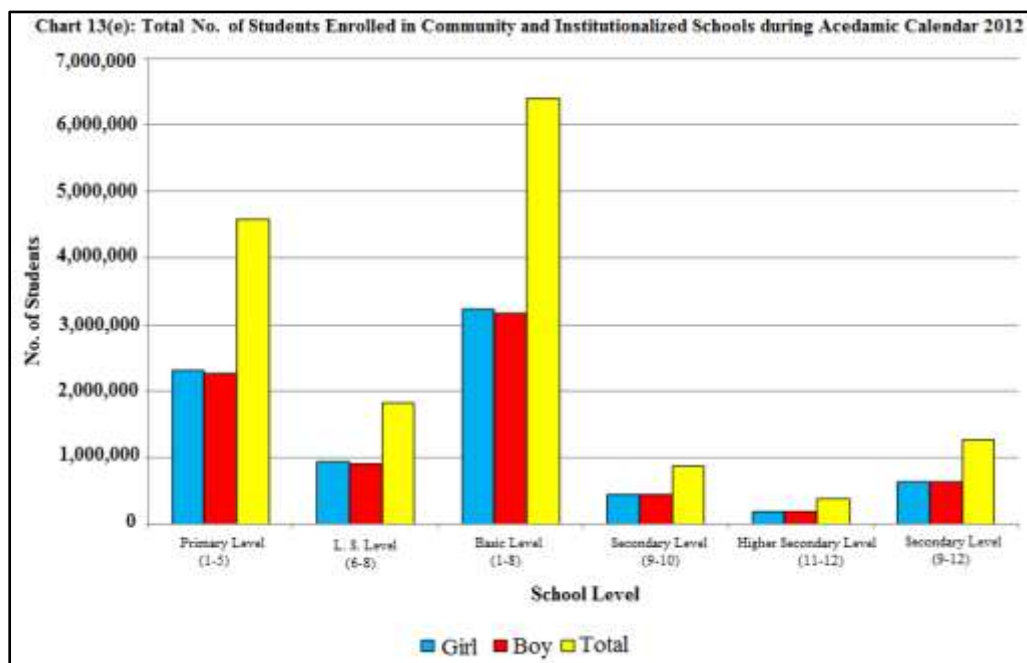


13.33 The total number of students studying in community and institutional schools in the academic year 2012 has reached 76,65,448. The following Table and Chart clarifies the number of students by level.

Table 13 (v) : Status of Students by Levels in Academic Year 2012

Level	Number of Students		
	Girl Students	Boy Students	Total
Primary (1-5)	2,309,970	2,266,723	4,576,693
Lower Secondary (6-8)	927,705	895,487	1,823,192
Basic (1-8)	3,237,675	3,162,210	6,399,885
Secondary Level (9-10)	437,007	441,040	878,047
Higher Secondary Level (11-12)	195,565	191,951	387,516
Secondary Level (9-12)	632,572	632,991	1,265,563
Total	38,70,247	37,95,201	76,65,448

Source: Ministry of Education



13.34 The net enrollment of students in academic year 2012 at different levels of schools shows (5 to 9 years of age) 95.3 percent at the Primary Level; 72.2 percent at the Lower Secondary (10 to 12 years of age); and 54.3 percent at the Secondary Level (13 - 14 years). Likewise the gross enrollment (including all those beyond the abovementioned age groups also) shows 130.1 percent for Primary, 100.6 percent for Lower Secondary and 71.7 percent for Secondary Levels.

Table 13 (w) : Detail of Level-wise (GER and NER) Student Enrollment

Level	Gross Enrolment Rate (GER)			Net Enrolment Ratio (NER)		
	Girl Students	Boy Students	Total	Girl Students	Boy Students	Total
Primary (1-5)	132.7	127.5	130.1	94.7	95.9	95.3
Lower Secondary (6-8)	105.5	96.07	100.6	71.8	72.6	72.2
Basic (1-8)	123.5	116.7	120.1	87.0	87.9	87.5
Secondary Level	73.6	69.9	71.7	54.0	54.6	54.3

Level	Gross Enrolment Rate (GER)			Net Enrolment Ratio (NER)		
	Girl Students	Boy Students	Total	Girl Students	Boy Students	Total
(9-10)						
Higher Secondary Level (11-12)	32.6	30.7	31.6	10.6	10.2	10.4
Secondary Level (9-12)	53.0	50.4	51.7	32.2	32.5	32.4

Source: Ministry of Education

13.35 Detail of students appeared and passed in SLC examination annually conducted by Office of the Controller of Examinations are given below:

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

Year	Appeared	Regular			Exempted		
		Girl	Boy	Total	Girl	Boy	Total
2008	Appeared	184182	158450	342632	18883	27006	45860
	Passed	136262	101940	234602	9302	12585	21887
	Percent	72.03	64.34	68.47	49.26	46.60	47.69
2009	Appeared	205281	179865	385146	17774	24131	41905
	Passed	138716	108973	247689	5609	6618	12227
	Percent	67.57	60.59	64.31	31.56	27.43	29.18
2010	Appeared	210253	187506	397759	23894	32379	56363
	Passed	124305	96461	220766	4431	5302	9733
	Percent	59.12	51.44	55.50	18.54	16.38	17.30
2011	Appeared	215008	204113	419121	33519	43481	77000
	Passed	112627	87087	199714	5195	5612	10807
	Percent	52.38	42.67	47.65	15.50	12.91	14.04
2012	Appeared	206190	197746	403936	43764	63483	107229
	Passed	96454	71481	167935	3821	4497	8318
	Percent	46.78	36.15	41.57	8.73	7.08	7.76

Source: Ministry of Education

Higher Secondary Education

13.36 Higher Secondary Education has been adopted with the specialized objectives of preparing students to receive specialized higher education while preparing medium level human resource at various parts of the country for the overall national development, and producing students capable for specialized higher education in various faculties together with medium level human resource. By the academic session 2012/13, the number of higher secondary schools receiving affiliation totals 3,598 with 2,648 community schools, 653 private schools, 159 ten plus two schools and 136 campuses. In this academic session, a total of 332,680 regular students are studying in grade 11 and 12 in community and institutional higher secondary schools comprising 284,187 students in grade 11 and 133,637 students in grade 12. Various programs are being conducted such as awarding scholarships to talented students belonging to poor, suppressed, *Dalits* and backward community people of remote areas; establishing Educational Welfare Fund; revising and developing new curriculum; promoting educational programs in remote areas; improving Higher Secondary School's physical and educational programs, imparting integrated teaching skills training to teachers; 'implementing special education assistance program' for increasing access to higher secondary education for visually impaired, deaf and poor listening capacity students, and increasing access to community higher secondary education of ultra-poor and backward *Madeshsi* students among others.

Number of Affiliated Schools

13.37 Total number of affiliated community, private, +2 schools including campuses by Development Regions, in Academic Session of 2011/12 is presented below:

Table 13 (y) : Region wise Detail of Affiliated Higher Secondary Schools

Development Regions	Geographical Region	2011					2012					2013				
		Community	Private	+2	Campus	Total	Community	Private	+2	Campus	Total	Community	Private	+2	Campus	Total
Eastern Region																
	Mountain	60	2	0	4	66	62	2	0	4	68	64	2	0	4	70
	Hill	231	10	3	4	248	254	10	3	4	271	262	10	3	4	279
	Terai	200	79	28	15	322	224	87	28	15	354	233	101	28	15	377
	Total	491	91	31	23	636	540	99	31	23	693	559	113	31	23	726
Central	Mountain	88	1	0	2	91	94	1	0	2	97	94	1	0	2	97
	Hill	331	203	81	47	662	373	219	81	48	721	403	233	81	48	765
	Terai	221	48	25	16	301	247	56	24	16	343	270	59	24	16	369
	Total	631	252	106	65	1054	714	276	105	66	1161	767	293	105	66	1231
Western	Mountain	4	0	0	0	4	4	0	0	0	4	4	0	0	0	4
	Hill	430	70	7	22	529	478	82	7	20	587	503	90	7	20	620
	Terai	123	56	5	11	195	134	60	5	11	210	140	65	5	11	221
	Total	557	126	12	33	728	616	142	12	31	801	647	155	12	31	845
Mid-Western	Mountain	39	0	0	39	47	1	0	0	2	50	56	1	0	2	59
	Hill	153	3	0	159	172	7	0	0	3	182	188	10	0	3	201
	Terai	86	31	5	125	95	34	5	5	3	137	98	40	5	3	146
	Total	278	34	5	323	314	42	5	5	8	369	342	51	5	8	406
Far Western	Mountain	69	0	0	70	75	0	0	0	1	76	80	0	0	1	81
	Hill	120	3	1	126	131	4	1	1	2	138	140	4	1	2	147
	Terai	97	24	5	130	109	26	5	5	5	145	113	37	5	5	160
	Total	286	27	6	326	315	30	6	6	8	359	133	41	6	8	388
	Grand Total	2243	530	160	3067	2499	589	159	159	136	3383	2648	653	159	136	3596

Source: Higher Secondary Education Council/Ministry of Education

Status of Students in Higher Secondary School

13.38 Details of the students appeared and passed in annual examination of Grade 11 and 12 from academic sessions 2009 to 2013 are given below:

Table 13 (z) : Number of Students appeared and passed in Annual Examination

Year	Grade 11						Grade 12					
	Appeared			Passed			Appeared			Pass		
	Boys	Girls	Total	Boys	Girls		Boys	Girls	Total	Boys	Girls	Total
2009	106157	99043	205200	46903 (44.18)	37228 (37.6)	84131 (41.0)	70644	62296	132940	36946 (52.3)	30383 (48.8)	67329 (50.6)
2010	132158	122613	254771	57240 (43.3)	44793 (36.5)	102033 (40.0)	94812	92005	186817	47803 (50.4)	39405 (42.8)	87208 (47.7)
2011	155989	142062	298051	65595 (42.1)	51433 (36.2)	117028 (39.3)	117093	112652	229715	55058 (47.0)	45788 (40.6)	100846 (44.0)
2012	161984	141870	303854	64908 (40.0)	51508 (36.3)	115922 (38.2)	135087	128892	263979	67005 (49.6)	58518 (45.4)	125523 (48.0)
2013	151233	134044	285277	62163 (41.10)	51790 (38.6)	113953 (40.0)	135664	126112	261776	60358 (44.5)	50608 (40.1)	110966 (42.4)

Note: Figures in brackets represent percentage of passed out students

Source: Higher Secondary Education Council/Ministry of Education

Community Higher Secondary School and Teacher Arrangement

13.39 By the end of academic year 2012/13, there is the need of providing additional 7,944 teachers to 2,648 Community managed Higher Secondary Schools at the rate of three teachers per school. The total number of additional teachers reaches 8,228 with a need to add 1 teacher each for 225 higher secondary schools running the science faculty, and 59 Higher Secondary Schools of Karnali zone. Additional teachers needed in this fiscal year would reach to 9,000 figure with the necessity of arranging one additional teacher per school for higher secondary schools having more than 200 students.

Scholarship for Higher Technical Education

13.40 Students who passed the entrance examination conducted by Ministry of Education are nominated and sent to various universities affiliated private medical colleges across the country and abroad on full scholarship for Bachelor and Master's degree level program in medicine and bachelor's level in nursing. Detail of students selected for scholarship to study in national and foreign medical colleges is given below:

Table 13 (aa) : The number of students nominated for scholarship by levels and faculties

Faculties	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13*	Country
MBBS	152	202	79	203	Nepal
BDS	18	10	57	54	Nepal
BAMS	3	7	4	17	Nepal
BN	12	12	11	11	Nepal
BPH	4	4	8	5	Nepal
B. PHARMA	-	4	13	20	Nepal
B.Sc. FORESTRY	-	4	2	5	Nepal
B.Sc. NURSING	2	4	5	17	Nepal
MBBS	21	8	3	11	Abroad
BDS	2	1	-		Abroad
PG MEDICINE	21	-	-	12	Abroad

*First eight months

Source: Ministry of Education

University Grant Commission

13.41 The University Grant Commission (UGC) has been performing tasks, such as maintain coordination among universities,

distribution of government subsidy, recommend the Government of Nepal on setting up new Universities and setting educational quality standards, etc. Likewise, the Commission has been performing quality improvement programs under its regular tasks, while it has been formulating, implementing and operating programs under the Second Higher Education Project under its development works. Under the quality improvement programs, the Commission has been carrying out a number of programs in areas of: curriculum revision and updating, enhancement of teachers' skills and capacity, development and expansion of research culture, support program at Master's level for physically challenged students and capacity enhancement programs of educational institutions in educational, academic and physical areas, and running quality improvement programs in the current fiscal year with certain modifications. In FY 2012/13, a total of 38 individuals were selected for refresher training, while 116 were selected for M. Phil and Ph. D. scholarships. Likewise, 50 were selected for micro researches, 60 assistances for conducting workshops, symposium and conferences and participatory support, library improvement and physical facilities development assistance to 210 colleges and 50 researches are targeted to complete in FY 2012/13. Similarly, with the assistance of World Bank Higher Education Project-II, works are being performed in 4 sectors: progress subsidy (motivation, works operation, and Cumulative Fund (*Jodkosh*) Grants, student financial assistance program, higher secondary education reform and systematic capacity enhancement in higher education. A target is set to accomplish program for enhancing education quality of 141 Campuses through motivation, work operation and Cumulative Fund (*Jodkosh*) Grants.

- 13.42 The Campuses operating under the Universities across the country and their numbers of students by FY 2011/12 are given below:

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

University	Campuses			Fiscal Year 2010/11			Fiscal Year 2011/12		
	Constituent	Affiliated	Constituent	Affiliated	Total	Constituent	Affiliated	Total	
Tribhuvan University	60	900	159394	230066	389460	143899	229947	373846	
Kathmandu University	6	15	3627	5655	9282	4293	7017	11310	
Purbanchal University	3	121	732	17758	18490	856	26111	26967	
Nepal Sanskrit University	13	10	3165	294	3459	3157	615	3772	
Pokhara University	4	49	788	12383	13171	1459	18770	20229	
LumbiniBoudha University	1	5	17	-	17	8	-	8	
BP Koirala Institute of Health Sciences	1	-	1192	-	1192	1155	-	1155	
National Academy of Medical Sciences	1	-	206	-	206	203	-	203	

University	Campuses			Fiscal Year 2010/11			Fiscal Year 2011/12		
	Constituent	Affiliated	Constituent	Affiliated	Total	Constituent	Affiliated	Total	
Patan Academy of Health Sciences	1	-	60	-	60	60	-	60	

Source: University Grant Commission

Universities

13.43 By Fiscal Year 2012/13, a total of 9 universities including Tribhuvan University, Kathmandu University, Purwanchal University, Nepal Sanskrit University, Pokhara University, and Lumbini University, University of Agriculture and Animal Science, Central and Far-Western Universities have been carrying various programs including teaching in various faculties of higher education, and conducting researches and studies.

Table 13 (ac) : Student Enrollment and Production Details of Universities in FY 2011/12

(In Numbers)

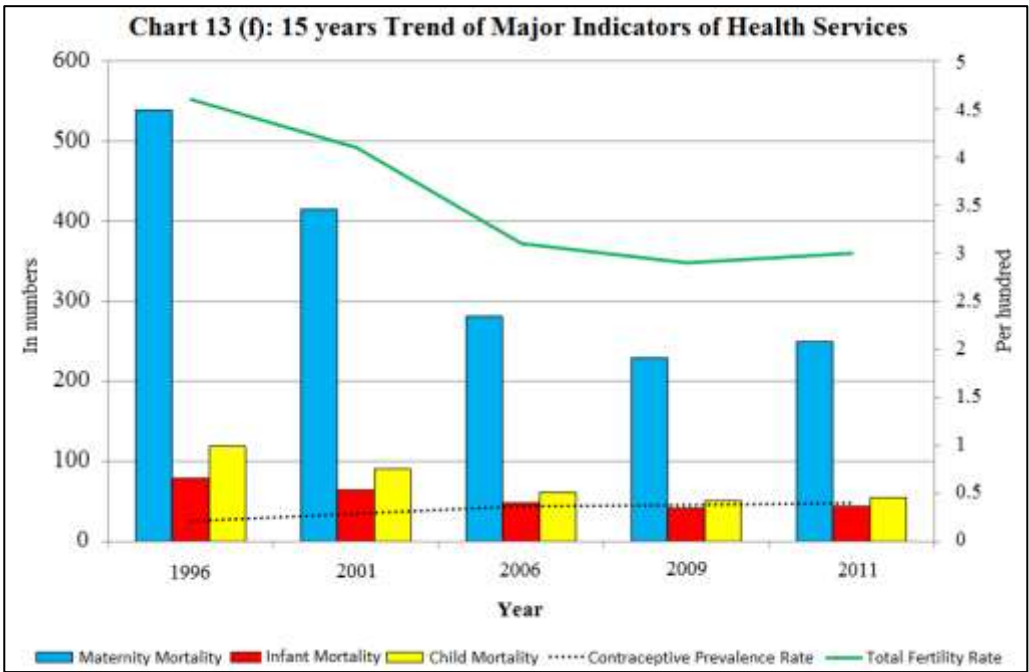
	Description	TU	KU	Purbanchal	Pokhara	LumbiniBouddha	Nepal Sanskrit	Total
Certificate	Enrolment	3375	118	-	-	-	1089	4582
	Production	13671	-	-	-	-	704	14375
Bachelor	Enrolment	90265	9684	23772	18435	-	1518	143674
	Production	50713	1304	5813	1365	-	1099	60294
Masters	Enrolment	45315	1105	3195	1727	-	227	51569
	Production	6771	379	823	342	-	233	8548
PGD	Enrolment	-	55	-	11	-	-	66
	Production	-	15	-	10	-	-	25

	Description	TU	KU	Purbanchal	Pokhara	LumbiniBouddha	Nepal Sanskrit	Total
MPhil	Enrolment	242	248	-	56	-	-	546
	Production	27	23	-	25	-	-	75
Ph.D.	Enrolment	470	100	-	-	-	180	750
	Production	48	9	-	-	-	7	64
Others	Enrolment	234179	-	-	-	17	758	234954
	Production	-	-	-	-	-	262	262
Total	Enrolment	373846	11310	26967	20229	17	3772	436141
	Production	71230	1730	6636	1742	-	2305	83643
BP Koirala Institute of Health Sciences (Enrolment)					1155			
National Academy of Medical Sciences (Enrolment)					203			
Patan Health Science Academy (Enrolment)					65			
Total Enrolment					437564			

Source: Ministry of Education

Health Sector

13.44 The Interim Constitution of Nepal, 2007 has recognized health as a fundamental right of the people. Pursuant to this provision and commitments the Government has made through regional international forums, it has been actively engaged towards ensuring citizens access to quality health services. In this context, on the basis of Millennium Development Goal (MDG) and Nepal Health Sector Program-II, the Ministry of Health and Population has been giving continuity to the priority accorded on-going programs that aimed at contributing to poverty reduction and economic prosperity of the country.



13.45 Among the Millennium Development Goals (MDG) of Nepal, significant progress has been achieved in infant and maternal mortality rates. The infant mortality rate that was 43 per thousand births in 1996 has dropped to 9 per thousand births. Likewise, maternal mortality rate that was 539 per 100,000 births in 1996 has now plummeted to 229 per 100,000 births. In the process of achieving Millennium Development Goal (MDG) from

international level, Nepal has been conferred international “Motivational Award” and “Millennium Development Goal Achievement Award” for its remarkable effort to reduce maternal mortality rate to significant level under the MDG 5. In addition to this, on leprosy control side, Nepal has declared as the Leprosy Free Nation since 2010 as well. Similarly, in 2012 June ‘Global Leaders Council for Reproductive Health’ convention was held in Geneva where Nepal received ‘Resolve Award’ for making notable progress in reproductive health sector.

Table 13 (ad) : Major Health Indicators and Achievements

Millennium Development Index	Goal	Achievements						
		Unit	1991	1996	2001	2006	2009	2011
Maternal Mortality per 100,000	134	Person	539	539	415	281	229	250
Total Fertility Rate Per Woman	2.5	Person	5.3	4.6	4.1	3.1	2.9	3.0
Girls Fertility Rate Reproduction (15-19 Years)	70	Percentage	-	127	110	98	-	98
Use of Contraceptives (Modern Methods)	67	Percentage	24	26.0	35	44	45.1	48
Child Mortality Rate below 5 years(per 1000)	38	Person	158	118.3	91	61	50	55
Infant Mortality Rate (per 1000)	32	Person	106	78.5	64	48	41	44
Newly Born Child Mortality Rate (per 1000)	16	Person		49.9	43	33	20	30

Millennium Development Index	Goal	Achievements						
		Unit	1991	1996	2001	2006	2009	2011
Weightless Child	29	Percentage		49.2	48.3	38.6	39.7	34
HIV Infection Rate (15-49 Years)	0.30	Percentage	-	-	-	-	0.49	-
TV Diagnosed and Treated	85 90	Percentage	-	48 79	70 89	65 89	71 88	75 89
Annual Malaria Infected Number Per Thousand	-	-	-	0.54	0.40	0.28	NA	NA

Source: Ministry of Health and Population

13.46 Various policy arrangements have been made in order to implement regular programs in more effective manner. Among those regular programs are the Perspective Plan for the Health Sector; MDG; Health Sector Reform Action Plan; and Three-Year Plan programs are being implemented in line with various Acts and Rules in practice in the health sector. Likewise, National Vaccination Draft Bill, and National Health Insurance Policy have been formulated. National Public Health Laboratory Policy 2012, National Health Communication Policy 2012, Human Resource Four-Year Strategic Plan of health sector and Ultra-poor Citizens Medical Treatment Fund Manual 2012 have been endorsed and brought into implementation.

Extension in Health Services and Facilities

13.47 Details on health institutions, hospitals, beds and human resources in health service sector are as follows:

Table (ae) : Details on health institutions, number of hospitals, beds and human resources

Description	Fiscal Year					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*
1. Total Health Institutions	4396	4392	4392	4393	4393	4393
a) Hospital	94	102	102	102	105	107#
b) Primary Health Center	214	214	207	208	205	204
c) Health Post	699	676	1176	1698	2175	2175
d) Ayurvedic Dispensaries	293	293	291	291	293	293
e) Sub-Health Post	3104	3114	2617	2095	1615	1615
2. Hospital Beds	6944	6944	6944	7049	7035	7285
3. Total Human Resource	91840	92010	92181	82994	92150	93495
a) Doctors	1457	1627	1798	1798	1654	1954©
b) Nurses	11637	11637	11637	12681	11756	12550
c) <i>Kabiraj</i> (Traditional Physician)	394	394	394	407	394	394
d) <i>Vaidya</i>	360	360	360	360	360	360
e) Health Assistant (HA, SHA)	7491	7491	7491	8013	8013	8563
f) Health Workers (M.C.H.W.)	3190	3190	3190	3190	3190	3190
g) Local Health Workers (Rural Health Workers)	3985	3985	3985	3985	2985	2985
h) Other Health Workers	63326	63326	63326	52560	63326	63326

(c) Including 350 Doctors studying in scholarship

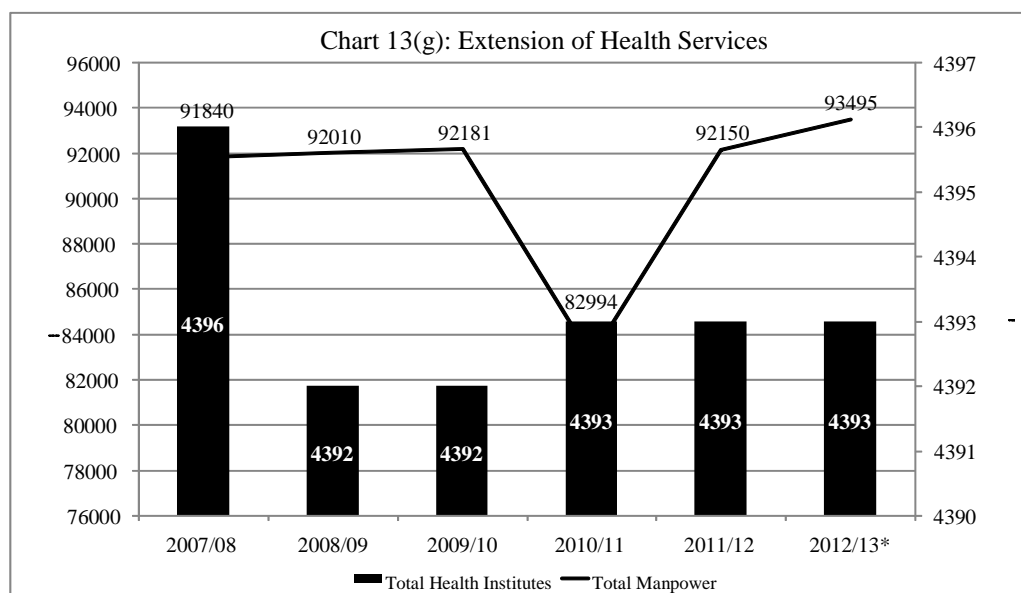
Primary Health Centers including Health Centers

Note: Health institutions are renovated with no additional health institutions and so their numbers remained unchanged

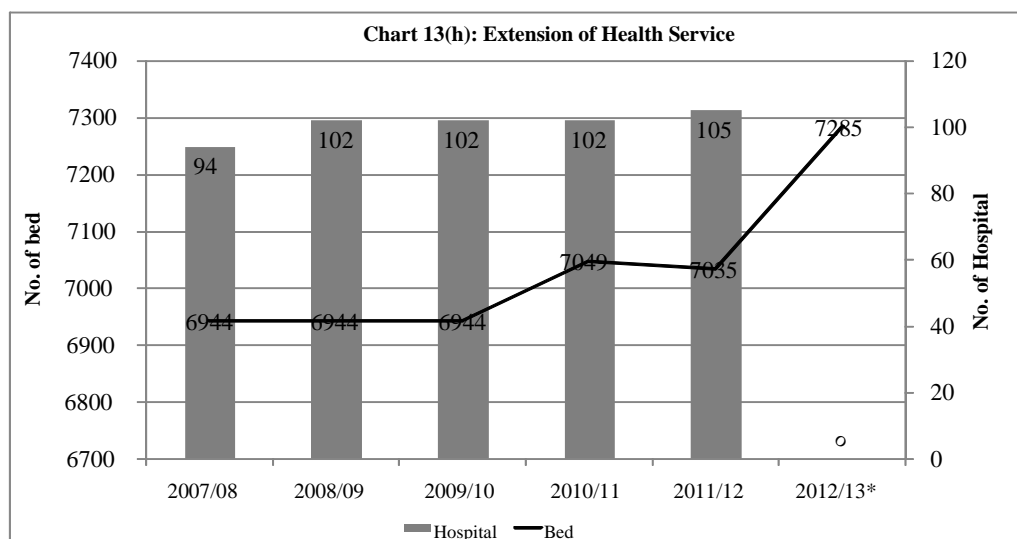
Of the first eight months

Source: Ministry of Health and Population

13.48 The number of hospitals and health institutions by mid-March of fiscal year 2012/13 totaled 4,393 including 107 hospitals, 2,175 health posts, 293 Ayurvedic hospitals and Dispensaries, 1,615 sub-health posts, 204 primary health posts, 15 bed 9 hospitals. Likewise, a total of 93,495 human resource health service including technical and non-technical staffs are engaged in health services.



Source: Ministry of Health and Population



Source: Ministry of Health and Population

13.49 The details on the population benefiting from various health services delivered by hospitals all across the country in different fiscal years are as follows:

Table 13 (af) : Health Beneficiary population by development regions

By Country/ Development Region	Fiscal Year 2010/11			Fiscal Year 2011/12			Fiscal Year 2012/13*		
	Admit	OPD	Emergency	Admit	OPD	Emergency	Admit	OPD	Emergency
Nepal/National	394773 (2.97)	3169624 (3.36)	697144 (2.90)	430179 (8.96)	3295619 (3.97)	764344 (9.63)	169928 (-33.19)	1310022 (29.05)	307854 (-30.43)
Eastern	90018	630363	142863	130504	753076	190921	48400	343748	85630
Central	127489	1015953	251771	144908	1223645	279909	39142	292468	77510
Western	102054	865956	163587	75911	660145	131093	56427	422303	80626
Mid-Western	43459	389822	56773	40058	351848	59585	12237	124700	27183
Far-Western	31753	267530	82150	38798	306905	102836	13722	126803	36905

*Of the first eight months

Figures in the brackets represent percent increased as compared to previous year

Source: Department of Health Services

13.50 The number of patients benefiting from health services through admission in hospitals had increased by 8.96 percent, outpatient service by 3.97 percent, and emergency service by 9.63 percent in fiscal year 2011/12 as compared to those of its previous fiscal year. The number of patients admitted in hospitals and benefited

from health services has declined by 33.19 percent, outpatient service by 25.09 percent and emergency service by 30.43 percent in the first eight months of current fiscal year 2012/13 as compared to the corresponding period of previous fiscal year.

Table 13(ag) : Quantitative Details of all types of Outpatient Services by Development Regions

By Country/Development Region	Fiscal Year			
	FY 2010/11	FY 2011/12	FY 2011/12*	FY 2012/13*
Nepal/National	19,708,800 (-5.67)	21,670,572 (9.95)	13,237,225	11,520,536 (-12.96)
Eastern	4,640,003	4,520,025	2,991,108	2,752,511
Central	5,774,617	6,785,721	3,953,281	3,225,556
Western	3,981,678	4,894,134	2,976,000	2,368,010
Mid-Western	3,270,108	3,226,630	2,008,915	1,918,822
Far-Western	2,042,394	2,244,062	1,307,921	1,255,637

**Of the first eight months*

Figures in brackets represent percent increased as compared to previous year

Source: Department of Health Services

13.51 The number of patients in all types of national level outpatient services has increased by 9.95 percent benefiting 21,670,572 patients in fiscal year 2011/12 as compared to that of its preceding fiscal year 2010/11 while the number of patients in all types of national level outpatient services have benefited 11,520,536 patients in first eight months of the current fiscal year 2012/13, which is a decline of 12.99 percent as compared to the corresponding period of previous fiscal year.

Extended Vaccination and National Polio Vaccination Program

13.52 Extended vaccination and vaccination against polio program, measles-rubella vaccine program for children of age group (from 9 months to below 15 years) was conducted in 75 districts with the objective of reducing child mortality rate; and national polio

vaccination program was conducted twice in all 75 districts in fiscal year 2011/12. Also, CBIMCI training was conducted for 200 left out and newly admitted Female Health Volunteers. Progress made from this program is presented in Table 13 (ah).

Table 13(ah): Description of Extended Vaccination Program

In numbers

Indicators	FY 2010/11	FY 2011/12	FY 2011/12*	FY 2012/13*
BCG Vaccine	637969 (4.06)	632422 (-0.86)	471335	348363 (-26.00)
DPT, Hepatitis B (Third Dose)	627998 (18.64)	592658 (-5.62)	430244	312652 (-27.33)
Polio (Third Dose)	623359	591132 (-5.16)	431954	312357 (-27.33)
Vaccination against Measles	575158 (2.59)	569367 (-1.00)	418139	292949 (-29.93)
Tetanus Vaccine	310285 (4.62)	570469 (83.85)	203143	299684 (47.50)
Measles-Rubella Vaccine Program	-	-		9685099
Women receiving iron tablet	558575 (-19.86)	522606 (6.43)		-
Registration of Dysentery Patients	310269 (-45.18)	1751904 (464)	211567	789492 (2.73)
Zinc and Oral Rehydration Treatment (ORT)	273448 (18.17)	1594044 (482.94)	180533	736109 (307)
Treatment of Respiratory Disease	763023	919438 (20.49)	329475	475204 (44.23)

**Of the First Eight Months*

Figures in bracket represent percent increased as against previous year

Source: Ministry of Health and Population

Family Planning, Safer Motherhood and Woman Health Volunteer Program

13.53 The progress made through Reproductive Health Program being carried out with the objective of bringing fertility rate to the replacement level and maternal mortality rate to 134 per 100,000 live births is presented in table 13(am) below.

Table 13(ai) : Progress Details on Reproductive Health Program

Indicators	Unit	Fiscal Year			
		2010/11	2011/12	2011/12*	2012/13*
New Family Planning Service Users (Contraceptive Users)	Person	642533	598604 (-6.83)	427076	415000 (-2.82)
New Family Planning Service Users (Permanent Sterilization)	Person	62600	51185 (-18.23)	392154	32000 (-18.47)
Total Family Planning Service Users (Long term Contraceptive Users)	Person	2425521	2446286 (0.85)	466330	1625400 (248.55)
No. of four-time Pre-natal Service Users	Person	370563	89250 (-75.91)	260229	45321 (-17.41)
Maternity Service through Trained Maternity Health Workers	Person	326563	315500 (-3.38)	190028	185000 (-2.64)
Safer Maternity Service in Health Institutions	Person	254439	318000 (24.98)	194220	194220 (0.00)
Out-reach Patient Service for Remote Area Maternity Services (Patients)	Person	55	165 (200.00)	27	99 (266.00)

Indicators	Unit	Fiscal Year			
		2010/11	2011/12	2011/12*	2012/13*
Free Maternity Services Received under Safe Motherhood Program	Person	245439	299901 (22.18)	174798	179950 (2.94)
Post-Natal Service (PNC)	Person	387201	441580 (14.00)	279209	55850 (-80.00)
Round the Clock Emergency Maternity Service	Districts	24	26 (8.33)	26	27 (3.84)
Screening for Prolapses	Person	25374	41080 (61.89)	18750	50018 (166.79)
Surgery on Prolapses	Person	12243	9081 (-25.82)	5234	3341 (-36.16)

**Of the first eight months*

Figures in bracket represent percent increased as compared to previous year

Source: Ministry of Health and Population

Tuberculosis (TB) Control

13.54 Free medication to potential TB patients through DOTs technology was provided after blood tests through programs operated in fiscal year 2011/12, along with imparting MDRTB training to 225 individuals. Programs such as broadcasting and publicizing the messages and awareness raising programs through various mediums and providing training to health professionals for prevention and establishment and operation of hostel for MDR patients were carried out. Progress detail of major works for this program is depicted below.

Table 13(aj): Progress Details on TB Program

Program	Unit	FY 2011/12	FY 2012/13
Cough test of suspicious patient	Person	178147	68770
Slide test of new cough	Person	465993	183853
Follow up (Cough test)	Person	51869	-

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

13.55 In fiscal year 2011/12, 15 treatment camps for epidemic and natural disaster victims were conducted while 4,800 slides were crosschecked. Works like controlling epidemics, communicable diseases, parasitic malaria and black fever, and managing natural disasters borne various diseases have been given continuity. Likewise, works such as surveillance of communicable diseases, spraying of insecticides, distribution of mosquito nets for controlling epidemics like malaria and black fever, and providing Anti Rabies Vaccine (ARV) to 65,000 rabies infected and snake bite victims were carried out. Medicines were provided to 6.5 million people for the prevention and cure of filariasis. Similarly, special programs were organized for the control of dengue and bird flu viruses to keep people away from their infections. Similarly in fiscal year 2012/13, orientation training was provided to medical doctors, nurses, and health workers on the proper use of rabies vaccine and tackling against venomous snake bites, while micro filaremia follow up survey was conducted in 10 districts and post MDA survey were conducted in 20 districts where Filariasis Control Campaign was organized.

Leprosy Control

13.56 Tests of 174,112 patients and neighborhood households were conducted under the leprosy program, while transportation allowance at the rate of Rs. One thousand per person was distributed to 2,912 leprosy patients in fiscal year 2011/12. Of the total 633 black fever patients registered during 16 dermatology camps conducted, 501 persons were successfully treated. Likewise in fiscal year 2012/13, on site study in leprosy affected districts and family test of patients and their neighborhood managed and trained at the local level have been conducted, while 700 patients undergoing regular treatment are distributed transportation allowance of Rs One thousand per patient.

National Population, Health Education, Information and Communication

- 13.57 As specified by the Twenty-Year Population Prospective Plan (PPP), regular monitoring is being carried out upon consultation and review with line Ministries and the Population Commission related programs. Hospital Based Center for Crisis Management at the Uniform Rate Operation Manual, 2011 has been prepared in line with Ending Gender Based Violence Related Work Plan, 2012 and such seven Centers are in operation after their establishments in hospitals. Geriatric ward for senior citizens has been established at Patan hospital, TU Ayurvedic Teaching Hospital and Bharatpur Hospital. Under the “Local Level Population Program”, 17 programs are in operation in all 75 districts of the country. Senior-Citizens related Reference Manual has been prepared, while employees and health workers from Ministerial to district levels were imparted with trainings and orientations on the concept of Gender Equity and Social Inclusion (GESI). Teenager and Youth Survey, 2010/11 has been made public while publication of Nepal Population Report in both Nepali and English versions has been accomplished.
- 13.58 In fiscal year 2011/12, continuation was given to programs like production and dissemination of information materials through the mass media on public health service, environmental health, reproductive health, child health and vaccination service, adverse effect of smoking, communicable and non-communicable diseases, their causes and preventive measures. The TV program Jeevan Chakra was broadcasted sixty times, while the same numbers of programs on *HamroSwasthaya* (our health) were produced and broadcasted in that fiscal year. Health related advertisements, information, notices, and messages were broadcasted through audio/visuals for 15,360 times. Similarly, program on safer motherhood was published and promoted

through 585 episodes of advertisements through the mass media like audio/visuals/newspapers; health information program for mitigation and control of epidemiology was carried out through various communication media; “*Ama*” (mother) program was re-televised; and 1,120,000 copies of health materials were produced and distributed in the same period. "The Community Health promotion campaign" was conducted for 500 times, and 2,050 school teachers were oriented and imparted with health related trainings.

Social Security

13.59 The following programs and services are being availed pursuant to the concept of “Free Health Services to All”; free distribution of 25 kinds of medicines from sub-health posts, 35 from health posts, and 40 from primary health centers and district hospitals; free treatment from 25-bed district hospitals or health institutions; free maternity service from all government health institutions. The progress made under social security program is presented in Table 13(al).

Table 13(ak): Progress details on Social Security Program

Indicators	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2011/12*	Fiscal Year 2012/13*
Types of Medicines Distributed	25	25	25	25
Health Posts (types)	35	35	25	35
Primary Health Center (Types)	42	42	42	42
Free Health Service To Children, Elderly, Near To Extinction Tribes, Women Health Volunteers From Hospitals	1807308	17577802 (873)	1204872	8521999 (607)

Indicators	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2011/12*	Fiscal Year 2012/13*
Free treatments for ultra-poor and poor	467622	3089431 (561)	311748	1255797 (303)
Free treatments for handicapped	42374	10383 (-75)	28249	4019 (-96)
Free treatments for elderly people	95368	85407 (-10)	63579	29953 (-83)
Free treatment with heart surgery for children under 15 years of age	595	860 (45)	397	598 (61)
Free treatment with heart surgery for elderly people above 75 years of age	75	210 (180)	63	139 (121)
Establishments of eye treatment center (Districts)	10	8	8	-
Distribution of eye glasses at free of cost to people over 50 years of age	15000	15000	15000	5000

**First eight months*

Figures in bracket represent percentage increased as compared to previous year

Source: Ministry of Health and Population

National AIDS and Sexually Transmitted Disease (STD) Control

13.60 In fiscal year 2011/12, AIT Training provided on Management Training of Trainers to 200 persons of 10 districts while 180 numbers of trainings on HIV and referral services was provided to Female Health Volunteers, and PMTCT training provided to health professionals in four groups. Also, various media (print and electronic) were used to raise awareness against HIV/AIDS and STD, training imparted to health professionals on related issues, HIV infected mothers were watched closely for preventing transmission of HIV virus to their children, and Anti Bactroviral treatment to HIV infected were carried out. Likewise,

provision of free medication, extension of three community based CBPMTCT services, 4,200 ARV treatments to infected persons and PMTCT program affiliated pregnant females and children below 15 years who were under ARV treatment will be provided nutritional foods. Also, 99 training and orientation to different level health professionals were provided while medicine is distributed from 113 ARV Centers and DACC is formed in district public health office in order to run several programs towards controlling HIV/AIDs. Such programs were given continuity in fiscal year 2012/13 as in previous years. Together with comprehensive program conducted on HIV/AIDS for jail inmates and homosexuals, intensive treatment program were carried out for homosexuals, sex workers, injection drug users, migrants and jail inmates on service contract of non-government organizations.

Human Resource Development, Study and Research

13.61 In fiscal year 2011/12, trainings on emergency service, safe maternity service, abortion service, family planning service, upgradation and refresher trainings were provided to 5,243 health workers, and basic training to 5,000 female health volunteers. Similarly, various trainings such as training on MDR TB management to 225 health professionals, training on community based health 9 times, basic training to 80 health professionals on tooth extraction, training on HMIS to new and old employees for once, training on different types of health to 6,916 employees at different levels, 3 weeks service oriented training to 60 newly appointed lab technicians/lab assistants, training on five acts (panchakarma)/yoga/statistics to 84 health professionals, safe abortion training 24 times, and refreshment training to 23 health professionals having skill delivery service training. Likewise, infrastructure development for safe maternity service training and safer abortion service trainings centers were extended at two locations each. Research works have been

carried out on free health program, safer motherhood program, dengue disease, bird flu, communicable diseases, traditional medicine, insurance program, and non-communicable diseases. In current fiscal year, training on rural telemedicine program was provided while lead farmers were provided training on commercial farming relating to producing powder (*churna*) medicine. Study was conducted on the behavior of vectors transmitting malaria, black fever diseases. Research was conducted on effects of internal and external air pollution, and interactions on safer motherhood among pregnant women, husbands and mother in laws.

National Public Health Laboratory

- 13.62 In fiscal year 2011/12, tools and equipment were procured for bacteriology laboratory service in various district and zonal hospitals, a three-week service oriented training was provided to 60 newly appointed lab technicians/lab assistants while pathology lab training was provided to 100 pathology service providing employees, and blood transfusion service was conducted in 5 districts. By mid-March of current fiscal year 2012/13, VCT/STI related trainings were provided to lab technicians/lab assistants, while laboratories were constructed and brought into operation in all branches of laboratories equipped with 15-day Malaria Microscopy Refresher training imparted lab technicians/lab assistants. Monitoring and inspection works were carried out in Government Health Institutions in 35 different places with the inspection of private medical centers and 130 employees providing pathology services at health institutions were imparted quality standardization related training.

Ayurvedic Health Service

- 13.63 While providing continuity in fiscal year 2011/12 to programs on method of treatment and consultation through Ayurvedic,

Yunani and Homeopathy systems, activities in this direction were carried out with establishment of a National Ayurvedic Training and Research Center in Kirtipur with the objective of producing skilled human resource and capacity development. From 291 institutions across the country, panchkarma/yoga teacher training program was conducted for 12 persons while 84 health professionals were provided with training on panchakarma/yoga/statistics, and Ayurvedic Specialist Health Camp was conducted thrice. An ayurvedic Code of Conduct has been drafted and six Ayurved health camps organized. Senior citizens of all 75 districts were availed free of cost ayurvedic health services. Labeling and packaging of Kusthadi toothpaste has been improved together with improvements in packaging of Chyawanprash and Bazigar Shakti (medicines) through Singha Durbar Vaidyakhana Development Committee. Health services are being availed through Homeopathy and Yunani methods of health services at the central level. In fiscal year 2012/13, training and orientations on Ayurved and on modern medicine were provided to 145 persons, while 10 Ayurved doctors received various training on Aryurved and Panchakarma/yoga along with imparting training to Kabiraj's (Ayurvedic Health Professionals). Consultations were also held among traditional health workers, Dhamis, Jhankris, Lamas, and Amchis on Ayurvedic services. Similarly, one free Ayurvedic camps were conducted in each of all 75 districts; a pilot herbal garden established at the district level; waist bath (*kati-snan*), Basti and Yoga-related Specialist Camps conducted for back-bone and rectum-related health problems; and free of cost training related to health safety, promotional panchakarma/rasayan/yoga were provided to senior citizens. Naradevi Ayurved Hospital has extended Panchakarma related service.

Nepal Medical Council

13.64 Nepal Medical Council is an autonomous institution in the health sector. Its scope of works include registration of medical practitioners, who have acquired degree/diploma in medicine nationally and internationally; grant approval to open new medical/dental colleges in the country; and grant permission for students enrollment and setting minimum qualification. It takes action against laws and regulations non-abiding medical practitioners, and medical/dental colleges. It also curbs illegal medical practices. Additionally, it conducts regular licensing examinations, investigations on medical profession-related complaints and petitions, and issues temporary license to foreign medical practitioners based on their qualifications.

Table 13(al): Types of Registration and Process

Courses	Male	Female	Total
Dental (BDS)	507	715	1,222
Medical (MBBS)	7,815	3,544	11,359
Medical and Dental	8,322	4,259	12,581

13.65 The Council, by fourth week of December 2012, issued Undergraduate Eligibility Certificates to 2,975 and Post Graduate Eligibility Certificate to 907 students.

13.66 A total of 21 Nepal Medical Council recognized Medical Colleges are operating including 6 on MBBS, 2 on BDS, 4 on MBBS and PG, 3 on MBBS and BDS, 5 on MBBS/BDS/PG, and one on BDS and PG program.

13.67 A total of 2617 specialized medical practitioners are registered with the council by the end of December 2012, detail of which is given as under:

Table 13 (am) : Detail of Medical Specialists registered with Nepal Medical Council

SN	Subject	By the end of December 2011/12 FY			Additional number during FY 2012/13			Total by the end of December 2012/13 FY		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
1.	General Practice	97	29	126	16	2	18	113	31	144
2.	E.N.T.	63	19	82	4	1	5	67	20	87
3.	Psychiatry	43	4	47	4	2	6	47	6	53
4.	Anesthesiology	101	37	138	7	8	15	108	45	153
5.	Radiology And Imaging	100	16	116	17	2	19	117	18	135
6.	Pediatrics	154	65	219	11	5	16	165	70	235
7.	Nephrology	5	3	8	1	1	2	6	4	10
8.	Master in Dental Surgery (MDS)	79	59	138	4	6	10	83	65	148
9.	T.B. and Respiratory	7	1	8	0	0	0	7	1	8
10.	Community Medicine/ Public Health	35	15	50	5	4	9	40	19	59
11.	Pharmacology	16	2	18	1	0	1	17	2	19
12.	Obs + Gynae	79	162	241	7	39	46	86	201	287
13.	M.S. (General Surgery)	244	11	255	18	2	20	262	13	275
14.	Orthopedics	187	1	188	18	1	19	205	2	207

SN	Subject	By the end of December FY 2011/12			Additional number during FY 2012/13			Total by the end of December FY 2012/13		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
15.	Cardiology	72	5	77	0	0	0	72	5	77
16.	Ophthalmology	76	58	134	7	4	11	83	62	145
17.	Internal Medicine	231	20	251	23	3	26	254	23	277
18.	Clinical Pathology	42	44	86	10	5	15	52	49	101
19.	Dermatology+ Venereology	46	27	73	6	2	8	52	29	81
20.	Neurology	14	3	17	4	0	4	18	3	21
21.	Gastroenterology	14	2	16	3	0	3	17	2	19
22.	Urology	17	0	17	0	0	0	17	0	17
23.	Surgical Oncology	14	0	14	1	0	1	15	0	15
24.	Forensic Medicine	6	0	6	2	0	2	8	0	8
25.	Microbiology	10	4	14	0	2	2	10	6	16
26.	Nuclear Medicine	5	0	5	0	0	0	5	0	5
27.	Physiology	2	0	2	1	1	2	3	1	4
28.	Family Medicine	1	0	1	1	2	3	2	2	4
29.	Anatomy	1	0	1	1	0	1	2	0	2
30.	Pulmonology	-	-	-	1	0	1	1	0	1

SN	Subject	By the end of December FY 2011/12			Additional number during FY 2012/13			Total by the end of December FY 2012/13		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
31.	Hepatology	-	-	-	1	0	1	1	0	1
32.	Biochemistry	-	-	-	1	0	1	1	0	1
33.	Radiotherapy	-	-	-	1	1	2	1	1	2
	Total	1761	587	2348	176	93	269	1,937	680	2,617

Source: Nepal Medical Council

13.68 The number of specialized medical doctors in fiscal year 2012/13 totaled 2,617 comprising 1,937 males and 680 females against such total of 2,348 with 1,761 males and 587 females in previous fiscal year 2011/12. The number of specialized medical doctors has been low as compared to Nepal's population.

Impact Analysis of Health Related Program in the Health Sector

13.69 Positive impact on GDP can be confidently expected with due credit to positive impacts of family planning, safer motherhood, child health nutrition, resulting in improvements in average longevity of population, gradual improvement in birth rates, decline in maternal and child death rates thereby bringing improvement in work efficiency and reduction in medical expenditure of households. Similarly, with realization of the value of healthy human resource as the foundation of the economy, services that are availed regularly through the health sector programs like family health, child health and other essential health services have definitely contributed directly or indirectly to the country's economic development. For the production of qualitative healthy manpower, there is a need for developing different skill development programs as well as development of physical infrastructure which could make

positive impact on improving the nation's economy. The flow of services to children, disabled, senior citizens, marginalized population and dissemination of health services to remote areas and awareness programs carried out under the social security program if successful in reducing the people's personal expenditure will make the State more accountable and responsible, ultimately leading to reducing poverty and progress in the economy. Likewise, the measures, policies and institutional provisions adopted in the health sector have brought positive achievements.

Women, Children and Social Welfare Program

- 13.70 Efforts have been made for necessary improvements through initiations of various programs towards actualization of commitments made at the international level by Nepal on women, children, senior citizens and physically challenged people, and improving the current status of women by making policy and legal arrangements. These programs are still receiving continuity.
- 13.71 By adopting the concept of women empowerment, gender mainstreaming and gender equity, programs as per periodic plan together with necessary improvement in policy, Acts and Laws applicable all over Nepal are carried out through Ministries and entities under those Ministries to achieve objectives such as improving women participation in every area of national development, protecting and promoting the rights of women, protecting inherent rights of children, ensuring rights to senior citizens, and physically challenged people. For women empowerment in the current FY 2012/13, examination preparation classes have been conducted for 200 females interested to enter Nepal Administrative Service Gazetted Officer Class III, whereas non-gazetted examination preparation classes is underway by targeting 900 females of 15 districts at the rate of 60 per district. A total of 1,110 trafficking and transportation

affected women victims have been rescued through rehabilitation centers operated in 8 districts. Program is conducted through service centers in 15 districts for domestic violence and victims and affected women.

- 13.72 A number of policies and programs have been introduced with the objective of meeting the gender equity goals amidst glaringly visible necessity of instituting Nepal that is capable of coping with the present situation of social backwardness among women, and for their social and economic empowerment. For this, Groups, Committees, and Institutions promoted under the Women Development Program are real messengers of the program. Women Committees and institutions are made responsible for transforming their roles to partners from that of active participants. Emphasis is given to speaking out, orientation and networking for mainstreaming the gender in decentralized development process.

Senior Citizens

- 13.73 Continuity has been given in FY 2012/13 as well to the work of establishing at least one Senior Citizens Care Home in each of the 5 Development Regions, and Pushpalal Creativity Shelter (*Pushpalal Sarjak Ashram*) to honor Senior Citizens of National Talent and provide them with security, while setting up “Senior Citizens’ Village” in three locations has been initiated. Similarly, ‘Geriatric Care Giving Training’ has been conducted in all Development Regions by entering into Agreement with the Federation of National Senior Citizens. A central level “Senior Citizens Coordination Committee” is formed at the center while process is initiated for formation of “Senior Citizens Coordination Committees” at the district level.

Physically Challenged Persons

- 13.74 Community Based Rehabilitation (CBR) Program has been extended to all 75 districts of the country for implementation

through institutions working for various programs under health, education, livelihood, socialization and empowerment from FY 2010/11 with objectives of making the lives of physically challenged people easier by facilitating them to use their rights as an indispensable part of the society while living together with their own families and communities. Based on the magnitude of disability, necessary support equipment such as white sticks and wheel chairs that are received on grants are distributed free of cost in three Development Regions through organizations working in the area of disables, whereas Manual on Physical Accessibility and Communication Service to Disabled Person, 2012 has been issued. Construction of Flip Chart has been commenced for easy identification of disability with the target of facilitating issuance of identity cards to disabled persons. Disability Source Book, 2012 has been published for simplifying the use of disability related laws, and programs that are operating as per national and international laws, services, facilities, and rights.

Child Rights

- 13.75 Constitutional, legal, policy-wide and institutional commitments and efforts are underway for protecting and ascertaining child rights, and for multi-faceted development of children. Pursuant to international commitments, Periodic Report 2010 on UN Child Rights Convention (CRC) 1989, Preliminary Report on the Optional Protocol, 2000 on Child Trafficking, Child Prostitution and Child Porno Photograph have been prepared and submitted to the UN Committee on Child Rights.
- 13.76 On legal and policy management aspect, Conditions and Standards on Operating Children's Home (Balgriha), 2012 has been approved and implemented. National Policy on Children, 2012 has been approved and adopted. A revised 10-Year Action Plan for Children has been approved and adopted subsequent to its mid-term evaluation and revision.

- 13.77 In the areas of institutional mechanism, Women Development Department has been renamed as the Department of Women and Children, and Women Development Officers of 75 districts have been designated as Children Welfare Officers. Sustainable Government Enabling Program has been extended to all 75 districts for protection and promotion of child rights. Likewise, Juvenile Justice Coordination Committee has been constituted at the central level and in 40 districts having Juvenile Justice Program operated whereas Juvenile justice is being delivered through Benches formed in District Courts of this institution. South Asia Initiative to End Violence against Children (SAIEVAC) has been established and process to establish its permanent Secretariat in Nepal is completed. Missing Children Search and Coordination Center is established and operating in Kathmandu, with toll free telephone number 104 facility. Out of the total 1578 cases of missing children registered at the center within this year, 504 boys and 378 girls totaling 880 have been found and the task of rehabilitating them in their families and sending them to different children homes for protection have been carried out. For taking immediate action by immediately addressing incidents of abuse of the Rights of children, helpline telephone number 1098 (Toll Free Number) has been expanded to 13 districts. Child Welfare Homes in Biratnagar, Saptari, Birgunj and Butwal are continuously operating while a Child Day Care Centre has been set up and is in operation inside Singha Durbar premise for babies of female civil servants.
- 13.78 From this year, grant fund has been provided to all 75 districts at the rate of 75 thousand with directives to District Welfare Committees through District Women and Children Offices for the help and protection of orphans, destitute, and helpless children. In order to ensure proper management and effectiveness in the practice of allowing adoption of Nepali children to foreigners and make it more effective, 6 children were handed over to foreigners from different countries by the end of

first eight months by remaining within the framework of Inter-Country Adoption Management Development Committee Formation Order, 2010.

Women Empowerment

13.79 Activities like agency promotion, economic empowerment, and adolescent girl's development are in operation through programs like gender equity, women empowerment, and social mobilization for social inclusion, formation of the targeted deprived women and institutional development and basic and subjective training mediums under the Women Development Program. At the district-level, Women Development Offices serving as "focal agency" have been significantly contributing to the cause of gender mainstreaming as per the process of decentralized development through orientation, coordination and networking. Women development programs are being implemented in all 75 districts, 3,570 VDCs and 41 municipalities. Until now, 736,046 members of 123,573 groups have been directly participating under the Women Development Program. In accordance with policy of gradually extending Women Development Program in all VDCs of the country, target has been set to implement this program in 66 additional VDCs. Likewise, priority is accorded to development of local viability-based "commodity-specific" commercial groups and expansion of facilities to accessing common markets for their products. Besides, arrangement has been made for carrying out schooling deprived adolescent girls targeted integrated activities related to useful-to-life skills, information and counseling services, and for making their livelihood. Preparation of Gender Development Report of some districts highlighting their overall condition has commenced. Some major achievements of Woman Development Programs can be depicted in the Table as under.

Table 13 (an) : Major Achievements of Women Development Program

S. No	Activities	Unit	Fiscal Year		
			2009/10	2010/11	2011/12
Extension					
1.	Program Operating Districts	No.	75	75	75
2.	Program Operating VDCs	No.	2,963	3,360	3,570
3.	Program Operating Municipalities	No.	37	37	41
4.	Program Operating Wards	No.	18,254	19,507	21362 (including municipalities)
Institutional Development					
5.	Women Groups Formed	No.	97240	107,958	1,23,573
6.	Women Participating in Groups <i>Dalit</i> <i>Janajatis</i> Others	Person	5,54,264	653,083	7,36,046
6.1		Person	90282	106,369	124,516
6.2		Person	(16.29%)	(16.29%)	(16.29%)
6.3		Person	208809	219,952	258,912
			(37.68%)	(33.68%)	(35.18%)
			255173	326,762	352,618
			(46.04%)	(50.03%)	(47.91%)
7.	Women Committees Formed	No.	8,936	5,548	13,116

S. No	Activities	Unit	Fiscal Year		
			2009/10	2010/11	2011/12
8.	Women Organizations Registered	No.	1,245	1,323	1,439
9.	Women Ad-Hoc Organization	No.	295	107	229
Resource Mobilization					
10.	Women's Group Savings	Rs. (in thousands)	10,60,263	12,16,233	16,85,708
11.	Total Amount in Investment	Rs. (in thousands)	9,99,642	14,19,344	15,77,477
12.	Operating fund	Rs. (in thousands)	1,06,459	1,19,874	1,25,346
12.1	Principal	Rs. (in thousands)	1,01,008	1,11,780	1,16,527
12.2	Interest	Rs. (in thousands)	5,451	8,094	8,819
		Rs. (in thousands)			

Source: Ministry of Woman, Children and Social Welfare

13.80 On resource mobilization aspect, group savings of women that stood at Rs. 1.22 billion in FY 2010/11 with increase of 14.71 percent as compared to that of FY 2009/10 has reached to Rs. 1.69 billion in FY 2011/12 with the growth of 38.60 percent on such saving as compared that of previous year.

Social Welfare

13.81 Continuity is given to the effort initiated in the previous fiscal year on formulating Social Development Act through time contextual amendments and revision in the existing Social Welfare Act, 1992 in order to resolve the issues that have emerged

in Non-Governmental Organizations (NGOs) sector. Progress details in this regard are as follows:

Table 13 (ao) : Programs approved by Social Welfare Council

Particular	Unit	Fiscal Year	
		2011/12	2012/13*
Non-Government Organization	No.	417	382
International Non-Government Organization	No.	52	48
Approved Programs	No.	1001	657
Approved Fund	(Rs. in Thousand)		
(a) Non-Government Organization		87,79,291	41,67,729
(b) International Non-Government Organization		68,85,269	16,29,262

**First eight months*

Source: Ministry of Women, Children and Social Welfare

Drinking Water and Sanitation

Drinking Water and Sanitation, Rural and Small Town Drinking Water Program

13.82 Various programs on environmental sanitation are being carried out for easy access to pure drinking water to all in enough quantity by 2017 AD pursuant to the GoN target, and National and Millennium Development Goals. Progresses achieved under the drinking water and sanitation, rural and small town drinking water programs are as under:

Table 13 (ap) : Progress report of drinking water and sanitation, rural and small town drinking water program

S. No.	Particular	Unit	Fiscal Year	
			2011/12	2012/13*
1.	Drinking Water and Sanitation Project	No.	114	-
	Beneficiary Number	Person	275000	-

2.	Completed Schemes under Successive Projects	No.	258	-
	Beneficiary Number	Person	60400	-
3.	Completed Drinking Water Processing System	No.	3	-
	Beneficiary Number	Person	41700	-
4.	Rain Water Harvesting Project	No.	6	-
	Benefitted number (Including Students and Pilgrims)	Person	60981	-
5.	Declaration of Open Defecation Free Zone	No.		-
	(a) VDCs	No.	268	287
	(b) Municipalities	No.	1	1
	(c) Districts	No.	1	2

* First eight months

Source: Ministry of Urban Development

Urban Drinking Water System

13.83 Of the target set for constructing 12 deep tube wells in Bhadrapur, Biratnagar, Dharan, Lahan, Janakpur, Gaur, Kalaiya, Hetauda, Bharatpur, Butwal and Nepalgunjin FY 2011/12, construction work of 10 tube wells have been accomplished except for Dharan and Janakpur producing 160 liters of water a day thereby benefiting 83,000 people. Likewise, Butwal Drinking Water Improvement Project, construction of which began in FY 2009/10, contract for its Phase II could not be signed due to various reasons despite bids invited upon approval of program budget in FY 2011/12. Supply of good for the project, however, is underway upon completion of the bid process in FY 2012/13. This project with the target to complete within this fiscal year will add 10 million liters of water thereby benefiting about 70 thousand additional populations.

Youth and Sports

13.84 The Ministry of Youth and Sports, in addition to conducting studies, researches, surveys, and imparting training to youths, has been actively participating in developing relationships at the national and international levels. With the support of organizations like Nepal Scout and National Sports Council, it has been organizing activities that help in producing qualified, disciplined and competitive youths who can contribute to development of the nation. Likewise, Ministry is vigorously involved in mobilizing youth power and by appropriately developing healthy and energetic youths and preparing them to lead on economic, social and political fronts. Similarly, Ministry is providing continuity to activities along with preparation and operation of new programs in the changed context.

National Youth Mobilization

13.85 Of the 18 subjects as specified by the National Youth Policy (NYP) 2009, this program is being conducted in 9 subject sectors. This program is in operation since last few years with the objectives of encouraging youths to participate actively in nation building effort by conducting empowerment and capacity enhancement programs for them. This program should encompass 9 subject sectors as prescribed by NYP, 2009 with priority to agriculture, raising awareness against gender based violence, skill oriented training, entrepreneurship and employment like areas. Local Youth Partnership Program under this program is being conducted through all 75 District Development Committees (DDCs). DDCs have been providing Rs. 68,000 for each program to run in those prescribed sectors. As per preliminary work initiated in the spirit of Bilateral Agreement, Ministry of Foreign Affairs invited Chinese Youth Representative Team for excursion trip in May/June of 2013 for sharing experiences among youths of two countries. A total of 11 Youth Information Centers have been developed and operated as

a model Youth Information Center under Youth Information Center Operation and Strengthening Program. Radio Program on Youths is being broadcasted weekly through Radio Nepal every Tuesday from 8:15 am to 8:40 am with a view to disseminate useful information regarding youths. The progress detail of Youth Mobilization Program is as follows:

Table 13 (aq) : Progress Detail of Youth Mobilization Program by Fiscal Years

SN	Activities	Unit	FY 2010/ 11	FY 2011/12	FY 2012/13*
(A)	Youth Mobilization				
1	National Youth Council Formation and Operation	No.	-	-	-
2	Youth Partnership Program in 18 Sectors				
	Centre	No.	149	190	-
	District	No.	450	450	--
3	Study, Research, and Action Plan preparation for capacity enhancement of Youth Information Center, and revision of Youth Council Draft Bill	Center	-	-	
4	Program for preparation of profile of national and international organizations engaged in youth sector activities	Time /Frequency	-	-	-
5	International Youth Day	Time /Frequency	1	1	1
6	Programs implemented under Bilateral Agreement	Person	30	99	-
	a) Youth Experience Sharing				

SN	Activities	Unit	FY 2010/ 11	FY 2011/12	FY 2012/13*
	Program/Participation on Fairs				
	b) Internal Youth Exchange Program	Persons	40	25	Preliminary works completed
7	Workshops on Youths Contact Points	Time /Frequency	-	2	1
8	Youth Information Center	District	35	75	75
9	Youth Bulletin/Publication of Ministry's Activities	Time /Frequency	1	1	-
B. Youth Empowerment and Capacity Enhancement Program					
1	Capacity Enhancement Programs for Political Youth Organizations	Sector	-	-	-
2	Skill Oriented Training for Unemployed Youths	Person	-		-
3	Youth Talent Award and Support Program	Time /Frequency	-		1
4	Youth Radio Communication Program	Time /Frequency	1		-
5	Youth Literature Program	Time /Frequency	1		-
6	Preparation of Youth Responsive Budget Framework	Time /Frequency	1		-
7	O&M Survey Program of Ministry	Time /Frequency	-		-
8	Youth Student National Conference Program	Time /Frequency	5		-
9	TV Program on Youth	Time	1		-

SN	Activities	Unit	FY 2010/ 11	FY 2011/12	FY 2012/13*
	Awareness Campaign	/Frequency			
10	Impact Assessment of Participatory Program	Time /Frequency	1		-
11	Construction of Youth Involvement Source Identification Committee	Time /Frequency	1		-
12	Formulation of National Youth Working Policy	Time /Frequency	-		-
13	Capacity Development Training Program for prioritized and specially prioritized Youths	Time /Frequency	-		-
14	Youth Information Center Operation Manual		-		2
15	Revision and Development of TOR and Orientation Seminar and Procurement of Software for the Ministry				

*First eight months

Source: Ministry of Youth and Sports

Sports and Extra Curricular Activities

13.86 District, regional and central level presidential running shield tournament (athletics and volleyball) and secondary school level football and cricket tournaments are being organized for boy and girl students with the objective of exploring, identifying, honoring, and protecting talents right from the school level as they serve as a platform for the development of sports. Paralympic and special sports competitions are being organized for persons with different physical capacities; and sportspersons demonstrating special talent are being honored. An awareness raising program against doping has been brought into operation.

Nepal Scout, Chitwan made preparations for National Jamboree Program-II. The progress detail of this program is given below:

Table 13 (ar): Progress Detail on Sports and Extra-Curricular Activities

SN	Activities	Unit	Fiscal Year		
			2010/11	2011/12	2012/13*
1	School Sports Development Program/Tournament (Boys/Girls)				
	Presidential Running Shield (Athletics and Volleyball)				
1.1	District Level	District	56	68	33
1.2	Regional Level	Region	5	5	-
1.3	Center Level	Center	1	1	-
2.	Sports Development Program/Tournament				
2.1	Secondary High School Level Football Tournament (Boys/Girls)	Frequency	1	1	-
2.2	Secondary High School Level Cricket Tournament (Boys/Girls)	Frequency	1	-	-
2.3	Girls Volleyball Tournament, Pokhara	Frequency	-	1	-
2.4	School Sports Teacher Training and Sports Materials Support	Person	129	94	57
2.5	Para-Sports Support Program (Para-Olympic, Crickets for Blinds and hearing impaired Students and Football, Athletics, Basketball, Table Tennis for Physically Challenged Students)	Center	1	1	-
2.6	Special Olympic Program	Center	1	1	-
3	Sports Development and Training Program				

SN	Activities	Unit	Fiscal Year		
			2010/11	2011/12	2012/13*
3.1	National Talent Award on Sports	Center	-	1	1
3.2	Study and Participation of Ministry in International Sports	Center	1	1	1
3.3	National Jamboree Program-II of Nepal Scouts	Center	-	-	1
3.4	Nepal Scout Operation Grant	Frequency	1	1	1

**First eight months*

Ministry of Youth and Sports

National Sports Council

13.87 The National Sports Council, with its motto “Sports for Health, Sports for Nation” has been conducting a number of programs such as construction, repair and maintenance of physical infrastructures necessary for organizing sports events and national/international level tournaments, imparting trainings to players, making them involve in various sports, and providing them with facilities like insurance, life-long allowance, and treatments to injured players among others.

13.88 In FY 2011/12, training was conducted for 120 players, 150 instructors were mobilized and monitored, 15 players were provided with medical treatment and immediate relief from accidents along with construction of 74 sports stadiums through Nepal Sports Academy. In the first eight months of the current fiscal year 2012/13, training was conducted for 818 players, 20 instructors were mobilized and monitored and 7 players were provided with medical treatment and immediate relief from accidents.

Culture

13.89 Policy has been adopted to introducing Nepal’s physical as well as non-physical religious and cultural heritages to the world.

Various programs are being carried out for making Nepal known to the rest of the world through the conservation and promotion of those heritages. It is necessary to pay attention to the development of historical, religious and cultural heritage sites by developing and promoting physical and non-physical national heritages by developing cultural tourism as income generated through visits and sightseeing of these sites would contribute to the economic development of the country thereby raising the economic level of local people.

- 13.90 Conservation and development of different diverse castes, ethnicities, customs, languages, religions, arts, cultures, history and historical assets is necessary for conservation and promotion of physical heritages on one hand, while conservation, promotion and providing continuity to non-physical heritages is necessary on the other. Likewise, integrated development of religious places, and excavation and protection of archeological sites is also very much necessary. Similarly, there exists immense potentiality for economic development through exhibition of archeological artifacts; carrying out protection and conservation works of already extinct and near to extinction objects of art belonging to various ethnicity and communities; disseminating knowledge and information to the people on importance of doing so; and by attracting tourists towards it. National Cultural Policy, 2010 was issued for overall institutional development of physical and non-physical heritages. In addition, a “Council for non-Physical Heritages” has been formed, while legal framework and financial resource is being provided to fulfill the objective of conserving more than 103 languages/dialects and 125 castes scattered across the country in the form of non-physical heritages thereby designing a Policy to that effect. The on-going programs in fiscal years FY 2010/11, 2011/12 and 2012/13 like cultural promotion, archeological site renovation and world heritage site conservation projects are progressing as targeted, which is expected to help promoting harmony and self-esteem among the

people of different castes and ethnicities. Investment made through culture and tourism program budget on religious, archaeological, historical and cultural programs in current fiscal year 2012/13, has given notable boost to tourists arrival to these sites. Likewise, it has provided opportunity for the exposure of hidden cultural and traditional practices among the near to extinction and marginalized castes and tribes.

Social Development Efforts through Local Bodies

13.91 The following programs are in operation with the objective of ensuring the social security arrangement and providing support to senior citizens, single women, *Dalits*, Indigenous communities nearing extinction, ethnic people (*Janajatis*), and physically challenged citizens for their easy and comfortable living:

Registration Program

13.92 Registration of personal vital statistics such as birth, death, marriage, divorce and internal migration are being carried out by offices of VDC, Municipality and Local Registration Officer. With the objective of making the vital statistics registration program more effective and providing registration certificates of those vital statistics to general public easily and comfortably, distribution of certificates in both Nepali and English languages has been initiated by local bodies from FY 2012/13 subsequent to the revision of annex forms on the registration of births, deaths and other personal events. JFPR Capacity Building for the Promotion of Legal Identity among the Poor in Nepal program is in operation in Ilam, Jhapa, Kathmandu, Lalitpur, Bhaktapur, Mustang, Palpa, Rupandehi Dang and Kailali districts. Likewise, Rapid and Comprehensive Assessment Program was organized in the participation of three western districts of Mustang, Palpa and Rupandehi in connection with the registration and effectiveness of vital statistics. Vital Events Registration System Software (VERS Software) has been developed for computerized

recording and organizing those vital statistics. Some of the VDCs of Morang, Sunsari, Bhaktapur, Kathmandu, Makwanpur, Kavre, Banke districts have started delivering services by installing this software. The task for updating the registration of such vital statistics along with social security programs is given continuity. The details of vital statistics registration conducted in FY 2011/12 and in the first eight months of the current fiscal year 2012/13 are presented in the table below:

Table (as) : Details of Vital Statistics Registration

SN	Personal Events	Description	FY 2011/12	FY 2012/13*
1	Birth Registration	Female	265201	24938
		Male	393558	26492
		Total	662233	51230
2	Death Registration	Female	34501	2384
		Male	86447	3818
		Total	121849	6202
3	Marriage Registration		180131	11683
4	Divorce Registration		351	35
5	Migration Registration		91825	3999
6	Number of People migrated out		157139	6812
	Number of People migrated in		170893	8300
	Total Number of Migrants		328895	15112

**First eight months*

Source: Ministry of Federal Affair and Local Development

Note: Discrepancy in the total registration number of births, deaths is due to data made available by some districts without segregating their numbers by gender.

13.93 The total number of births recorded in FY 2011/12 was 662,233, while such registration totals 51,230 in the first eight months of the current fiscal year 2012/13. Likewise, the number of death

registration stood at 121,849 in FY 2011/12 while the number of such registration stood at only 6,202 in the first eight months of the current fiscal year 2012/13.

Social Security (Senior Citizen, Incapable, Disabled and Endangered Races and Single Women Security Arrangement)

13.94 Under the Social Security Program, monthly allowances as specified are being distributed to all citizens above 70 years, all *Dalits* above 60 years, all citizens above 60 years of Karnali zone, all single women above 60 years, all widows below 60 years, all groups belonging to endangered indigenous/ethnic people (*Kusunda, Bankariya, Raute, Surel, Hayu, Raji, Kisan, Lepcha, Meche, Kushbadiya*), all fully disabled people and 6,875 partially disabled people under quota system and *Dalit* children under 5 years of age and all children of Karnali zone of same age group under the Child Protection Grant. Based on encouraging result of the pilot project that has been in implementation in 10 districts since FY 2010/11 where social security allowance distribution were being made through 5 VDCs and 5 Municipalities by tying up with the banking system so as to make the system simple, easy and transparent, beginning this fiscal year it has been expanded to entire 58 municipalities and VDCs having district headquarters. The monthly allowance of Rs. 1,000 that was being distributed specifically to *Rautes* is being distributed to endangered ethnic people also since last fiscal year. Social Security Operational Manual, 2012 has been endorsed and implemented with a view to make the allowance distribution system more systematic and effective by distributing such allowances through the banking system. Likewise, the process for distributing social security allowances through the non-branch banking system is in progress. Such arrangement, will make distribution of allowances through the banking system easier in rural villages where non-branch banks are present.

Table 13 (at) : Distribution of Allowances under Social Security Program

Target Group	Monthly Rate (Rs.)	Fiscal Year		
		2010/11	2011/12	2012/13*
Senior Citizen	500	635938	605021	663693
Senior Citizen (<i>Dalits</i>)	500	125819	130917	170825
Senior Citizen (Karnali)	500	30758	14056	29626
Single Women above 60 Years	500	319781	258113	361350
Widows below 60 Years	500	-	536312	219933
Fully Disabled Persons	1000	16202	18252	22138
Partially Disabled Persons	300	6850	6875	6774
Endangered Indigenous/Ethnic People	1000	19681	19299	18828
Children	200	409105	458135	551916
Grand Total		1564134	2046980	2045083

*First eight months

Source: Ministry of Federal Affair and Local Development

Inclusive Development

13.95 Various programs for indigenous (*Aadibasi*), and ethnic (*Janajatis*), people, neglected, oppressed, and *Dalits*, *Madeshis*, Muslim, backward groups and remote and special area, monastery management and development programs and decentralized action plans for women and children are brought into implementation with the concept of inclusive development. Likewise, incorporation of women-friendly and gender equity like program components has been made mandatory in every project and program owing to the fact that overall development of nation is not possible without development of women. For this, efforts are underway for policy-wide and institutional development to establish District Development Committee as a contact point for inclusive development at the local level.

Programs for uplifting Endangered Indigenous/Ethnic People and Chepang Development

13.96 A number of programs are being implemented from center to local levels since FY 1997/98 with the objectives of bringing indigenous groups, *Janjatis* and *Chepangs* living in various geographical locations of the country into the mainstream of national development through their social, economic and cultural development and upliftment. Trainings on modern vegetable farming, journalism, masonry, maintenance of electrical equipment were provided to 182 individuals through this program in FY 2011/12. Likewise, 444 students were awarded with scholarships, employment oriented and awareness raising programs were organized for 280 physically challenged youths, and awareness raising program was organized by 48 ethnicity-based organizations. Similarly, 2,000 women were benefited through women empowerment program, Chepang Development Programs were conducted in 6 different districts. In first eight months of the current fiscal year 2012/13, 24 programs were organized for the conservation and promotion of cultural heritages of indigenous and ethnic (*Janjatis*) groups, 35 organizations conducted awareness program and benefited 1000 individuals, women empowerment program made 1,000 women aware of gender based violence and their rights and interests, 30 youth organizations conducted awareness raising and employment oriented programs for youths and 7 programs for uplifting physically challenged people have been completed and central level caste based organizations have received support for their office operation.

Uplifting Neglected, Oppressed and Dalit Groups

13.97 This program is in operation since 1998 with the objective of bringing extremely socially and economically backward *Dalit* communities into the mainstream of development through their overall development. In FY 2011/12, scholarships were awarded

to 620 students, 5 free health camps were organized, 5 drinking water schemes were constructed, 7 employment oriented training programs were conducted and preparation class for Public Service Commission's entrance examination was conducted for 200 examinees. Likewise, in the first eight months of the current fiscal year 2012/13, an awareness program entitled "Voice of *Dalit*" was broadcasted for 36 times through Radio Nepal, 24 students were conferred Dedicated Student Award and scholarships were awarded to 470 students, 168 examinees were prepared for Public Service Commission examination and 36 persons were imparted training on stitching and cutting.

Development Program for uplifting Backward Community

13.98 With a notion of uplifting *Madhesis*, Muslims, backward communities and minorities by formulating policies in favor of their interests and raising their economic, social and cultural status, the Government of Nepal with its own resources started this program in 26 districts from FY 2007/08. In FY 2010/11, three workshops were conducted and 3 upliftment program for backward communities and one for Muslim community were implemented. In the first eight months of the current fiscal year 2012/13, a workshop and a backward class and single women upliftment programs were completed while 205 senior citizens were honored during the same period of current fiscal year.

National Dalit Commission

13.99 The National Dalit Commission, established with the objective of protecting the rights and interests of *Dalits* for overall development, has been mainly involved in formulating Dalit related policies, conducting research on traditional skills of *Dalits*, collecting and analyzing records of landless *Dalits*, organizing social awareness and justice programs, coordinating and preparing *Dalit* related programs and developing a resource center for statistics on *Dalits* since 2001. In FY 2011/12, one

orientation program was conducted for making the service providers Dalit-friendly, Dalit Information Centre was promoted and interaction program was organized for developing coordination between various government entities and non-governmental organizations on Dalit related issues while in first eight months of the current FY 2012/13, the Commission conducted 17 consultation and interaction programs against racial discrimination and untouchability, five programs on preserving and modernizing traditional occupation of *Dalits* and one program on protecting inter-caste married couple from complex situation as guaranteed by prevailing Act and five preliminary support programs were completed.

Remote and Special Area Development

13.100 The Remote Area Development Program is implemented basically to support the poverty alleviation initiatives in 22 northernmost bordering districts, and geographically remotest and extremely economically backward districts of Nepal. The program, which was initiated in 1965 AD in mountainous districts of Humla, Mustang, Solukhumbu (Namche Bazar) and Taplejung with the objective of developing physical infrastructures, has now been in operation in 22 districts of Nepal. Under this program, 19 suspension bridges, 20 small irrigation projects, 16.5 km mule tracks, 10 drinking water projects and 16 electricity projects were constructed in FY 2010/11. Six suspension bridge projects were completed, one electrification projects were completed and two irrigation projects were constructed in current FY 2012/13.

Buddhism Philosophy Promotion and Monastery Development Program

13.101 This program is in operation to conserve, promote and expand the monasteries (*Gumbas*) and their valuable archaeological materials and public properties scattered across the country. In

fiscal year 2011/12, a number of programs were carried out including eight monastery surveys, one Lama Study Tour, two *Dharmadeshna* programs, 260 ancient monastery conservation programs, and distribution of 20 solar systems while in the first eight months of current FY 2012/13, a team of Lama Religious Teachers (*Lama Dharma Gurus*) officials and employees visited various religious sites in Sikkim under Buddhism Philosophy Study and Research Program, a program entitled “Travel for Peace” is being televised every Tuesday under audio-visual program on Buddhism philosophy and Dharmadaesana program was organized in Nawalparasi and Sunsari districts.

Decentralized Action Plan for Women and Children

13.102 This program was conducted in 386 VDCs and 14 municipalities of 23 districts including Panchthar, Sunsari, Udayapur, Saptari, Kavre, Chitwan, Parsa, Nawalparasi, Tanahu, Kaski, Kapilbastu, Dang, Rukum, Jajarkot, Kalikot, Jumla, Humla, Mugu, Dolpa, Dadeldhura, Bajhang, Bajura and Achham of the country under the grant support of UNICEF. This program has been internalized in five District Development Committees (DDCs) of Sunsari, Kavrepalanchowk, Chitwan, Tanahu and Kaski since December, 2010. Continuity is given to the programs in FY 2011/12 that were conducted in its preceding year and programs are being carried ahead by developing specific indicators in line with children friendly local governance principle. In addition to this, 50 health and nutrition programs, 75 child conservation programs, 95 educational programs and 30 residential programs were organized.

Local Self-Governance and Community Development

13.103 Under the Local Governance and Community Development Program (LGCDP), policy has been adopted for allocating 10 percent budget to women, 10 percent to children and the rest 15 percent to backward and back warded community people of the

35 percent of total capital grant earmarked for local bodies to distribute among target groups. The participation of target groups is found to have increased in formulation and implementation of demand and need-based programs for Women, children, backward class and other groups of the community through pilot tests conducted in 10 districts where gender equity and social inclusion policies are implemented. With the objective of making more and more local people involved in the planning process, a total of 46,658 members from ward citizen forum and citizen awareness center are made to involve in the local plan formulation training.

Table 13 (au): Progress Detail on Social Mobilization

(In Numbers)

	Description	Progress Detail	
		FY 2011/12	FY 2012/13*
1	Social Mobilization conducted VDCs	3817	98
2	Social Mobilization conducted Municipalities	384	19
3	Number of Ward Citizen Forum Established	33166	1007
4	Number of Citizen Awareness Center Established	4082	183
5	Orientation to VDC Secretaries and Ward Secretaries on Transformation Social Mobilization	3549	0
6	Training on Local Plan formulation to Ward Citizen Forum/Citizen Awareness Center	46568	50674

**Of the first eight months*

Source: Ministry of Federal Affair and Local Development

Human Resource and Institutional Development Program

13.104 Programs are carried on with major thrust to human resource management and development initiatives acknowledging the fact

that expected achievement in the areas of development and construction can be made only through development of institutional capacity of Local Bodies along with that of human resource.

13.105 Programs are being conducted through Academies with the objective of providing Training Research Counseling services for institutional capacity enhancement of Local Bodies. In FY 2011/12, various trainings and instructions were provided to 989 employees of local bodies on financial management, skill development, proposal/report writing. In the first eight months of the current fiscal year 2012/13, MCPM measurement were carried out in 17 DDCs and 8 municipalities and training was provided to 21 individuals on inclusive governance.

13.106 The Public Private Partnership Program, Solid Waste Management Program and Environmental Management Enhancement Program are in operation to carry development activities ahead by maintaining environmental balance for improving urban environment in a situation of having reciprocal relation of Development with environment. Environment protection components are made clear in Acts and Regulations so as to make programs conducted through Local Bodies environment friendly.

Problems and Challenges

13.107 Persistence of discriminatory health services among urban, rural and remote areas, expensive health care services for new born, declined peoples' access to health services against rising epidemics, unavailability of doctors and other health workers to ensure public health services in rural areas, lack of resources due to increased non-infectious diseases against infectious diseases have remained as major problems and challenges in the health sector.

13.108 Lack of proper management of, inter alia, public health related education, physical infrastructures in the health sector, quality

medicines, tools, instruments and human resource coupled with absence of integrated monitoring and supervision, have further aggravated the problems in this sector. Lack of coordination among sectoral agencies while implementing population related programs and unorganized migration, inconsistent investment on environment, sanitation, health, education and food and nutrition due to lack of multi-sectoral coordination, inability to make *Ayurvedic* and other alternative health services easily available through their holistic development and extension have also been other problems in this sector.

13.109 Delivering quality health services on a regular basis along with necessary resources in simple and convenient manner, regulating the private sector, making general public aware of available health services, and resolving problems emerged among the internally displaced people through maladies of like psychological health, disability, economic distress emerged due to armed conflict have remained as challenges in this sector. Likewise, fulfilling the commitments made at international level can also be regarded as a challenge.

13.110 Amidst failure to materialize women empowerment and gender mainstreaming strategies as a result of confining the issues of women, children, senior citizens and physically challenged people within the scope of the Ministry of Women, Children and Social Welfare, it has been a challenge to implement specified programs amid inadequate national budget, avoiding duplication in projects and programs implemented by mushrooming social organizations. Besides, it is a challenge in making those programs effective, responsive and accountable apart from maintaining coordination and cooperation among these organizations. The backward groups of the community could be uplifted and their level of confidence could also be enhanced if the nation is able to make necessary means and resources available to sensitive areas by abandoning traditional ideas.

- 13.111 Lack of technical and motivated human resource working under the Department of Water Supply and Sewerage, dearth of adequate resources despite the target set to develop the sanitary sewers along with sewerage processing system in order to manage waste products generated through densely populated urban, semi urban and town-oriented settlements, lack of coordination among various organizations and institutions working in drinking water and sanitation sectors are the major problems. Efforts on resolving the above mentioned problems, such as motivational programs, are being carried out by forming Coordination Committees from local to central levels for the mobilization of available local resources. Similarly, arrangement of a Central Project Coordinator has been made so as to carry ahead resettlement works in an organized manner and program budget for the quality enhancement is requested after collecting and preparing demand lists.
- 13.112 Uncertainty of Kathmandu Valley Drinking Water and Sanitation Fund Project-III, lack of budget for the group nine schemes, delays in project selection and execution processes as a result of delayed implementation of projects agreed with the donor agencies, conflict on drinking water source, identifying and constructing new drinking water intakes due to drying up of earlier identified sources, time-consuming process for the registration of Drinking Water and Sanitation Users' Committees are viewed as major problems.
- 13.113 Likewise, various obstructions raised by the residents living close to the water intakes coming up with a number of demands while carrying out construction works in line with Fund's approved budget program, inability of contractors to complete construction works within stipulated time as agreed persist as other problems. Hence, extra effort is required to make them aware of the fact that no person has individual right over natural source of water.
- 13.114 A number of challenges have emerged like dearth of adequate resources for the construction and improvisation of

infrastructures required for sports; failure to extend access of sports down to village level; difficulties in implementing programs as specified by National Youth Policy, 2009 due to limited means and resources; lack of infrastructure at local level for the implementation of youth related programs; inability to isolate political activities from the sports sector; inability to involve private sector in sports activities; failure to commercialize both the sports and players; absence of coordination with other entities on youth related programs, failure to incorporate youths of all sectors, castes and ethnicities by the program; and inability to persuade stakeholders on youths.

14. Public Enterprises and Privatization

14. Public Enterprises and Privatization

- 14.1 Public Enterprises (PEs) that have been established to shoulder social responsibility, import new technology and meet capital and entrepreneurial demand of the private sector in the initial stage of national development, have crucial role for the country's development. Performance reviews of physical and financial progress of fully Government owned or on majority shares of the Government run PEs during fiscal year 2011/12 are presented in this chapter.
- 14.2 The net operating income of fully government owned 37 PEs has reached Rs. 185.79 billion by fiscal year 2011/12. This figure is more by 22.34 percent as compared to previous fiscal year. The net operating income of these enterprises in fiscal year 2010/11 was Rs. 151.87 billion.
- 14.3 Among the fully government owned PEs, 15 were operating at net profit in fiscal year 2011/12 whereas Nepal Engineering Consultancy Service Center Ltd did not have any transaction. These PEs registered near to net profit of approximately Rs. 6.59 billion in fiscal year 2010/11 whereas these PEs suffered a net loss of approximately Rs. 3.50 billion in fiscal year 2011/12. Due to losses of Nepal Electricity Authority and Nepal Oil Corporation amounting to Rs. 9.95 billion and Rs. 9.53 billion respectively, net loss of PEs in general has swelled. In addition, 8 PEs earning net profits in previous fiscal year were in the state of losses in fiscal year 2011/12 whereas amount of profit of other PEs operating in profit in fiscal year 2010/11 have also decreased in fiscal year 2011/12.
- 14.4 By the fiscal year 2011/12, Government's gross share investment in government owned 37 PEs totaled Rs. 102.41 billion, whereas loan investment amounted to Rs. 101.24 billion in the same period. Government's share investment amounted to Rs. 92.19 billion and loan investment Rs. 95.17 billion in these PEs during fiscal year 2010/11. In this way, it is seen that the government's

share investment has increased by 11.1 percent and that of loan by 6.4 percent in the fiscal year 2011/12 as compared to fiscal year 2010/11.

- 14.5 The total shareholders' fund of 37 PEs totaled Rs. 97.60 billion by the fiscal year 2011/12. In the previous fiscal year, such fund stood at Rs. 100.99 billion. The shareholder's fund of PEs has slipped by 3.4 percent in fiscal year 2011/12 as compared to fiscal year 2010/11. Rise in the shareholders' fund of Nepal Oil Corporation by only Rs. 9.48 billion in fiscal year 2011/12, huge negative Shareholders' fund of Janakpur Cigarette Factory, Nepal Orind Magnesite Ltd, Nepal Drugs Ltd etc. have been the key reasons for this decline. In the same period, accumulated loss amounting to Rs. 27 billion of Nepal Electricity Authority has been written off.
- 14.6 The net fixed assets of 37 PEs that amounted to Rs. 118.28 billion in fiscal year 2010/11 has reached Rs.120.42 billion in fiscal year 2011/12.
- 14.7 The dividend contribution from PEs to the Government of Nepal that amounted to Rs.5.50 billion in fiscal year 2010/11 reached to Rs. 6.26 billion in fiscal year 2011/12. This is equal to 6.11 percent of the total investment of GoN in PEs. Return on government investment in public enterprises is less than prevailing interest rate. In this period, out of 37 PEs, GoN received dividend only from Nepal Telecom Private Limited and Rastriya Banijya Bank.

Contribution of PEs to Revenue and GDP

- 14.8 The contribution of gross operating income of PEs to GDP, in fiscal year 2011/12 has remained 9.8 percent. The business sector has made highest contribution to GDP while contribution of social sector has been minimal. The share of dividend received from 37 PEs in fiscal year 2011/12 is 2.6 percent of the total revenue collection of the government amounting to Rs. 244.37 billion.

- 14.9 The loan flow from the government to PEs in fiscal year 2011/12 totaled Rs. 6.07 billion (2.1 percent of total government expenditure). The loan amount extended to PEs is equivalent to 11.8 percent of government capital expenditure of Rs. 51.39 billion in this fiscal year.
- 14.10 The retirement liabilities of PEs are on increase as a result of facility entitlements like gratuity, pension, medical treatment, insurance, and leave upon retirement of PE employees. These PEs have made no provision for discharging liabilities created at the time of employee retirement. Such non-funded liability of PEs which was Rs. 16.84 billion in fiscal year 2010/11 rose by 25.93 percent reached to Rs. 21.20 billion in fiscal year 2011/12.
- 14.11 Retirement liabilities and administrative expenditures of PEs have been increasing as a result of increase in facilities of PE employees over time. Due to weak financial condition of PEs and lack of fiscal discipline, there exists a situation of looking at the government for bearing the burden of non-funded liabilities. Thus, it is necessary for both the government and the concerned enterprises need pay serious attention to take steps towards managing such liabilities.

Sector-wise Analysis of Public Enterprises

Manufacturing Sector

- 14.12 In fiscal year 2011/12, seven PEs operating under the manufacturing sector earned operating income equivalent to Rs.4.87 billion which is more than 1.4% as compared to their earnings of FY 2010/11. The operating incomes of Janakpur Cigarette Factory Limited and Orind Magnesite Pvt. Ltd still remained nil whereas Nepal Drugs Limited and Udayapur Cement Limited recorded negative operating incomes. Only Hetauda Cement Limited, Dairy Development Corporation and Herbal Production and Processing Center Limited have been successful in raising their operating incomes by 37.5 percent, 10.8 percent and 3.9 percent respectively. Though negligible

improvement is observed in total operating income of PEs, net loss in this sector has increased by 195.6 percent as compared to that of previous year totaled to Rs.1.26 billion whereas their operating losses also rose by 106.8 percent and reached at Rs. 1.005 billion. During this fiscal year, all seven PEs suffered losses though 3 PEs were able to earn profit in previous FY 2010/11.

14.13 The total outstanding debt of PEs operating in this sector has reached to Rs. 4.21 billion with an increase of Rs. 154.7 million as compared to that of FY 2010/11. Likewise, shareholders' fund has shown negative balance of Rs. 3.13 billion which is additional negative balance of Rs. 1.23 billion as compared to previous year. The net fixed asset of PEs in the industry sector is recorded at Rs.3.80 billion with a decrease of Rs. 162.5 million from Rs.3.97 billion of previous fiscal year.

14.14 A total of 3,475 employees are working in PEs of overall industry sector whereas total annual administrative expenditure has reached to Rs.737.1 million and non-funded liability for employees retirement benefits to Rs. 2.61 billion. Though the government has made share investment amounting to Rs. 5.37 billion and loan investment of Rs. 1.74 billion to PEs under this sector by fiscal year 2011/12, receipt of dividend has been nil. Among 7 PEs in this sector, Dairy Development Corporation, Herbal Production and Processing Center Limited, Hetauda Cement Limited and Nepal Drugs Limited have conducted their audits up-to FY 2011/12 whereas audits of others are overdue since long.

Trading Sector

14.15 PEs in this sector have earned operating income of Rs.95.31 billion in fiscal year 2011/12 whereas their operating loss totaled Rs. 10.51 billion and net loss of Rs. 5.6 billion. Nepal Oil Corporation alone has suffered operating loss of Rs. 9.72 billion whereas its net loss amount totaled Rs. 9.53 billion.

- 14.16 The total outstanding debt of PEs operating in this sector which stood at Rs. 16.69 billion during fiscal year 2010/11 reached at Rs. 25.76 billion in fiscal year 2011/12. Among PEs in this sector, Nepal Oil Corporation has the largest debt of Rs. 24.77 billion whereas Agriculture Inputs Company Limited has not borrowed from the government.
- 14.17 The net fixed asset of PEs in this sector stood at Rs. 2.05 billion. The shareholders' fund has negative balance of Rs. 21.59 billion which is higher by 83.57 percent as compared to the previous fiscal year. The main reason for negative increment in shareholders' fund is due to the Nepal Oil Corporation's negative fund of Rs. 22.18 billion.
- 14.18 The number of personnel employed in PEs of this sector totals 1,961 whereas non-funded employees liability is Rs.923.8 million. Annual administrative expenditure of PEs in this sector is Rs. 1.81 billion. Among 6 PEs, audits of 4 PEs up to fiscal year 2011/12 have been completed in this fiscal year.

Service Sector

- 14.19 Operating income of PEs in this sector which stood at Rs. 8.28 billion in FY 2010/11 reached at Rs. 9.75 billion in FY 2011/12 with an increase of 17.8 percent. Nepal Airlines Corporation and Civil Aviation Authority of Nepal (CAAN) have earned the largest operating income of Rs. 5.94 billion and Rs. 3.37 billion respectively.
- 14.20 Net profit of PEs in the service sector, which was Rs. 790 million in fiscal year 2010/11 has reached to Rs. 1.07 billion in fiscal year 2011/12 with rise in the profit amount. Industrial Sector Management Limited, Nepal Transport and Warehouse Management Company Limited and Civil Aviation Authority have earned net profits whereas Nepal Airlines Corporation (NAC), National Construction Company Nepal Limited and National Productivity and Economic Development Center Limited have been operating in loss. Nepal Airlines Corporation

which recorded profit in previous fiscal year has suffered loss amounting to Rs. 20 million in fiscal year 2011/12.

- 14.21 The net fixed asset of PEs in the service sector stands at Rs. 10.33 billion in fiscal year 2011/12 whereas shareholders' fund remains at Rs. 12.11 billion. Only shareholders' fund of NAC has negative figure (Rs. 1.17 billion). The outstanding debt of service sector amounted to Rs. 1.89 billion by the fiscal year 2011/12. Unfunded liability of PEs in this sector has reached to Rs. 283.9 million in fiscal year 2011/12 whereas Rs. 221.6 million accounted for only NAC.
- 14.22 The number of employees working in PEs under this sector reached to totals of 2,758 whereas annual administrative expenditure amounts Rs. 2.27 billion. Audit work of National Productivity and Economic Development Center Limited since fiscal year 2006/07 and of NAC since 2008/09 has not been carried out. GoN has made share investment totaling Rs. 13.78 billion and loan investment amounting to Rs. 2.46 billion to PEs in this sector by fiscal year 2011/12. No dividend is received from any of PEs in this sector to the government of Nepal in fiscal year 2011/12.

Social Sector

- 14.23 Among 5 PEs operating in this sector, except National Housing Company Limited, all others are operating in net loss. Such loss has climbed from Rs. 97.8 million in fiscal year 2010/11 to Rs. 286.8 million in fiscal year 2011/12. The net loss of Nepal Television has been increased by more than double as compared to previous fiscal year. Profit of National Housing Company Limited, which earned Rs. 19.5 million in previous fiscal year, has dropped to Rs. 2.7 million in this fiscal year 2011/12.
- 14.24 The operating income of PEs in this sector which recorded a total of Rs. 1.29 billion in fiscal year 2010/11 is limited to Rs. 1.22 billion in its succeeding fiscal year with a drop of Rs. 79.8 million in such profit. The shareholders' fund of PEs in this sector stood

at Rs. 919.9 million which was Rs. 1.16 billion in the previous fiscal year.

- 14.25 The net fixed asset of PEs in the service sector stood at Rs. 877.8 million in fiscal year 2011/12 from Rs. 916.7 million in the previous fiscal year. GoN has made share investment of Rs. 2.25 billion at PEs in the service sector whereas loan investment amounts to Rs. 219.3 million by fiscal year 2011/12. Despite of such investment, Government has not received any dividend from the PEs of this sector.
- 14.26 The number of employees working in this sector totaled 1,869 after reduction of 191 in fiscal year 2011/12 while there was a reduction of 188 employees in Gorkhapatra Corporation. As a result, the non-funded liability of these PEs have come down from previous fiscal year's 852.9 million to Rs. 726.6 million.
- 14.27 Nepal Television and National Housing Company Limited have completed auditing of their accounts upto fiscal year 2011/12, whereas other three PEs, namely Cultural Corporation, Gorkhapartra Corporation and Janak Education Materials Center Limited have completed their audits up to fiscal year 2010/11.

Public Utility Sector

- 14.28 The net operating income, of three PEs that are functioning under the public utility sector, stood at Rs. 44.63 billion in FY 2010/11 and reached Rs.53.24 billion in FY 2011/12 with an increase of Rs. 8.61 billion. Nepal Telecom has earned the highest operating income of Rs. 32.81 billion.
- 14.29 The net fixed assets of PEs in this sector stood at Rs. 100.47 billion with their total shareholders' fund of Rs. 65.92 billion by the end of fiscal year 2011/12. The shareholders' fund of all three PEs was positive in fiscal year 2010/11, while that of Nepal Water Supply Corporation turned negative of Rs. 94.7 million by fiscal year 2011/12.
- 14.30 In fiscal year 2011/12, though Nepal Telecom has registered highest net profit of Rs. 11.61 billion, overall net profit of PEs in

this sector got limited to Rs. 1.41 billion due to Rs. 9.95 billion net loss of Nepal Electricity Authority and Rs. 243.3 million that of Nepal Water Supply Corporation.

- 14.31 Total outstanding debt of PEs of the public utility sector stood at Rs. 70.21 billion in fiscal year 2011/12. Such liability was Rs. 63.60 billion in previous fiscal year. Nepal Electricity Authority has debt liability of Rs. 68.91 billion whereas Nepal Telecom has not borrowed any money. Total number of employees working in PEs under this sector has reached to 15,278 by the end of fiscal year 2011/12. Nepal Electricity Authority has the largest number of 9,013 working employees. Total administrative expenditure of PEs in this sector totaled Rs.19.43 billion.
- 14.32 The non-funded liability of PEs in public utility sector reached to Rs. 16.40 billion in fiscal year 2011/12 from Rs. 12.54 billion in previous fiscal year. Such liability of Nepal Electricity Authority increased by Rs. 3.33 billion and of Nepal Telecom by Rs. 409.3 million as compared to that of previous year.
- 14.33 GoN has invested a sum equivalent to Rs. 59.13 billion as share investment and Rs. 10.02 billion as loan investment by the end of FY 2011/12 in PEs under public utility sector. Against such investment, GoN has received dividend of Rs. 6.18 billion only from Nepal Telecom.

Financial Sector

- 14.34 Nine corporations are operating under the financial sector. The total operating income of this sector in FY 2011/12 recorded at Rs.21.39 billion, which is more by 30.6 percent as compared to that of previous year.
- 14.35 The net profit of PEs in this sector that stood Rs. 5.49 billion in FY 2010/11 is got limited to Rs. 5.33 billion with a decline of Rs. 161.3 million in FY 2011/12. Agriculture Development Bank and Rastriya Banijya Bank have recorded the highest profit among these PEs.

- 14.36 During fiscal year 2011/12, the net fixed asset of PEs in this sector recorded a growth of 65.1 percent as compared to that of FY 2010/11 and stood at Rs. 2.88 billion. The shareholders' fund of PEs in this sector totaled Rs.35.94 billion in FY 2011/12. The shareholders' fund of Rastriya Banijya Bank came down to negative of 3.13 billion in this year which is the improvement over the previous year's negative of Rs. 8.21 billion.
- 14.37 The outstanding debt of PEs in this sector which was Rs. 7.46 billion in FY 2010/11 has dropped to Rs. 6.15 billion in FY 2011/12. Of this total amount, the share of Agriculture Development is Rs.3.23 billion and that of Rastriya Banijya Bank is Rs. 2.92 billion. Other liabilities and deposits of PEs in financial sector which totaled Rs.135.78 billion in FY 2010/11 grew to Rs. 189.90 billion in FY 2011/12.
- 14.38 By fiscal year 2011/12, the loan/investment of PEs in financial sector grew to Rs. 154.67 billion. Such investment had totaled Rs.107.32 billion in previous fiscal year.
- 14.39 A total of 6,414 employees are working in PEs under the financial sector. Total annual administrative expenditure of PEs in this sector totaled Rs.4.09 billion. Among PEs in this sector, Rastriya Beema Sansthan has carried out audit of its account till FY 2002/03. During fiscal year 2011/12, GoN has received dividend equivalent to Rs. 86.57 million only from Rastriya Banijya Bank among PEs in financial sector.

Managerial Aspect

- 14.40 Existing 37 PEs are governed by 5 different laws. Of these, 23 institutions are operating as per Company Act; 2 as per Corporation Act; 7 through specific Corporation Act; 2 as per Communication Corporation Act; and 3 as per Bank and Financial Institutions Act. As these Corporations were established by different acts for production of goods and services, Bases for managing each of these enterprises are also separate. As these Corporations were established through different formation orders

and Acts, their operating procedures also differ from one another as these are guided by individual by-laws. Similarly, uniformity could not be established from appointment of the Board of Directors to recruitment of human resource and service facilities provisions.

- 14.41 A Public Corporation Board has been formed in line with the policy of ensuring representation strictly of qualified, skilled, professionals in the Public Enterprises, and appointing the Chiefs of Corporations (Chairpersons, Chief Executives, and General Manager) by holding competition among the people of managerial capacity and making the successful candidate to sign performance contract before appointment. Accordingly, a system of so appointing General Managers/Chief Executive Officers through competition and making provisions of performance contract-based facilities and rewards has already begun. Though such system initiated towards making the managerial leadership competitive and professional is very much positive, creating a conducive working environment for so appointed organization chiefs, putting incentive mechanism in place, system of regular monitoring and evaluation, and providing regular feedback system to get expected outcome still remain challenge.
- 14.42 By the end of FY 2011/12, total of 31,755 employees are in working operations level. Overstaffing continues to remain a problem in majority of corporations. Though corporations possess quantitatively greater number of staff, lack of qualitative and skilled human resource is distinctly being felt. GoN has issued directives to all public enterprises to seek consultation of Public Service Commission for recruitment in enterprises so as to bring uniformity in the process of staff recruitments in Public Enterprises, Development Committees, Commission and Academies.
- 14.43 Disputes are persistent in PEs fundamentally on management, policy, strategic action plan towards ensuring effectiveness in performance, and secondly, in terms and conditions of services,

and facilities of employees. Of these, issues related with second part having given priority resulted into employees of enterprises being used to seeking more and more facilities, which, in turn, has made the financial and managerial aspects of public enterprises weaker. Instead of adopting simple management ideas like dialogues and collaboration, collective bargaining, social conversation, periodic interactions, formulation and implementation of immediate and long term action plan for dispute resolution, development of paradox situation like the tradition of lockouts, *gherau*, ban on production and sales etc has been taking place.

- 14.44 Out of total 37 PEs, 22 enterprises have their accounts till FY 2011/12 are audited, while that of seven enterprises until 2010/11 whereas Rastriya Beema Sansthan has not carried out audit work for period after FY 2002/03. It is observed that Nepal Orind Magnesite Pvt. Limited has completed audit work until FY 2003/04, that of Udaypur Cement Factory until FY 2004/05; National Productivity and Economic Development Center Limited until FY 2006/07, Janakpur Cigarette Factory and Nepal Airlines Corporation until 2008/09.
- 14.45 Most of the enterprises have not been able to formulate and implement their execution plans through the medium of clearly targets quantification, actions, result, quantity, and certification in line with their respective visions, strategies, and action policies. Not only operating plans, most of enterprises do not also have short term, medium term and long term improvement plans. Implementation status of enterprises having plans is also weak. Thus, it is imperative to make formulation of daily, weekly, monthly, quarterly, semi-annual and annual action plans on human resource management, capital mobilization, demand and supply forecasting, price fixation, market management, procurement management, dispute management together with other important issues related with the life of the enterprise a

mandatory task. In addition, necessity of formulating long term improvement plan and its implementation is imperative.

- 14.46 Though the system of signing performance contract has been started based on work performance indicator and business plan of concerned enterprise while appointing Chief Executive Officers/General Managers through Public Enterprises Direction Board, enough attention is not drawn towards formulating business plan and accordingly drafting strategies to achieve predetermined goal and success measurements. Therefore, developing culture of institutionalized work performance contract, method of providing salary facility based on progress of work performed couldn't be done in public enterprises.
- 14.47 With a view of conducting work in a coordinated matter by promoting competitiveness and professionalism of public enterprises, the board has started working according to Public Enterprise Direction Board (Formation and Operations) Order, 2011 published in November, 2011 by GoN. After formation of Public Enterprise Direction Board, Executive Directors have been already appointed in eight PEs while appointment is in the process for six more. Corporation Coordination Division of the Ministry of Finance has a major role in maintaining coordination among the Public Enterprises.