

Unofficial Translation

Economic Survey

Fiscal Year 2013/14

**Government of Nepal
Ministry of Finance
2014**

Foreword

The government formed under the Chairmanship of the Chief Justice of the Supreme Court with the major intent of holding the second Constituent Assembly Election had announced the annual budget for fiscal year 2012/13 on 14th July, 2013 through an ordinance. The budget accorded top priority to hold Constituent Assembly Election in a free, fair and fearless atmosphere and also gave special emphasis on driving the nation towards economic prosperity by achieving sustainable and inclusive economic growth and development. The people's representative government formed on 11th February, 2014 after holding historically successful second Constituent Assembly Election is firmly committed towards drafting constitution, achieving rapid economic growth and graduating Nepal as a developing nation by the year 2022 AD by upgrading it from the current status of least developed country. Overall economic and social development of the country is major responsibility of the government by availing quality service to the people in a simple, prompt, efficient and effective manner. Hence, building a self-reliant and capable economy is very much necessary through inclusive and sustainable economic growth.

This Economic Survey for the fiscal year 2013/14 is prepared with analytical review of policies that the country has adopted in major sectors of the economy, and achievements made through implementation of such policy-based programs. Effort is made to the extent possible, to bring sector programs into one folder although different entities are responsible to implement the programs. Data of the previous years has been updated, recorded in digital compact disks, and provided as a part of this report.

I am confident that this Economic Survey should serve as a useful reference source for intellectuals, researchers, employees, teachers, students, industrialists, businessmen, people in general, development partners, and foreign investors as well.

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

July, 2014

Dr. Ram Sharan Mahat
Finance Minister

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Abbreviations

AIDs	Acquired Immune Deficiency Syndrome
AIT	Administrator in Training
AMHS	Automatic Message Handling System
AOCR	Air Operation Certificate Regulation
ARV	Antiretroviral
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	<i>Crud Birth Rate</i>
CCTV	Close Circuit Television
CDAS	Central Depository Accounting Software
CDMA	Code Division Multiple Access
CEDA	Center for Economic Development and Administration
CNS /ATM	Communication Navigation Surveillance / Air Traffic Movement
CPA	Central Personnel Agency
DACC	District AIDS Coordination Committee
DOTs	Directly Observed Treatment
DPMAS	District Poverty Monitoring & Analysis System
E.N.T .	Ear, Nose, Throat
E-DV	Electronic Diversity Visa
EVDO	Enhanced Voice-Data Optimized
GER	Gross Enrolment Ratio
GIS	<i>Geographic Information System</i>
GPI	Gender Perception Indicator
HIV	Human Immune Deficiency Virus
HMIS	Hazardous Materials Identification System
HPS	<i>Hermansky Pudlak Syndrome</i>
ICAO	International Civil Aviation Organisation
ICP	International Custom Point
IED	Improvised Explosive Device
IFAD	International Fund for Agriculture Development
IOM	Institute of Medicine
ISO	International Organization for Standardization
IT	Information Technology
JFPR	<i>Japan Fund for Poverty Reduction</i>
LGCDP	Local Government & Community Development Programme
MBBS	Bachelor in Medicine and Bachelor in Surgery
MCPM	Minimum Conditions and Performance Measures
MDA	Mass Drug Administration
MDAC	Ministerial Development Action Committee
MDG	Millennium Development Goals
MDR	Multi Drug Resistant
MDRTB	<i>Multi Drug Resistant Tuberculosis</i>

MIS	Management Information System
MLAT	Multilateration
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
PIS	Personnel Information System
PMTCT	Preventing Mother-to-Child Transmission
PTMC	Percutaneous Transvenous Mitral Commissurotomy
PNC	Post Natal Care
SASEC	South Asian Sub-regional Economic Cooperation
SEZ	Special Economy Zone
STOL	Short Take-Off and Landing
TIA	Tribhuvan International Airport
TPS	True <i>Potato</i> Seed
UNFCCC	United Nations Framework Convention on Climate Change
VCTS	Vulnerability Compliance Tracking System
VCT/STI	Volunteer Counseling Treatment of Sexual Transmitted Infection
VHF/UHF	Very High Frequency / Ultra High Frequency
VOR/DME	Very High Frequency (VHF) Omnidirection Range / Distance Measuring Equipment

Acronyms

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

Executive Summary

1. According to the World Economic Outlook published by IMF in April, 2014, global production that increased by 3.2 percent in 2012 grew by just 3.0 percent in 2013. The economy of developed countries that expanded by 1.4 percent in 2012 grew by 1.3 percent in 2013. Likewise, the growth rate of the economies of emerging and developing countries remained at 4.7 percent in 2013 as compared to 5.0 percent growth recorded in 2012. IMF has also projected the global growth of 3.6 percent in 2014.
2. Among the South Asian countries, economic growth rate of Maldives and Sri Lanka has increased while that of the rest of the countries has declined in 2013 in comparison to 2012. Likewise, the Chinese economy has surged by 7.7 percent in both 2012 and 2013 while that of India had increased by 4.7 percent in 2012 grew by just 4.4 percent in 2013. According to IMF's projection, economies of China and India are estimated to grow by 7.5 percent and 5.4 percent respectively in 2014.
3. Analysis of statistics for the first ten months of the current fiscal year 2013/14 shows that, though major macroeconomic indicators remained positive, higher inflation rate coupled with increased trade deficit has remained as major challenges of economy.
4. The real GDP is estimated to grow by 5.2 percent at basic prices and 5.5 percent at producers' prices against the target of 5.5 percent for current fiscal year 2013/14. Such growth rate had remained at 3.5 percent at basic prices and 3.9 percent at producers' prices in the previous year. Favorable climates, improved investment environment, timely release of budget are attributable factors for such a rise in the economic growth in current fiscal year as compared to the previous fiscal year.
5. Production of the agriculture sector is estimated to grow by 4.7 percent in current fiscal year 2013/14. Such growth rate was just 1.1 percent last year. The non-agriculture sector is estimated to grow by 5.3 percent in current fiscal year, while this sector had grown by 4.6 percent last year. Among the non-agriculture sector, growth rates of industry and services sector are estimated to remain at 2.7 percent and 6.1 percent respectively in current fiscal year while these figures were 2.5 percent and 5.2 percent respectively in the previous fiscal year. Growth rates of Electricity, gas and water, construction wholesale and retail trades, hotel and restaurant, fiscal intermediation, real estate, education sectors under the non-agriculture sector have increased as compared to the previous year.

6. The structure of Nepalese economy has been changing gradually. Contribution of agriculture and industry sectors to GDP showed a declining trend while that of services sector showed the opposite. From the sectoral perspective, the contribution of primary, secondary and tertiary sector contribution to nominal GDP are estimated to remain at 33.7 percent, 14.1 percent and 52.3 percent respectively. While classifying GDP into agriculture and non-agriculture sectors, contribution of the agriculture sector showed declining trend while the non-agriculture sector showed the opposite. Contribution of the agriculture sector to GDP at current prices stood at 37.4 percent in FY 2001/02, while it has come down to 33.1 percent in current fiscal year 2013/14.
7. The ratio of consumption to GDP in current fiscal year climbed to 91.1 percent from 89.9 percent in the previous year. The shares of the private sector, government sector and non-profit institutions in final consumption expenditure in current fiscal year stood at 85.7 percent, 12.3 percent and 2.0 percent respectively. On private consumption side, shares of food items, non-food items and services have been remained at 65.3 percent, 23.9 percent and 10.8 percent respectively.
8. The ratio of gross capital formation to GDP, which was 36.9 percent in the previous fiscal year, is estimated to reach 37.1 percent in the current fiscal year 2013/14. The ratio of gross fixed capital formation to GDP is estimated to reach 23.1 percent. Private and government sectors are estimated to contribute 79.8 percent and 20.2 percent respectively to gross fixed capital formation.
9. The share of gross domestic saving to GDP is estimated to drop by 1.2 percentage point compared to that of previous fiscal year and reaching to 8.9 percent in current fiscal year amounting to Rs. 172.03 billion at current prices. The ratio of Gross National Saving to GDP is estimated to reach at 46.4 percent to Rs. 895.68 billion in the current fiscal year against the growth rate of 40.3 percent in the previous year.
10. Nepal's Gross National Disposable Income has been increasing along with the increasing remittance inflow. Such income is estimated to grow by 20.4 percent to Rs. 2,652.17 billion in current fiscal year 2013/14, which is 137.5 percent of GDP of the same fiscal year. Nepalese per capita GDP is estimated to have reached at Rs. 69,919 in current fiscal year, which is equivalent to US \$703.
11. The total expenditure of GoN had increased by 5.7 percent to Rs. 358.63 billion in FY 2012/13. This is estimated to increase by 44.2

percent to Rs. 517.24 billion in current fiscal year 2013/14. Of this, recurrent and capital expenditure is estimated to remain at Rs. 353.42 billion and Rs. 84.10 billion respectively. Revenue mobilization that grew by 21.1 percent in FY 2012/13 is estimated to Rs. 354.50 billion in current fiscal year recording an increase of 19.7 percent. Similarly, tax revenue is estimated to increase by 21.4 percent to Rs. 314.64 billion in current fiscal year as compared with that of the previous fiscal year. Likewise, non-tax revenue is estimated to grow by 8.3 percent to Rs. 39.86 billion.

12. The ratio of fiscal deficit to GDP that stood at 1.5 percent in FY 2012/13 is estimated to reach at 4.5 percent in current fiscal year. The share of total outstanding debt to GDP in fiscal year 2012/13 stood at 32.7 percent. The ratios of total outstanding foreign debt and domestic borrowing to GDP stood at 19.7 percent and 13.0 percent respectively in FY 2012/13 while such ratios have been 18.4 percent and 11.7 percent respectively during the first eight months of current fiscal year. The total outstanding debt to GDP has dropped to 30.1 percent in the same period.
13. The consumer price index based inflation rate that stood at 10.2 percent in the first eight months of c FY2012/13 has slightly dropped to 8.9 percent during the same period of current fiscal year 2013/14. Similarly, price growth index of food and beverage group in annual point-to-point remained at 10.8 percent during the first eight months of current fiscal year while that of non-food items and services group has remained at 7.1 percent. The growth rates of price indices of these groups had stood at 11.3 percent and 9.3 percent respectively during the corresponding period of the previous fiscal year.
14. During the first eight months of the current fiscal year 2013/14, broad money supply and narrow money supply have increased by 10.8 percent and 10.9 percent respectively as against their respective growth figures of 6.2 percent and 1.6 percent during the same period previous fiscal year. The higher growth rate of broad money supply in the first eight months of current fiscal year 2013/14 than that in the corresponding period of previous fiscal year is attributable to higher growth rate of net foreign assets of the monetary sector. Net Foreign Assets (foreign exchange valuation adjusted) has increased by 22.0 percent to Rs. 102.81 billion due to notable growth especially in remittance inflow, services income and foreign aid. Such asset had increased by 3.1 percent to Rs. 11.78 billion during the same period of previous fiscal year.

15. During the first eight months of the current fiscal year 2013/14, the deposit mobilization of banks and financial institutions has increased by 9.7 percent (Rs. 115.47 billion) as compared to its growth of 6.8 percent (Rs. 68.62 billion) in the corresponding period of the previous fiscal year. Likewise, during the review period, banks and financial institutions claim on private sector has grown by 11.0 percent (Rs. 103.81 billion) while such claim had grown by 14.6 percent (Rs. 114 billion) in the same period of the previous fiscal year.
16. The excessive liquidity with Banks and financial institutions has been mopped up through open market operation. Liquidity of Rs. 278.50 was mopped up during the first eight months of current fiscal year 2013/14, of which, Rs. 270 billion was through reserve repo auction and Rs. 8.50 billion through outright sell auctions. The liquidity of Rs. 8.5 billion was absorbed through outright sell auction while reverse repo transaction was not carried out during the same period of previous fiscal year.
17. Share transactions in the first eight months of current fiscal year 2013/14 have been encouraging. Nepal Stock Exchange Index has increased by 43.6 percent reaching at 783.79 points by mid-April, of the current fiscal year 2013/14 as compared to the corresponding period of the previous fiscal year. Such index stood at 545.72 points during the same period of the previous fiscal year 2012/13. In addition, securities market capitalization has grown by 50.6 percent to Rs. 797.77 billion during the first eight months of the current fiscal year 2013/14. The market capitalization maintained until mid-April, 2013 has been 46.9 percent of the GDP of FY 2013/14. The sum of share transacted until the first eight months of the current fiscal year 2013/14 has increased by 184.4 percent to Rs. 40.40 billion as compared to the corresponding period of the previous fiscal year.
18. Merchandise exports grew by 19.4 percent to Rs. 60.9 billion during the first eight months of the current fiscal year 2013/14 against its growth of 5.0 percent in the same period of the previous fiscal year. Total imports increased by 27.0 percent to Rs. 457.85 billion during the first eight months of current fiscal year 2013/14 compared to 22.1 percent rise during the same period of previous fiscal year. The trade deficit on grew by 28.2 percent to Rs. 396.96 billion during the first eight months of the current fiscal year 2013/14, against 25.5 percent growth (Rs.309.55 billion) during the same period of the previous year. The export/import ratio dropped to 13.3 percent during the review period due to the higher base and growth rate of imports compared to that of

exports. Such ratio was 14.1 percent in the same period of previous fiscal year.

19. The Balance of Payments (BoP) has remained in surplus by Rs. 102.81 billion during the first eight months of the current fiscal year 2013/14. Such surplus amounted to Rs. 11.78 billion during the same period of the previous fiscal year. The current account remained in surplus by Rs. 68.41 billion during the review period of current fiscal year while it had registered a surplus of Rs. 9.51 billion during the same period of previous fiscal year. Remittance inflow has attained higher growth of 34.1 percent to Rs. 356.72 billion in the first eight months of current fiscal year as compared to 22.2 percent rise in the same period of the previous fiscal year.
20. The gross foreign exchange reserve has increased by 22.5 percent to Rs. 653.42 billion in mid-March 2014 as compared to mid-July 2013. Such reserve had grown by 3.2 percent to Rs. 453.61 during the same period of the previous year. Based on imports during the first eight months of current fiscal year 2013/14, the current level of reserve is sufficient for financing merchandise imports of 11.6 months and merchandise and services import of 10.2 months. Such reserve was sufficient to cover merchandise imports of 10.2 months and merchandise and services imports of 8.8 months during the same period of the previous fiscal year. Nepalese currency depreciated by 2.6 percent against the US Dollar between mid-July 2013 and mid-March 2014 while it had appreciated by 2.1 percent during the same period last year.
21. Despite drop in the poverty level to 23.8 percent from 42.0 percent between FY 1995/96 and FY 2012/13, wide differences still exist between urban and rural, different geographical regions, and groups. During this period, urban poverty declined from 21.6 percent to 15.5 percent, while rural poverty dropped to 27.4 percent from 43.3 percent. The Gini-coefficient of 0.328, an indicator used for measuring income inequality shows that the gap between the rich and the poor is still very wide. The MDG Progress Report 2013 has shown that the annual poverty reduction rate has remained at 1.5 percent between 1996 to 2004 and 2.5 percent between 2004 and 2013.
22. The number of tourist arrival declined by 0.7 percent to 797,759 person in the year 2013. The average length of stay of tourists had remained 12.9 days in 2012 which came down to 12.6 days in 2013. By the first eight months of current fiscal year 2013/14, income earned through the tourism sector stood at Rs. 30.43 billion while per capita per day tourist expenditure stood at 34.5 US dollar. Contribution of the tourism sector

to GDP stood around 2.0 percent, and providing direct employment to 178,000 persons.

23. Energy consumption had recorded a growth of 13.9 percent with 10,038 Tons of Oil Equivalent (ToE) in FY 2012/13 as compared to fiscal year 2011/12 while it equaled to 7,608 ToE in the first eight months of current fiscal year, which is higher by 15.3 percent in comparison to the same period of the previous fiscal year. The ratio of traditional, commercial and renewable energy consumption was 79.9 percent, 18.5 percent and 1.6 percent respectively in FY 2012/13. Such ratio stood at 80.1 percent, 16.7 percent and 3.2 percent respectively in the first eight months of current fiscal year 2013/14.
24. Consumption of petroleum (POL) products had registered a growth of 9.1 percent to 1,288,676 KL and that of LP Gas by 14.1 percent to 207,038 MT in FY2012/13. Consumption of POL and LP Gas in the first eight months of current fiscal year 2013/14 rose by 9.6 percent and 13.5 percent to 7,46,173 KL and 151,211 MT respectively.
25. Total length of black topped, graveled and earthen roads reached to 10,810 Km, 5,925 Km and 8,864 Km respectively with addition of corresponding lengths of 151 Km of black topped, 136 Km of graveled and 324 Km of earthen respectively by mid-March of current fiscal year 2013/14. The number of vehicles plying on these roads has reached 1,687,478. The number of transport vehicles has dropped by 8.7 percent in the first eight months of the current fiscal year.
26. During the first eight months of current fiscal year. 2013/14, the number of telephone subscribers across the country has reached 23,006,799. Of this, the number of mobile phone subscribers has been 88.0 percent with telephone density of 74.0 percent.
27. Fiscal year 2013/14 has remained satisfactory from the perspective of educational activities. During this academic year, the net enrolment rate for primary level has reached 95.6 percent and those for basic education and secondary level education are 86.3 percent and 33.2 percent respectively. Such enrolment rates were 95.3 percent, 87.5 percent and 32.4 percent respectively in the previous year. During the academic session of 2013/14, the number of students at primary level totaled 4,401,780, while that at lower secondary and secondary levels are 1,828,351 and 896,919 respectively. The numbers of schools also registered a growth with numbers of primary schools reaching 34,743, lower secondary schools 14,867, and secondary schools 8,726.

Macro-Economic 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	13/14*
Economic Activities													
Real GDP (At Basic Prices)	Annual % Change	3.8	4.4	3.2	3.7	2.8	5.8	3.9	4.3	3.9	4.6	3.5	5.2
Agriculture	Annual % Change	3.3	4.7	3.5	1.9	1.0	5.8	3.0	2.0	4.5	4.6	1.1	4.7
Industry	Annual % Change	3.1	1.5	2.9	4.4	4.0	1.6	-0.6	4.0	4.3	3.0	2.5	2.7
Service	Annual % Change	3.7	6.8	3.3	5.6	4.5	7.3	6.0	5.8	3.4	5.0	5.2	6.1
Real GDP (At Producer's Prices)	Annual % Change	3.9	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	3.9	5.5
Per Capita GDP (At Constant Price)	Annual % Change	1.7	2.4	1.2	1.1	6.3	4.6	3.1	3.4	2.5	3.4	2.5	4.1
Per Capita 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	3.7	2.9	5.4
GDP (At Current Price)	Annual % Change	7.1	9.0	9.8	11.0	11.3	12.1	21.2	20.7	14.6	11.7	10.8	13.9
Gross National Income (At current Price)	Annual % Change	7.1	8.9	10.5	11.5	11.6	12.0	21.4	20.2	14.4	12.0	10.8	15.3

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Gross National Disposable Income (At Current Price)	Annual % Change	7.6	9.3	11.1	14.0	10.1	16.5	24.2	18.8	13.3	16.6	12.3	20.4
Per Capita GDP	US Dollar	261	293	328	350	410	491	497	610	714	702	707	703
Per Capita GNI	US Dollar	261	292	329	352	414	496	502	614	718	708	713	717
Per Capita GNDI	US Dollar	301	339	383	420	487	606	628	759	879.0	902	920	967
Real GDP (At Basic Prices)	Rs. in Billion	429.7	448.7	463.2	480.4	493.7	522.3	542.7	565.8	587.5	614.6	635.9	668.7
Agriculture	Rs. in Billion	165.8	173.7	179.8	183.1	184.8	195.6	201.5	205.5	214.8	224.7	227.2	237.9
Industry	Rs. in Billion	76.5	77.6	79.9	83.5	86.8	88.3	87.8	91.3	95.2	98.1	100.6	103.3
Service	Rs. in Billion	199.9	213.5	220.6	233.0	243.5	261.4	277.1	293.3	303.3	318.5	335.1	355.6
Real GDP (At Producer's Prices)	Rs. in Billion	459.5	481.0	497.7	514.5	532.0	564.5	590.1	618.5	639.7	670.3	696.1	734.2
Per Capita GDP (In 2000/01 Price)	Rs.	18984.0	19436.0	19670.0	19884.0	21129.0	22110.0	22793.0	23561.0	24144.0	24962.0	25578.0	26619.0
Per Capita Gross National Income (In 2000/01 Price)	Rs.	18962.0	19401.0	19802.0	20186.0	21569.0	22567.0	23301.0	24152.0	24664.0	25582.0	26326.0	27762.0
GDP(At Producer's Current Price)	Rs. in Billion	492.2	536.8	589.4	654.1	727.8	815.7	988.3	1192.8	1366.9	1527.3	1692.6	1928.5
Gross National Income(In Current Price)	Rs. in Billion	491.6	535.1	591.1	659.0	735.3	823.6	1000.0	1201.9	1374.5	1539.6	1705.7	1966.7
Gross National Disposable Income(In Current Price)	Rs. in Billion	567.1	620.0	688.8	785.2	864.3	1006.4	1249.5	1484.5	1682.4	1962.4	2203.4	2652.2

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Per Capita GDP (In Current Price)	Rs.	20337.0	21689.0	23292.0	25279.0	28905.0	31946.0	38172.0	45435.0	51594.0	56880.0	62196.0	69919.0
Per Capita GNI (In Current Price)	Rs.	20309.0	21620.0	23357.0	25471.0	29200.0	32257.0	38626.0	45782.0	51879.0	57337.0	62677.0	71305.0
Per Capita GNDI (In Current Price)	Rs.	23430.0	25051.0	27218.0	30346.0	34323.0	39417.0	48262.0	56549.0	63499.0	73082.0	80964.0	96155.0
Gross Consumption/ GDP	In %	91.4	88.3	88.4	91.0	90.2	90.2	90.6	88.6	86.0	89.0	89.9	91.1
Gross Domestic Saving/GDP	In %	8.6	11.8	11.6	9.0	9.8	9.8	9.4	11.4	14.0	11.0	10.1	8.9
Gross National Saving/GDP	In %	23.8	27.3	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.3	46.4
Gross Fixed Capital Formation/GDP	In %	19.9	20.3	19.9	20.7	21.1	21.9	21.3	22.2	21.4	20.8	22.6	23.1
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	4.7	4.7	4.2	4.7
Private Investment in Gross Fixed Capital Formation/GDP	In %	16.9	17.5	17.0	18.0	17.7	17.8	16.9	17.7	16.7	16.1	18.4	18.5
Gross Capital Formation/GDP	In %	21.4	24.5	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	36.9	37.1
Gap between Gross Domestic Saving and Gross Investment/GDP	In %	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.3	-26.8	-24.0	-23.5	-26.8	-28.2
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	2.76

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Price													
Consumer Price Index ³	Annual % Change	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	9.9	9.0
GDP Deflator ²	Annual % Change	3.1	4.0	5.9	6.9	7.3	5.6	16.1	14.4	11.0	6.6	6.2	7.9
Primary Sector	Annual % Change	0.7	2.8	3.5	4.4	6.1	3.3	21.4	25.1	15.6	1.4	4.6	5.9
Secondary Sector	Annual % Change	4.1	5.4	5.5	3.6	5.7	11.0	14.4	9.2	8.9	8.3	8.1	6.6
Service Sector	Annual % Change	4.7	4.5	7.8	9.9	8.3	5.3	12.9	8.9	8.2	10.1	6.8	9.5
Whole Sale Price Index ⁴	Annual % Change	3.8	4.1	7.3	8.9	9.0	9.1	12.8	12.6	9.8	6.4	9.0	8.1
Salary and Wages Rate Index ⁵	Annual % Change	-	-	-	3.9	9.8	9.7	15.3	17.2	18.0	27.4	9.3	13.1
Salary	Annual % Change	-	-	-	0.3	6.3	10.9	10.5	20.2	0.0	19.3	0.0	24.8
Wages	Annual % Change	-	-	-	5.3	10.9	9.4	16.9	16.3	24.0	29.6	11.5	10.5
Public Finance***													
Revenues	Annual % Change	11.5	10.9	12.5	3.1	21.3	22.7	33.3	27.2	11.4	23.2	21.1	19.8
Total Government Expenditures	Annual % Change	4.9	6.5	14.7	8.1	20.5	20.8	36.1	18.2	13.7	14.8	5.7	25.4**
Recurrent Expenditure	Annual % Change	6.6	6.6	11.0	8.6	15.1	18.6	39.7	18.2	12.6	15.8	1.6	28.0**
Capital Expenditure	Annual % Change	-9.8	3.3	18.4	8.3	34.2	34.7	36.6	23.5	16.8	8.6	6.2	17.0**
Principal Payments	Annual % Change	48.6	12.9	25.4	5.4	17.4	-2.2	14.9	-2.1	-6.6	17.1	74.3	-

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Debt Servicing (Principal & Interest)	Annual % Change	32.6	7.2	13.9	3.4	12.2	-0.7	18.6	5.3	5.4	17.9	38.4	-
Revenue/GDP	In %	11.4	11.6	11.9	11.1	12.1	13.2	14.5	14.9	14.7	16.0	17.5	18.4
Tax Revenue/GDP	In %	8.3	9.0	9.2	8.8	9.8	10.4	11.8	13.4	13.0	13.9	15.3	16.3
Non-Tax Revenue/GDP	In %	2.8	2.6	2.7	2.3	2.3	2.8	2.7	1.5	1.5	2.1	2.2	2.1
Total Government Expenditures/GDP	In %	17.1	16.7	17.4	17.0	18.4	19.8	22.2	21.8	21.6	22.2	21.2	23.3**
Recurrent Expenditure/GDP	In %	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.7	15.4	15.9	14.6	16.4**
Capital Expenditure/GDP	In %	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.6	3.5	3.4	3.2	3.3**
Principal Payments/GDP	In %	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.5	1.3	1.3	2.1	-
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	2.9	-
Foreign Grants/GDP	In %	2.3	2.1	2.4	2.1	2.2	2.5	2.7	3.2	3.4	2.7	2.1	3.6
Budget Deficit/GDP	In %	3.3	2.9	3.1	3.8	4.1	4.1	5.0	3.5	3.6	3.4	1.5	4.5
Foreign Loan/GDP	In %	0.9	1.4	1.6	1.3	1.4	1.1	1.0	0.9	0.9	0.7	0.7	2.3
Domestic Loan/GDP	In %	1.8	1.0	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	1.1	2.3
Foreign Loan and Grants/GDP	In %	3.2	3.5	4.0	3.4	3.6	3.6	3.7	3.1	4.2	3.4	2.8	5.9
Total Outstanding Debt	Rs. in Billion	308.1	318.9	314.4	337.7	332.7	375.6	425.1	440.4	443.7	523.2	553.8	580.5
Outstanding Domestic Debt	Rs. in Billion	60.0	84.6	86.1	94.7	103.8	116.0	125.7	148.1	184.2	214.0	220.3	226.1
Outstanding Foreign Debt	Rs. in Billion	223.4	232.8	219.6	233.97	216.6	250.0	277.0	256.2	259.6	309.3	333.4	354.4

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Per Capita Outstanding Debt	Rs.	12940.0	13209.0	12839.0	13602.0	13212.0	14711.0	16416.0	16773.0	16749.0	19488.0	20352.0	21048.0
Total Outstanding Debt/GDP	In %	62.6	59.4	53.3	51.6	45.7	46.1	40.8	33.9	32.5	34.3	32.7	30.1
Outstanding Domestic Debt/GDP	In %	17.2	16.0	16.1	15.9	15.9	15.4	15.0	12.4	13.5	14.0	13.0	11.7
Outstanding Foreign Debt/GDP	In %	45.4	43.4	37.3	35.8	29.8	30.6	27.9	21.5	19.0	20.2	19.7	18.4
Outstanding Foreign Debt/Revenue	In %	397.4	373.5	313.2	323.7	247.0	232.3	197.9	144.0	130.8	126.6	112.6	100.0
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	433.5	386.2
Debt Service (Principal & Interest payment)/Recurrent Expenditure	In %	31.1	31.2	32.0	30.5	29.7	24.9	21.1	15.2	14.3	14.5	19.7	-
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	62.5	54.5
Money and Banking##													
Domestic Credit	Annual % Change	10.4	9.9	13.8	15.1	11.7	21.3	27.1	17.2	14.6	9.3	17.2	3.1
Private Sector Credit	Annual % Change	13.2	14.3	14.2	23.6	12.3	24.3	29.0	14.2	13.9	11.3	20.2	11.1
Net Government to Credit	Annual % Change	5.9	-1.8	11.3	11.1	10.4	11.2	20.4	26.9	19.7	-0.3	3.0	-46.8
Share of the Private Sector credit in the Banking Sector Credit	In %	67.4	70.1	70.3	75.5	75.8	77.7	78.9	80.2	79.7	81.4	83.5	89.9

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Narrow Money Supply (M1)	Annual % Change	8.6	12.2	6.6	14.2	12.2	21.6	27.3	11.0	5.2	18.6	14.4	10.9
Currency	Annual % Change	2.2	11.1	8.8	13.1	7.4	19.9	25.5	13.0	1.9	20.1	14.9	15.5
Current Deposits	Annual % Change	25.0	14.5	2.2	12.3	22.8	25.0	30.5	7.6	11.4	15.9	13.4	2.4
Broad Money Supply (M2)	Annual % Change	9.8	12.8	8.3	15.4	14.0	25.2	27.3	14.1	12.3	22.7	16.4	10.8
Fixed and Saving Deposits	Annual % Change	10.4	13.1	9.2	16.7	14.9	27.0	27.3	15.5	14.8	24.0	17.0	10.8
Total Domestic Credit/GDP	In %	45.5	45.9	47.5	49.3	49.5	53.6	56.2	66.8	66.2	64.8	68.5	70.7
Private Sector Credit/GDP	In %	30.7	32.1	33.4	37.2	37.6	41.7	44.4	53.5	52.9	52.7	57.2	63.5
Net Government Credit/GDP	In %	11.9	10.7	10.8	10.9	10.8	10.7	10.6	11.4	11.9	10.6	9.9	5.3
Narrow Money Supply/GDP	In %	17.0	17.5	17.0	17.3	17.4	18.9	19.9	17.8	16.2	17.2	17.7	19.7
Current Deposits/GDP	In %	5.5	5.7	5.3	5.4	6.0	6.6	7.2	6.1	5.9	6.1	6.2	6.4
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	77.3	85.7
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	59.6	66.0
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	3.6	19.3
Import (Goods)	Annual % Change	15.8	9.6	9.7	16.3	12.0	14.0	28.2	31.6	5.8	16.5	20.6	27.5
Export/Import Ratio	In %	40.2	39.6	39.3	34.7	30.5	26.7	23.8	16.2	16.2	16.1	13.8	12.9

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
Trade Deficit	Annual % Change	23.1	10.7	10.2	25.1	19.2	20.2	33.3	44.6	5.8	16.7	23.9	28.8
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	11.4	30.0
Expenditure on Tourism	Annual % Change	7.7	62.4	-3.3	23.4	32.0	32.2	50.5	2.8	-14.4	93.2	53.7	18.2
Remittance Income	Rs. in Billion	54.2	58.6	65.5	97.7	100.1	142.7	209.7	231.7	253.6	359.6	434.6	560.6
Remittance Income	Annual % Change	14.0	8.1	11.9	49.0	2.5	42.5	47.0	10.5	9.4	41.8	20.9	29.0
Current Account Balance	Rs. in Billion	11.6	14.6	11.5	14.2	-0.9	23.7	41.4	-28.1	-12.9	76.0	57.1	82.0
Export/GDP	In %	10.1	10.0	10.0	9.2	8.2	7.3	6.9	5.1	4.7	4.9	4.5	4.8
Import/GDP	In %	25.3	25.4	25.4	26.6	26.8	27.2	28.8	31.4	29.0	30.2	32.9	36.8
Total Trade/GDP	In %	35.4	35.4	35.3	35.8	34.9	34.5	35.6	36.5	33.7	35.1	37.4	41.6
Trade Deficit/GDP	In %	-15.1	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-26.3	-24.3	-25.4	-28.4	-32.1
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	2.0	2.3
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	2.3	2.4
Remittance Income/GDP	In %	11.0	10.9	11.1	14.9	13.8	17.5	21.2	19.4	18.5	23.5	25.7	29.1
Current Account Balance/GDP	In %	2.4	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	5.0	3.4	4.3
Balance of Payments	Rs. in Billion	4.4	16.0	5.7	25.6	5.9	29.7	44.8	-3.3	4.1	131.6	68.9	105.0
Foreign Exchange Reserve	Rs. in Billion	108.2	130.2	129.9	165.0	165.1	212.6	286.5	268.9	272.2	439.5	433.3	650.5
Foreign Exchange	Annual % change	2.2	20.3	-0.2	27.0	0.1	28.8	34.8	-5.4	1.2	61.5	21.4	22.0

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14*
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	11.7	11.2
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	10.1	9.8
Exchange Rate ⁶	Per US Dollar =Rs.	77.80	73.80	72.10	72.30	70.50	65.00	76.90	74.50	72.30	81.00	88.00	99.10

¹Annual Preliminary Estimates²Base Year 2000/00=100, ³Base Year 2005/06=100⁴Base Year 1999/2000=100,⁵Base Year 2004/05=100,

⁶Annual Average of Buying and Selling Rates

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

** Based on Data for the first 11 months of the current fiscal year

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

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

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

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

Major Challenges of the Economy

Real Sector

1. It is necessary to achieve higher and sustainable economic growth rate for country's rapid economic development. In a situation whereby average annual growth rate for the past 10 years has been a mere 4.1 percent, upgrading the country from its current state of least developed country to the developing country status by achieving double digit economic growth rate is a challenge.
2. Agriculture production has been playing vital role in Nepal's economic growth. Agriculture sector is affected by favorable/unfavorable climatic conditions, resulting in the fluctuation of GDP thereby affecting overall economic growth. It is a challenge to raise aggregate economic growth rate by raising production and productivity in a situation where by average growth rate of this sector in the last 10 years period has remained at 3.2 percent.
3. Saving is the source of investment. It cannot be possible to raise investment rate without raising rate of saving. It is a daunting task to expand investment by increasing domestic savings in a situation where gross domestic savings is about 9 percent of GDP.
4. Investment, both domestic and foreign, could not be expanded as a consequence of failure to bring improvement in investment environment due to prolonged political transition, uneasy labor relation, energy crisis, closures/strikes and weak infrastructure, among others. Contribution of the manufacturing sector that stood at 10 percent to GDP in the past has now been contained at 6.0 percent. Hence, it is a challenging task to raise industrial production and productivity through policy, institutional and structural enhancement so as to improve industrial and investment environment.
5. The rate of inflation has remained high owing to supply and structural factors. Persistent higher inflation rate despite steps taken through monetary and fiscal policies to curb it adversely affects the government target of reducing poverty along with achieving the higher economic growth rate. Hence, it is a challenge to contain the inflation rate within desirable limit.

6. More than 400 thousand labor force enters the labor market every year. Failure in creating employment opportunities in domestic market has created a situation for exodus of that number (of labor force) seeking foreign employment. Expansion of income earning opportunities by creating adequate employment opportunities within country itself is getting more complex.
7. Though the population below poverty line has been declining as a result of steps taken in the past towards reducing poverty, the poverty intensity has remained higher among women, *Dalits*, minority community, people of backward rural communities and physically challenged people. Likewise, the gap between the rich and the poor still remains wide. Hence, it is a challenging task to bring significant improvement in the people's living standard by reducing income inequality through effective implementation of poverty alleviation program.
8. The larger chunk of population is still lagging behind from the social development perspective though social indicators seem positive. Proportional development and distribution of the social services like education, health, drinking water and sanitation has become more difficult.
9. The country has been suffering from energy crisis despite the abundant water resource potential. Tasks of removing policy, process, and institution related obstacles towards mitigating the existing load shedding problem through timely completion of ongoing hydroelectricity projects; investing in quick result yielding hydropower projects; and expediting extension of electric transmission lines are very complex.

Government Sector

10. Since last few years, government's capital expenditure has not expanded to the desired extent. The average ratio of capital expenditure to GDP in the last five years has remained merely at 5.0 percent. Likewise, actual capital expenditure has been very low as compared to the budgetary allocation. This clearly indicates the government sector's inability to improve its spending capacity. Since infrastructure

development is not possible in absence of higher capital expenditure, enhancing spending capacity of the government has remained a challenge.

11. The past trend of recurrent expenditure shows achievement as targeted and steadily growing. On an average, the ratio of recurrent expenditure to GDP has remained at 14.3 percent in the last 5 years. However, it is imperative to be prudent on recurrent expenditure while expanding the capital expenditure so as to attain higher economic growth rate. Hence, containing the recurrent expenditure at the desired limit through prudent spending is a growing challenge.
12. The task of prioritizing government expenditure is still very tough. Placing most of the projects/programs in P1 category shows as if all projects/programs are of the same priority, which has been creating problems in prioritizing and managing their expenditures aside from having difficulties in achieving their results.
13. Risks still persist despite gradual reduction in the total outstanding debt. The foreign debt liability increases when Nepalese currency depreciates against the US Dollar. This has been posing foreign exchange risk in relation to foreign debt. Likewise, there has been increased risk in the interest rate of domestic borrowing owing to the fact that short-term treasury bills occupy more than 65 percent share in domestic borrowing. Hence, risk minimization by maintaining domestic and foreign debt structures at optimum level has still remained a challenge.
14. Management of Public Enterprises is getting more complex. The State has been bearing huge amount against staff salaries, allowances and other facilities even though a number of Public Enterprises have remained closed for long. Hence, tasks to re-operate those PEs, initiate the process of disinvestment or go to their liquidation process, and manage the existing employees in an appropriate manner have remained challenging task.
15. The financial situation of Nepal Oil Corporation (NOC), with sole authority for supply and distribution of POL products, has been deteriorating. The regular supply of POL products is getting frequent

problem owing to several factors including the lack of cash flow. There have been several problems in the tasks such as curbing the leakage by strengthening NOC management, adjusting POL prices in line with international market prices, giving due consideration to energy development for reducing dependency on POL products.

Monetary Sector

16. Despite increased access to finance along with growing number of banks and financial institutions, the large chunk of population has still been far from access to institutional finance. This situation emerged as a result of higher concentration of banks and financial institutions in urban areas. Tasks of extending financial services to village level through financial inclusion and enhancing financial literacy among the general public have remained a challenge.
17. The tasks of maintaining financial stability and increasing peoples' trust towards banks and financial institutions at par with their rising numbers have been quite difficult. Enhancing the people's faith on financial sector by maintaining stability of banks and financial institutions and good governance through monitoring, supervision, and macro prudential regulations are still a challenge.
18. Provisions have been introduced for the merger and acquisitions of banks and financial institutions in order to maintain financial stability by strengthening their capital base. Though the merger process of banks and financial institution received expeditious pace after the introduction of Merger and acquisition By-laws 2011, it is a challenging task to make the merger process successful amid the eminent problems such as possibility of monopoly in the financial sector, obstruction that may emerge in financial inclusiveness and the problem of Too Big to Fail.
19. The banking sector has been witnessing high liquidity in recent time. Despite reduction in the interest rate against deposits due to high liquidity, spread between the interest on deposits and lending is still high due to higher rate of interest on lending. There is a challenge to solve the problem of high liquidity emerged through the lower credit disbursement against such higher liquidity by extending credit to

productive sectors and containing the interest spread within a desired limit.

20. The overall financial system is facing challenge due to problems witnessed in the cooperative sector occupying more than 15 percent share in the financial sector. The cooperative sector has been losing peoples' faith due to surfacing of the fact that most of the cooperatives are in dire state with deposits of the depositors sunk. It is a difficult task to regain public faith through proper arrangements of regulation, monitoring and supervision for saving and credit cooperatives thereby improving policy, legal, institutional and managerial aspects and address those problems witnessed in this sector.
21. Development of capital market is imperative for raising capital formation rate through collection of scattered savings. Though the people elected government formed subsequent to the second constituent assembly election has brought positive impact on the capital market, attaining its sustainable development through resolution of problems witnessed while broadening the area of transactions, attracting institutional investors, enhancing the level of awareness among investors, encouraging companies of the real sector to be listed in securities market, making the securities transactions fully automated, properly regulating the commodity market, and allowing non-resident Nepalese to invest in capital market is really a challenge.

External Sector

22. The escalating trade deficit is everybody's concern. Failure to identify and promote exportable goods in a situation of higher import base accompanied by its increased growth rate is attributable to the increased trade deficit being witnessed every year. The trade deficit that stood at 15.4 percent to GDP in FY 2004/05 went up to 28.4 percent in FY 2012/13. Hence, tasks to increase domestic production through increased investment by promoting industrial environment, enhancing the competitive capacity of exports and reducing trade deficit by managing imports have remained a challenge.
23. The remittance inflow is increasing due to increased number of outbound laborers for foreign employment amid the absence of

adequate employment opportunities in domestic labor market. Though higher rate of remittances inflow has created positive impact on the Nepalese economy, its utilization in productive sector has been a major concern. Major portion of such remittance volume has been spent for consumption purpose and such consumption is attributed to imports, which consequently has enriched trade deficit. Hence, creating conducive environment for the productive use of remittance, ensuring workers health and security, employing returnees from the foreign employment as per their skills, qualification and capacity in entrepreneurial businesses etc., have been challenging tasks.

24. Despite current account has remained surplus during last ten years, remittance income has been playing the major role for such surplus. The surplus in current account due to remittance inflows has often raised a question of it's sustainability. Extending the exports of goods and services for the sustainability of current account, raising income from tourism by increasing the number of tourist arrivals, attracting foreign direct investment and managing imports have remained a daunting task.

Other Sectors

25. Prolonged political transition has adversely affected economic activities. It is an another challenge to drive economic activities ahead in an undisputable manner by forging consensus on minimum common economic agenda among major political parties thereby managing political transition quickly as soon as possible.
26. Attaining higher and sustainable economic growth is not possible in absence of infrastructure sector's development. The effort and investment of the government alone will not be enough for the development of infrastructure sector as this sector requires heavy investment. Despite immense potential of infrastructure development through the public private partnership (PPP) model, it is a challenging task to make legal, policy, institutional and functional arrangements to execute plans and programs practically for the development of infrastructure sector.

1. Overall Economic Situation

- 1.1. The world economy remained in a mixed situation in 2013 from the perspectives of economic growth, inflation and trade. The global production declined marginally and so did inflation in 2013 as compared to that of 2012. The aggregate economic indicators of Nepal also followed the mixed trend of world economy. The important macroeconomic aspects of world and national economies are discussed in this section.

World Economy

Economic Growth Rate

- 1.2. The global economic growth is expected to improve in 2014 in comparison to 2013 based on assumption that aggregate demand would grow as a consequence of U.S. monetary and fiscal policies and gradual rise of the Euro zone from economic recession. According to the World Economic Outlook published by International Monetary Fund (IMF) in April, 2014, the global production that rose by 3.0 percent in 2013 is projected to grow by 3.6 percent in 2014. From the regional perspective, except Central and Eastern European countries and EU member countries, the economic growth rate declined in 2013 as compared to that of 2012 resulting the decline in the world economic growth rate marginally by 0.2 percent in 2013 as compared to the growth rate of 3.2 percent of 2012. Likewise, IMF has projected that the global production will rise by 3.9 percent in 2015.
- 1.3. According to IMF projection, the economic growth rate of developed countries that grew by 1.3 percent in 2013 will improve and grow by 2.2 percent in 2014. The Fund has also projected that among the developed countries; the U.S. economy that rose by 1.9 percent in 2013 is expected to rise by 2.8 percent in 2014. U.S. economy has been gradually improving growth performances a result of notable rise in domestic demand. Likewise, 0.2 percent of economic growth rate of Euro zone in 2013 has recorded some progress with the projected growth rate at 1.6 percent in 2014. The growth rate of Japan that stood at 1.5 percent in 2013 is expected to grow only by 1.4 percent in 2014. The gradual improvement seen in the economic growth rates of developed countries is attributed to the lessening of fiscal tightening and adoption of accommodative monetary policy.

- 1.4. The economy of the emerging and developing countries that was estimated to have grown by 4.7 percent in 2013 is projected to grow by 4.9 percent in 2014. Likewise, among the largest Asian countries, the economies of India and China estimated to have grown by 4.4 percent and 7.7 percent respectively in 2013 are projected to grow by 5.4 percent and 7.5 percent respectively in 2014. The global trend of economic growth is presented in the Table below:

Table 1(a): Global Economic Growth Rate

(Annual Percentage Change)

Regions	2011	2012	2013	Projection		
				2014	2015	2019
World Output	3.9	3.2	3.0	3.6	3.9	3.9
Developed Economies	1.7	1.4	1.3	2.2	2.3	2.1
Emerging and Developing Economies	6.3	5.0	4.7	4.9	5.3	5.3
Developing Asia	7.9	6.7	6.5	6.7	6.8	6.5
Middle East and North African Countries	3.9	4.1	2.2	3.2	4.5	4.4
Central and East European Countries	5.4	1.4	2.8	2.4	2.9	3.4
EU Member Countries	1.7	-0.3	0.2	1.6	1.8	1.9

Source: International Monetary Fund, April, 2014

- 1.5 Among the South Asian countries, economic growth rates of Maldives and Sri Lanka have increased in 2013 than in 2012 while that of the rest of the countries have declined. Growth rate of Afghanistan that was 14.0 percent in 2012 got confined to 3.6 percent in 2013. Likewise, China, which had registered economic growth rate of 9.3 percent in 2011, was able to attain a growth rate of only 7.7 percent in the years 2012 and 2013. Despite the reduced effect of recession in the world economy, the economies of South Asian countries have still been affected due to their own inland structural and other problems. Table 1 (b) below depicts the growth trend of neighboring countries.

Table 1 (b): Economic Growth Rate of Neighboring Countries*(Annual percentage change)*

Countries	2011	2012	2013	Projection		
				2014	2015	2019
Bangladesh	6.5	6.1	5.8	6.0	6.5	7.0
Bhutan	10.1	6.5	5.0	6.4	7.6	8.0
India	6.6	4.7	4.4	5.4	6.4	6.8
Maldives	6.5	0.9	3.7	4.2	4.5	4.8
Nepal	3.4	4.9	3.6	4.5	4.5	5.0
Sri Lanka	8.2	6.3	7.3	7.0	6.5	6.5
Pakistan	3.7	4.4	3.6	3.1	3.7	5.0
Afghanistan	6.5	14.0	3.6	3.2	4.5	5.6
China	9.3	7.7	7.7	7.5	7.3	6.5

*Source: International Monetary Fund, April, 2014***Price Situation:**

- 1.6 The global price rose at a slower pace in 2013 as compared to 2012. However, Middle East and African countries experienced double digit price rise due to disturbed peace and internal conflicts. The consumer price based inflation stood at double digits in the countries of this group due to high price rise mainly in countries like Iran, Sudan and Yemen. As per IMF's projection, prices in developed countries will also gradually surge. Such price rise is expected due to the factors like the lessening effect of global recession and European debt crisis on one hand and increased domestic demand in such countries on the other. Inflation remained at lower level as a result of higher output gap in Euro zone. The trend of CPI-based global inflation is given in the Table below:

Table 1 (c): CPI Based Global Inflation Rate*(Percentage)*

Regions	2011	2012	2013	Projection		
				2014	2015	2019
Developed Economies	2.7	2.0	1.4	1.5	1.6	2.0
Emerging and Developing Economies	7.3	6.0	5.8	5.5	5.2	4.6
Developing Asia	6.5	4.6	4.5	4.5	4.3	3.9
Middle East and North African Countries	9.8	10.6	10.1	8.5	8.3	7.6
Middle and East European Countries	5.4	5.8	4.1	4.0	4.1	4.0
Countries of European Union	3.1	2.6	1.5	1.1	1.4	1.8

Source: International Monetary Fund, April, 2014

1.7 Inflation rate in South Asian countries influenced owing to dependency of these countries on other countries of the world for trading, fluctuations in prices of gold, petroleum products, food grains, and fluctuation in the exchange rate of US Dollar. However, some of the South Asian countries that had recorded double digit inflation in 2012 has come down to single digit in 2013. The inflation rate of Bangladesh, Nepal and Afghanistan rose in 2013 as compared to 2012 whereas it has declined in other South Asian countries. China that had inflation rate of 5.4 percent in 2011 was successful to contain it at 2.6 percent in 2012 and 2013. The inflation rate of other South Asian Countries except Bhutan and Pakistan is projected to decline in 2014 as compared to 2013. CPI-based inflationary trend of neighboring countries is given in the Table 1 (d) below:

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

Countries	2011	2012	2013	Projection		
				2014	2015	2019
Bangladesh	10.7	6.2	7.5	7.3	6.7	5.7
Bhutan	8.6	10.1	8.7	10.2	8.8	6.7
India	9.6	10.2	9.5	8.0	7.5	6.1
Maldives	11.3	10.9	4.0	3.3	4.4	4.4
Nepal	9.6	8.3	9.9	9.8	7.0	5.5
Sri Lanka	6.7	7.5	6.9	4.7	6.4	5.5
Afganistan	11.8	6.4	7.4	6.1	5.5	5.0
Pakistan	13.7	11.0	7.4	8.8	9.0	6.0
China	5.4	2.6	2.6	3.0	3.0	3.0

Source: International Monetary Fund, April, 2014

Real Domestic Demand

1.8 The real aggregate domestic demand of developed and industrialized countries declined marginally in 2013 as compared to 2012. This clearly indicates that the global economy has not yet been able to fully emerge above global recession. The aggregate demand of developed and industrialized countries has declined due to the fact that level of income and employment could not improve as expected as a result of World-wide recession experienced during 2007-09, and the impact of persistent debt crisis being observed in the Euro zone. However, United Kingdom has witnessed some increment in such demand in 2013 as compared to 2012. International Monetary Fund has made a

forecast of some increase in such demand in 2014. Table below shows the trend of aggregate domestic demand of developed countries.

Table 1 (e) : Real Aggregate Domestic Demand

(Annual Percentage change)

Regions	2011	2012	2013	Projection		
				2014	2015	2019
Developed Economies	1.4	1.1	1.0	2.0	2.2	2.0
United States of America	1.7	2.6	1.7	2.6	3.1	2.2
European Countries	0.7	-2.2	-1.0	0.9	1.0	1.4
United Kingdom	-0.1	1.2	1.9	2.8	2.3	2.3
Japan	0.4	2.3	1.8	1.5	0.6	1.1
Canada	2.9	2.2	1.8	2.0	2.0	1.9

Source: International Monetary Fund, April, 2014.

- 1.9 Decline in net aggregate domestic demand in developed countries cause undesirable effect on their counterpart countries by adversely affecting their exports, negatively affecting production and inflow of remittance due to decreased demand for overseas labors in those countries. Retarded domestic demand in developed and industrialized countries will have adverse effect on production, export and employment in emerging and developing economies and least developed countries like Nepal. However, it can be expected that increase in domestic demand in those countries after 2014 as per IMF's projection will have positive impact on the global economy.

World Trade

- 1.10 The volume of world trade in goods and services that extensively declined in 2012 as compared to 2011 improved marginally in 2013. The world trade in goods and services recorded a growth of 3.0 percent in 2013 as compared to 2.8 percent in 2012 and 6.2 percent in 2011. The export of developed economies rose by 2.3 percent while that of emerging and developing economies grew by 4.4 percent in 2013. Likewise, the imports of developed, emerging and developing economies grew by 1.4 percent and 5.6 percent respectively in 2013. The trade balance of developed economies in 2013 expanded by 0.7 percent while that of emerging and developing economies shrank by

0.3 percent. Goods and services worth 23,083 billion US dollar were traded globally in 2013. IMF has made a forecast of some progress in the world trade in 2014. The trend in the world trade is depicted in the Table below.

Table 1 (f): World Trade Situation

(Annual Percentage Change)

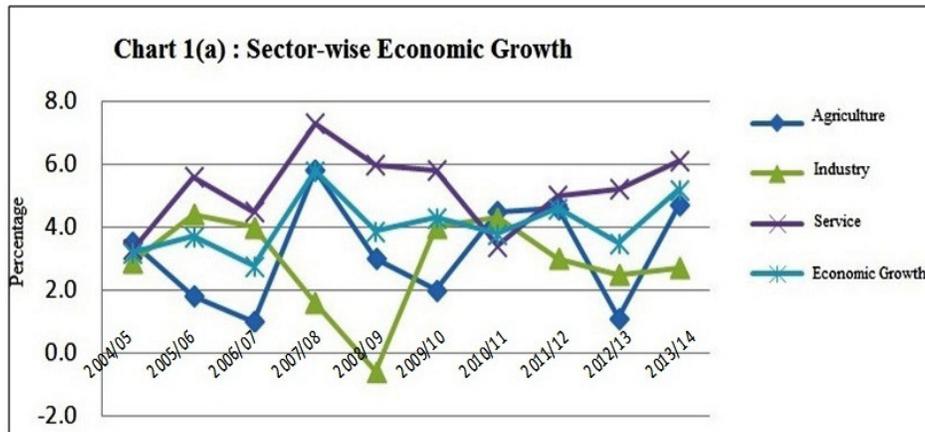
Trade/Year		2011	2012	2013	Projection	
					2014	2015
Total Trade Volume	Global	6.2	2.8	3.0	4.3	5.3
Export	Developed Economies	5.7	2.1	2.3	4.2	4.8
	Emerging and Developing Economies	7.0	4.2	4.4	5.0	6.2
Import	Developed Economies	4.8	1.1	1.4	3.5	4.5
	Emerging and Developing Economies	9.2	5.8	5.6	5.2	6.3
Trade Balance	Developed Economies	-1.5	-0.7	0.7	0.0	-0.2
	Emerging and Developing Economies	3.4	0.6	-0.3	-0.2	-0.7
Total Trade Amount (US Dollar in Billion)		22,317	22,535	23,083	23,990	25,123
Total Amount of Goods Traded (US Dollar in Billion)		18,123	18,260	18,591	19,281	20,132

Source: International Monetary Fund, April, 2014.

National Economy

- 1.11 Real GDP at basic and producers' prices is estimated to grow by 5.2 percent and 5.5 percent respectively in fiscal year 2013/14 against the target of 5.5 percent. Such growth rate in the previous fiscal year was 3.5 percent at basic prices and 3.9 percent at producers' prices. Economic growth rate reached over 5.0 percent in fiscal year 2013/14 after last five years. There has been some progress in economic growth rate in current fiscal year due to favorable monsoon, gradual improvement in investment environment, the environment of political consensus and cooperation, and execution of timely budget, among others.
- 1.12 Nepal's economic growth rate over the last decade has not been satisfactory. Although the growth rate recorded over 5.0 percent in fiscal years 2007/08 and 2013/14, growth in other fiscal years hovered around 3 to 4 percent. The average economic growth rate of the country in the past decade merely stood at 4.1 percent at basic prices.

Likewise, the average growth rates of agriculture and non-agriculture sectors remained at 3.2 percent and 4.7 percent respectively in the previous decade. The average growth rates of industry and services sectors under the non-agriculture sector stood at 2.9 percent and 5.2 percent respectively in the last ten years.



1.13 Analysis of sector-wise economic growth for the last decade reveals that though the growth rate of the services sector remained satisfactory, industry sector's growth rate did not record as such. Except for three fiscal years, services sector recorded a growth of over 5.0 percent in the other fiscal years. During this period, the growth rate of agriculture sector was much more influenced mainly by the climate factor and supply of seeds and fertilizers, while the industry sector under the non-agriculture sector was greatly influenced by the investment environment, labor problems, energy crisis, and prolonged political transition among others. The status of economic growth of the last decade has been depicted in the Table below:

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

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Average
Agriculture	3.5	1.8	1.0	5.8	3.0	2.0	4.5	4.6	1.1	4.7	3.2
Non Agriculture	3.2	5.3	4.4	5.9	4.3	5.4	3.6	4.5	4.6	5.3	4.7
Industry	3.0	4.5	3.9	1.7	-0.6	4.0	4.3	3.0	2.5	2.7	2.9
Service	3.3	5.6	4.5	7.3	6.0	5.8	3.4	5.0	5.2	6.1	5.2
Economic Growth	3.2	3.7	2.8	5.8	3.9	4.3	3.8	4.6	3.5	5.2	4.1

Source: Central Bureau of Statistics

- 1.14 GDP at current prices (producers' price) is estimated to grow by 13.9 percent in the current fiscal year totaling Rs. 1928.52 billion. Such growth rate was 10.8 percent in the previous fiscal year. Likewise, the real GDP (at producers' prices) is estimated to grow by 5.5 percent to Rs. 754.22 billion in the current fiscal year.
- 1.15 GDP growth rate can be discussed on sectoral basis. Though the System of National Account, 1993 has classified the overall economic activities into 17 sectors, Nepal's aggregate economic growth report is published based details available of 15 sectors only (two more sectors are included into the community, social and the personal services sectors). The Status of various sectors and sub-sectors, which is based on the updated data, has been discussed in the following section.

Agriculture Sector

Agriculture and Forestry

- 1.16 In this year, production of paddy (rice) among the major crops rose by 12.0 percent with due credit to favorable climate, uses of improved seeds and seedlings and modern technology. As the rice production holds 21 percent share in aggregate agriculture GDP, fluctuations in its production greatly influences aggregate growth of this sector. In the current fiscal year, the production of rice stood at 5,047, 047 MT against the production of 4,504,503 MT in the previous fiscal year. The area under the rice crop also expanded by 4.7 percent in FY 2013/14 as compared to that in 2012/2013. Likewise, the production of maize (corn) is estimated to grow by 9.8 percent and that of vegetable by 5.2 percent. Among other crops, production of fruits is estimated to grow by 0.2 percent, potato by 0.3 percent, milk by 1.0 percent and meat by 0.2 percent. However, the production of millets, pulses, tobacco and eggs have negative growth in the current fiscal year. The production of major food crops has increased by 9.4 percent totaling 9,562,680 MT in the current fiscal year. The growth rates of Agriculture and Forestry sector is estimated to remain at 4.7 percent due to rise in production of major crops. Such growth rate was 1.1 percent in previous fiscal year. The growth rate of this sector averaged 3.4 percent during last five years.

Fishery

- 1.17 The fishery sector is expected to grow by 4.9 percent in the current fiscal year as compared to its 2.7 percent growth in the previous fiscal

year 2012/13. The average growth rate of this sector remained at 4.9 percent during last five years. The growth rate of this sector has been satisfactory attributed mainly to the increased attraction of farmers towards this farming.

Non-Agriculture Sector

1.18 Industry and service sectors fall under the non-agriculture sector. This sector is estimated to grow by 5.3 percent in the current fiscal year against the growth of 4.6 percent of the previous fiscal year. Of this sector, the growth rate of industry and service sectors is estimated to remain at 2.7 percent and 6.1 percent in the current fiscal year. Growth rate of these sectors stood at 2.5 percent and 5.2 percent respectively in the previous fiscal year. The reason for higher growth rates of both industry and services sectors compared to the previous fiscal year is due to the higher growth rate of non-agriculture sector in the current fiscal year. Growth rate of this sub-sector in the preceding five years averaged 4.7 percent. In this year, growth rates of mining and quarrying, electricity, gas and water, construction, wholesale and retail trade, hotel and restaurant, transport and storage and communications, financial intermediation, real estate, public administration, and education sector is expected to improve from the previous year while growth rate of manufacturing and health sector is likely to go be less than previous year.

Industry Sector

1.19 Industry sector includes mining and quarrying, manufacturing, electricity, gas and water and construction sector. Sectors under industry sector have been discussed in the section below.

Mining and quarrying

1.20 Mining and quarrying sector is expected to grow by 3.7 percent in the current fiscal year. This sector recorded a growth of 3.3 percent last year. The growth rate of this sector in the preceding five years averaged 3.1 percent. The contribution of this sector to GDP in the current fiscal year stood at 0.6 percent.

Manufacturing sector

1.21 Progress of manufacturing sector has not been satisfactory during the last decade. This sector showed minimum growth rate in this period despite recording positive growth in all fiscal years except for 2007/08

and 2008/09. The growth rate of this sector that stood at 3.7 percent in FY 2012/13 is expected to remain at only 1.9 percent in FY 2013/14. According to industrial production index, growth rate of this sub-sector has been on the lower side in FY 2013/14 due to decreased production of sugar, aluminum products, vegetable ghee, paper, soap, biscuits, processed tea, beer etc. However, vegetable oil, rosin, chocolates, ply-woods, bakery, electric wires and cables, Hume-pipes etc., are likely to register positive growth.

- 1.22 Industry sector has been passing through crisis for long due to lack of improvement in the industrial environment as expected, persistent energy crisis, imbalanced labor relations, ever extending political transition period, inability to develop infrastructure, failure to make timely amendments in Acts and Regulations, failure in timely budget release, persistent syndicate system in transport sector, and inability to convince the private and foreign investors to invest. A mere 3.2 percent annual average growth rate in the last five years clearly shows disappointing state of this sector. The contribution of this sector to GDP is gradually declining from 10 percent share in the past. The contribution of this sector to GDP was 8.5 percent in FY 2001/02 which continued to decline in the later years with an estimation to remain at 6.1 only in the current fiscal year. These statistics points towards the imperativeness of getting serious for development of this sector by resolving the problems it has been facing.

Electricity, Gas and Water

- 1.23 The preliminary estimate shows the production of this sector to rise by 4.8 percent against the marginal increment of 0.3 percent of last fiscal year. The growth rate of electricity, gas and water sectors is high in the current fiscal year due mainly to 8.0 percent rise in the production of electricity. The average growth rate of this sector for preceding five years has been 3.9 percent. The contribution of this sector in GDP is estimated to remain at 1.2 percent. Contribution of this sector is likely to increase if on-going hydroelectricity projects are completed within the stipulated time.

Construction Sector

- 1.24 Growth rate of this sector that was 1.9 percent in the previous fiscal year is expected to rise by 2.9 percent in current fiscal year. This year showed higher growth rate as compared to the previous fiscal year owing to slight progress made in the construction of government and

private sectors despite having no significant progress in the supply of construction materials. The average growth rate of this sector has remained at 3.2 percent in the past five years. The contribution of this sector to GDP is estimated to remain at 6.7 percent in current fiscal year. Recession in real estate business; cautious approach adopted by banks and financial institutions on credit flow to real estate business; stunted growth in government capital expenditure against expectation; and failure to attain progress as expected in investment environment have been the major factors for the lower growth rate of this sector.

Service Sector

- 1.25 Service sector includes wholesale and retail trade, hotel and restaurant, transport, storage and communication, financial intermediation, real estate and business activities, public administration and defense, education, health and social work and other community, social and personal services. The growth trend of these sub-sectors has been discussed in this section.

Wholesale and Retail Trades

- 1.26 Production of this sector, which rose by 6.8 percent in FY 2012/13 is anticipated to rise by 8.8 percent in the current fiscal year. Due to expansion in import of tradable goods together with increased agricultural production, the growth of this sector has remained higher as compared to that of previous fiscal year. The average growth rate of this sector in the last five years has been 5.5 percent. Being the largest contributor to GDP among the various sub-sectors of the non-agriculture sector, the contribution of this sector in GDP is estimated to remain at 14.9 percent in current fiscal year.

Hotel and Restaurant

- 1.27 The growth rate of hotel and restaurant sector has been satisfactory due to increase in per capita income, increase in tourist arrival and expenditure, influence of urbanization, demonstrative effect, and change in people's life styles and their food habits. This sector, which grew by 5.5 percent in previous fiscal year, is estimated to grow by 7.1 percent in the current fiscal year. The average growth rate of this sector in the past five years remained at 6.5 percent. Likewise, contribution of this sector to GDP in the current fiscal year is estimated to hover around 2.0 percent.

Transport, storage and Communication

- 1.28 According to preliminary estimate, production of this sector that grew by 7.4 percent in the last fiscal year is estimated to grow by 7.5 percent in the current fiscal year. Due to notable growth particularly in the transactions of communication sub-sector, this sector in the current fiscal year is likely to grow well. The growth rate of this sector averaged 6.8 percent in the preceding five years. The contribution of this sector to GDP is estimated to remain at 8.7 percent in the current fiscal year.

Financial Intermediation

- 1.29 Transactions of Nepal Rastra Bank, commercial banks, development banks, finance companies, micro finance institutions and cooperatives come under the banking group of this sector. Likewise, transactions of the Insurance Board (*BeemaSamiti*) with that of life and non-life insurance companies come under the insurance group. Similarly, transactions of Security Board of Nepal, Employees Provident Fund, Citizens Investment Trust, etc come under social security contribution group. The growth rate of this sector during the preceding five years could not exceed 3.5 percent. The growth rate of this sector that remained negative by 0.9 percent in the last fiscal year is expected to stand at 1.8 percent in the current fiscal year. The average growth rate of this sector in the past five years remained at 2.2 percent. The growth rate of this sector for FY 2004/05, FY 2005/06 and FY 2006/07 had remained at 24.3 percent, 24.4 percent and 11.3 percent respectively which continued to remain low thereafter.
- 1.30 Contribution of this sector to GDP did not change notably along the increased access to finance and financial transactions. Contribution of this sector hovered around 4 percent in the entire past decade. As compared to last year, the contribution of this sector in the current fiscal year is estimated to remain at 3.8 percent with reduction of 0.1 percentage point of the previous year.

Real Estate, renting and business Services

- 1.31 The output of this sector in current fiscal year as compared to last fiscal year is estimated at 3.0 percent with a rise of 0.3 percentage point. Due to improvement in real estate transaction in major urban areas of the country, the growth rate of this sector in current fiscal year has marginally increased as compared to last fiscal year. This sector that

achieved growth rate of 11.8 percent and 10.4 percent respectively in FY 2006/07 and 2007/08 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 sector averaged the annual growth rate of 2.8 percent in the past five years. Contribution of this sector to GDP remained around 8-10 percent. Contribution of this sector to GDP is estimated to remain at 8.4 percent in current fiscal year.

Public Administration and Defense

1.32 Based on budgetary allocation and expenditures on public administration and defense of the central government in the current fiscal year, output of this sector is estimated to increase by 5.7 percent. Output of this sector in the previous fiscal year grew by 5.5 percent. Average growth rate of this sector in the preceding five year remained at 4.5 percent. Contribution of this sector to GDP though hovered around 2.0 percent is expected to remain at 2.4 percent in current fiscal year.

Education

1.33 Due to expansion of government budget and expenditure in the education sector together with expansion of educational activities in the private and non government sectors, output of this sector is estimated to remain at 6.0 percent with marginal increase of 0.1 percent as compared to previous fiscal year. During the preceding five year, output of this sector has increased by 5.4 percent on an average. Contribution of this sector in current year's GDP is expected to remain at 6.4 percent.

Health and Social Work

1.34 Output of this sector is expected to rise by 5.5 percent in this fiscal year as a result of increased budget allocation and expenditure by the government and transactions of private and non-governmental organizations. Such growth in the previous year remained at 5.6 percent. Average output of this sector for the preceding five years has increased by 5.5 percent.

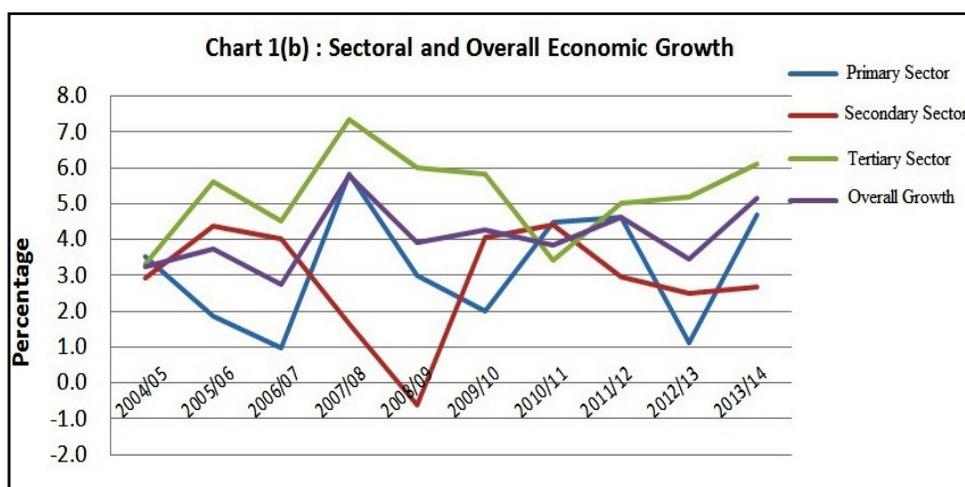
Other Community, Social and Personal Services

1.35 This sector, which excludes education and health provided through governmental sector comprise of community services together with

various kind of social and personal services. Output of this sector is estimated to rise by 4.7 percent in the current fiscal year. In previous year, output of this sector increased by 4.6 percent. Such level of growth is attributed to increased central and local governmental budgetary allocations and expenditure made for community and social services, and private sector operated entertainment programs like Television and FM Radios. This sector in the preceding five years averaged 6.9 percent growth. This sub-sector has contributed around 3-4 percent to GDP. Contribution of this sector to current year GDP is estimated to remain at 4.1 percent.

Sector-wise Detail

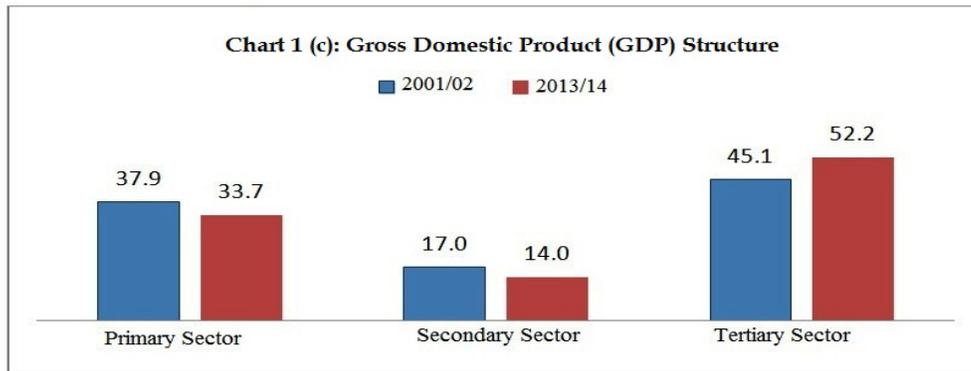
- 1.36 The analysis of GDP is conducted by classifying it into three main sectors namely, primary, secondary and tertiary. Primary sector includes agriculture and forestry, fishery, mining and quarrying. The output of primary sector in FY 2013/14 is expected to grow by 4.7 percent. This sector recorded a growth of only 1.1 percent in previous year. Annual growth rate of this sector averaged 3.4 percent in the preceding five years.
- 1.37 The secondary sector encompasses the outputs of the manufacturing, electricity, gas and water, and construction sub-sectors. The output of secondary sector in FY 2013/14 is expected to increase by 2.7 percent. This sector recorded growth of 2.5 percent in the previous year. As a result of increased growth rate of electricity, gas and water, and construction sector, the output of this sector has to some extent increased as compared to that of the previous year. Annual average growth rate of this sector in the preceding five years has remained at 3.3 percent.
- 1.38 The tertiary sector comprises of wholesale and retail trade; hotel and restaurant; transport, storage and communication; financial intermediation; real estate, renting and business activities; public administration and defense; and education, health and other community, social and personal services. Output of this sector that registered growth of 5.2 percent in the previous year is expected to increase by 6.1 percent in the current fiscal year. Such growth rate has been possible due to increased output of wholesale and retail trade, hotel and restaurant, education, real estate, etc sector. Annual average growth rate of this sector in the preceding five years has remained at 5.1 percent.



Structure of GDP

- 1.39 The structure of Nepalese economy has been witnessing a gradual change. There is a decreasing trend of contribution of agriculture and industry to GDP and increasing that of the service sector. From sectoral point of view, contribution of primary sector to GDP in this year at current prices is estimated to remain at 33.7 percent. Share of this sector in GDP was 37.9 percent in the FY 2001/02, which has gradually slid in succeeding years. Contribution of this sector, however, increased to 37.6 percent in the fiscal year 2010/11. Share of this sector in GDP averaged 35.5 percent in the preceding five years.
- 1.40 Contribution of the secondary sector to GDP has been gradually declining. Share of this sector to GDP at current prices that remained at 17.1 percent in FY 2001/02 is expected to remain at 14.0 percent in current fiscal year. Share of this sector in GDP averaged 14.4 percent in past five years.
- 1.41 Contribution of the tertiary sector to GDP has been gradually rising. Share of this sector to GDP at current prices that remained at 45.1 percent in FY 2001/02 has reached to 52.2 percent in current year. Due to rise in output of the wholesale and retail trade, hotel and restaurant, transport, storage and communication, financial intermediation, real estate transactions, public administration and defense, education sector under this sector, contribution of this sector as compared to previous year has increased by 1.2 percentage point. The average contribution of this sector to GDP has remained at 50.1 percent in preceding five years.

1.42 While categorizing GDP into agriculture and non-agriculture sectors as per industrial classification, the contribution of agriculture sector shows a declining trend while that of non-agriculture sector is on the rise. The contribution of agriculture sector to GDP which was 37.4 percent at current price in FY 2001/02 is expected to stay at 33.1 percent in the current fiscal year. The contribution of agriculture sector to GDP averaged 34.9 percent in the preceding five years.

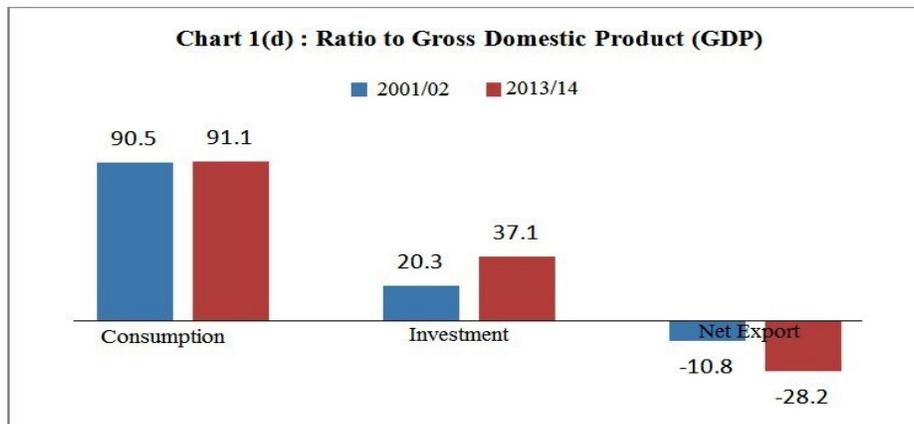


Consumption, Investment and Net Exports

1.43 While analyzing from expenditure angle, GDP encompasses consumption, investment and net exports. From expenditure perspective, the share of consumption to GDP has remained significant. The share of consumption to GDP in FY 2001/02 at current prices that stood at 90.5 percent remained at 91.1 percent in FY 2013/14. Such share was 89.9 percent in the last fiscal year. Share of the private sector consumption that stood at 80.8 percent in FY 2001/02 slumped to 78.1 percent in the current fiscal year 2013/14. Such share had stood at 78.2 percent in the previous fiscal year. Likewise, share of the government consumption to GDP that stood at 8.4 percent in FY 2001/02 rose to 11.2 percent in the current fiscal year 2013/14. Likewise, not-for-profit making organization's consumption to GDP ratio has remained at 1.8 percent in the current fiscal year. On private consumption side, the share of food consumption is on the top. Shares of food, non-food and services items stood at 65.3 percent, 23.9 percent and 10.8 percent respectively in the current fiscal year. The shares of consumption expenditure of food, non-food and services items to total consumption were 59.0 percent, 28.7 percent and 12.3 percent respectively in FY 2001/02. The consumption expenditure in food

grains has continued to grow as a result of increase in consumption expenses, change in food habits and the increased price of food grains.

- 1.44 The share of gross capital formation to GDP that remained at 36.9 percent in the previous fiscal year is expected to stand at 37.1 percent in the current fiscal year. Such share stood at 20.2 percent in FY 2001/02. Gross fixed capital formation and change in stock are included in gross capital formation. The share of gross fixed capital formation to GDP that stood at 19.6 percent in FY 2001/02 is expected to reach 23.1 percent in the current fiscal year. Likewise, change in stock that had nominal share to GDP in FY 2001/02 has 13.9 percent in the current fiscal year. The share of change in stock to gross capital formation has been erratic since this is considered as a residual form of account in Nepal. The private sector has been contributing significantly to gross fixed capital formation. The private sector and the government sector are estimated to have contributed 79.8 percent and 20.2 percent respectively to gross fixed capital formation in the current fiscal year. The shares of private sector and government sector were 80.6 percent and 19.4 percent respectively in FY 2001/02.
- 1.45 The share of net export to GDP has always been negative. Its share to GDP recorded negative by 28.2 percent in the current fiscal year. This had negative contribution of 10.8 percent in GDP in FY 2001/02. Due to notable contribution of import to GDP as compared to that of export of goods and services, the net export could not remain in favor of Nepal.



Income based Gross Domestic Product

- 1.46. Income-based GDP includes employees' salaries and allowances, taxes less subsidies on production and imports and operating surpluses/mixed income. The shares of compensation of employees', taxes less subsidies on production and import and operating surpluses /mixed income to current GDP are 41.7 percent, 10.7 percent and 47.6 percent respectively for FY 2013/14. Such shares stood at 44.9 percent, 6.3 percent and 48.8 percent respectively in 2001/02.

Savings

- 1.47 Savings mainly include Gross Domestic Savings and Gross National savings. The share of Gross Domestic Savings to GDP is estimated to decline by 1.2 percentage point and reaching to 8.9 percent in the current fiscal year as compared to the previous fiscal year. Such share stood at 9.5 percent in FY 2001/02. Likewise, such share had reached 14.0 percent in FY 2010/11. The Gross Domestic Saving is expected to total Rs. 172.03 billion at current prices in this fiscal year against such saving of Rs. 170.93 billion in the previous fiscal year. The share of Gross National Savings to GDP is estimated to stand at 46.4 percent in the current fiscal year while this had remained at 40.3 percent in the previous fiscal year. The Gross National Savings estimated to remain at Rs. 895.68 billion in the current fiscal year while this figure was Rs. 681.71 billion last year. The share of gross national saving to GDP remained high owing mainly to the high remittance inflow.

Per Capita Income

- 1.48 Per capita income of Nepalese people is growing gradually. Per capita GDP at current prices has grown by 12.4 percent to Rs. 69,919 which is equivalent to US dollar 703.0 in FY 2013/14. Likewise, per capita gross national income also grew by 13.8 percent to Rs. 71,305, or equivalent to US dollar 717.0 by this fiscal year. Per capita GDP and gross national income at constant prices of FY 2000/01 has increased by 4.1 percent and 5.4 percent to Rs. 26,600 and Rs. 27,762 respectively.

Gross National Disposable Income

- 1.49 The Gross National Disposable Income of Nepal is on the rise trend along with expanded remittance inflow. Such income in the fiscal year 2013/14 is estimated to grow by 20.4 percent compared to the previous fiscal year totaling Rs.2652.17 billion at current prices, which is 137.5 percent of GDP of the same fiscal year.

- 1.50 Based on gross national disposable income, gross consumption ratio stood at 66.2 percent while national saving ratio comes out to 33.8 percent in the current fiscal year 2013/14. Such ratios stood at 69.1 percent and 30.9 percent respectively in FY2012/13.

2. Public Finance

Public Finance and its Structure

- 2.1 A new Council of Ministers was formed in April, 2013 under the Chairmanship of Chief Justice of the Supreme Court and other cabinet members comprising of retired special class civil servants to hold the second Constituent Assembly election in a free, fair and fearless environment. The government so formed made full budget public for FY 2012/13 through an Ordinance putting Constituent Assembly election on the top priority. Election was still given top priority in the following year's budget due to failure to hold election in that fiscal year as targeted. The Government made public the program and budget for FY 2013/14 through an Ordinance on 14th of July 2013 with estimated expenditure of Rs. 517.24 billion and sources of financing. So issued annual budget and programs for the current fiscal year 2013/14 was endorsed by the people elected new government subsequent approval from the Legislative Parliament on April 2014 as well.
- 2.2 Estimated government expenditure for the fiscal year 2013/14 is higher by 44.2 percent as compared to actual expenditure of FY 2012/13. Of Rs. 404.82 billion expenditure allocated for FY 2012/13, actual expenditure amounted to Rs. 358.63 billion only. Actual total expenditure was Rs. 339.16 billion in fiscal year 2011/12 with an increase of 15 percent that is increased by 5.7 percent in FY 2012/13. The Government expenditure in FY 2012/13 remained low mainly due to political crisis, which emerged after dissolution of the Constituent Assembly on 28th May 2013, failure of political parties to forge consensus to bring full budget in the beginning of the fiscal year, and announcement of full budget only by mid-March upon completion of the second trimester of the fiscal year.
- 2.3 The Government income (Revenue and Grants) is estimated to reach Rs. 429.53 billion in FY 2013/14 with 28.6 percent growth in comparison to the actual income in FY 2012/13. The government income had grown by 15.9 percent reaching Rs. 333.92 billion in FY 2012/13 as compared to its preceding year. Such income had grown by 17.2 percent reaching Rs. 287.98 billion in FY 2011/12 as compared to its preceding year. Government's income/expenditure, budget deficit and their ratio with GDP of last five years have been presented in the Table 2(a).

- 2.4 Budget deficit of the Government of Nepal is estimated at Rs. 87.70 billion in FY 2013/14. Such deficit was estimated to be Rs. 63.83 in FY 2012/13 but it was Rs. 24.71 billion only. The budget deficit of the Government of Nepal had increased by 3.2 percent in FY 2011/12 reaching Rs. 51.18 billion, while such deficit has declined by 51.7 percent in FY 2012/13. Budget Deficit in the current fiscal year is likely to rise by 254.9 percent than that of previous fiscal year if the entire budget is fully spent.
- 2.5 The budget deficit has declined due to the fact that the Government revenue in fiscal years 2011/12 and 2012/13 grew by 17.2 percent and 15.9 percent respectively while government expenditure increased only by 14.8 percent and 5.7 percent in those years respectively. During the fiscal year 2011/12, budget deficit had increased by 20.4 percent against the 17.3 percent decline in its preceding year due to higher growth rate of expenditure than that of revenue

Table 2 (a): Ratio of Public Finance to GDP

(In Rs.10 Million)

Descriptions	2066/67	2067/68	2068/69	2069/70	2070/71*
GDP	119277.4	136,695.4	152,734.4	169,264.3	192,851.7
Expenditure	25968.9	29536.1	33916.8	35863.8	51724.0
Government Income	21849.2	24574.1	28798.4	33392.7	42953.6
Budget Deficit(-)	-4119.7	-4962.1	-5118.4	-2471.1	-8770.4
Ratio to GDP (In Percent)					
Expenditure	21.8	21.6	22.2	21.2	26.8
Government Income	18.3	18.0	18.9	19.7	22.3
Budget Deficit	3.5	3.6	3.4	1.5	4.5

*Estimated

Source: Central Bureau of Statistics and Financial Comptrollers General Office

- 2.6 The ratio of Government expenditure to GDP was 22.2 percent in FY 2011/12 and 21.2 percent in FY 2012/13. However, the ratio of Government revenue increased from 18.9 percent in FY 2011/12 to 19.7 percent in FY 2012/13. The gap between Government's revenue and expenditure was 3.3 percent of GDP in FY 2011/12, which got confined to 1.5 percent in FY 2012/13 due to the lower rate of growth in expenditure. As per the estimation on income and expenditure of the

government for current fiscal year, income, expenditure and budget deficit are likely to remain at 22.3 percent, 26.8 percent and 4.5 percent respectively of GDP if income and expenditure targets are met.

Government Expenditure

- 2.7 The total government expenditure in current fiscal year 2013/14 is estimated at Rs 517.24 billion. Of this, 68.3 percent has been allocated to recurrent, 16.5 percent to capital and 8.1 percent for repayment of principal and the rest for share and credit investments. Government's actual expenditure in fiscal year 2012/13 stood at 358.63 billion. Of this amount, 69 percent accounted for recurrent, 15.2 percent for capital, 9.8 percent for repayment of principal, and the rest for share investment and loan. Expenditure trend and its structural analysis of past few years show that the share of recurrent expenditure to the total expenditure is on declining trend while capital expenditure recorded growth but not to a significant level. The recurrent expenditure that hovered around 72 percent of the total expenditure in FY 2009/10 declined in its succeeding years and got confined to 68.3 percent in the current fiscal year. In FY 2011/12, about six (6) percent of the total expenditure was spent on principal repayment against domestic and foreign loans while it grew to about 10 percent in FY 2012/13. Its share in the total expenditure increased due to 216 percent increment in principal repayment of domestic borrowing in comparison to that of previous fiscal year. The average growth rate of aggregate expenditure between FY 2010/11 and 2011/12 stood at 11.4 percent, while expenditure in the current fiscal year recorded a higher growth rate (44.2 percent).
- 2.8 In FY 2011/12, recurrent and capital expenditures had grown by 16.4 percent and 8.6 percent respectively in comparison to the actual expenditure of its previous fiscal year. But, such expenditures grew nominally by 1.6 percent and 6.2 percent in FY 2012/13, while the Government's share investment declined by 26.4 percent and that of loan investment rose by 4 percent in the same fiscal year. The amount allocated for recurrent and capital expenditures for the current fiscal year are higher by 42.8 percent and 55.9 percent respectively than the

actual expenditure of previous fiscal year. Likewise, Government's expenditure on principal repayment of domestic and foreign loans that had grown by 216 percent and 4.9 percent respectively in FY 2012/13 is likely to grow further by 20 percent and 15 percent respectively in the current fiscal year 2013/14. However, Government's expenditure on share investment in the current fiscal year is Rs. 7.18 billion with a decline of 19.3 percent.

- 2.9 The share of loan disbursement to Public Enterprises and different projects was 3.5 percent of total government expenditure in FY 2012/13, is estimated to reach 5.8 percent in the current fiscal year. The domestic loan investment of the Government that grew by 12.7 percent in FY 2011/12 as compared to that of its previous fiscal year has increased by 4 percent to Rs. 12.55 billion in FY 2012/13. The amount allocated for domestic loan investment in the current fiscal year is higher by 139 percent than the actual loan disbursement of the previous fiscal year.

Table 2 (b): Details of Government Expenditure

(In Rs. 10 million)

Expenditure Head	2010/11		2011/12		2012/13		2013/14*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Recurrent Expenditure	21016.8	71.2	24346.0	71.8	24745.5	69.0	35341.7	68.3
Capital Expenditure	4732.8	16.0	5139.1	15.2	5459.8	15.2	8509.9	16.5
Share Investment	994.4	3.4	1209.4	3.6	890.2	2.5	718.6	1.4
Domestic Loan Investment	1070.4	3.6	1206.4	3.6	1255.2	3.5	3002.6	5.8
Principle Repayment of Domestic Debt	600.2	2.03	662.7	2.0	2094.0	5.8	2516.7	4.9
Principle Repayment of Foreign Debt	1121.8	3.8	1353.2	4.0	1419.0	4.0	1634.4	3.2
Total Expenditure	29536.3	100.0	33916.7	100.0	35863.8	100.0	51724.0	100.0

*Estimated

Source: Financial Comptrollers General's Office

- 2.10 Government's total expenditure in the first eight months of fiscal year 2012/13 had totaled Rs. 147.47 billion with a decrease of 11.8 percent in comparison to its previous fiscal year. Total expenditure in the first eight months of the current fiscal year 2013/14, however, reached to 202.39 billion with a rise of 37.2 percent in comparison to the previous fiscal year. Of the total expenditure, recurrent expenditure reach to Rs. 177.30 billion, capital expenditure to Rs.19.69 billion, principle repayment against domestic and foreign debts to Rs. 280 million, share investment to Rs. 1.79 billion and loan investment to Rs. 3.39 billion in the first eight months of the current fiscal year. Expenditure on principal repayment against foreign debts has declined by 63 percent while such expenditure recorded growth in other heading in the first eight months of the current fiscal year as compared to such expenditures of the corresponding period of previous fiscal year. In Comparison of the expenditure of the first eight months of the current fiscal year with the corresponding period of previous fiscal year shows that recurrent expenditure has risen by 34.7 percent, capital expenditure by 44.9 percent, share investment by 105.4 percent, credit investment by 204.5 percent, and principle repayment against domestic borrowing by 140.5 percent.

Situation of Capital and Working Expenditures

- 2.11 Of the capital expenditure of Rs. 85.10 billion in FY 2013/14, economic affair is expected to occupy the topmost position with Rs. 53.47 billion (62.8 percent). The amount allocated to economic affair for current fiscal year 2013/14 has been less than the amount that used to occupy two third of the total capital expenditure between FY 2009/10 to 2012/13. Housing and community amenities have been occupying the second largest position of the capital expenditure. Share of these sectors that were 13 percent in the capital expenditure of FY 2012/13 has dropped to 8.6 percent in current fiscal year , but still occupying the second largest position. General public services had shared 2.4 percent to the total capital expenditure in FY 2011/12 while this increased to Rs.2.09 billion in FY 2012/13. This amount is 3.8 percent of the total capital expenditure, while it is 67.1 percent higher than the capital expenditure allocated for housing and community services in the previous fiscal year. The amount earmarked for this sector in the current fiscal year is 244 percent higher than the actual expenditure of the previous fiscal year.

2.12 The share of capital expenditure on public law and order that was close to 8 percent during FY 2009/10, gradually declined in subsequent years and got confined to 5.4 percent in FY 2012/13. But, in the current fiscal year, Rs. 6.18 billion has been earmarked for this sector, which is 7.3 percent of the total capital expenditure. The share of capital expenditure on health service was 6.6 percent in the previous fiscal years remained at 5.4 percent in FY 2012/13. Moreover, Rs. 5.35 billion has been earmarked for this fiscal year, which is 6.3 percent of the total capital expenditure and higher by 81.4 percent than that in the previous fiscal year. The share of capital expenditure on environment protection, education, social security and entertainment, culture and religion have remained below one (1) percent in FY 2012/13 and even in this current fiscal year, the amount allocated for these sectors is less than one (1) percent of the total capital expenditure except environment conservation.

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

(In Rs. 10 million)

Expenditure Head	Fiscal Year							
	2010/11		2011/12		2012/13		2013/14*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	120.5	2.5	125.4	2.4	209.6	3.8	721.7	8.5
Defense	144.6	3.1	187.8	3.7	242.2	4.4	224.1	2.6
Public Law & Order	354.8	7.5	319.0	6.2	293.1	5.4	618.5	7.3
Economic Affair	3141.7	66.4	3387.9	65.9	3629.1	66.5	5347.9	62.8
Environmental Protection	46.0	1.0	45.2	0.9	32.9	0.6	233.9	2.7
Housing and Community Amenities	558.3	11.8	678.4	13.2	708.5	13.0	731.0	8.6
Health	314.3	6.6	337.5	6.6	295.3	5.4	535.8	6.3
Recreation, Culture & Religion	14.3	0.3	20.2	0.4	15.6	0.3	42.3	0.5
Education	17.1	0.4	13.9	0.3	13.9	0.3	21.3	0.3
Social Security	21.1	0.4	23.7	0.5	19.5	0.4	33.5	0.4
Total	4732.6	100.0	5139.1	100.0	5459.8	100.0	8509.9	100.0

*Estimated

Source: Financial Comptrollers General Office

- 2.13 Capital expenditure on general public service has gained the highest increment of 67.1 percent in FY 2012/13 as compared to that of FY 2011/12 while, capital expenditure in other sectors has declined except for defense, economic affair, housing and community services and education. Capital expenditures in public law and order, environment protection, health, social security and recreation, culture and religion sectors have declined by 8.1 percent, 27.1 percent, 12.5 percent, 17.7 percent and 22.7 percent respectively in FY 2012/13, while such expenditures in the current fiscal year have recorded growth in all sectors other than defense. The capital expenditure in environment sector has gained highest growth of 610.2 percent in the current fiscal year as compared to actual expenditure of FY 2012/13. Likewise, capital expenditures of general public service, public law and order, recreation, culture and religion, economic affair and social security have increased by 244.3 percent, 111.0 percent, 171.2 percent, 47.4 percent and 71.9 percent respectively as compared to those of previous fiscal year, while health and education sectors have attained the growth rate of 81.4 percent and 53.1 percent respectively.
- 2.14 Capital expenditure has gone up by 44.9 percent to Rs. 19.61 billion in the first eight months of the current fiscal year 2013/14 in comparison to the corresponding period of previous fiscal year. During first eight months of previous fiscal year 2012/13, capital expenditure had totaled Rs. 13.54 billion with a decline of 3.9 percent from its preceding fiscal year.

Status of Recurrent and Operating Expenditures

- 2.15 Of the recurrent expenditure of Rs. 353.41 billion in FY 2013/14, general public service is expected to occupy top most position with Rs. 89.97 billion (25.5 percent). In FY 2012/13 also, this budget head occupied the largest position in recurrent expenditure with the allocation of Rs.83.21 billion with actual expenditure accounting for Rs. 60.52 billion. In fiscal year 2012/13, education service sector occupied the topmost position in recurrent expenditure as in the previous fiscal

years totaling Rs. 62.29 billion (25.2 percent of actual recurrent expenditure). While in the current fiscal year, 22.7 percent of recurrent expenditure i.e., Rs. 80.74 billion has been earmarked to education sector, which is 30 percent higher than the actual recurrent expenditure to education sector of previous fiscal year. The health services sector, which shared about 8 percent of the recurrent expenditure in previous fiscal years, got confined to 7.6 percent in FY 2012/13. In the current fiscal year 8 percent of recurrent expenditure has been allocated to health sector and it is 50 percent higher than as compared to that of the expenditure of previous fiscal year. Environment protection and recreation, culture and religion belong to that sectors which occupy less than one (1) percent in the total recurrent expenditure allocated for the current fiscal year. The amount spent on these sectors was also less than one (1) percent of the total recurrent expenditure in its preceding years. In FY 2011/12, the expenditure on the defense sector stood at 8.5 percent of the total recurrent expenditure, while such expenditure fell by 11.1 percent in FY 2012/13 totaling Rs. 18.47 billion with a share of 7.5 percent of the total. The amount allocated for defense sector in the current fiscal year is 7.2 percent of the total recurrent expenditure, which is 36.9 percent higher than that of the previous fiscal year.

- 2.16 The shares of public peace and security, economic affair and social security service sectors in the total recurrent expenditure in FY 2012/13 remained at 14.1 percent, 14.5 percent and 4.7 percent respectively, which were close to that of FY 2011/12. The amount allocated for public law and order, economic affair and social security services sectors in the current fiscal year constituted 10.9 percent, 17.5 percent and 3.9 percent of the recurrent expenditure respectively. Despite having higher share of recurrent expenditures on economic affair sector in the current fiscal year than that of previous fiscal year, its share on public peace and security and social security sectors has dropped in current fiscal year.

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

Expenditure Head	Fiscal Year							
	2010/11		2011/12		2012/13		2013/14*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
General Public Service	4626.7	22.0	5455.0	22.4	6052.4	24.5	8997.3	25.2
Defense	1754.7	8.3	2078.0	8.5	1847.7	7.5	2530.2	7.2
Public Law & Order	2558.9	12.2	3607.5	14.8	3483.2	14.1	3852.6	10.9
Economic Affair	3465.2	16.5	3473.7	14.3	3596.5	14.5	6197.8	17.5
Environmental Protection	63.7	0.3	46.5	0.2	29.2	0.1	330.6	0.9
Housing & Community Amenities	289.8	1.4	323.4	1.3	230.7	0.9	861.7	2.4
Health	1673.2	8.0	1949.5	8.0	1891.8	7.6	2834.2	8.0
Recreation, Culture & Religion	127.9	0.6	186.4	0.8	225.6	0.9	286.2	0.8
Education	5481.6	26.1	6191.4	25.4	6229.1	25.2	8074.5	22.8
Social Security	974.9	4.6	1034.5	4.2	1159.5	4.7	1376.7	3.9
Total	21016.6	100.0	24346.0	100.0	24745.5	100.0	35341.7	100.0

*Estimated

Source: Finance Comptroller General Office

2.17 Analysis of the growth trend of recurrent expenditure in service and sector-wise, shows that recreation, culture and religion sectors gained highest growth of 21 percent in FY 2012/13 compared to that of FY 2011/12 while environment protection sector recorded negative growth of 37.3 percent. Recurrent expenditure in the current fiscal year has increased by just 1.6 percent owing to the fact that expenditures on housing and community services dropped by 28.7 percent, defense by 11.1 percent, public law and order by 3.4 percent and health by 2.9 percent in FY2012/13 compared to that of its preceding year. Environmental protection is estimated to attain highest growth of 1032.2 percent while public law and order expected to occupy lowest space with 10.6 percent in total recurrent expenditure allocated for the current fiscal year. Likewise, the recurrent expenditure on housing and community services is estimated to grow by 273.6 percent, education

by 29.6 percent, health by 49.8 percent, general public service by 48.7 percent, recreation, culture and religion by 26.9 percent in the current fiscal year than last year. Similarly, the budgetary allocations of recurrent expenditures on economic affair and social security sectors have been raised by 72.3 percent and 18.7 percent respectively in the current fiscal year as compared to those in previous fiscal year.

- 2.18 The recurrent expenditure increased by 34.7 percent to Rs. 177.30 billion in First eight month of FY 2013/14 which was Rs. 131.65 in corresponding period of FY 2012/13. Recurrent expenditure in first eight months of FY 2012/13 had dropped by 3.9 percent as compared to the corresponding period of FY 2011/12.

Government Income

- 2.19 Government income grew by 15.9 percent totaling Rs. 333.92 billion in FY 2012/13 in comparison to FY 2011/12. Such income is estimated to grow further by 28.6 percent in this fiscal year reaching to a total of Rs.429.53 billion. Details on the actual income of the Government from FY 2009/10 to FY 2012/13, and estimated Government income for FY 2013/14 are presented in Table 2 (e). Revenue and foreign grants are the major sources of government income, sharing 84.9 percent and 14.2 percent respectively of the total government income in FY 2011/12, shared 88.6 percent and 10.5 percent respectively of the income in FY 2012/13. Contribution of foreign grants to the government income is expected to grow and reach 16.2 percent while that of revenue is estimated to decline to 82.5 percent in the current fiscal year. The Government revenue that recorded an annual growth of 20.7 from FY 2009/10 to FY 2012/13 is estimated to grow only by 19.7 percent in the current fiscal year.
- 2.20 In fiscal year 2011/12, the receipt of foreign grants was 11.1 percent less than that in previous fiscal year, which further declined by 13.7 percent to Rs. 35.22 billion in FY 2012/13. Grant income in the current fiscal year is estimated to grow by 97.4 percent reaching Rs. 69.53 billion. Government income from principal repayment on an average had declined by 52.5 percent between FY 2009/10 and FY 2011/12. Despite steep rise of 303 percent in principal and interest repayment to the government totaling Rs. 750 million in FY 2012/13, its contribution to the government income has remained negligible over the years. Income from principle repayment is estimated to grow further by 628 percent totaling Rs. 5.5 billion in the current fiscal year.

Table 2 (e): Details of Government Income*(In Rs. 10 Million)*

Description	2010/11		2011/12		2012/13		2013/14*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Tax Revenue	17719.7	72.1	21172.3	73.5	25921.5	77.6	31464.0	73.3
Non-Tax Revenue	2114.8	8.6	3265.2	11.3	3680.6	11.0	3986.0	9.3
Total Revenue	19834.6	80.7	24437.4	84.9	29602.1	88.7	35450.0	82.5
Foreign Grants	4592.2	18.7	4081.0	14.2	3522.9	10.6	6953.6	16.2
Repayment of Principle	144.3	0.6	18.7	0.1	75.5	0.2	550.0	1.3
Recovery from outstanding audit irregularities			261.2	0.9	192.1	0.6	-	-
Total Government Income	24571.1	100.00	28798.4	100.00	33392.7	100.00	42953.6	100.00

EstimatedSource: Finance Comptroller General Office*

2.21 Of the Government's income sources, tax revenue has registered an average annual growth of 22.3 percent between FY 2009/10 and 2012/13. Collection of such revenue in the current fiscal year is estimated at Rs. 314.64 billion. Even if the stimated tax revenue gets collected as targeted, its growth rate (21.4 percent) is still likely to remain lower than the average growth rate of the last four years. The non-tax revenue, which grew by 54.5 percent in FY 2011/12 in comparison to its preceding fiscal year, increased merely by 12.7 percent in FY 2012/13. The non-tax revenue is estimated to grow by 8.3 percent totaling Rs. 39.86 billion in the current fiscal year. The government in FY 2011/12 had recovered Rs. 2.69 billion out of the outstanding audit irregularities in FY 2011/12, which came down 26.5 percent in fiscal year 2012/13.

2.22 The Government income had covered 84.9 percent of total expenditure in FY 2011/12, while such coverage accounted for 93.1 percent in FY 2012/13. The Government income is likely to cover 83 percent of expenditure in the current fiscal year. Analyzing the sources of financing Government expenditure, contribution of revenue that stood at 72.1 percent in FY 2011/12 grew to 82.5 percent in FY 2012/13. Likewise, share of foreign grants to the Government revenue remained at 15.6 percent in FY 2010/11, which started declining gradually in its succeeding years arriving at 9.8 percent by the previous fiscal year. Of the total Government expenditure of Rs. 358.63 billion in FY 2012/13, revenue covered 82.5 percent, foreign grants contributed 9.8 percent, principal repayment shared 0.2 percent, 0.5 percent from recovery from outstanding irregularities, while domestic and foreign borrowings covered the rest. In the current fiscal year, contributions of revenue, foreign grants, principle repayment and domestic and foreign borrowing to the total Government expenditure are estimated to remain at 68.5 percent, 13.4 percent, 1.1 percent and 17 percent respectively.

Revenue Mobilization

2.23 Revenue mobilization in FY 2012/13 grew by 21.1 percent reaching Rs. 296.37 billion as compared to that of FY 2011/12. Revenue collection in FY 2013/14 is estimated to grow by 19.7 percent reaching Rs. 354.50 billion as compared to the previous fiscal year. Contribution of tax revenue to the total revenue stood at 89.8 percent in FY 2009/10 while its contribution began declining gradually and stood at 86.6 percent in FY 2011/12 and 87.6 percent in FY 2012/13. Its contribution to total revenue is estimated to reach 88.8 percent in the current fiscal year. Contribution of non-tax revenue has gone up to some extent because of decline in the share of tax revenue to the total revenue. In the current fiscal year, contribution of non-tax revenue to the Government's total revenue that stood at 12.4 percent in the previous fiscal year is likely to remain at 11.2 percent.

Table 2(f): Details of Revenue Income

(In Rs.10 million)

Revenue Head	2010/11		2011/12		2012/13		2013/14*	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Tax on Income, Profit and Capital Gains	4135.0	20.8	5130.3	21.0	6418.7	21.7	7519.3	21.2
Tax based on Remuneration	71.0	0.4	155.5	0.6	188.1	0.6	201.5	0.6
Property Tax	357.2	1.8	358.8	1.5	534.0	1.8	452.8	1.3
Tax based on Goods and Services	9479.3	47.8	11056.1	45.2	12927.0	43.7	16160.1	45.6
Tax based on Foreign Trade	3571.4	18.0	4339.1	17.8	5693.2	19.2	6935.4	19.6
Other Taxes	108.8	0.5	132.4	0.5	160.5	0.5	194.9	0.5
Total Tax Revenue	17722.7	89.3	21172.3	86.6	25921.5	87.6	31464.0	88.8
Income from Assets	1296.4	6.5	1765.3	7.2	1760.8	5.9	1732.4	4.9
Income from the Sales of Goods and Services	244.8	1.2	691.3	2.8	1124.7	3.8	1268.6	3.6
Penalties, Fines and Confiscations	13.4	0.1	31.6	0.1	33.8	0.1	31.9	0.1
Voluntary Handover except Grants	0.2	0.0	0.1	0.0	0.5	0.0	0.2	0.0
Miscellaneous Revenue	560.1	2.8	776.9	3.2	760.7	2.6	952.9	2.7
Total Non-Tax Revenue	2114.9	10.7	3265.1	13.4	3680.6	12.4	3985.9	11.2
Total Revenue	19837.5	100.0	24437.4	100.0	29602.0	100.0	35449.9	100.0

*Estimated

Source: Finance Comptroller General Office

2.24 In comparison to FY 2011/12, tax revenue in FY 2012/13 grew by 22.4 percent reaching Rs. 259.21 billion. This source of revenue in the current fiscal year is estimated to grow by 21.4 percent than in the previous fiscal year reaching Rs. 314.64 billion. Contribution of goods and services based tax that was 52.2 percent of the tax revenue in FY 2011/12 fell to 49.9 percent in FY 2012/13. Value Added Tax (VAT) is the source of two third of goods and services based tax receipts. Collection of this source of revenue is estimated to reach Rs. 161.60

billion in the current fiscal year with the rise of 25 percent as compared to previous fiscal year. This amount is 45.6 percent of the total revenue collection target, which is higher by 2 percentage points in comparison to the previous fiscal year.

- 2.25 Contribution of tax levied on income, profit and capital gains, which rose by 21 percent in FY 2011/12, reached 21.7 percent in FY 2012/13. During this period, tax levied on income, profit and capital gains increased by 25.1 percent reaching Rs. 64.18 billion. Such tax amount is estimated to grow further by 17.1 percent and reach Rs. 75.19 billion in the current fiscal year 2013/14. Contribution of the Tax levied on income, profit and capital gains stood at 24.2 percent in FY 2011/12 while such contribution grew to 24.7 percent in FY 2012/13. The share of tax levied on income, profit and capital gains of entities occupied highest position with 57.7 percent in FY 2012/13, which is to grow and reach 58.5 percent with collection of Rs. 43.97 billion in the current fiscal year.
- 2.26 Non-tax revenue grew by 12.7 percent reaching Rs. 36.80 billion in FY 2012/13. This is estimated to reach Rs. 39.85 billion in the current fiscal year registering further growth of 8.4 percent over the previous fiscal year. Contribution of income received from properties to non-tax revenue has been the highest. However, its contribution seemed to have dropped gradually while that of goods and service has been increasing. Contribution of income earned from properties among the non-tax revenue that stood at 63.7 percent in FY 2009/10 dropped to 47.8 percent in FY 2012/13 while the share of income derived from sales of goods and services climbed 11.6 percent in FY 2009/10 to 30.6 percent in FY 2012/13. In current fiscal year, income received from properties is expected to drop by 1.6 percent and reach Rs. 17.32 billion while that from the sales of goods and services is estimated to grow by 12.8 percent and reach Rs. 12.68 billion. Shares of dividend, rent and royalty on the income from properties accounted for 61.6 percent and 35.4 percent respectively in FY 2012/13 while such shares are expected to drop to 45.5 percent and 44.2 percent respectively in the current fiscal year. In the fiscal year 2011/12, income from properties rose 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 revenue growth from these sources rose by -0.3 percent, 62.7 percent, 7.1 percent and 2.1 percent respectively in FY 2012/13 from the previous fiscal year. Contributions of income from properties, sales of goods and

services, amount received from penalties, fines and confiscation and that of miscellaneous revenue to gross revenue earning of the government accounted for 7.2 percent, 2.8 percent, 0.1 percent and 3.2 percent respectively in FY 2011/12 while contribution of these sources stood at 5.9 percent, 3.8 percent, 0.1 percent and 2.6 percent respectively in FY 2012/13.

- 2.27 Revenue collection in the first eight months of the fiscal year 2012/13 reached Rs. 178.68 with a growth of 24.1 percent as compared to the corresponding period of its preceding fiscal year 2011/12, while this collection registered a growth of 7.3 percent reaching Rs. 191.71 billion during the corresponding period of current fiscal year. The shares of tax revenue and non-tax revenues collection in the first eight months of this fiscal year stood at 88.9 percent and 11.1 percent respectively. Collection from tax revenue recorded a growth of 8.8 percent while that of non-tax revenue dropped by 3.4 percent in the first eight months of the current fiscal year as compared to the same period of previous fiscal year. In FY 2011/12, tax revenue had increased by 25.1 percent and non-tax revenue by 17.9 percent.

Foreign Grants

- 2.28 Receipt of foreign grant in fiscal year 2012/13 totaled Rs. 35.22 billion only in contrast to the receipt of Rs. 40.81 billion in fiscal year 2011/12. Such grant income had gone up by 19.4 percent in fiscal year 2010/11 from its preceding fiscal year 2009/10 while it dropped by 11.3 percent in fiscal year 2011/12 which continued to downslide also in fiscal year 2012/13 with 13.7 percent less receipt of such income.. However, such grant amount is expected to rise by 97.4 percent in the current fiscal year in comparison to the previous fiscal year reaching a total of Rs. 69.53 billion. The share of multilateral grants in the total grant receipt of government that stood at 70.6 percent in fiscal year 2011/12 dropped to 66.5 percent in fiscal year 2012/13. The bilateral grants receipt had increased by 32.6 percent reaching Rs. 28.83 billion in fiscal year 2011/12 whereas such grant receipt in fiscal year 2012/13 decreased by 18.7 percent. The multilateral grant amount in these two fiscal years as compared to preceding fiscal year has declined by 50.8 and 1.5 percent respectively. Foreign grant received in first eight months of fiscal year 2012/13 totaled Rs. 9.98 billion while such grant receipt in the corresponding period of this fiscal year has totaled Rs. 17.11 billion. This amount is higher by 90.6 percent than the amount received during the same period of previous fiscal year.

Fiscal Deficit and Deficit Financing

- 2.29 A situation of fiscal deficit or deficit financing refers to a state wherein governments' revenue including tax and foreign grant together with other receipts is less than government expenditure. As Nepal government's expenditure is higher than its income, it has been facing the situation of budget deficit or deficit financing for quite a long time. In such a situation, the government manages funds to meet its expenditure either through the change in cash reserves or through domestic borrowings or loans from foreign countries and donor agencies, or both. Due to inability of Nepal Government to meet its expenditure from receipts of taxes, grants and principal repayment receipt,, necessary amount for expenditure is garnered by using various instruments of financing including external and domestic borrowings. It is a 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 government's fiscal deficit and its sources of financing from fiscal year 2009/10 to 2013/14 are presented in Table 2(g).
- 2.30 In fiscal year 2011/12, government budget deficit reached the figure of Rs. 51.18 billion with an increase of 3.2 percent. However, such deficit dropped by 51.7 percent to Rs. 24.71 billion in fiscal year 2012/13. Budget deficit had also decreased by 17.3 percent in fiscal year 2009/10 to Rs. 41.19 billion from its preceding year. However, fiscal deficit is anticipated to rise by 254.9 percent reaching Rs. 87.70 billion if all budgetary allocation estimated for the current fiscal year gets spent. The share of fiscal deficit to GDP which stood at 3.5 percent in fiscal year 2011/12 had dropped to 1.5 percent in fiscal year 2012/13 whereas this is expected to rise thereby reaching 4.5 percent.

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

(In Rs. 10 million)

Description	2009/10	2010/11	2011/12	2012/13	2013/14*
Fiscal Deficit	4119.7	4962.0	5118.4	2471.0	8770.0
Sources of Deficit Financing					
Foreign Debts	1122.3	1207.6	1108.3	1196.9	4370.0
Domestic Borrowing	2991.4	4251.6	3641.9	1904.3	4400.0
Change in Cash Reserves(-) Surplus(+)	-6.0	497.1	-368.2	630.2	0.0

*Estimated

Source: Financial Comptroller General Office

- 2.31 Government of Nepal has been financing its budget deficit through domestic and external debt mobilization. In a state where expenditure could not be met by raising debts, shortfall amount is funded through change in cash reserve. The net budget deficit which stood at Rs. 51.18 billion in fiscal year 2011/12 was borne through foreign debt of Rs. 11.08 billion, domestic borrowings of Rs. 36.41 billion and rest Rs. 3.68 billion through change in cash reserve. Though the budget deficit in fiscal year 2012/13 was Rs. 24.71 billion, government mobilized Rs. 31.01 billion through foreign and domestic borrowings. Despite mobilization of foreign and domestic borrowings in fiscal year 2011/12 decreased by 8.2 and 14.3 percent respectively as compared to preceding fiscal year, foreign debt mobilization rose by 8 percent while domestic borrowings mobilization fell by 47.7 percent in fiscal year 2012/13. To meet the budget deficit of current fiscal year, government has aimed at raising Rs. 43.70 billion of foreign debt and Rs. 44 billion of domestic borrowing. This amount is higher by 182.8 percent than total debt raised, 265.1 percent higher than foreign debt and 131.1 percent more than that raised through domestic borrowings in fiscal year 2012/13.
- 2.32 In recent years, volume of foreign loan receipt of the government has been declining while the volume of domestic borrowing has been climbing gradually. The government was mobilizing about 25% foreign resource towards meeting its financing resource gap until fiscal year 2011/12 and it went up to 38.6 percent in FY 2012/13. Contribution of foreign debt for financing the budget deficit in current fiscal year is expected to rise further reaching nearly 50 percent. Foreign debt of Rs. 1.60 billion was received in the first eight months of fiscal year 2012/13. A total of Rs. 4.27 billion has been received in the corresponding period of current fiscal year. Domestic borrowing was not raised in first eight months of previous fiscal year, whereas a total of Rs. 9.93 billion has already been raised in current fiscal year.

Total Public debt and the Cost of Debt Servicing

- 2.33 Outstanding debt of Nepal in the form of foreign and domestic debts stood at Rs. 523.27 billion by fiscal year 2011/12 which has grown to Rs. 553.78 billion in fiscal year 2012/13 with an increase of 5.8 percent. Total outstanding debt liability had grown by 17.9 percent as compared to its preceding fiscal year. The share of foreign loan in total outstanding debt grew from 59.1 percent to 60.2 percent in fiscal year 2012/13. The share of foreign loan in total public debt which stood at

67.5 percent in fiscal year 2006/07 had jumped to 69.3 percent in 2008/09. However, it appeared to be declined in later years. The outstanding public debt has reached Rs. 580.51 billion by the end of first eight months of the current fiscal year 2013/14, which is higher by 4.8 percent as compared to that of Mid-July 2013. The share of foreign debt to the total outstanding debt has remained at 61 percent during this period.

- 2.34 The outstanding foreign debt that had grown by 19.2 percent reaching Rs. 309.28 billion by the end of fiscal year 2011/12 climbed to 333.44 billion in fiscal year 2012/13 with an increase of 7.78 percent which grew further to Rs 354.43 billion by the end of first eight months of current fiscal year 2013/14. This amount is higher by 6.3 percent than that of Mid-July 2013.

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

(In Rs. 10 million)

Description	2008/09	2009/10	2010/11	2011/12	2012/13
Detail of Outstanding of debt					
Domestic Debt	12567.4	14805.9	18419.9	21399.1	22034.7
Foreign Debt	27704.0	25624.3	25950.1	30928.7	33344.2
Total Debt	40271.4	40430.3	44370.0	52327.8	55378.9
Detail of Principle Repayment					
Domestic Debt	871.39	768.9	600.2	662.68	2094.0
Foreign Debt	1012.0	1074.3	1121.8	1353.2	1419.0
Total Principle Repayment	1883.4	1843.2	1722.1	2015.9	3513.0
Detail of Interest Expenditure					
Domestic Debt	578.05	752.3	1041.5	1233.0	1073.4
Foreign Debt	237.4	245.8	232.2	283.1	300.3
Total Interest Expenditure	815.4	998.1	1273.7	1516.1	1373.7
Total Loan Repayment Expenditure	2698.8	2841.4	2995.8	3532.0	4886.7
Total Debt Payment Expenditure to Government Expenditure(In Percent)	12.3	10.9	10.1	10.4	13.6
Public Debt Share to GDP (In Percent)	40.75	33.9	32.5	34.3	32.7

Source: Financial Comptroller General Office and Nepal Rastra Bank

- 2.35 The outstanding domestic borrowings stood at Rs. 213.99 billion in fiscal year 2011/12, while such borrowing amounted to 220.34 billion with a growth of 2.9 percent by the end of fiscal year 2012/13. In fiscal year 2011/12, it had increased by 16.1 percent as compared to its preceding fiscal year. Such borrowing has reached Rs. 226.08 billion in first eight months of this fiscal year with an increase of 2.6 percent by Mid-July 2013.
- 2.36 Treasury bill has e been as one of the major sources of Nepal government's domestic borrowing. Of the total domestic borrowings by the end of Mid-July 2012, share of Treasury bill stood at 61.5 percent, Development Bonds at 26.9 percent, National Saving Certificates at 7.4 percent and Citizen Saving Certificates at 1.9 percent and Special Bonds at 2.3 percent. No significant change was witnessed in the structure of loan outstanding by the end of Mid-July 2013. The share of Treasury bills to domestic borrowing by the end of Mid-July 2013 has stood at 61.9 percent, Development Bonds at 23.4 percent, National Saving Certificates at 7.1 percent and Citizen Saving Certificates at 1.5 percent and Special Bonds at 6.1 percent. The higher share of Treasury bills to domestic borrowing will result in the higher short-term (one year or less) liability of the government. Availability of the amount for development and construction works shrinks if the gap between the government's income and its short-term liability narrows down to less than a fiscal year. In addition, the government either will not be able to renew such loan or interest rate is likely to go higher even when renewed if the volume of short term liability remains high. Hence, timely efforts are to be made so as to avoid such a risk.
- 2.37 Of the government's total outstanding domestic borrowing, the share of Nepal Rastra Bank has been declining, while that of commercial banks and other private institutions has continued to rise in recent years. The share of Nepal Rastra Bank to its total outstanding domestic borrowing stood at 13.2 percent and that of commercial banks at 66.8 percent and and other institutions and private sector at 20 percent until mid-July 2013 against the respective figures of 15.4 percent, 60.3 percent and 24.3 percent by mid-July of its preceding year 2012. The declining trend in the share of Nepal Rastra Bank to domestic borrowing and increasing trend in commercial banks and private sector have indicated that the government is committed towards complying with financial discipline. Government reliance on domestic capital market to cope with budget deficit will ensure security of the government bond market, minimize risk of foreign exchange loss by

reducing share of external debt in public debt and also help in the development of overall capital market of the country. The government relying more on capital market than on Nepal Rastra Bank while financing its fiscal deficit can be regarded as the strength of public financial management.

- 2.38 Though public debt volume of GoNis rising mainly due to its additional annual debt liability, its foreign debt liability is affected by fluctuating foreign exchange rates with Nepalese currency. The outstanding foreign debt liability of the GoNin fiscal year 2011/12 stood at Rs. 309 billion. Despite GoNin fiscal year paid back Rs. 14.19 billion in the fiscal year 2012/13, which is more than Rs. 11.96 billion it had borrowed in that year through foreign sources, its outstanding debt liability has risen which is attributable to appreciation in foreign exchange rate.
- 2.39 In fiscal year 2011/12, expenditure on repayment of principle and interest rose by 17.9 percent as compared to preceding fiscal year reaching Rs. 35.32 billion while such expenditure had grown by 38.3 percent totaling Rs. 48.86 billion in fiscal year 2012/13. The repayment of principle and interest on public debt that accounted for approximately 10 percent of total government expenditure in last two fiscal years has jumped to 13.6 percent. Expenditure on repayment of principle against foreign debt and domestic borrowing had stood at Rs. 20.15 billion in fiscal year 2011/12 with rise of 17.1 percent as compared to that of its preceding fiscal year while such expenditure registered sharp growth of 74.3 percent in fiscal year 2012/13. Similarly, such expenditure against interest on foreign debt and domestic borrowing that had stood at Rs. 15.16 billion in preceding year dropped to 9.4 percent in fiscal year 2012/13. Of the total expenditure made towards repayment of principle in fiscal year 2011/12, foreign debt shared 67.9 percent of total expenditure whereas principle repayment of domestic borrowing accounted for 59.6 percent in fiscal year 2012/13.
- 2.40 The share of public debt to GDP seemed to have declined in recent years. It had remained at 40.7 percent in fiscal year 2008/09 which continued to fall in its succeeding years and arrived at 32.5 percent in fiscal year 2010/11. Such share that had reached 34.3 percent in fiscal year 2011/12 came down to 32.7 percent with slight decrease fiscal year 2012/13. The ratios of net outstanding foreign debt and domestic borrowing to GDP stood at 20.3 percent and 14 percent respectively in

fiscal year 2011/12, while such ratios dropped to 19.7 and 13 percent respectively in fiscal year 2012/13. The ratio of net outstanding foreign debt to GDP remained at 19 percent by the end of fiscal year 2010/11. The outstanding public debt volume seemed to have remained away from worrying state while looking at the current figure of its ratio to GDP.

- 2.41 The role of public debts is not only limited to financing government's fiscal deficit but also plays a vital role in the construction of physical infrastructures and in public service delivery required for all-round economic development of the country. Nonetheless, foreign and domestic debts that are rising annually with the accumulation of their respective interests to finance fiscal deficit have further burdened the country with increased outstanding debt liability. There are several examples that most of the countries in the world have been facing a number of predicaments due to their inability to payback their loans on time. In this context, it is necessary to think for Nepal towards assessing risks inherent in public debts and managing them accordingly thereby assessing and containing the costs within a desirable limit.

Financial Situation of Local Bodies

Income and Expenditure Status of Local Bodies

- 2.42 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 collect various taxes and fees in their respective areas and operate local people's need and demand-led projects and programs through these earnings. Local Bodies' internal income (tax and fees) raised using such authority and the income from the government's revenue disbursement 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(i): Income and Expenditure Details of Local Bodies*(In Rs. 10 million)*

Descriptions	2009/10	2010/11	2011/12	2012/13
District Development Committee (DDC)				
Total allocation made for expenditure	3164.96	3318.18	3298.32	2359.91
Total Income	279.71	295.96	312.99	275.60
Income from Internal Resources	148.22	148.38	178.04	136.94
Income from Revenue Disbursement	131.49	147.58	143.95	138.66
Actual Expenditure	2664.64	2969.53	2974.09	1795.825
Municipality				
Total allocation made for expenditure	647.35	718.06	779.22	676.87
Total Income	162.22	222.81	290.67	764.98
Internal Source/Revenue Disbursement	162.22	222.81	274.3	336.56
Actual Expenditure/Internal Source	638.91	624.81	683.8	321.17
Village Development Committee (VDC)				
Total Expenditure	9.07	855.56	765.87	764.91
Total Income (Including Grants)	9.74	987.23	951.05	1013.66
Income from Internal Resources		90.40	97.64	117.13
Income from Grants		896.83	896.83	896.53

**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

2.43 Income and expenditure analysis of DDC and Municipality shows that DDCs were able to cover 15 percent of their total expenditure for the fiscal year 2012/13 from their own income source. Likewise, DDCs were able to spend only 76.90 percent of the allocated budget whereas Municipalities had spent only 47.45 percent.

Government Grant to Local Bodies

2.44 Government of Nepal has been providing Grants (conditional/unconditional) to local bodies with the objectives of making these institutions competent, strong, responsible and accountable on 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) with limited income source 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 operating their offices, but also helped in carrying out development works as per people's aspirations and needs and in increasing the people's access to social services such as health and education.

- 2.45 Government of Nepal has been providing both conditional and unconditional grants to local bodies. Local Body Fiscal Commission has been carrying out important tasks related to distribution of unconditional grants its disbursements to local bodies. Such grants are determined on the basis of criteria as recommended by the Commission. The Commission has linked unconditional grants provided to local bodies with their performance. In the context of government grant to local bodies linked to work performance, DDCs 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). And for their evaluation, 10 minimum conditions have been set for VDCs and 13 each for Municipalities and DDCs. In addition to this, the performance of Municipalities and DDCs is being evaluated on the basis of 40 and 62 Performance Measure Indicators for VDCs and DDCs, and Municipalities respectively.
- 2.46 In case of DDCs and Municipalities, the Commission has revised and amended Minimum Conditions and Performance Measures (MCPM) indicators set in MCPM Working Procedures Manual in February 2013 as necessary to change and improve these in accordance with time. In this process, performance indicators for VDCs have also been added so as to measure their performance. It has been decided that from fiscal year 2013/14 onwards, performance indicators in addition to minimum condition should also be applicable while evaluating VDCs. Accordingly, minimum condition and performance evaluation of all local bodies for fiscal year 2012/13 and study on revenue disbursement and financial system have been carried out.
- 2.47 The cycle of MCPM and its relation with grant completes in every three years. A total of 69 DDCs, 53 Municipalities and 3075 VDCs passed the minimum condition criteria in the last performance evaluation of local

bodies carried out in fiscal year 2011/12. The numbers of DDCs, Municipalities and VDCs that failed to pass were 6, 5, and 840 respectively. The details of grants for capital and recurrent expenditure provided to local bodies by the government from fiscal year 2010/11 to fiscal year 2012/13 are presented in table 2(i). The total grants of Rs. 15.87 billion that the government had provided to local bodies in fiscal year 2011/12 went down to 23.29 percent totaling Rs. 12.17 billion in fiscal year 2012/13, while allocation of such grant to local bodies for the current fiscal year 2013/14 was increased by 4.12 percent to that of previous fiscal year amounting to Rs. 12.68 in billion.

Table 2 (j): Details of Grants for Capital and Recurrent Expenditure

(In Rs. 10 million)

Grants	2010/11	2011/12	2012/13	2013/14*
1. District Development Committee (DDC)				
Capital Grants	113.00	230.00	113.68	137.00
Recurrent Grants	243.00	361.00	309.79	195.00
Total	356.00	591.00	443.47	332.00
2. Village Development Committee (VDC)				
Capital Grants	626.40	769.00	512.60	664.40
Recurrent Grants	156.60	156.60	156.60	156.60
Total	783.00	925.80	669.25	821.00
3. Municipality				
Capital Grants	58.90	60.00	94.14	115
Recurrent Grants	11.10	11.00	11.00	-
Total	70.00	71.00	105.14	115.00
Grand Total	1209.00	1587.80	1217.86	1268.00

* Estimated

Source: Ministry of Federal Affairs and Local Development

- 2.48 A number of projects and programs directly benefiting the target groups including rural roads, suspension bridges, road-bridges, irrigation, micro hydroelectricity, drinking water and sanitation, and community buildings are being implemented through capital grants offered to DDCs. On the allocated capital grant front, the residual amount, after the disbursement of grants to the DDCs as per allocations, are being released to the districts on the basis of district's performance measure indicators such as population, geographical region, area, cost and poverty and on the basis of evaluation of MCPM indicators. The government grant provided to DDCs for capital and current expenditure that totaled Rs. 5.91 billion in fiscal year 2011/12

decreased by 24.96 percent in fiscal year 2012/13 reaching Rs. 4.43 billion. However, the government has allocated only Rs. 3.32 billion as grants to DDCs in fiscal year 2013/14 which is less by 25.13 percent as compared to that of previous year.

- 2.49 Government of Nepal has been providing grants to Municipalities through two sources namely 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 accountable local bodies together with providing additional support to public works and their maintenance and social activities. Local Body Resource Mobilization and Management Operation Procedure Manual, 2013 has been brought into implementation in order to manage all kinds of government grants heading towards Municipality and its own internal resources. The government of Nepal has allocated from its own source a sum of Rs. 1.05 billion under the grants heading to municipalities of which Rs. 941.4 million towards capital and Rs. 110 million towards recurrent expenditure has been earmarked. {see Table 2(j)}. 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 MCPM indicators. Municipalities have been directly authorized a total of Rs. 1.15 billion in terms of capital grant and based on minimum measurement in fiscal year 2013/14.
- 2.50 Out of Rs. 1.64 billion earmarked as grant to Municipalities from the Local Development Fees Fund for fiscal year 2012/13, Municipalities were issued authority to spend Rs. 986.8 million directly by themselves. A total of Rs. 652.69 million was allocated from this Fund for Reserve Fund Program through which 232 physical infrastructure projects were implemented where 171 of these projects have been completed during the same fiscal year. Likewise, of the grant of Rs. 2.60 billion allocated to Municipalities in FY 2013/14 through this Fund, Municipalities were provided authority to spend Rs. 1.84 billion directly by themselves and of the Rs. 757.5 million earmarked for Reserve Fund Program, 278 projects have received an approval in the first eight months of the current fiscal year with allocation of Rs. 319.2 million for the implementation of such projects.

- 2.51 A provision has been made for providing grant sum of Rs. 1.5 million to Rs. 4.6million to the maximum to each VDC from the capital grants budgetary allocation segregating it into recurrent and capital expenditures on the basis of population, cost and area like indicators of the concerned VDCs. Necessary arrangement has been made to disburse grants received from foreign sources for local government and community development programs to those VDCs that have passed minimum common criteria based on indicators of concerned VDCs. Programs including agriculture, rural road, irrigation, rural electrification, drinking water and sanitation, community building among others that directly benefit the target groups are being implemented through this grant. Government of Nepal had disbursed a total VDC grant of Rs. 9.24 billion in FY 2011/12 for capital and recurrent expenditures while this amount was reduced to 27.71 percent and reached Rs. 6.69 billion in FY2012/13 (Table 2 j). In current fiscal year 2013/14, amount allocated for VDC grant totals only Rs. 8.21 billion which is higher by22.53 percent as compared to that of previous fiscal year.

3. Price and Supply

Inflation Trend

- 3.1 The Consumer Price Index (CPI) based average annual inflation rate that stood at 3.7 percent between the FY 2000/01 and FY 2004/05 went up to 8.5 percent during the period between FY 2005/06 and 2008/09. The average annual inflation rate from FY 2009/10 to FY 2010/11 stood at 9.3 percent. The average inflation rate for the past decade remained at 7.9 percent. In the past decade, average inflation rate of food and beverage group remained at 9.6 percent, whereas such rate of non-food items and service group remained at 6.5 percent. During this period, the price of food and beverage group remained higher as compared to that of non-food items and service group, however, with greater volatility.
- 3.2 Since past few years, supply/structural sides have been more responsible than demand side for higher inflation rate. Effect on agricultural production due to adverse environmental impact; frequent closures, strikes, load-shedding and political instability negatively affecting productive activities and supply situation; costs of goods and services rising due to persistent cartel practiced in transportation; gradually rising wage rate of laborers; price hike of petroleum products; Nepalese currency depreciating against US Dollar; increasing trend of black marketing and goods hoarding due to inadequate monitoring of market; increase in price of agricultural produces due to middlemen's increasing influence; and emergence of uneasy situation in the distribution system are among the major factors of inflation. Likewise, Nepal's open boarder with India, pegging of Nepal's exchange rate with Indian currency, and trade with India occupying two third of Nepal's total trade volume are the reasons for direct influence of Indian inflation over that of Nepal.

Overall Consumer Price Situation

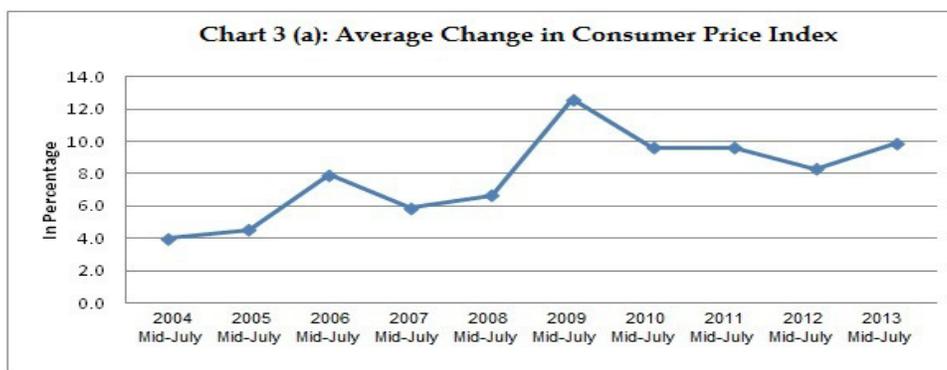
- 3.3 Consumer Price Index (CPI) based annual inflation rate that stood at 10.2 percent in first eight months of FY 2012/13 has remained at 8.9 percent during the same period of current fiscal year. During the review period, price index of food and beverage group in annual point-to-point basis stood at 10.8 percent while such price index of non-food items and service group remained at 7.1 percent. The price index of these groups remained at 11.3 percent and 9.3 percent respectively during the same period of previous fiscal year.

Table 3.(a) Consumer Price Index (Point to Point Inflation Rate)**(Base Year 2005/06=100)****Percent change**

Month	Fiscal year							
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Mid-July	4.5	5.6	11.9	10.1	9.5	7.7	11.9	7.9
Mid-Aug.	5.5	6.1	12.5	9.2	8.6	8.5	11.2	8.0
Mid-Sept.	6.5	5.4	13.3	8.6	8.9	8.9	10.5	8.4
Mid-Oct.	6.4	5.3	13.7	9.1	8.4	8.5	10.5	10.0
Mid-Nov.	5.8	4.6	13.4	10.3	9.6	7.5	10.4	10.3
Mid-Dec.	4.6	4.8	13.8	10.7	11.3	6.8	9.8	9.7
Mid-Jan.	5.1	5.2	13.2	11.0	10.2	7.0	10.1	8.8
Mid-Feb.	5.4	6.0	12.8	10.0	10.7	7.0	10.2	8.9
Mid-MAR.	5.6	8.0	11.6	9.8	10.6	7.5	9.5	
Mid-Apr.	6.6	8.3	12.4	8.9	9.5	8.7	8.7	
Mid-May	6.7	10.1	12.0	8.2	8.8	9.9	8.2	
Mud-June	8.0	10.6	11.1	9.0	9.6	11.5	7.8	
Average	5.9	6.7	12.6	9.6	9.6	8.3	9.9	9.0

Source: Nepal Rastra Bank

3.4 Average consumer inflation rate during first eight months of the current fiscal year stood at 9.0 percent. It was 10.6 percent in the corresponding period of the previous fiscal year. The average consumer inflation rate of the first eight month of current fiscal year has been slightly higher than 8.0 percent as targeted by the monetary policy made public by Nepal Rastra Bank for the current fiscal year, and 8.5 percent as projected by mid-term review of monetary policy. Consumer price index based inflation rate in the review period stood slightly higher than the set target due to two factors namely, monetary expansion, and obstructions in supply side.



Source: Nepal Rastra Bank

- 3.5 By geographical regions, price index recorded at its highest rate of 9.6 percent in Terai, followed by 8.7 percent in Kathmandu Valley, and 8.0 percent in the Hills during the review period of current fiscal year. These figures were 10.2 percent, 10.8 percent and 9.6 percent in the respective regions in the corresponding period of the previous fiscal year.
- 3.6 According to group-wise analysis, the price of food and beverage group, which carries 46.8 percent weight in CPI on point-to-point basis, increased by 10.8 percent in mid-March 2014. Such growth rate stood at 11.3 percent in the same period of the previous fiscal year. Increase in the price index of tobacco products, liquors, fruits, vegetables and meat and fish sub-group played major role on increase in the price of food and beverage group. As a result, price indices of goods by sub-group namely, tobacco products rose by 25.3 percent, liquors by 22.5 percent, fruits by 14.1 percent, vegetables by 13.9 percent and fish and meat by 13.5 percent.
- 3.7 The price of non-food and services group that carries 53.2 percent weight in CPI has increased by 7.1 percent in mid-March 2014. This index had increased by 9.3 percent during the same period of previous fiscal year. Though the prices of clothing and foot-wear, health, communication, recreation and culture sub-groups under this group have increased in this fiscal year as compared to the same period of previous fiscal year, lower rate of rise in overall price index of this group has been observed during the review period of this fiscal year due to lower rate of rise in prices of all other sub-groups in this period. The price index of clothing and foot-wear sub-group among non-food and services group recorded the highest growth of 12.2 percent in this period.

Table 3 (b): National CPI (Point to Point Changes)
(Base Year 2005/06 = 100)

Percent change

Consumer Items	Weight Percent	Fiscal Year (Mid-March)							
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	20012/13	2013/14
Total (A+B)	100.0	5.4	6.1	12.8	9.9	10.7	7.0	10.2	8.9
A. Food & Beverages	46.8	5.4	8.5	18.1	14.8	17.3	4.2	11.3	10.8
Cereals and Cereal made Items	14.8	6.1	15.3	13.1	12.1	13.4	-2.4	12.9	11.7
Lentils	2.0	15.6	12.8	24.2	30.0	-8.1	-1.8	12.6	6.8
Vegetables	5.7	-3.1	0.2	21.1	2.3	73.1	5.1	9.4	13.9
Meat and Fish	5.7	8.5	5.5	24.9	24.5	7.7	5.8	17.1	13.5
Dairy products and Eggs	5.0	7.1	7.8	16.5	13.4	10.5	17.4	7.3	6.7
Ghee & Edible Oil	2.7	10.1	27.5	6.4	-3.1	3.1	13.3	13.9	0.3
Fruits	2.2	1.9	-4.7	19.7	21.3	33.4	9.8	5.2	14.1
Sugar and Sweetmeats	1.4	-10.0	-8.3	53.3	60.7	7.0	5.9	12.0	-3.5
Spices (Condiments)	1.5	21.0	-0.4	11.0	34.0	22.1	-12.1	5.5	10.5
Soft Drinks	1.0	3.4	4.5	21.9	15.3	8.9	6.0	12.0	2.4
Liquors	1.7	4.9	2.1	13.0	12.4	2.1	9.2	4.4	22.5
Tobacco Products	0.9	6.4	10.0	17.5	11.4	17.1	9.0	11.4	25.3
Restaurant & Hotel	2.4	3.2	7.6	24.5	20.7	15.5	11.4	12.2	9.5
B. Non-Food Items and Services	53.2	5.4	3.9	8.3	5.9	5.3	9.4	9.3	7.1
Clothes & Shoes	8.5	4.5	3.3	8.8	6.8	13.7	15.2	11.5	12.2
Household Goods and Services	10.9	6.4	4.8	6.8	6.7	6.4	6.3	9.7	5.1
Furniture & Household Equipment	4.9	7.4	5.2	14.0	5.3	7.3	13.4	12.7	9.4
Health	3.3	2.9	7.2	4.4	2.4	2.9	6.4	6.5	9.1
Transport	6.0	8.7	1.1	13.9	-0.7	11.3	17.0	8.4	4.9
Communication	3.6	0.0	0.0	0.1	0.0	-10.4	-8.2	-2.1	0.1
Entertainment & Culture	5.4	3.4	5.2	6.6	6.8	-2.0	8.8	6.2	7.5
Education	8.5	7.1	4.9	8.2	11.8	4.7	8.9	12.5	7.8
Other Goods & Services	2.2	2.4	1.0	12.5	8.4	5.4	9.9	10.8	6.5

Source: Nepal Rastra Bank

Region-wise Consumer Price Situation

- 3.8 As per the base year 2005/06, the price index of Kathmandu Valley that carries 31.16 percent weight rose by 8.7 percent in mid-March 2014 on point-to-point basis compared to 10.8 percent in the same period last year. During the review period, price index of food and beverage group has increased by 12.0 percent and that of non-food and services group by 5.4 percent in the Kathmandu Valley. Among the food and beverage group, price index of tobacco products recorded the highest growth rate of 27.9 percent followed by fruits 26.0 percent and vegetables 16.8 percent. On the non-food and services group, the price index of health rose by 11.4 percent, clothing and foot-wear by 10.2 percent, recreation and culture by 8.6 percent while price index that of transport and communication sub-groups remained negative.
- 3.9 Considering 2005/06 as the base year, price index of Terai carrying the highest weight of 42.85 percent increased by 9.6 percent in mid-March 2014 in comparison to increase of 10.2 percent in the corresponding period of the previous year. On food and beverage group, the price index of liquor registered highest increase of 36.1 percent. Likewise, the price indices of tobacco products, spices and vegetables sub-groups have increased by 18.2 percent, 13.4 percent and 12.9 percent respectively. Similarly, under the non-food and services group, price indices of clothing and foot-wears, transport and education sub-groups have increased by 14.2 percent, 11.8 percent and 10.2 percent respectively.
- 3.10 Likewise, according to the base year 2005/06, price index of Hills carrying comparatively the least weight of 25.99 percent has increased by 8.0 percent in mid-March 2014, which had increased by 9.6 percent in the same period of the previous fiscal year. On food and beverages group, the price of tobacco product sub-group registered highest increase of 34.7 percent. Likewise, the prices of liquor, meat and fish and vegetable sub-group have increased by 17.3 percent, 13.0 percent and 12.0 percent respectively. Under the non-food and service group, furnishing and household equipment rose by 15.3 percent, other goods and services by 13.1 percent and clothing and foot-wear by 11.4 percent which led an average increment of 7.5 percent in this group.

Wholesale Price Index

- 3.11 National Wholesale Price Index (1999/2000=100) on year-on-year basis increased by 8.3 percent in mid-March 2014 that had increased by 9.0 percent a year ago. The Index of agricultural products among the National wholesale Price Index rose by 11.4 percent, domestically produced industrial goods group by 6.8 percent, and that of imported

goods group by 3.7 percent. The price indices of such groups had increased by 12.3 percent, 3.5 percent and 6.6 percent respectively during the same period of previous fiscal year.

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

Description	Weight Percent	Fiscal Year (Mid-March)							
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total	100.0	12.2	6.6	12.3	12.2	12.4	6.3	9.0	8.3
Agricultural Products	49.6	19.9	4.9	15.3	19.2	15.4	1.7	12.3	11.4
Domestically Produced Industrial Goods	20.4	8.7	9.0	8.8	12.1	8.2	9.5	3.5	6.8
Imported Goods	30.0	3.7	7.8	10.0	0.2	9.7	13.0	6.6	3.7

Source: Nepal Rastra Bank

3.12 Under the agro-products group, the price of spices sub-group has registered significant growth of 32.5 percent during the review period. Likewise, the price of animal products has increased by 24.2 percent and food products by 12.5 percent. Under the domestically produced industrial goods group, the prices of beverage and tobacco products have registered highest growth of 10.1 percent while under the imported goods group, the prices of electric and electronic goods and other goods have increased by 12.5 percent and 6.7 percent respectively.

National Salary and Wage Rate Index

3.13 The annual point-to-point salary and wage rate index (2005/06=100) escalated by 16.3 percent by mid-March 2014 against 7.8 percent increase in the corresponding period of previous fiscal year. National salary and wage rate index has increased in the review period owing to the fact that salary index rose by 26.4 percent due to rise in employees' salaries and allowances and wage rate index rose by 14.1 percent due to rise in labourers wage rates. On the salary index, salaries of employees of bank and financial institutions recorded highest growth of 47.7 percent during the review period. Likewise, on wage-rate index, wage rate of industrial labourers has the highest increment of 24.8 percent. Though the wage rate index had increased by 9.6 percent during the same period of previous fiscal year, salary index had not changed.

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

(Percent change)

Consumable Goods	Weight Percent	Fiscal Year (Mid-March)						
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Overall Index	100.0	9.0	19.3	13.7	19.1	27.6	7.8	16.3
1. Salary Index	27.0	10.9	16.8	13.8	0.0	19.3	0.0	26.4
1.1 Civil Service	2.8	23.5	28.1	14.6	0.0	18.7	0.0	31.3
1.2 Public Enterprises	1.1	8.8	21.9	11.1	0.0	28.0	0.0	27.6
1.3 Banks and Financial Institutions	0.6	50.5	18.2	1.3	0.0	42.4	0.0	47.7
1.4 Army and Police Force	4.0	9.3	30.9	13.0	0.0	26.5	0.0	34.5
1.5 Education	10.6	14.8	16.1	22.4	0.0	19.1	0.0	30.5
1.6 Private Institutions	7.9	-1.5	2.7	0.0	0.0	8.6	0.0	0.0
2. Wage Index	73.0	8.4	20.1	13.6	25.5	29.8	9.6	14.1
2.1 Agriculture Labor	39.5	6.0	26.9	17.0	34.6	27.1	12.5	10.2
2.2 Industry Labour	25.2	11.6	10.6	8.8	10.4	34.3	4.7	24.8
2.3 Construction Labour	8.3	10.9	18.1	10.6	20.4	34.1	6.3	9.4

Source: Nepal Rastra Bank

Retail Prices of Some Major Commodities

3.14 Review of average retail prices of 10 agricultural commodities among daily consumable items (rice, wheat flour, black gram, pigeon peas, mustard oil, mutton, clarified butter, potato, dried onion and ginger), the prices of fresh ginger, mutton, clarified butter and pigeon peas have increased by 64.3 percent, 37.7 percent, 20.4 percent and 11.1 percent respectively in mid-March 2014 as compared to that of mid-March 2013 while prices of other goods have declined.

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

(In Rupees)

S.N.	Item	2012/13		2013/14*	
		Mid July	Mid-March	Mid- July	Mid- March
1	Coarse Rice	35.9	38.0	36.1	34.2
2	Wheat Flour	36.2	39.5	35.6	37.8
3	Black Lentil	137.2	142.9	99.4	91.9
4	Pigeon Peas	100.1	104.7	105.0	116.3
5	Mustard Oil	178.0	185.7	171.0	170.0
6	Clarified Butter	551.6	623.0	680.0	750.0
7	Mutton	466.7	508.4	650.0	700.0
8	Potato	34.1	25.6	26.3	24.9
9	Dry Onion	32.3	46.3	56.1	36.4
10	Ginger	52.1	52.1	107.3	85.6

*Preliminary Data

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

The price of crude Oil and Gold in International Market

- 3.15 The international market price of Crude Oil Brent that was US\$ 109.30 per barrel in mid-March 2013 has dropped to US\$ 108.10 per barrel in mid-March 2014.
- 3.16 The price of gold in mid-March 2014 stood at US\$1385.0 per ounce with drop of 13.2 percent from the corresponding period of the previous year. Its price was US\$ 1595.50 per ounce in mid-March 2013 with a decline of 3.2 percent.

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

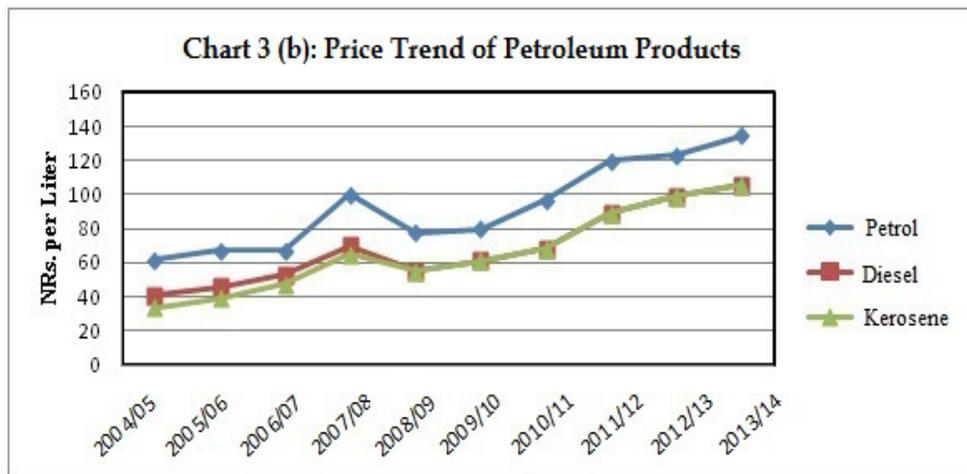
Description	Mid-July			Mid-March			Percentage Change			
							Mid-July		Mid-March	
	2011	2012	2013	2011	2012	2013	2012	2013	2013	2014
Oil (Dollar per Barrel)*	118.1	102.1	109.1	123.6	109.3	108.1	-13.52	6.807	-11.6	-1.1
Gold (Dollar per Ounce)**	1587	1590	1285	1648	1596	1385	0.173	-19.19	-3.2	-13.2

*Crude Oil Brent ** Based on London Rate

Source: Nepal Rastra Bank

Price trend of Petroleum products in Nepal

3.17 Of the POL products, the price of petrol that was Rs. 62.0 per litre in the fiscal year 2004/05 reached to Rs. 134.50 per litre in FY 2013/14 with a steady rise. Likewise, the price of diesel has reached to Rs. 105.50 per litre in FY 2013/14 from Rs. 41.0 per litre in FY 2004/05. Likewise, the price of kerosene has also reached to Rs. 105.50 a litre in FY 2013/14 from Rs. 34.0 a litre in FY 2004/05. The price trend of the petroleum products of the last ten years has been depicted in the figure below.



3.18 There is the provision of fixing wholesale price (including VAT) for petroleum products according to depot sites or customs points. Arrangements for wholesale distribution of petroleum products have been made from Biratnagar, Birgunj, Amlekhgunj, Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dang, Dhangadi, Dipayal and Janakpur. Under this arrangement, wholesale and retail prices of petroleum products may vary from place to place. As per the price set on March 20, 2014 for petroleum products, the retail prices of petrol, diesel, kerosene and LP Gas in Kathmandu Valley are Rs. 134.50 Per litre, Rs. 105.50 per litre, Rs. 105.50 per litre and Rs. 1470 per cylinder respectively. Likewise, the price for aviation fuel is set at Rs. 143.0 per litre.

Supply Situation

3.19 During first eight months of the fiscal year 2013/14, supplies of petrol have increased by 18.5 percent, diesel by 12.4 percent, aviation fuel by

11.0 percent and LP Gas by 13.5 percent as compared to the corresponding period of the previous fiscal year. However, supply of kerosene has decreased by 25.0 percent. The demand for kerosene has declined, and so is its supply owing to the fact that LP Gas has been substituting kerosene and the act of mixing kerosene in diesel by unscrupulous traders has come down due to uniformity in the prices of these two commodities.

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

Product Name	First Eight Months		Percent Change
Petrol (KL)	141,924	168,187	18.5
Diesel (KL)	447,887	503,257	12.4
Kerosene (KL)	18,091	13,573	-25.0
Aviation Fuel (KL)	78,330	86,922	11.0
Total	686,232	771,939	12.5
L. P. Gas (MT)	133,271	151,211	13.5

Source: Nepal Oil Corporation

- 3.20 Of the target set to transport 54,773 quintals of iodized salt to 22 remote districts including 13 remotest districts and 9 moderate remote districts for the fiscal year 2013/14, a total of 37,036 quintals of iodized salt has been transported and distributed in the first eight months of the fiscal year 2013/14.
- 3.21 Transportation of food grains to 30 remote hilly districts has been given continuity in the current fiscal year as well through Nepal Food Corporation under the policy for smooth and regular supply of food grains in those districts. In this process, 9,461MT of food grains has been transported until mid-March 2014 against the target of 14,150 MT set for the current fiscal year. Of the target set to transport 14,300 MT of food grains last year, only 6,590 MT was transported by mid-March 2013. By mid-March of 2014, a total of 7,272 MT of food grains has been stored in different parts of the country under the National Food Security Reserves of Nepal against the target to store 25,000 MT of food grains for the current fiscal year to supply in emergency situations. Similarly, SAARC Food Security Reserve that had set target to store 33,000

MT of food grains for the current fiscal year, has stocked 15,272 MT of food grains by mid-March 2014. Thus, National Food Security Reserve and SAARC Food Security Reserve put together have stored a total of 22,544 MT of food grains in the review period.

Problems and Suggestions

- 3.22 Though moderate price hike brings positive impact in the production, higher rate of price rise brings hardship to the lifestyle of the poor and marginalized people. Besides, it creates hurdles in achieving the government's objective of poverty reduction, and creates a situation of income inequality. Despite various steps taken towards keeping the inflation rate within the desired limit, higher rate of inflation has been witnessed in recent years that is attributable mainly to structural aspects including distortions in supply system. To achieve the objective of price stability, in addition to monetary policy, it is necessary for the government to pay due attention towards managing the fiscal policy including overall supply system. There is a need to pay immediate attention towards making the distribution system more systematic so as to curb higher inflation rate; developing buffer zones in remote mountainous and hilly districts; enforcing laws to punish those involved in highway blockades; making the market monitoring work more effective; bringing the existing cartel/syndicate system in transport to an end; discouraging trend of unnecessary storage of goods; and making petroleum distribution system more systematic and adjusting the prices of POL products in line with international market price. Additionally, it is also necessary to boost up investment in agriculture sector to raise agricultural production and productivity; completing the on-going hydro-electricity projects within estimated time to resolve the existing load-shedding problem; curbing the excessive margin the intermediaries have been charging; and making necessary arrangements for the smooth supply of goods and services through cooperatives.
- 3.23 Unhealthy competition among the transporters in remote districts; the trend of contractors not signing the contract even

after being awarded, or not undertaking the contract work; price hike in petroleum products; problems encountered in the supply and distribution of food grains due to snowfall in mountainous regions; excessively high demands for food grains in most of the remote areas specifically in Karnali area where demand exceeds approved quotas; and failure to release budget for transportation of food grains required to meet demands are the obstacles against the smooth supply of food grains in various parts of the country. Hence, it is imperative to make the supply and distribution agents more responsible and allocate adequate budget for transportation of such goods, establish buffer zones in remote districts in the government as well as private sector's initiatives and make arrangements for the distribution of food grains through cooperatives so as to resolve these problems.

- 3.24 Though Nepal Oil Corporation is given sole authority for the imports and distribution of petroleum (POL) products, the Corporation is incurring heavy loss due to lack of its managerial skills, excessive leakages, inability to adjust prices in line with international market price and dearth of cash flow, among others. Debt liability of the Corporation is escalating owing to the fact that price could not be adjusted on a regular basis and problems are seen in the smooth and regular supply and distribution of POL products due to the lack of cash flow. In order to avoid this problem, it is necessary to improve managerial aspect of the corporation and control leakages, involve private sector in import and distribution of POL products, develop scientific mechanism so that the prices of petroleum products would automatically be adjusted with international market prices, establish price stabilization fund, increase the storage capacity of Depots, regularize the smooth supply of POL products discouraging the practices of highway blockades, strikes and *chakka jams* (Transport Strikes), emphasize on the development of hydro-electricity and its usage as an alternative to petroleum products.

4. Money and Banking

Monetary Policy

- 4.1 Monetary and fiscal policies are formulated with an objective achieving high and sustainable economic growth by maintaining overall macroeconomic stability. Fiscal policy is formulated and implemented by executives elected by the people, whereas autonomous Central Bank is involved in formulating and implementing monetary policy.
- 4.2 Nepal Rastra Bank, pursuant to section 94 of Nepal Rastra Bank Act 2002, has been publishing annual monetary policy report for information of the people. Such provision would help maintaining the transparency of Nepal Rastra Bank's activities and enhance bank's public accountability. As per the provision of the Act, Nepal Rastra Bank has been publishing Annual Report on Monetary Policy and its Mid-Term review Report since fiscal year 2002/03. Monetary Policy thus issued primarily focuses on fulfilling the objectives of maintaining price and external sector stability; assisting to achieve economic growth target by maintaining financial stability and expanding financial inclusion. With these objectives, monetary policy for fiscal year 2013/14 was made public on 21st July 2013 and its mid-term review conducted on 3rd March 2014.

Monetary Policy Guidelines

- 4.3 Monetary policy is focused on improving financial stability by guiding the credit flow to the productive sector, and increasing financial accessibility by adopting relatively flexible monetary policy to achieve higher economic growth rate without adversely affecting price and external sector stability. Amid high inflation rate, strong domestic demand created by remittance inflow, and depreciation of Nepalese currency, monetary policy has been very much sensitive towards containing the monetary and credit aggregates within desirable limit for restricting the price rise from exceeding the targeted boundary. Likewise, inspite of the comfortable situation to maintaining external sector stability with notable growth in foreign exchange reserves due credit to remittance inflow resulting in favorable BOP, the situation is still vulnerable to growing trade deficit owing to higher growth in imports. Attention is paid to adopt prudent monetary management to fend off the external sector balance from vulnerability of potential risk caused by fluctuating remittance inflow.

- 4.4 Expansion of credit flow to the private sector from banks and financial institutions helps gradual enhancement of economic activities. Increased flow of such credit to the unproductive sector and imports will create inflationary pressure; increase the risk against stability of the financial and external sector; and adversely affecting the current account balance. As such, the Monetary Policy emphasizes on guiding credit flow as much as possible to the prioritized productive sector of the economy by containing its expansion within the desired level.
- 4.5 Merger process of banks and financial institutions is being encouraged with the objective of maintaining financial sector's stability, enhancing efficiency of financial service, maintaining financial discipline, and strengthening the capital base of the banks and financial institutions. . Alertness has been adopted on not allowing the reduction in financial accessibility, and to avoid concentration of potential business risks arising from merger process among banks and financial institutions. As enhancing inclusive financial accessibility is being accorded high priority, banks and financial institutions have started extending their branches to rural areas and providing branchless as well as mobile banking services. As adequate banking service are still not within reach of rural areas and low income level group of the people, financial literacy is also considered as an indispensable part of enhancing accessibility of financial services to the people of remote rural areas.

Economic and Monetary Targets

- 4.6 The monetary policy for fiscal year 2013/14 was made public amid satisfactory conditions of monetary and fiscal indicators despite failure in achieving the rates of economic growth and inflation as targeted; encouraging revenue collection; fiscal deficit remained within desirable limit, ; strong BoP situation with current account surplus due to satisfactory remittance inflow ; and notable growth in foreign exchange reserve.
- 4.7 The monetary policy for fiscal year 2013/14 had focused on containing inflation rate within a desired limit, maintaining stability of the external and financial sectors, assist in achieving the targeted economic growth rate, utilizing credit in the productive sector, and achieving the goal of enhancing financial accessibility.
- 4.8 The monetary policy for fiscal year 2013/14 targeted to contain the annual average inflation rate at 8 percent, maintain foreign exchange reserve that would cover import of goods and services at least for 8

months, and to arrange credits to help achieve the economic growth rate of 5.5 percent. To achieve the above mentioned objectives comfortably, growth rate of broad money supply was targeted at 16 percent as an intermediate target of the Monetary Policy. Likewise, net domestic credit was projected to grow by 17.1 percent, of which credit from the private sector to grow by 18.0 percent. The Mid-term Review Report of Monetary Policy issued in mid-March 2014 revised these estimates to-economic growth rate of 5.5 percent, average inflation rate at 8.5 percent, broad money supply growth rate of 18.0 percent, and credit flow to the private sector at 17.0 percent.

Box 4 (a) : Major Indicators of Monetary Policy

- The average consumer price inflation stood at 9 percent in first eight months against its target of 8 percent.
- Foreign exchange reserve has been able to cover the imports of goods and services for 10.1 months in first eight months of the current fiscal year against the target of sustaining it for 8 months only.
- To attain economic growth rate of 5.5 percent, the growth rate of broad money supply was projected to 16.0 percent, which has remained quite below the estimate with 10.8 percent in the first eight months of current fiscal year.
- Of the projected 17.1 percent growth in domestic credit, it grew nominally by 3.1 percent in the first eight months.
- Credit flow to the private sector rose by 11.1 percent in the first eight months against its projected growth of 18.0 percent.

Operations Instruments of Monetary Policy

- 4.9 Bank rate, which was maintained at 8.0 as a policy rate for supporting economic growth by containing price rise within desirable limit is given continuity. Likewise, continuity is given to the facility of providing Standing Liquidity Facility (SLF) to banks and financial institutions to manage short term liquidity at bank rate. Similarly, Cash Reserve Ratio (CRR) to be mandatorily maintained by banks and financial institutions has been set at 5.0 percent for "A" Class, 4.5 percent for "B" Class and 4.0 percent for "C" class institutions.

- 4.10 The Statutory Liquidity Ratio (SLR) to be maintained by banks and financial institutions has been revised and set at 12 percent for "A" Class, 9 percent for "B" and 8 percent for "C" respectively. Such ratio for "D" class institutions accepting deposit from public has been kept unchanged at 4 percent.
- 4.11 The maximum period for repo and reverse repo under the open market operation has been reduced to 21 days from 28 days due comfortable liquidity situation in banks and financial institutions. Similarly, monetary policy has provisioned for implementing Online Bidding System of treasury bills and development bonds to make open market operations more effective for short term liquidity management, formulation and implementation of open market operations regulations and creating necessary infrastructure to implement Primary Dealership System for making secondary market transaction of government bonds dynamic.
- 4.12 The monetary policy provisioned the concept of base interest rate in use by commercial banks to make the interest rate fixing system transparent and competitive to be gradually applied in other financial institutions as well.
- 4.13 Special refinancing rate for sick industries, cottage and small industries, export-oriented business, women operated businesses, and small business operated by the specified category and community has been reduced from 1.5 percent and set at 1 percent. The provision of restricting banks and financial institutions from charging more than 4.5 percent interest from their customers, while using such facility is given continuity. Similarly, refinancing interest rate set for agriculture, hydropower, livestock as well as fish farming business and other specified productive sector has been fixed at 5 percent by reducing from 6.0 percent. In case of such refinancing loan, provision has been made that banks and financial institutions shall not charge more than 9 percent interest rate.
- 4.14 In accordance with the policy of maintaining at least 5 percent of credit flow of banks and financial institutions to deprived sector, provision has been made for fiscal year 2013/14 to maintain the level of such loan ratio at 4.5 percent for commercial banks, 4.0 percent for development banks and 3.5 percent for finance companies. As per the action plan submitted to maintain the credit flow of commercial banks to the productive sector at 20 percent of total credit, provision has been made to reach at that level of credit by the end of mid-July 2015. Under this

arrangement, credit flow to agriculture and energy sector must reach at least 12 percent of the total. In addition, provision has also been made for development banks and finance companies to prepare and submit their plan of action within 3 years with target of certain percent of their credit flow to the productive sector.

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

Instruments	Fiscal Year				
	2009/10	2010/11	2011/12	2012/13	2013/14
Bank Rate	6.5	7.0	7.0	8.0	8.0
Refinancing Rates:					
Export Credit (In Domestic Currency)	1.5	1.5	1.5	1.5	1.0
Export Credit (In Foreign Currency)	0.25*	0.25*	0.25*	0.25*	0.25*
Sick Industries	1.5	1.5	1.5	1.5	1.0
Small and Cottage Industries	2.5	1.5	1.5	1.5	1.0
Productive Sector	7.5	7.0	6.5	6.0	5.0
Cash Reserve Ratio	5.5	5.0	5.5	5-6 ⁺⁺	4-5 ⁺⁺
Standing Liquidity Facility (Penal Rate)	3.0	3.0	3.0	0.0 [#]	0.0 [#]

* LIBOR Rate Plus

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

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

[#]Monetary policy for fiscal year 2012/13 has provisioned for providing Standing liquidity Facility at the Bank Rate

Source: Nepal Rastra Bank

Situation of Monetary Aggregates

4.15 During the first eight months of the current fiscal year, broad money supply expanded by 10.8 percent and narrow money supply by 10.9 percent. In the same period last year, broad money supply and narrow money supply had expanded by 6.2 percent and 1.6 percent respectively. The broad money supply growth has remained higher in review period of current fiscal year as compared to corresponding period of the last year due to expansion of net foreign assets of the monetary sector. Similarly, increase in currency in circulation has led to the growth in narrow money supply.

Table 4(b) : Factors Affecting Money Supply*(Rs. in million)*

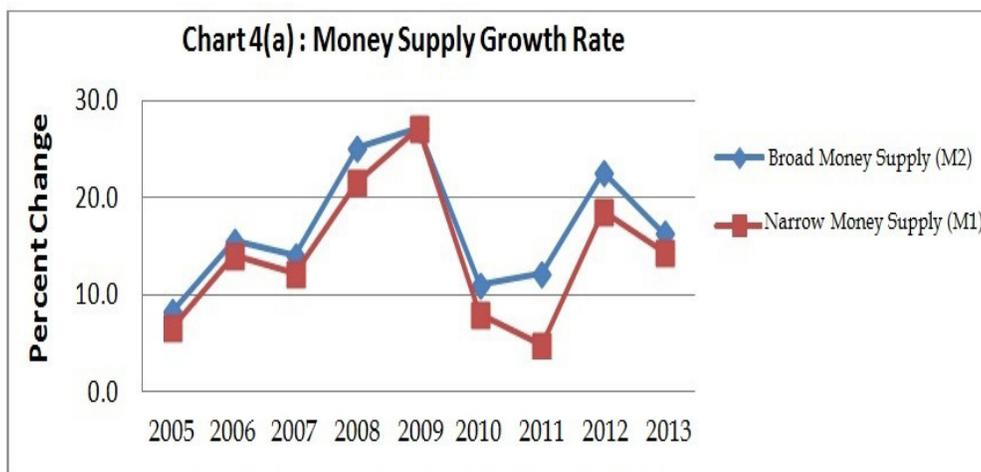
Monetary Aggregates	Changes in First Eight Months			
	2012/13		2013/14*	
	Amount	Percent	Amount	Percent
1. Net Foreign Assets [@]	11777.0 ¹	3.1	102813.7 ²	22.0
2. Net Domestic Assets (2.1-2.2) [@]	57938.1	7.8	39340.6	4.6
2.1 Domestic Debt	88510.7	8.9	36236.1	3.1
(a) Net Credit to Government	-40390.5	-24.8	-78457.3	-46.8
(i) Net Claims on Government	-1202.4	-0.7	3705.5	2.2
(ii) Government Saving	39188.1	1651.6	82162.8	44529.0
(b) Credit to Non-financial Public Enterprises	702.0	7.0	259.3	2.3
(c) Credit to Financial Institutions	1934.5	16.3	6576.4	48.1
(i) Government	312.6	24.5	5.2	0.4
(ii) Non-government	1621.9	15.3	6571.7	53.2
(d) Credit to Private Sector	126264.7	15.6	107857.7	11.1
2.2 Net Non-monetary Liabilities [@]	30572.6 ¹	12.3	-3104.5 ²	-1.0
3. Money Supply, M2 (3.1+3.4)	69715.1	6.2	142154.3	10.8
3.1 Money Supply, M1 (a+b)	4125.6	1.6	32875.0	10.9
(a) Money	14177.0	8.3	30315.6	15.5
(b) Current Deposits	-10051.8	-10.8	2559.4	2.4
3.2 Saving and Call Deposits	58311.8	11.1	83775.7	13.4
3.3 Time Deposits ⁺	7277.7	2.1	25503.6	6.5
3.4 Time and Saving Deposits(3.2+3.3)	65589.5	7.6	109279.3	66.6

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

1. Exchange rate loss NRs. 3755million adjusted

2. Exchange rate gains NRs. 9132 million adjusted

Source: Nepal Rastra Bank



Net Foreign Assets

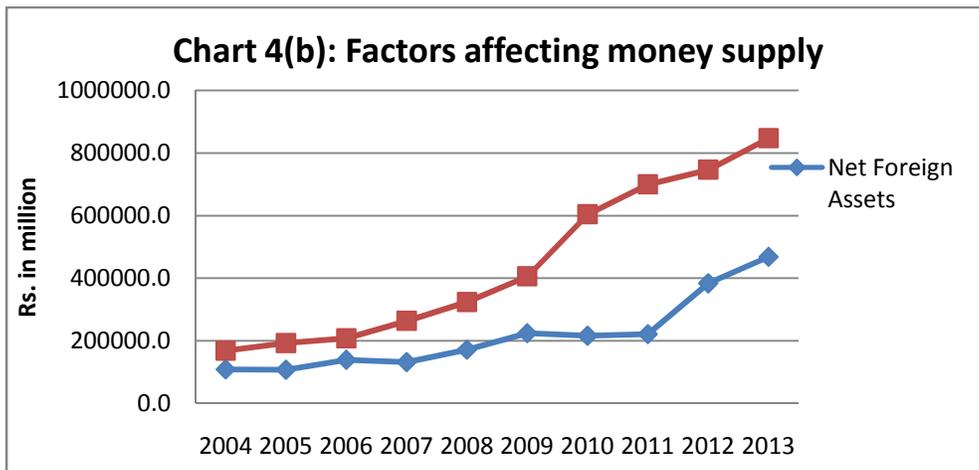
4.16 Net Foreign Assets (foreign exchange gain-loss adjusted) during the eight months of FY 2070/71 rose by Rs. 102.78 billion (22 percent) particularly due to notable increase in remittance inflow, service income and foreign assistance. Such assets had increased by Rs. 11.78 billion (3.1 percent) in the same period of the previous year.

Domestic credit

4.17 The domestic credit has increased by 3.1 percent in the first eight months of fiscal year 2013/14. Such borrowing had increased by 8.9 percent during same period of the last year. During the review period, net domestic borrowings rose by lower rate as compared to corresponding period of preceding fiscal year due to significant decrease in net claim on government. Net claim on government during the review period has declined by 46.8 percent. Such claim had decreased by 24.8 percent in the previous year as well. Though credit flow to the government increased at a marginal rate, net claim on government has decreased as a result of government saving of Rs. 82.16 billion by the end of mid-March 2014 of the current fiscal year.

4.18 The claims on the private sector in first eight months of the current fiscal year grew by 11.1 percent (Rs. 107.86 billion). During the same period of previous year, claims on such sector had grown by 15.6 percent (Rs. 126.26 billion). Due to lower investment of banks and financial institutions in agriculture, manufacturing, transportation and communication, wholesale and retail trade, service industries,

consumption credit, etc. sector as compared to the same period of previous year, claim on private sector has grown by lower rate during the review period of the current fiscal year.



Reserve Money

4.19 The reserve money has increased by 5.8 percent in the first eight months of fiscal year 2013/14. During the same period of previous year; such money had decreased by 10.0 percent. However, on annual point to point basis, such money during the review period increased by higher rate of 30.4 percent during the review period. Such higher rate of increase in reserve money during the review period is due to notable increase in net foreign assets of NRB.

Table 4 (c) : Change in Reserve Money

Particulars	Mid-July 2012	Mid-March 2013	Mid-July 2013	Mid-March 2014*	Percentage change in first eight months	
					2012/13	2013/14
Currency Reserve (In millions)	319323.2	287239.3	354220.2	374592.1	-10.0	5.8
Narrow Money Multiplier	0.826	0.932	0.851	0.893	12.9	4.9
Broad Money Multiplier	3.540	4.178	3.713	3.891	18.0	4.8

* Provisional

Source: Nepal Rastra Bank

- 4.20 On money multiplier side, broad money multiplier has reached 3.9 with 4.8 percent increment in Mid-March 2014 as compared to that of Mid-July 2013. The narrow money multiplier has also increased by 4.9 percent during the same period. During the review period of the current fiscal year, the growth rate of money multiplier remained low due to increase in reserve money as compared to same period of the previous year.

Implementation Status of Monetary Instruments

- 4.21 The excess liquidity in banks and financial institutions has been mopped up through open market operations. During first eight months of the fiscal year 2013/14, amount equivalent to Rs. 8.50 billion was mopped up through outright sale auction under open market operations. Equivalent amount of the excess liquidity was mopped up through outright sale auction in the same period of the previous fiscal year. Likewise, Rs. 270 billion has been mopped up through reverse repo auction during the review period. During the same period of previous year, no reverse repo transaction was carried out.
- 4.22 During first eight months of the fiscal year 2013/14, Nepal Rastra Bank has made net liquidity injection of Rs. 224.99 billion through net purchase of US\$ 2.25 billion from the foreign exchange market (Commercial Banks). In the same period of previous year, the net liquidity worth Rs. 155.17 billion was injected through net purchase of US\$ 1.79 billion from the foreign exchange market. Due to the expansion of net foreign assets of banks and financial institutions, net purchase of US Dollar has increased during the review period.

Table 4 (d) : Open Market Operation

(Rs. in Million)

Particulars	2011/12	2012/13	First Eight Months		
			2012/13	2013/14	
A	Liquidity Absorption	8400	8500	5800	278500
	Outright Sale	8400	8400	8500	8500
	Reverse Repo Auction	-	-	-	270000
B	Liquidity Injection	744	0.0	0.0	0.0
	Outright Purchase	-	-	-	-
	Repo Auction	744	-	-	-
C	Net Liquidity Absorbed (A-B)	7656	8500	8500	278500

Source: Nepal Rastra Bank

- 4.23 Buying Indian currency through selling US Dollar has been doing regularly to manage demand and reserve of Indian currency. During the review period, Indian currency worth Rs.202.46 billion has been purchased by selling US\$ 2.04 billion. During the same period of the previous fiscal year, US\$ 1.96 billion was sold to purchase Indian currency worth Rs. 170.42 billion.

Interbank Transaction and Standing Liquidity Facility

- 4.24 During first eight months of fiscal year 2013/14, commercial banks carried out interbank transaction worth Rs. 157.59 billion and other financial institutions (development bank and finance companies) carried out such transaction equivalent to Rs. 107.59 billion. Commercial banks and other financial institutions had carried out such transaction equivalent to Rs. 390.18 billion and Rs. 100.62 billion respectively during the same period of previous year. However, Standing Liquidity Facility has not been used during the review period. Such Facility worth Rs. 16.56 billion was utilized in the corresponding period of previous year.

Short-Term Interest Rate

- 4.25 Among short-term interest rates, the weighted average interest rate of 91-day Treasury Bills, inter-bank transaction of commercial banks and other financial institutions has declined by mid-March of fiscal year 2013/14 as compared to same month of previous year. The weighted average interest rate of 91-days Treasury Bills, which stood at 4.02 percent in mid-March 2013, has been 0.08 percent in mid-March 2014. Likewise, the weighted average interest rate of interbank transaction among commercial banks, which stood at 4.26 percent in mid-March, 2013 has dropped to 0.20 percent in mid-March 2014. Likewise, weighted average interest rate among other financial institutions remained at 2.13 percent in mid-March 2014 as against 4.81 percent in mid-March of previous year.

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

Description	Mid-July 2012	Mid-Sept 2012	Mid-Jan 2013	Mid-Apr 2013	Mid-July 2013	Mid-Sept. 2013	Mid-Jan. 2014	Mid-Apr. 2014
91-days Treasury Bills	1.15	0.31	1.52	3.49	1.19	0.07	0.47	0.06
Interbank Rate								
Among Commercial Banks	0.86	0.33	0.71	3.78	0.86	0.25	0.21	0.19
Among Other Financial Institutions	6.97	4.23	4.13	6.31	5.03	2.64	2.62	2.29

Source: Nepal Rastra Bank

4.26 Provision has been made for commercial banks to publish credit base rate on monthly basis so as to make banks and financial institutions' credit interest rate fixing process transparent, competitive and to increase the effectiveness of monetary policy transmission mechanism. Accordingly, average base rate of commercial banks in mid-March 2014 has remained at 8.55 percent. In addition, the weighted average interest rate of commercial banks for deposit has remained at 4.45 percent and for credit at 11.18 percent in mid-March 2014. According to which, weighted average interest rate spread of credit and deposit remained at 6.73 percent.

Expansion of the Financial Sector

4.27 By mid-April of current fiscal year, 30 commercial banks, 87 development banks, 58 finance companies and 35 "D" class micro finance development banks are in operation. Likewise, Nepal Rastra Bank has permitted 16 co-operative institutions and 31 non-government organizations to conduct limited banking transaction. Apart from bank and financial institutions, various institutions including 25 insurance companies, Employee's Provident Fund, Citizen Investment Trust and Postal Saving Bank have been operating as integral part of the financial system. The numerical status of bank and financial institutions is presented in table below.

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

Bank and Financial Institutions/Year	2008	2009	2010	2011	2012	2013	2013*
Commercial Banks	25	26	27	31	32	31	30
Development Banks	58	63	71	88	88	86	87
Finance Companies	78	77	79	80	70	59	58
Micro-finance Institutions	12	15	18	21	24	31	35
Nepal Rastra Bank	16	16	15	16	16	16	16
Licensed Cooperatives (limited banking transactions)							
Nepal Rastra Bank licensed NGOs (microfinance transactions)	46	45	45	38	36	31	31
Insurance Company	25	25	25	25	25	25	25
Employees Provident Fund	1	1	1	1	1	1	1
Citizen Investment Trust	1	1	1	1	1	1	1
Postal Saving Bank	1	1	1	1	1	1	1
Offices of Postal Saving Bank	117	117	117	117	117	117	117

*Mid-April

Source: Nepal Rastra Bank

4.28 Deposit collection and lending transactions have been expanding together with the rising numbers of banks and financial institutions. Having numerical and qualitative expansion of banks and financial institutions resulted into gradual increase in financial inclusion deepening. Some of the major indicators related with financial transaction of commercial banks and financial institutions are depicted in Table 4(g).

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

(Rs. in billions)

Description	2008	2009	2010	2011	2012	2013	Mid-April 2014
Total Assets	604.5	833.5	996.1	1158.3	1380.8	1584.9*	1749.0*
Total Deposits	505.7	676.0	795.3	871.9	1076.6	1271.5	1398.9
Total Loans	358.1	495.2	622.6	713.1	804.5	983.8	1095.4
Deposit/GDP Ratio (%)	62.0	68.4	67.9	64.0	68.8	75.1	72.5
Loans/GDP Ratio (%)	43.9	50.1	53.1	52.0	50.7	58.1	56.8
Market Share in Total Deposits (in percent)							
Commercial Banks ("A" Class)	85.6	83.4	79.4	78.9	80.6	80.3	80.0
Development Banks ("B" Class")	5.1	7.2	9.7	11.1	11.8	12.6	12.9
Finance Companies ("C" Class)	8.5	8.4	10	9.8	7.1	5.4	5.3
Other Institutions	0.9	0.9	0.9	0.2	0.5	1.7	1.8
Market Share in Total Lending (in percent)							
Commercial Banks ("A" Class)	78.6	76.8	74.2	74.0	77.4	76.1	75.7
Development Banks ("B" Class")	6.6	8.7	10.6	12.5	12.5	13.3	13.7
Finance Companies ("C" Class)	12.1	12.1	12.8	12.2	8.3	6.7	6.2
Other Institutions	2.7	2.4	2.4	1.3	1.8	3.9	4.5

*Assets of Only Commercial Banks, Development Banks and Finance Companies included

Source: Nepal Rastra Bank

Branch Expansion

4.29 The number of branches of commercial banks by the end of mid-April of fiscal year 2013/14 reached 1,507. During the same period, total number of branches of banks and financial institutions (A, B and C Class institutions) reached to 2,568 with branches of development

banks and finance companies reaching 811 and 250 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. Of the total branches of bank and financial institutions, 47.0 percent branches are in Central Development Region whereas only 4.0 percent are in Far-Western Development Region.

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

(Mid-March 2014)

Development Region and Zone	Commercial Banks	Development Banks	Finance Companies	Total	Percent
Eastern Development Region	278	110	27	415	16.2
Mechi	77	30	8	115	4.5
Koshi	139	67	15	221	8.6
Sagarmatha	62	13	4	79	3.1
Central Development Region	746	315	144	1205	46.9
Janakpur	74	37	5	116	4.5
Narayani	144	115	23	282	11.0
Bagmati	528	163	116	807	31.4
Western Development Region	262	287	68	617	24.0
Gandaki	109	124	33	266	10.4
Lumbini	123	135	30	288	11.2
Dhaulagiri	30	28	5	63	2.5
Mid Western Development Region	132	75	9	216	8.4
Rapti	48	35	5	88	3.4
Karnali	13	0	0	13	0.5
Bheri	71	40	4	115	4.5
Far Western Development Region	89	24	2	115	4.5
Seti	54	13	2	69	2.7
Mahakali	35	11	0	46	1.8
Total	1507	811	250	2568	100

Source: Nepal Rastra Bank

- 4.30 By Development Region, Far-western Development Region has lagged behind in terms of financial accessibility. A single branch of bank and financial institutions in that development region caters financial services to 22,196 persons. The development region-wise financial accessibility situation is the best in Western-development region. The

financial accessibility situation in term of development region is presented in table below.

Table 4(j): Status of Access to Finance

Development Region	Population	Bank and financial Institutions Branches(A, B and C Class)	Population per Branch
Eastern	5811555	415	14004
Central	9656985	1205	8014
Western	4926765	617	7985
Mid Western	3546682	216	16420
Far Western	2552517	115	22196
Total	26494504	2568	10317

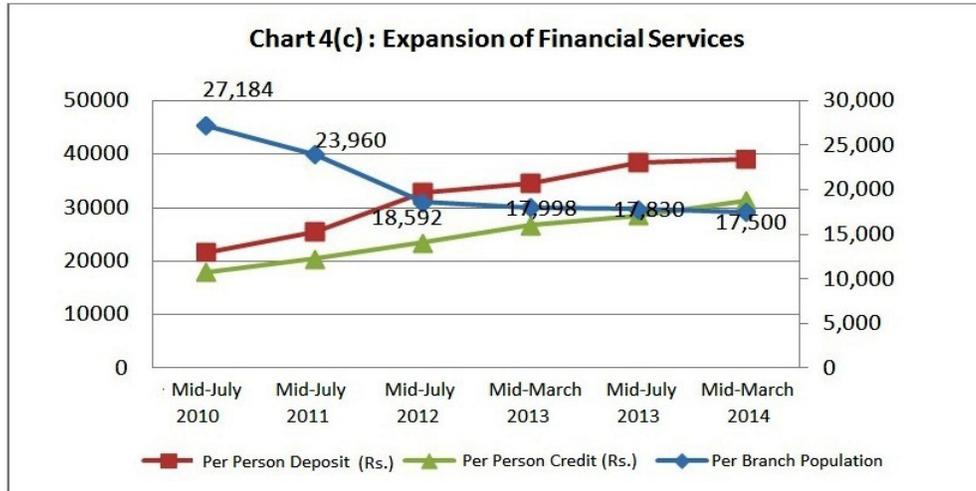
Source: Nepal Rastra Bank and Central Bureau of Statistics

- 4.31 While considering the total deposit of commercial banks with largest share in banking transactions, average per capita deposit which stood at Rs. 38,530 in mid-July 2013 reached Rs. 38,978 in mid-March 2014. Likewise, average per capita credit flow from commercial banks stood at Rs. 28,580 by mid-July 2013 reached Rs. 31,299 by mid-March 2014.

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

	Mid-July 2010	Mid-July 2011	Mid-July 2012	Mid-March 2013	Mid-July 2013	Mid-March 2014
Commercial Bank Branches	966	1111	1425	1472	1486	1514
Population per Branch	27184	23960	15892	17998	17830	17500
Domestic Deposits of Commercial Banks (Rs. in Billion)	569.0	680.2	867.98	915.28	1020.83	1032.71
Per Capita Deposit (Rs.)	21668	25500	32760	34546	38530	38978
Commercial Banks Lending (Rs. in Billion)	472.3	544.2	622.57	708.51	757.21	829.25
Per Capita Credit (Rs.)	17985	20400	23498	26741	28580	31299

4.32 Financial deepening has been gradually increasing with rise in numbers and expansion of banks and financial institutions in the country. By mid-July 2010, a total of 27,184 populations per branch of commercial banks were benefited from financial service, whereas with improvement in this period, one branch of commercial bank has been serving 17,500 numbers of people by the end of mid-March 2014. In addition, deposits and credit investment per capita has also notably increased in this same period. The status of financial expansion is shown in the chart below.



Deposit Mobilization and Credit Disbursement

4.33 Deposit mobilization of banks and financial institutions during the first eight months of fiscal year 2013/14 increased by 9.7 percent (Rs. 115.47 billion). Such deposit mobilization had increased by 6.8 percent (Rs. 68.62 billion) during the corresponding period of previous year. In review period, deposit mobilization of commercial banks, development banks and finance companies has increased by 9.5 percent, 13.7 percent and 7.5 percent respectively. During the same period of previous year, deposit mobilization of commercial banks, development banks and finance companies recorded a growth of 5.7 percent, 8.5 percent and 4.7 percent respectively. On annual point-to-point basis, deposit mobilization of banks and financial institutions increased by 20.7 percent (Rs. 223.12 billion) reaching Rs. 1303.56 billion by mid-March 2014. The high growth of remittance income together with timely announcement of government budget has caused the increase in

deposit mobilization of banks and financial institutions in the review period.

- 4.34 Similarly, the private sector's claim on loans and investment of banks and financial institutions during the review period has increased by 11.0 percent (Rs. 103.81 billion). During the corresponding period of the previous year, claims of private sector on such loans and investment had grown by 14.6 percent (Rs. 114 billion). The claims of private sector on loans and investment of commercial banks, development banks and finance companies registered a growth of 11.2 percent, 14.9 percent and 1.9 percent respectively. In the same period of previous year, such claims on commercial banks, development banks and finance companies had increased by 14.3 percent, 16.1 percent and 15.4 percent respectively.

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

(Rs. in 10 million)

Heads	Mid-July 2012	Mid-March 2013	Mid-July 2013	Mid-March 2014	Percent Change in First Eight Months	
					2012/13	2013/14
Deposit Mobilization						
Commercial Banks	86169	91122	101558	111221	5.7	9.5
Development Banks	12293	13248	15522	17656	8.5	13.7
Finance Companies	7540	7895	6817	7326	4.7	7.5
Bank and Financial Institutions +	101182	108044	118809	130356	6.8	9.7
Credit Flow (in private sector)						
Commercial Banks	61343	70116	74600	82936	14.3	11.2
Development Banks	10054	11677	12904	14826	16.1	14.9
Finance Companies	6529	7533	6614	6738	15.4	1.9
Bank and Financial Institutions +	77926	89326	94118	104500	14.6	11.0

Source: Nepal Rastra Bank

*Provisional

+after inter account adjustment

Merger and Acquisition

4.35 After introduction of Merger and Acquisition By-Laws, 2011 with the objectives of enhancing public faith on banking and financial system by promoting it, protecting the interest of depositors for financial stability, expanding competitive capacity of the financial sector by improving their capital base, protecting interest of investors, etc., the merger process among banks and finance companies has significantly progressed. Banks and financial institutions have been motivated towards merger due to several benefits arising out of merger process, such as strong capital base, increased operation area, low cost/expenditure due to economies of scale, enhanced competitive capacity, synergy effect, increased income, etc. After the implementation of merger/acquisition by-Laws, a total of 53 banks and financial institutions have merged into 21 institutions by the end of mid-April 2014. Similarly, approval in principle has been granted for merger of 15 institutions into six during the nine months of the current fiscal year.

Status of Non-Performing Loans

4.36 Non-performing loans of commercial and development banks and its ratio with total loans have gone up in mid-January 2014 from mid-July 2013. However, the ratio of non-performing loans of finance companies has marginally decreased during the same period. Accordingly, non-performing loan of commercial banks group has reached to 3.1 percent in mid-January 2014 from 2.6 percent in mid-July 2013. Similarly, non-performing loan of development banks group has reached to 5.6 percent in mid-January 2014 from 4.5 percent in mid-July 2013. But non-performing loan of finance companies group has remained at 15.7 percent in mid-January 2014 with marginal decline from 16.0 percent in mid-July 2013. As a result of recession in real estate business, non-performing loan of banks and financial institutions has gone up during the review period. The status of non-performing loans of banks and financial institutions is presented in table below.

Table 4 (m) : Status of Non-Performing Loan of Banks and Financial Institutions

(Rs. in million)

Banks and Financial Institutions	Mid-July 2012		Mid-July 2013		Mid-January 2014	
	NPL Amount	Percent	NPL Amount	Percent	NPL Amount	Percent
Commercial Banks	16361	2.6	19452	2.6	25551	3.1
Development Banks	4921	4.9	6033	4.5	8207	5.6
Finance Companies	8817	12.7	10512	16.0	10538	15.7

Source: Nepal Rastra Bank

“D” Class Microfinance Institutions

4.37 Various banks and financial institutions carrying out micro-finance related activities have been providing financial services to the deprived communities (particularly women) living in rural areas to engage them in different types of income-oriented activities. There are 5 rural development banks, 26 rural banking system replicators and 4 wholesale lending Micro-Finance Institutions totaling 35 institutions under "D" Class financial institutions undertaking micro-finance related activities.

4.38 Total assets/liabilities of “D” Class microfinance institutions grew by 19.8 percent to Rs. 42.82 billion by mid-March 2014 as compared to mid-July 2013. Deposits and borrowings of these institutions totaled Rs.9.56 billion and Rs. 22.97 billion respectively in mid-March 2014, whereas loans and investments totaled Rs. 30.42 billion and Rs. 3.23 billion respectively.

Table 4 (n): Sources and Uses of Fund of Microfinance Institutions

(In Rs. Million)

	Description	Mid-July 2013	Mid-March 2014*	Percent Change
Resource	Capital Fund	3801.3	4777.6	25.7
	Deposit	7225.4	9554.8	32.2
	Borrowings	20214.2	22969.0	13.6
	Others	3660.7	4561.4	24.6
	Profit and Loss Account	849.1	955.1	12.5
	Resource/Utilization	35750.7	42817.9	19.8
Utilization	Liquid Fund	6329.7	5377.1	-15.1
	Investment	3079.8	3231.1	4.9
	Credit and Lending	23392.2	30419.8	30.0
	Others	2817.3	3688.2	30.9
	Profit and Loss Account	131.7	101.7	-22.8

*Provisional

Source: Nepal Rastra Bank

Sources of other financial institutions and status of their utilization

Employees' Provident Fund

- 4.39 Employees' Provident Fund established in September 16, 1962 under the Employees Provident Fund Act 1962 has been managing provident funds of civil servants, military and police personnel, teachers, personnel of government institutions and some other private companies. By the first eight months of the current fiscal year, there are 483,000 depositors associated with the Fund as against 480,000 depositors in the corresponding period of 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. The assets/liabilities of this Fund that stood at Rs. 145.70 billion in mid-July 2013 has reached Rs. 160.32 billion in mid-March 2014. The total provident fund of the depositors has reached Rs. 154.61 billion in mid-March 2014.

Citizens' Investment Trust

- 4.41 Founded in March 18, 1991 under the Citizen Investment Trust Act 1990, the Trust is primarily involved in activities like collection and mobilization of deposits from individual and institutions, and providing credit and borrowing facilities. Moreover, this has been working as the issue manager for facilitating share and bonds on behalf of various organized institutions. The Fund's asset/liability has been Rs.42.75 billion in mid-July 2013 while this grew by 13.6 percent to Rs. 48.62 billion in mid-March 2014 compared to the corresponding period of previous fiscal year. On the sources side, deposits, (collection of fund) rose by 14.1percent to Rs.46.02 billion in mid-March, 2014 as compared to the same period of previous fiscal year. Of the total fund collected in the review period, the share of employees saving increment retirement fund is 63.9 percent, 2.0 percent is that of citizens unit fund, 17.6 percent is of gratuity fund scheme, 4.3 percent is of investors' account plan, while the share of collection from the insurance fund is 12.2 percent.
- 4.42 Under the Trust's capital market service, the Trust has issued general and rights shares worth Rs. 6.06 billion on merchant banking transaction in FY 2012/13. The Trust has issued such shares worth Rs. 934.1 million by mid-March 2014 while it has earned a total of Rs.

2,454,000 through share registrar service charge, share issuance fee and guarantee commission fee.

- 4.43 Citizen Investment Trust has invested a sum of Rs. 39.03 billion in various sectors in FY 2012/13 while it has reached Rs. 43.39 billion by mid-March 2014. As per the investment structure of the Trust until mid-March 2014, 53.5 percent of total investment is in fixed deposits including fixed interest generating fund, 5.8 percent in government bonds, 7.1 percent in share security bond, 22.5 percent in term-loan and 11.1 percent in other investments.

Postal Saving Bank

- 4.44 Postal Savings Bank, under the Department of Postal Services of the Government of Nepal, has been 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 2014. The total deposit of postal saving banks, which was Rs 1.43 billion in mid-July 2013, has reached Rs. 1.53 billion in mid-March 2014. The total number of such postal saving bank accounts reached 62,562 by mid-March 2014.

Deposit and Credit Guarantee Corporation

- 4.45 Deposit and Credit Guarantee Corporation that was established on 20th September 1974 with the objective to encourage commercial banks for investing resources has been working in priority sectors and guaranteeing livestock loan, vegetable crop farming loan, foreign employment loan, and micro-finance loan and underprivileged group loan and small and medium-scale enterprises loan. The paid-up capital of the Corporation stands at Rs. 1.54 billion now. Towards its ownership structure, the Government of Nepal owns 87.9 percent share, NRB 10.0 percent and Nepal Bank Ltd. and Rastriya Banijya Bank 1.1 percent to the total shares of this Corporation.
- 4.46 The Deposit and Credit Guarantee Corporation, that guaranteed credits worth Rs. 540.9 million until mid-March 2014. As per the directive issued by NRB, A, B, C and D Class banks and financial institutions must ensure deposit up to Rs. 200 thousand made at personal saving and fixed accounts and with this provision, the corporation, as of mid-April 2014, has guaranteed deposit of Rs. 252.76 billion of 177 banks and financial institutions.

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 while preparing information on blacklisted loan defaulters. The NRB owns 10 percent share, commercial banks 65 percent, development banks 10 percent and finance companies 15 percent to the total shares of this Bureau. The number of blacklisted defaulters of banks and financial institutions that had reached 2,781 in mid-July 2013 has reached 3,126 by mid-April 2014. During the same period, 2,003 such 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 targeted groups through the optimum utilization of local resources and skills. The Fund has accumulated a total capital of Rs. 543.4 million until recently with the total capital investment of Rs. 290 million of the Government of Nepal and Rs. 253.4 million of NRB to this Fund. The Fund has been disbursing from such capital to its affiliated organizations as provisioned by Rural Self-Reliance Fund Operation Directives, 2012 on the basis of their capacity and primary capital. The Fund has its provision of making credit available up to Rs. 90,000 to the maximum to every individual borrower through cooperatives and Non-Governmental Organizations (NGOs) for economic upliftment of the underprivileged group of people.
- 4.49 The Fund disbursed credit sum of Rs. 1.22 billion to a total of 878 organizations including 825 cooperatives and 53 NGOs by mid-March 2014. Of this total credit, the Fund has recovered Rs. 691.4million while a sum of Rs. 524.8 million is still in investment. The Fund's debt recovery rate against its credit flow to cooperatives and NGOs stood at 94.75 percent. NGOs and the cooperatives have been delivering services in 27 districts and 66 districts respectively through the credit made available by the Fund while a total of 43,508 rural families have directly benefited thereby gradually improving their economic status by engaging themselves in various income and self-employment oriented programs.
- 4.50 The Fund has its provision to make wholesale credit available since FY 2002/03 to development banks dealing with microfinance and

Agriculture Development Bank providing credits to operate tea, cardamom, cold stores related businesses that require long-term capital. Of the credit disbursed under this provision to Agriculture Development Bank, Rs. 76.8 million has remained in investment as of mid-March, 2014. The recovery rate of long-term credit has been 100 percent.

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

(In Rs. million)

S. No.	Description	Mid-July 2013	Mid-March 2014
1	Number of Loan Disbursed Districts	66	66
2	Number of Loan Disbursed Institutions	721	879
3	Number of Beneficiary Households	40004	43508
4	Disbursed Credit Amount	1211	1375
5	Amount Recovered	674	774
6	Amount Remained on Investment	536	602
7	Overdue Loan (As percent of amount to be recovered)	3.6	5.2
8	Loan recovered (Percent)	96.4	94.8

Source: Nepal Rastra Bank

Cooperative with Limited Banking Transactions

4.51 A number of 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 2014, the number of such institutions has reached 16 with 15 cooperatives and one National Cooperative Development Bank. The total assets/liabilities of these Cooperatives that had reached Rs. 1.54 billion by mid-July 2013 has stood at Rs. 16.64 billion by mid-March 2014. Likewise, deposit collections of these cooperatives reached Rs. 12.08 billion with credit and borrowings totaling Rs. 11.02 billion in mid-march 2014. These institutions, by mid-March 2014, have invested a total of Rs. 1.34 billion in government bonds, fixed accounts and other instruments.

- 4.52 The number of Savings and Credit Cooperatives registered under the Cooperative Act, 1991, and carrying out transactions, has reached 30,000 by mid-February 2014. Of this number, about 13,000 have been carrying out saving and credit transactions while, 4,000 are engaged in multipurpose activities.

Table 4 (p): A Glimpse on Activities of Cooperatives

(Rs. in Million)

Description	Mid-April 2012	Mid-April 2013	Mid-April 2014
Number of Cooperatives	25371	28248	30080
Number of Members	3619913	4114234	4396444
Share Capital	22740	27680	35068
Saving	127210	148030	159733
Investment	136280	137820	135153

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

Financial Sector Reform Program

- 4.53 The Financial Sector Reform Program is provided continuity 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.
- 4.54 Under the Development Policy Credit Program Government of Nepal, International Consulting Firm, and local partners have jointly initiated special inspection work of a total of 54 banks and financial institutions of Nepal including 22 commercial banks, 20 development banks and 12 finance companies with the financial and technical assistance of Department for International Development (DFID).
- 4.55 Financial Sector Assessment Program (FSAP) has been completed on the joint initiative of International Monetary Fund (IMF) and World Bank with the objective of providing policy and strategic support so as to strengthen the role of financial sector for financial stability and economic development through overall analysis and review of Nepal's financial sector. The assessment, beside conducting review and evaluation of the structure of monetary policy; financial stability; Basel core principles, financial access; payment and clearing system; performance of cooperatives and risks involved; crisis management and problem bank resolution; loan recovery procedures; restructuring

of the government owned banks etc., and also offered suggestions /recommendations for reforms.

- 4.56 A high level Steering Committee has been formed in the chairmanship of honorable Finance Minister for the formulation of Financial Sector Development Strategy with the objective to maintain financial stability, increase financial access and to attain higher economic growth through financial sector's development and expansion. Likewise, a technical team has been formed on the convenorship of Senior Deputy Governor of Nepal Rastra Bank for the formulation of this strategy, and the strategy preparation works is progressing subsequent to the formation of a total of 5 sub-committees with the inclusion of banks and financial institutions, insurance, capital market, cooperative and other non-banking financial sectors.
- 4.57 A Bank Resolution Framework has been prepared and implemented with the technical assistance of IMF for proper management of problem banks and financial institutions in problems. For this, Nepal Rastra Bank has formed Problem banks Resolution Division. Such arrangement is expected to facilitate in the proper management of problematic banks.
- 4.58 Banks and Financial Institutions Acquisition By-laws, 2013 has been issued to encourage unification of financial system for those banks and financial institutions seeking institutional stability or trying to exit from the system through their merger with large and robust institution/s.
- 4.59 With regard to payment and settlement system, Nepal Rastra Bank has prepared four draft reports, namely (i) Review of Existing Nepal National Payment System, (ii) Nepal Rastra Bank Payment System Oversight, (iii) Nepal Payment System Development Strategy and (iv)Implementation of the payment Oversight Functions: Road Map with the technical support of World Bank and International Finance Corporation. A Payment and Account Settlement Taskforce has been formed recently to carry out study, analysis and make necessary revision on these draft reports. Likewise, a desk has been established under the Bank and Financial Institutions Regulation Department of Nepal Rastra Bank.
- 4.60 Nepal Rastra Bank has been publishing Financial Stability Report on a regular basis in the context where maintaining financial stability is a burning issue. This has offered hope to facilitate stakeholders in

acquiring information on financial system and provide positive impact to the promotion of financial stability.

- 4.61. Tasks are being carried out subsequent to the formation of coordination committee among the regulators with a view to exchange information among the regulating bodies and to initiate consultation practice on a regular basis over their common interest. It is believed to create simplicity, uniformity, and an environment of mutual trust in its scope of work and help forecast the possibilities of systemic risks.
- 4.62 Nepal Rastra Bank, which has taken control over Nepal Bank Ltd. under Nepal Rastra Bank Act, 2002 with the objective of restructuring this bank, the period of such control has been extended until mid-July 2014.
- 4.63 Most of the tasks listed in Capital Plan of Nepal Bank Ltd. have been accomplished. As a result, the paid up capital of the bank has reached Rs. 3,965.5 million. Though the capital fund seemed to have remained positive through the tasks of the said authorized capital scheme, process for disposing of non-banking assets under the remaining tasks of the scheme is in progress as the ratio of capital fund could not reach to the expectation of regulatory body.
- 4.64 Out of the tasks stipulated in the authorized capital plan of Rastriya Banijya Bank, the paid of capital of the bank has reached Rs. 8,589.0 million as a result of the amount topped up by Government of Nepal, amount converted to bank's share capital from the credit amount lent to the Bank by the government of Nepal under the Financial Sector Reform Project, amount converted into general share from one percent Nepal Government's preference share remaining with the bank, and the amount converted into the share capital from the dividend due to Nepal Government in lieu of that preference share.
- 4.65 In overall, the financial position of both Nepal Bank Ltd. and Rastriya Banijya Bank Ltd., which are under the implementation process of reform, seemed to have progressed due to their notable growth in the paid up capital and deposits with decrease in the volume of non-performing loans. In addition,, both the banks were operating in profit during the review period. The position of non-performing loan and capital fund of these two banks is presented in the table below.

Table 4 (q): 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 Baniyya Bank Ltd.	Nepal Bank Ltd	Rastriya Baniyya Bank Ltd.
2003	60.47	60.14	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	6.30	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
2013	4.53	5.31	0.964	0
Mid-January 2014	5.64	4.92	0	0

Source: Nepal Rastra Bank

Other Provisions Relating to Bank and Financial Institutions

- 4.66 Amendment made in the existing policy, with a view to make financial inclusion more effective, provision has been added that a branch office in Kathmandu valley can be opened only after opening one branch office in remotest district and two in other districts.. Objective has been extension of banking services in the settlements outside ring-road within Kathmandu Valley, while microfinance institutions do not require prior approval from Nepal Rastra Bank to open their branch offices.
- 4.67 The provision of availing credit at '0' interest rate to 'Class D Financial Institutions' of nine districts with less access to financial services has been simplified and extended to 22 districts.
- 4.68 Comments and opinions are being received subsequent to the preparation of draft on Financial Customer protection and Financial Literacy Provision.
- 4.69 A total of 47 complaints was filed with Grievance Management Committee formed under the convenorship of the Deputy Governor of Nepal Rastra Bank. Of this total, 27 complaints have already been dealt with, while initiative has been taken towards settlement of 20

remaining complaints by establishing necessary coordination with concerned parties. .

- 4.70 Credit restructuring and rescheduling incentive has been offered to the borrowers on their failure in making repayment against the loans on poultry business as per normal payment schedule due to bird flu outbreak.
- 4.71 Provision has been introduced for the loan of up to Rs. 1 million for running coffee, oranges, tea, agricultural production business and livestock and dairy production oriented business on the basis of their feasibility and against the project's guarantee.
- 4.72 A mandatory provision has been made that NRB licensed A, B and C class institutions are required to exchange information with other A,B, C and D class institutions based in the working areas (credit flow area) of their concerned branch offices while carrying out micro credit transactions of up to Rs. 50,000. Likewise, there is a provision of imposing penalty on trimester basis at prevailing bank rate if the microfinance institutions are found not flowing credits to the target groups.
- 4.73 Nepal Rastra Bank inspection and Supervision By-laws 2013, has implemented subsequent to the annulment of the existing Nepal Rastra Bank inspection and Supervision By-laws, 2002. Likewise, policy and procedural arrangement, 2013 for hire and purchase lending institutions has been approved and implemented
- 4.74 As per the policy to gradual implementation of provisions of Basel III according to their needs and importance, a Study on Basel III and Nepalese Banking: 'An Assessment of Capital Regulation in Nepal (Consultative Document for Basel III Implementation)' has been published, which was prepared on the basis of study conducted on the assessment of capital regulation of commercial banks in Nepal, and the basic provisions of Basel-III.
- 4.75 In the context of increased transactional and systemic risks in the financial sector, stress testing working procedure has been prepared and provided directives to "A" Class Banks to test stress on a periodical basis and submit their respective reports while such provision is made applicable to national level "B" and "C" Class financial institutions as well.

- 4.76 Basel core principles' of self-assessment work has been accomplished, which was carried out with the objective of assessing the implementation status of Basel Core Principles in Nepal developed for setting standards and maintaining uniformity provisions for the banks and financial institutions to operate them in healthy and clean environment, and providing support in formulating strategies in this regard. Likewise, the representatives from World Bank and IMF have completed overall assessment of financial sector and preparation of Action Plan on the basis of their recommendation is targeted.

Problems and suggestions

- 4.77 Despite growing number and type of banks and financial institution, financial accessibility and inclusiveness could not expand as desired. Merely 30 percent of the population is getting formal financial services indicates that presence of banks and financial institutions has not grown to the desired extent in rural and remote Nepal. Hence, it is necessary to pay attention towards extending financial services in areas where financial inaccessibility is comparatively low through the means of government fiscal and monetary policy.
- 4.78 The liquidity in the banking sector has remained high since last few years owing to the high balance of payment surplus due to increased remittance inflow resulting in the notable growth of total foreign asset of banking sector. The problem of excess liquidity emerged in the banking sector due to low credit growth as compared to deposit growth. To solve this problem, an environment of investment should improve so that investment in productive sector could increase. To solve the negative impact of liquidity ups and down, instruments of monetary policy should be more effective and give attention to additional instruments of liquidity sterilization.
- 4.79 The merger of banks and financial institutions is in progress so as to maintain financial stability by enhancing public trust towards the financial system. Though this process has been progressing with the belief of strengthening capital base of banks and financial institutions, attaining economies of scale, expanding areas of transactions, having synergy effect and gaining support in cost reduction, it is imperative to establish proper coordination among fiscal and monetary policies in order to move ahead cautiously so as to prevent from the potential risks that may emerge in financial inclusiveness and the problem of Too Big to Fail and monopoly in financial sector.

4.80 Despite significant contribution of saving and credit cooperative institutions in the expansion to financial access, income, self-employment, poverty reduction, raising awareness and empowerment, lack of timely amendments and improvisation in the related Acts and Rules, absence of corporate governance, lack of financial discipline, lack of regulation and supervision, lack of self-regulation, maximum investments in real estate business, tendency to go against the spirit of cooperatives, etc. have resulted in creating the problematic situation in such cooperatives whereby the reality of their inability to refund the depositors' amount has been exposed before the public. This has put a question mark to the cooperative norms which has created the possibility of having adverse effect to the performances of banks and financial institutions if such problems continue to grow in those institutions. Hence, there is an urgent need to pay attention towards improving institutional, structural, legal, regulatory, and managerial aspects in order to address the problems seen in those saving and credit cooperatives.

5. Capital Market and Insurance

- 5.1. Capital Market is a critical instrument for consolidating small savings scattered among the general public and mobilizing them in the productive sector. Organizations belonging to varied sectors have helped raise the capital availability required for economic development through the capital market by collecting the scattered savings. Capital Market has been playing important role in boosting the entire sectors' productivity for economic development by establishing relationships among the various actors of the economy including individuals, depositors, saving mobilizers, and investors.

Primary market

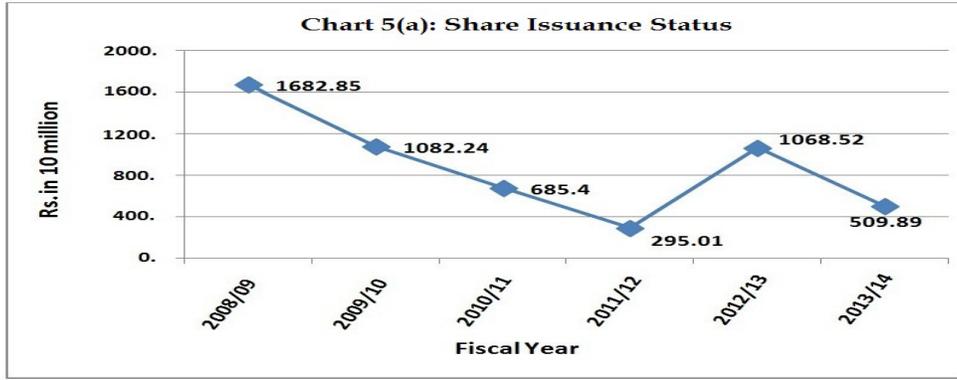
- 5.2. In the first eight months of FY 2013/14, capital equivalent to Rs. 5,098.9 million has been mobilized in the primary security market through a total of 32 companies including 12 ordinary share issuing companies and 20 rights share issuing companies. In the first eight months of FY 2013/14, the amount against issuance of shares has increased by 21.86 percent in comparison to the corresponding period of the previous fiscal year. In the first eight months of FY 2012/13, 15 organized companies mobilized the capital equivalent to Rs. 4,184.4 million was mobilized by 15 organized companies comprising 12 ordinary share issuers, issuance of rights shares by two companies, debentures by two, and mutual investment plan by one company.

Table 5(a): Primary Market Trend

(Rs. in 10 Million)

Description	Fiscal Year							
	2008/09	2009/10	2010/11	2011/12	2012/13	First Eight Month		
						2012/13	2013/14	
1. Capital Mobilization	1682.82	1082.24	685.40	295.01	1068.52	418.44	509.89	
A Ordinary Share	181.57	264.93	172.88	129.85	318.74	273.64	136.90	
B Right Share	1426.28	817.30	507.52	45.16	393.52	14.80	372.99	
C Preference Share	–	–	–	–	–	–	-	
D Debenture	75.00	–	5.00	120.00	355.00	80.00	-	
E Citizen Unitary Plan	95.34	100.88	31.54	32.70	-	48.86	-	
F Mutual Fund	–	–	–	–	-	50.00	-	
2. Number of Organized Capital Mobilizing Companies	64	61	47	25	34	15	32	

Source: Securities Board of Nepal



Source: Securities Board of Nepal

First Eight Month (2013/14)

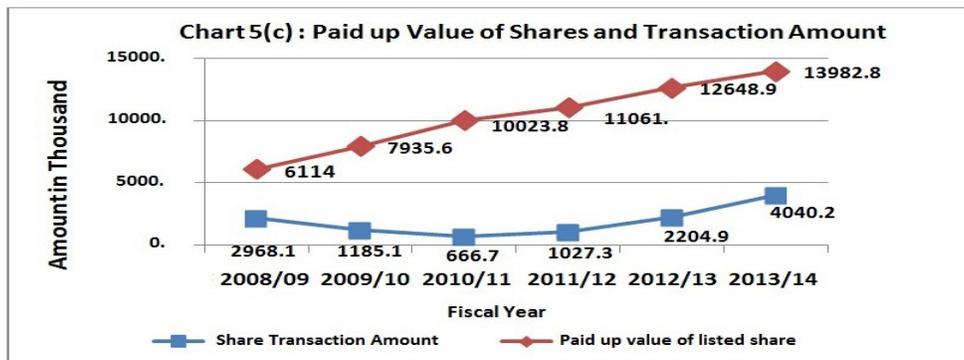
Secondary Market

5.3. By the end of the Fiscal Year 2012/013, the number of companies listed in Nepal Stock Exchange Limited was 230. In the first eight months of the FY 2013/14, additional 17 companies together with the merger of 12 companies were listed raising the total to 235 companies. The total number of listed corporate development bonds in the first eight months of the current fiscal year 2013/14 has reached 18 with listing of three new companies' additional development bonds worth Rs. 1.6 billion. During this period, development bonds issued by 4 companies have been matured while no additional government's development bonds have been listed. Likewise, the market capitalization value rose by 50.60 percent in the first eight months of the current fiscal year 2013/14 totaling Rs. 797.72 billion which was Rs. 529.72 billion at the end of the first eight months of FY 2012/13. The market capitalization value that stood at Rs. 514.49 billion at the end of FY 2012/13 has continuously grown to arrive at this point.



Source: Securities Board of Nepal First Eight Month (2013/14)

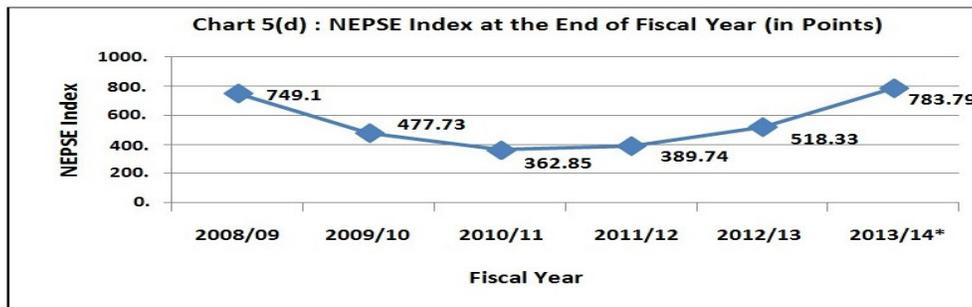
- 5.4. Shares transaction in the current fiscal year 2013/14 has been encouraging. In the first eight months of the current fiscal year 2013/14, share transactions rose by 185.43 percent compared to that of the corresponding period of previous fiscal year 2012/13. During this period, a total of 118.25 million units of shares worth Rs. 40,401.8 million have been traded. In the first eight months of FY 2012/13, a total of 48.357 million units of shares equivalent to Rs. 14,154.5 million were traded.
- 5.5. The supply of shares in the capital market has experienced higher growth as a consequence of the continuous growth in paid up capital. The number of share transactions in the first eight months of the current FY 2013/14 rose by 66.16 percent totaling 335,460 with an increase from 201,890 share transactions in compared to the corresponding period of the previous fiscal year 2012/13.



Source: Nepal Stock Exchange Ltd.

First Eight Months (2013/14)

- 5.6. NEPSE index at mid-February of the fiscal year 2013/14 stood at 783.79 points with a growth of 43.62 percent as compared to the corresponding period of the previous fiscal year. Such index was 545.72 points at the end of the first eight months of FY 2012/13.



Source: Nepal Stock Exchange Ltd.

First Eight Months (2013/14)

- 5.7. The paid up value of listed shares by the end of first eight months of FY 2013/14 increased by 17.40 percent reaching Rs. 1,398.28 billion in the first eight months of the current fiscal year 2013/14 from Rs. 1,199.70 billion in the corresponding period of previous fiscal year.

Table 5(b) : Secondary Market Trend

(Rs. in 10 Million)

Description	Fiscal Year					First Eight Months	
	2008/09	2009/10	2010/11	2011/12	2012/13	2012/13	2013/14
Securities Transaction Amount	2168.11	1185.11	666.53	1027.28	2204.88	1415.45	4040.18
Number of Securities Transaction (1000)	30547.17	26231.35	26240.39	41878.9	81571.70	48356.99	118256.65
Number of Transaction	209091	213733	302364	293489	292366	201890	335460
Market Capitalization	51293.90	37687.13	32348.43	36826.21	51449.21	52972.09	79772.76
Percentage of Market Capitalization Transactions	4.23	3.94	2.06	2.79	1.59	2.67	5.06
Percentage of Market Capitalization to GDP	51.74	32.15	19.48	23.41	30.24	33.63	46.84
Paid-up Price of Listed Shares	6114	7935.6	10023.8	11061.0	12648.90	11909.7	13982.82
Number of Listed Organized Institutions	159	176	209	213	230	229	235
Type of Securities (Script Traded)	170	198	222	230	230	207	234
NEPSE Index (Points)	749.10	477.73	362.85	389.74	518.33	545.72	783.79

Source: Securities Board of Nepal, Stock Exchange Ltd.

Securities Board of Nepal (SEBON)

- 5.8. Securities Board of Nepal (SEBON) has been conducting regulatory and monitoring works of about 350 companies including Securities Market, Listed Companies, Central Depository Company, Depository Members, Mutual Investment Fund, Credit Rating Institution, and Securities Traders with the day to day expansion of capital market.

Likewise, with regard to implementation of securities related Act and Regulation, it has been carrying out onsite and offsite supervision of the activities of Securities Market and Securities Traders (Share Brokers, Merchant Bankers). The Board has issued directives to 22 Share Brokers for improvement with their continuous monitoring that were detected with weaknesses in its monitoring and supervision process.

- 5.9. In the first eight months of the current fiscal year 2013/14, the Board has issued permit for capital mobilization to 32 organized institutions by registering shares equivalent to Rs. 5,098.9 million. In the same period, bonus shares equivalent to Rs. 2,012.06 million of 41 listed companies has been registered with the Board. Nepal Stock Exchange has renewed licenses of 14 Merchant Banks, 1 Central Depository Company, 14 Depository Members, 1 Credit Rating Company and 50 Share Brokers in the first eight months of the current fiscal year 2013/14.
- 5.10. Continuity has been given to the implementation of programs stipulated in Five-Year Capital Market Master Plan for the improvement of securities market, effective regulatory arrangement, and stability and long-term development of capital market.
- 5.11. Guidelines on Elimination of Financial Investment in Money Laundering and Terrorism Activities, 2013 has been brought into implementation to minimize potential risks to the capital market and its long-term development by making alert the SEBON licensed companies and institutions on money laundering.
- 5.12. The first amendment for the improvement on Collective Investment Fund Regulation under Securities Acts, 2006, qualification of Fund Supervisor, 2010, qualification of Chief Executive, duties and responsibilities of Program Manager has already been implemented on 17th June, 2012. In the first eight months of the current fiscal year 2013/14, six Collective Investment Funds including Siddhartha Mutual Fund, NABIL Mutual Fund, NMB Mutual Fund, Laxmi Mutual Fund, Global Mutual Fund and NIBL Mutual Fund are registered with the Board.
- 5.13. CDS and Clearing Limited prepared Securities Clearing and Settlement By-Laws, 2013 has been implemented.

- 5.14. Stakeholders' opinions/comments are being collected on the Draft Securities Registration and Issuance Regulations, 2014 for making securities registration and issuance related works more organized, transparent and efficient.
- 5.15. Board's web portals are being updated on a regular basis thereby making the website user-friendly for strengthening the on-line management reporting system of the capital market by updating and regularly improving its web site, managing the Board's both internal and external information system, and mechanizing the Board's internal activities.
- 5.16. Drafting of the Act on Commodity Derivative is underway that is based on research report prepared by experts for regulating the Commodities Derivative Market.

Nepal Stock Exchange Limited

- 5.17. Process for recruitment of the consultant is in progress for turning the existing semi-automatic computerized transactions system in use of Nepal Stock Exchange Limited to fully automatic. Process for improvement is underway to make maximum use of the existing system in the interim period subsequent to signing of Agreement with Yomary Incorporated, a local representative of UK based COMDAQ Company, which is the developer of the existing system.
- 5.18. The process for re-engineering of Nepal Stock Exchange Limited's website and making it public is underway by arranging the use of additional mediums in the existing flow of information to facilitate decision-making for investors. Arrangements are being made to install Led Visual Display Board at major places of Kathmandu Valley for availing live trading data and disseminating information through radio and televisions.
- 5.19. Necessary studies are ongoing in connection with providing investment opportunities to foreign institutional investors in the secondary securities market.
- 5.20. Preparations are underway for the arrangements of market intermediaries like market makers, share traders and Block Trading Facilities (BTF) for high volume share transactions.
- 5.21. In the first eight months of the current fiscal year 2013/14, the number of share brokers conducting institutional share transactions has

reached 50. In this period, there are 14 Merchant Bankers. In the first eight months of FY 2012/13, there were 48 share brokers and 12 Merchant Bankers in total.

- 5.22 Of the registered Mutual Investment Fund, Siddhartha Investment Growth Scheme-1 under Siddhartha Mutual Fund is the first scheme run under Mutual Investment Fund Regulation, 2010. Under this Scheme, Siddhartha Capital Limited-the Fund Supervisor has been managing investment worth Rs. 500 million with the issuance of 5 million units of shares. Such close-end Mutual Scheme's tenure is 5 years. In FY 2013/14, Scheme's per unit net asset value stood at Rs. 11.33, which rose by 69.84 percent reaching Rs.16.22 by mid-February of the current fiscal year 2013/14.
- 5.23 The second Scheme namely NABIL Balanced Fund-1 is also in operation under the NABIL Mutual Fund. NABIL Investment Banking Limited, which is the Fund Supervisor of this close-end Mutual Scheme, has been managing the investment by selling 7.5 million units of shares worth Rs. 750 million to the general public. In the first eight months of the current fiscal year, its per unit net asset value has increased by 40.90 percent to Rs.14.40. Schemes brought by both such Mutual Funds have been listed and carrying out transactions in secondary market. Likewise, under NMB Mutual Fund, NMB Sulabh Fund-1 Scheme worth Rs.450 million is in the process of securing license for public issuance.
- 5.24 The Central Depository Service was established in 22 December 2010 and is in operation with a view to modernize the transactions, and clearing and settlement works of securities by keeping records electronically so as to make the securities transactions more organized for the institutional development of securities market. Its authorized capital stands at Rs. 500 million while Rs. 259.04 million has been paid up by now out of its issued capital of Rs. 300 million. The company, which is established under the full ownership of Nepal Stock Exchange Ltd., carries out tasks like operating transactions of shares, debentures, bonds, stock and other securities by keeping their records electronically without certificates. Likewise, it facilitates such works and transfers ownership of securities instruments and updates account records. The company has developed Central Depository Accounting Software (CDAS) as its infrastructure.
- 5.25 The number of listed companies to dematerialize shares at CDS and Clearing Ltd. has reached 16 while shares of 10 of those companies are

in the process of dematerialization. A total of 50 companies have gained clearing membership at CDS so far. Likewise, a total of 529 individuals have opened Demat Account already by now. Ten companies have gained membership to work as a depository member while additional 3 companies are in the process of gaining such membership.

- 5.26 CDS and Clearing Ltd. have been outsourced to carry out clearing and settlement work since October 17, 2012 carried out physically by Nepal Stock Exchange Ltd earlier. During the first eight months of the current fiscal year 2013/14, the clearing and settlement work worth Rs. 16,130,495,359 has been completed successfully on T+3 through 2,04,168 transactions. Preparation is underway to carry out transactions using Demat Accounting near future.

Insurance

- 5.27 Insurance Committee established on 14th May 1969, has been carrying out its operations under the Insurance Act, 1992 as a regulating agency by systemizing, regulating, developing and controlling the insurance business. Under the Committee, eight companies carry out life insurance, 16 companies engaged in non-life insurance, and one insurance company has been dealing with both the kind of businesses totaling 25 companies in this business. According to figures of ownership structure of insurance companies, three are working as branches of foreign insurance companies, three on joint investment with foreign companies, 18 on private ownership, and one on Government ownership.
- 5.28 The objective of Insurance Company has been to develop and provide security to insurance business as per the national need of protecting all classes of the society from natural and social risks while embracing the globally accepted insurance norms. It is imperative to change the policy and institutional structures by the covering insurance schemes that provide financial and social securities against natural calamities induced risks as an important aspect of life. Program has been implemented with the objective of increasing its present contribution to GDP from one percent to 2.5 percent through the development and expansion of insurance business in rural life and economy.
- 5.29 The total financial source and their utilization of life and non-life insurance companies operating in the country by mid-February of 2014 have grown by 15.56 percent as compared to the corresponding period

of previous fiscal year reaching Rs93,779.7 million. Such amount by the end of FY 2012/13 stood at Rs. 81,140.5 million.

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

(In Rs. 10 Million)

Source	Fiscal Year 2011/12		Fiscal Year 2012/13		Fiscal Year 2013/14*	
	Life	Non-Life	Life	Non-Life	Life	Non-Life
a) Paid-up Capital	283.81	180.47	279.08	180.47	363.00	249.97
b) Reserve Fund)	5150.76	847.38	5703.76	885.42	6699.00	899.00
c) Other Liabilities	455.35	494.72	499.45	566.88	495.00	672.00
Total Sources	5851.93	1522.57	6482.29	1632.76	7577.00	1820.97
Application						
a) Cash at Bank and in Hand	170.48	100.16	177.01	144.76	177.00	115.69
b) Investment	5151.64	734.98	5710.99	988.51	6780.00	1194.99
c) Fixed Assets	137.54	107.84	144.34	111.24	185.00	118.00
d) Other Assets	400.27	379.60	449.94	388.25	415.00	392.29
Total Application	5859.13	1522.77	6482.29	1632.76	7577.00	1820.97

* Inclusion of estimated figure of Life Insurance of National Insurance Company for FY 2013/14, Non-Life Insurance for FY 2011/12 and FY 2012/13.

** Estimated figure only until Mid-March of FY2013/14.

Source: Beema Samiti

5.30 Insurance business of Nepal earned Rs. 18,610.00 million by mid-February of FY 2013/14. Of this, contribution of life insurance was Rs. 11,754.10 million, while that of non-life insurance was Rs. 6,855.90 million. Such earning in FY 2012/13 was Rs. 24,230.05 million, of which the share of life insurance was Rs. 14,884.7 million while non-life insurance was Rs. 8,345.8 million.

Table 5 (d): Insurance Premium of Life and Non-life Insurance Companies

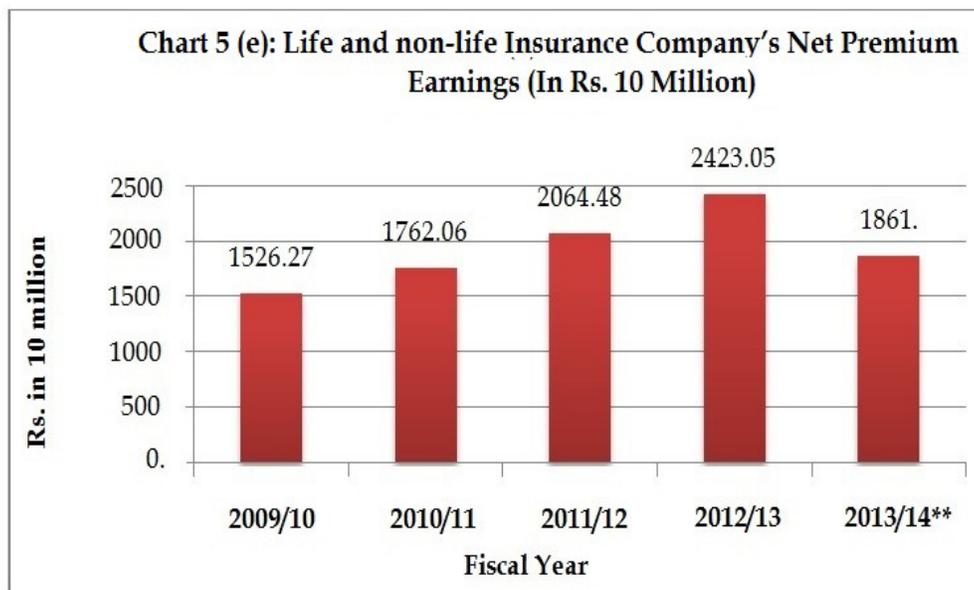
(In Rs. 10 Million)

Fiscal Year	Life Insurance Premium Income (In Rs. 10 million)	Non-Life Insurance Premium Income (In Rs. 10 million)	Net Insurance Fees (In Rs. 10 million)
2009/10	876.60	649.67	1526.27
2010/11	1044.95	717.11	1762.06
2011/12	1336.13	728.35	2064.48
2012/13	1588.47	834.58	2423.05
2013/14**	1175.41	685.59	1861.00

Source: Beema Samiti

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

** Details included only up to mid-March of FY 2013/14.



** First eight months

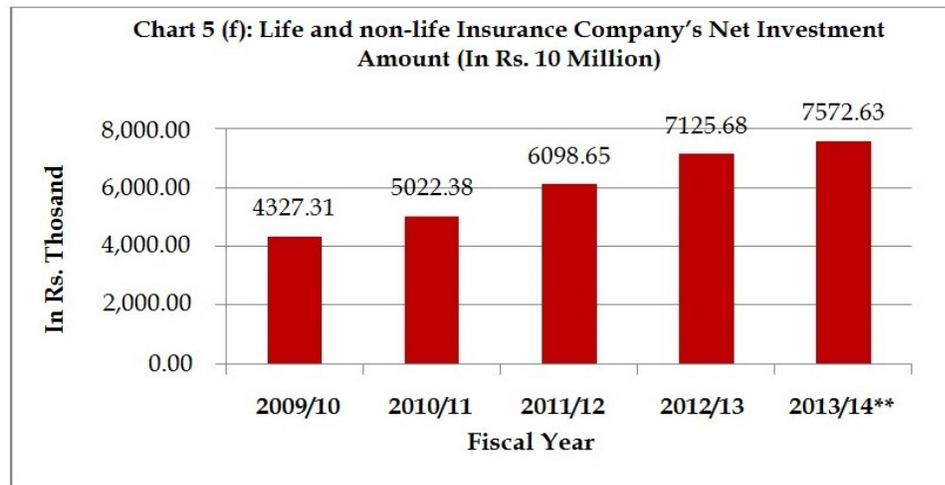
5.31 The total amount insurers invested by mid-February of FY 2013/14 stood at Rs. 75,726.3 million. Of this, Rs. 63,776.4 million has been invested from life insurance business while Rs. 11,949.9 million from non-life insurance business. The total amount invested by insurers in FY 2012/13 was Rs. 71,256.8 million of which Rs. 61,587.6 million was invested from life insurance and Rs. 9,669.2 million from non-life insurance businesses.

Table 5(e): Investment of Life and Non-life Insurance Companies

(Rs. in 10 million)

Fiscal Year	Life	Non-life	Total
2009/10	3646.71	680.60	4327.21
2010/11	4275.11	747.27	5022.38
2011/12	5238.13	860.52	6098.65
2012/13	6158.76	966.92	7125.68
2013/14**	6377.64	1194.99	7572.63

Source: Beema Samiti



Problems and Challenges

- 5.32 It is a challenge to attract more and more investors towards capital market by minimizing the sectoral risks due to limited entries of companies of the real sector into such market.
- 5.33 There is a challenge of expanding the working areas of securities traders, making share brokers professional and respectful, and maintaining institutional good-governance.
- 5.34 Despite establishment of the Central Depository System with the objectives of prompt and efficient transfer of rights and ownership of securities, and easy identification of investors engaged in securities transactions, securities transactions could not be operated effectively due to failure in bringing the system into full operation.
- 5.35 It is an another challenging task to make the entire institutional sector transparent through implementation of International Financial Reporting Standards-IFRS so as to bring improvement in the trends and practices of listed institutions such as not having their financial accounts audited on a timely basis, non-reconciliation of accounts of different organized sector institutions even after having them audited and dissemination of sensitive information that could affect market price in such a way that would serve their own interests.
- 5.36 Absence of clear cut policy arrangement for the NRNs to invest in the secondary market, ordinary shares occupying major space on the available securities instruments, lack of developed instruments like future options, index future, and internet based trading, unavailability

of supplementary business have made the market expansion process a challenge.

- 5.37 It is a hard and challenging task to make the capital market sustainable and trustworthy means for capital mobilization through the institutional arrangement of regular study on capital market, research thereby enhancing investor education, raising awareness and training services.
- 5.38 There is a challenge to make practical legal arrangement for ensuring the market trust due to absence of responsible controlling and monitoring body to make investors aware of rapidly growing commodity market in Nepal by indicating uncontrollable trading practices and weaknesses.

6. External Sector

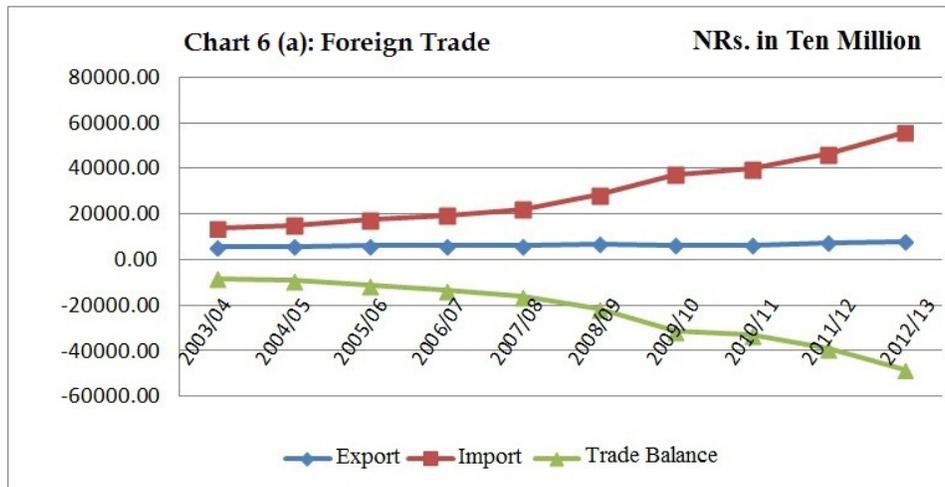
Structure and Tendency

- 6.1 Though maintaining external sector's stability is one of the important objectives of macroeconomic policy, its management is getting more complex with gradual globalization and liberalization processes. It is necessary to increase export of goods and services and substitute imports thereby maintaining balance of payments so as to stabilize external sector. In Nepalese context, despite most of the years witnessing balance of payments surplus, trade deficit has been mounting every year and balance of payment is mainly depending upon remittance income.
- 6.2 Trade deficit is in increasing trend every year due to rise in imports and failure to boost exports through enhancement of the competitive capacity of exports by identifying additional exportable goods. Despite increased trade deficit, the current account on an average is in surplus for the last ten years due to encouraging remittance inflow.
- 6.3 To reiterate the fact here, the current account has been in surplus with due credit to remittance inflow though, the trend of merchandise trade for last ten years has not been satisfactory. This situation has emerged as a result of higher growth rate of imports than that of exports. During last ten years, the average growth rate of export stood 4.7 percent while that of imports has soared to 16.4 percent. Exports that stood at 10.0 percent of GDP in FY 2003/04 dropped to 4.5 percent in FY 2012/13. On the other side, imports that stood at 25.4 percent of GDP in FY 2003/04 has climbed to 32.9 percent by FY 2013/14 whereby the ratio of trade deficit to GDP got almost doubled from 15.3 percent to 28.4 percent in this period. Likewise, import that was 2.5 times that of exports in FY 2003/04 has grown to 7.2 times in FY 2012/13. These facts clearly prove that the country has not been able to achieve the expected benefits from the foreign trade liberalization policy.

Foreign Trade

- 6.4 Total foreign trade increased by 26.0 percent to Rs. 518.75 billion in the first eight months of current fiscal year 2013/14. Such exports had increased by 19.7 percent totaling Rs. 411.57 billion during the same period of the previous fiscal year. Total exports and imports increased by 19.4 percent and 27.0 percent respectively during the review period. The shares of export and import in total trade remained 11.7 percent

and 88.3 percent respectively. The trade deficit that had increased by 25.5 percent during the eight months of previous fiscal year further rose to 28.2 percent during the review period.



Export

- 6.5 In the first eight months of the current fiscal year 2013/14, total exports grew by 19.4 percent to Rs. 60.9 billion. Such exports had grown by 5.0 percent during the same period of previous fiscal year. During the review period, exports to India and other countries increased by 21.9 percent and 14.7 percent respectively. During the same period of the previous fiscal year, exports to India and other countries had increased by 2.0 percent 11.2 percent respectively. In US dollar terms, exports to other countries increased by 0.7 percent to US Dollar 205.1 million compared to a decrease of 0.4 percent during the same period of the previous year.
- 6.6 Exports of zinc sheets, cardamom, juice, and stone and sands, among others increased to India. Likewise, exports of woolen carpets, readymade garments, herbs and pashminas increased to other countries. Of the total export, the share of export to India, which was 65.2 percent in the first eight months of the previous year, has remained at 66.5 percent in the review period. Likewise, of the total exports, the share of export to other countries that stood at 34.8 percent during the eight months of previous fiscal year has remained at 33.5 percent in the review period.

Import

- 6.7. The imports during the first eight months of FY 2013/14 totaled Rs.457.85 billion with a growth of 27.0 percent. Such imports had totaled Rs. 360.56 billion with an increase of 22.1 percent in the same period of the previous fiscal year. Such higher growth in imports during the review period is attributable to the higher growth in imports from both India and other countries.
- 6.8 Of the total imports in the review period, import from India recorded a growth of 28.1 percent in comparison to 24.2 percent rise in the same period of the previous fiscal year. Likewise, the growth rate of imports from other countries that stood at 18.2 percent in the review period of the previous fiscal year has now gone up to 24.8 percent during the same period of the current fiscal year. In US Dollar term, imports from other countries increased by 9.5 percent to US dollar 1.55 billion compared to an increase of 6.5 percent in the same period of the previous fiscal year. Imports especially of petroleum products, thread, vehicles and spare parts and hotrolled sheet in coil from India have increased while imports of crude soyabean oil, betel-nuts, telecommunication equipment, silver and stationary goods from other countries have recorded a growth. Of total imports, the share of India has reached 66.5 percent in the review period from 65.9 percent in the corresponding of previous fiscal year while the share of other countries has slightly decreased to 33.5 percent in the same period from 34.1 percent in the same period of the last fiscal year.
- 6.9 To manage the Indian currency, arrangement has been made to buy Indian currency by selling US Dollars, and making payments in US Dollars against import of goods from India. Goods imported from India by paying the foreign exchange have gone up by 87.3 percent to Rs. 49.63 billion during the review period, which was Rs. 26.50 billion during the eight months of FY 2012/13. During the review period of current fiscal year, such imports have remained at 16.3 percent of total imports from India. The number of goods that can be imported from India through the payment of foreign exchange has reached 161 by mid-March 2014.

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

(Percentage change)

Description	2008/09	2009/10	2010/11	2011/12	2012/13
Export	-8.5	5.9	14.1	5.0	19.4
India	-3.3	10.1	14.5	2.0	21.9
Other Countries	-16.8	-1.7	13.5	11.2	14.7
Import	41.8	1.2	16.6	22.1	27.0
India	38.0	24.7	12.0	24.2	28.1
Other Countries	46.8	-27.2	26.3	18.2	24.8
Trade Balance	58.6	0.3	17.1	25.5	28.2
India	53.3	28.2	11.5	28.8	29.1
Other Countries	65.0	-30.9	28.9	19.5	26.5
Total Trade	31.8	1.9	16.3	19.7	26.0
India	29.3	22.4	12.4	21.0	27.3
Other Countries	35.2	-24.4	24.4	17.3	23.6
Export/Import Ratio	16.1	16.8	16.4	14.1	13.3
India	18.9	16.7	17.0	14.0	13.3
Other Countries	12.6	17.1	15.4	14.4	13.3
Share in Export					
India	64.4	66.9	67.1	65.2	66.5
Other Countries	35.6	33.1	32.9	34.8	33.5
Share in Imports					
India	54.7	67.5	64.8	65.9	66.5
Other Countries	45.3	32.5	35.2	34.1	33.5
Share in Trade Balance					
India	52.9	67.6	64.3	66.0	66.5
Other Countries	47.1	32.4	35.7	34.0	33.5
Share in Total Trade					
India	56.1	67.4	65.1	65.8	66.5
Other Countries	43.9	32.6	34.9	34.2	33.5
Share of Import and Export in Total Trade					
Export	13.8	14.4	14.1	12.4	11.7
Import	86.2	85.6	85.9	87.6	88.3

*Provisional

Source: Nepal Rastra Bank

Trade Balance

- 6.10 Total trade deficit has grown by 28.2 percent to Rs. 396.96 billion in the first eight months of the current fiscal year. Such trade deficit had recorded an increase of 25.5 percent totaling Rs. 309.55 during the same period of previous fiscal year. Of the total trade deficit, deficit with India has increased by 29.1 percent during the review period of current fiscal year as compared to 28.8 percent in the corresponding period of previous fiscal year. Likewise, the trade deficit that had increased by 19.5 percent with the other countries in the eight months of previous fiscal year has increased by 26.5 percent in this same period of the current fiscal year. The Export/Import ratio has dropped to 13.3 percent during the review period owing to the high growth rate of imports as compared to that of imports. Such ratio was 14.1 percent in the same period of previous fiscal year.

Balance of Payments (BoP) Situation

- 6.11 Balance of Payment in the first eight months of the current fiscal year 2013/14 recorded a surplus of Rs. 102.81 billion as compared to the surplus of Rs. 11.78 billion in the same period of previous fiscal year. During the review period of the current fiscal year, the current account recorded a surplus of Rs. 68.41 billion compared to Rs. 9.51 billion surpluses in the corresponding period of the previous year. In US Dollar term, the current account in the review period stood at a surplus of US dollar 687.7 million and that of BoP of at US dollar 1.03 billion. The current account and overall BoP surplus remained high during the review period due to the substantial growth in service income, grants and remittance inflow.
- 6.12 The trade deficit based on FOB price that had recorded a growth of 25.4 percent during the eight months period of the previous fiscal year has increased by 28.1 percent reaching Rs. 381.59 billion in the review period of current fiscal year. Likewise, during the review period, the service income has increased by 35.0 percent reaching a total of Rs. 81.24 billion as against the growth of 31.2 percent in the same period of previous fiscal year. Such growth is mainly attributed to 41.8 percent growth in tourism income, 33.1 percent in other service income and 26.7 percent growth in government N.I.E. The travel expenses that had increased by 77.0 percent in the first eight months of previous fiscal year have now increased by only 1.7 percent in the review period of the current fiscal year. Likewise, the service payment has increased by 15.8 percent totaling Rs. 67.35 billion in the review period of current fiscal

year with 11.9 percent growth in government service expenses, 51.8 percent in other service expenses, 18.7 percent in transportation expenses. As a result, the net service has recorded a surplus of Rs. 13.89 billion during the review period. The net service income had registered a surplus of Rs. 2.02 billion during the same period of previous fiscal year.

Table 6 (b) : Remittance Income

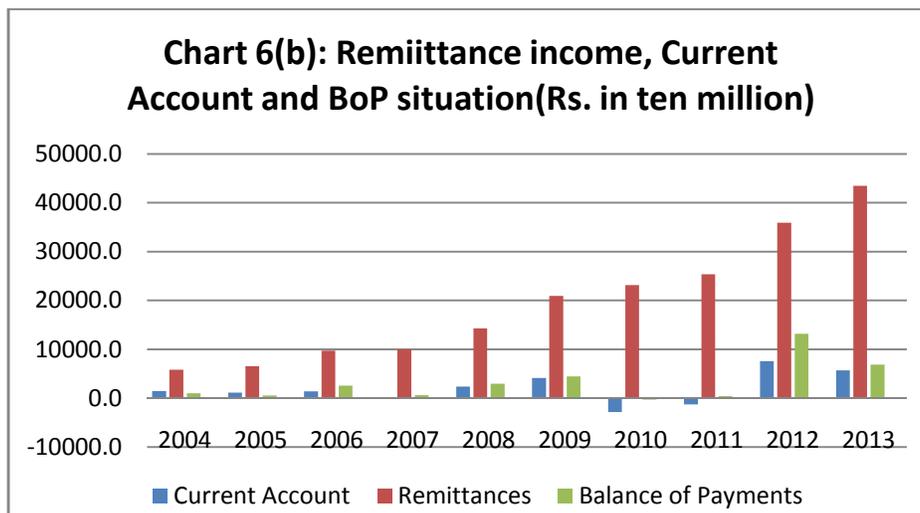
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*
Rs. in Billion	209.70	231.73	253.55	359.55	434.6	356.7
Annual Percent Change	47.0	10.5	9.4	41.8	20.9	34.1
Ratio to GDP	21.2	19.4	18.5	23.1	25.7	-
Share of Remittance in Current Transfer	80.5	81.5	84.0	86.0	85.6	

* First Eight Month data

Source: Nepal Rastra Bank

- 6.13 Under the transfer income, grant has grown by 85.3 percent and pension by 25.6 percent during the review period. Grant had declined by 23.8 percent whereas pension had increased by 22.7 percent during the same period of previous fiscal year. Likewise, remittance inflow has recorded sharp growth of 34.1 percent to Rs. 356.72 billion in the review period as against 22.2 percent growth in the corresponding period of previous fiscal year. In US Dollar term, remittance income that recorded a growth of 10.5 percent during the eight months of the previous fiscal year rose by 17.5 percent accounting for US dollar 3.59 billion during the same period of current fiscal year. As a result, the net transfer income has grown by 38.5 percent to Rs. 415.44 billion during the review period as against 16.8 percent growth during the same period of previous fiscal year.
- 6.14 During the review period, the amount received in capital account as net capital transfer totaled Rs.12.64 billion. The capital account surplus stood Rs. 5.16 billion during the same period of the previous fiscal year. In the review period of current fiscal year, a sum of Rs. 1.80 billion was received in the fiscal account as Foreign Direct Investment (FDI). This figure stood at Rs. 4.82 billion in the corresponding period of the previous fiscal year. Other investment assets stood at Rs. 14.74 billion during the first eight months of the previous fiscal year while this figure stood at Rs. 12.93 billion during the review period of the current fiscal year. On other investment liabilities side, flow of

government debt totaled Rs. 13.46 billion while principal amount of Rs. 8.90 billion has been repaid. Foreign deposit liabilities have stood at Rs. 9.42 billion during the review period.



Foreign Exchange Reserves

- 6.15 As compared to mid-July 2013, the total foreign exchange reserve grew by 22.5 percent reaching a total of Rs. 653.42 billion by mid-March 2014. Such reserves in mid-March, 2013 stood at Rs. 453.61 billion recording a growth of 3.2 percent in comparison to mid-July 2012. In US dollar term, the total reserve has increased by 19.3 percent totaling US dollar 6.70 billion in a period between mid-July 2013 and mid-March 2014. Such reserve had increased by 7.2 percent during the same period of previous fiscal year. The foreign exchange reserve grew in review period due to the significant growth of remittance inflows and foreign grants together with the rise in BoP surplus.
- 6.16 Of the total foreign exchange reserves, the reserve with Nepal Rastra Bank grew by 21.5 percent to Rs. 550.42 billion in mid-March 2014 as against Rs. 452.99 billion in mid-July, 2013. Likewise, the reserve with commercial banks has also grown by 28.3 percent totaling Rs. 102.99 billion during the review period. During the review period, the non-convertible Indian currency reserves grew by 24.0 percent reaching IRs.92.44 billion. During the same period of the previous fiscal year, such reserve had grown merely by 1.4 percent. Out of the total reserves, the same of NRB remained at 84.2 percent in mid-March 2014.

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

Description	Mid-July 2010	Mid-March 2011	Mid-July 2011	Mid-March 2012	Mid-July 2012	Mid-March 2013	Mid-July 2013	Mid-March 2014	Percent Change (Mid-July-Mid - March)	
									2013	2014
Nepal Rastra Bank	20537.0	19986.0	21310.0	30502.0	37552.0	37233.0	45300.0	55042.0	-0.8	21.5
Commercial Banks	6352.0	5762.0	5905.8	6308.5	6393.0	8128.0	8030.0	10300.0	27.1	28.3
Total Reserve	26889.0	25748.0	27215.0	36810.0	43946.0	45361.0	53330.0	65341.9	3.2	22.5
Share in total reserve										
Nepal Rastra Bank	76.4	77.6	78.3	82.9	85.5	82.1	84.9	84.2	-	-
Commercial Banks	23.6	22.4	21.7	17.1	14.5	17.9	15.1	15.8	-	-

Source: Nepal Rastra Bank

6.17 Based on imports during first eight months of the current fiscal year 2013/14, the current level foreign exchange reserve is sufficient for financing the imports of goods for 11.6 months and that of goods and services combined for 10.1 months. The reserves with banking sectors was able to cover the imports of goods for 10.2 months and goods and that of services combined for 8.8 months in the mid-March 2013 on the same basis. The current foreign exchange reserve is able to cover the imports for longer period in comparison to the previous fiscal year despite higher growth rate of imports of goods during this period is because of the lower growth rate in imports of services in the same period.

Exchange Rate

6.18 Nepalese Currency depreciated by 2.6 percent against US dollar between mid-July 2013 and mid-March 2014. During the same period of previous fiscal year, Nepalese currency had appreciated by 2.1 percent against US dollar. The exchange rate of 1 US Dollar in mid-March 2014 stood at Rs. 97.58 whereas such exchange rate in mid-July 2013 was Rs. 95.0. Likewise, Nepalese currency has depreciated by 11.8 percent and 8.9 percent against pound sterling and Euro respectively during the review period while it has appreciated by 0.6 percent against Japanese yen in the same period.

Table 6 (d): Trend of Foreign Exchange

Foreign Currency	Buying Rate (In NRS.)					Appreciation (+) Depreciation (-)	
						(in Percent) (Mid-July-Mid-March)	
	2011	2012	2013	2013	2014	2013	2014
	Mid-July	Mid-July	Mid-March	Mid-July	Mid-March		
US Dollar	70.95	88.60	86.77	95.00	97.58	2.1	-2.6
Pound Sterling	114.54	136.62	129.34	143.56	162.81	5.6	-11.8
Euro	100.34	107.98	112.86	124.08	136.15	-4.3	-8.9
Japanese Yen (of Ten)	8.95	11.18	9.02	9.57	9.51	23.9	0.6

Source: Nepal Rastra Bank

Problems and Suggestions

- 6.19 Exports of goods could not be expanded while the base and the growth rates of imports have remained higher due to the factors like exports of low value added goods; failure in trade diversification; inability to expand the export trade by producing the commodities of comparative advantage and high value; higher cost of production and time involved for being a landlocked country; dominance of imported raw material based industries; inability to establish proper forward and backward linkages; dearth of required trade related infrastructures; and lack of the use of advanced technology, among others. As a result, trade deficit has continued to rise. It is necessary to pay attention towards containing trade deficit within the desired limit through export expansion by developing competitive capacity for exports and establishing and expanding industries that produce goods within the country.
- 6.20 The external sector balance of Nepal mainly relies on remittance inflow and the level of imports. For instance, the stability of current account and overall BoP is depended on higher remittance inflow and moderate imports, otherwise leading towards deficit. Though the country's economy is in immediate advantageous position due to high remittance inflow, questions are being raised on its stability and sustainability. The consumption level rises as a result of high remittance inflows on one hand while it increases imports thereby increasing trade deficit further on the other. It is necessary to explore alternative measures to maintain the Bop favorable because foreign bound Nepalese workers for employment are mostly unskilled, and foreign

employment is mainly centered on Gulf countries and Malaysia. If some problems arise in these countries, remittance inflow will be hindered leading to sustainability of external sector in jeopardy. Of the total imports of Nepal, the share of POL products has been more than 20 percent. Hence, it is imperative to pay attention towards maintaining sustainability of external sector by exploring alternatives for the promotion of exports of goods and services and reducing the dependency on POL products.

- 6.21 There is a need to pay attention to the factors like, identifying additional exportable goods in order to make external sector more sustainable; enhancing competitive capacity for exports; increasing income from tourism by increasing the number of tourists and the length of their stay; reducing the trend of outbound Nepalese for education and health by making reliable arrangements of such services inside the homeland; attracting Foreign Direct Investment (FDI) by improving the environment for investment; and discouraging the imports of luxury goods while encouraging the people to use domestically produced goods and services.

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1 In Nepal, programs are being carried out putting poverty alleviation at the core of development agenda since last two decades. From Tenth Plan onward, poverty has been categorized into three dimensions, namely income poverty, human poverty, and social exclusion. Analyses of these dimensions show notable improvement in overall poverty and the Human Development Indices of the Nepalese people. .
- 7.2 Investment has been significantly enhanced in the social sector so as to achieve the national goal of poverty alleviation. Employment and income generation programs have been implemented. Previous policies and programs have been reviewed and past experience taken into account while setting up objectives and policies for poverty alleviation. Programs are accordingly implemented by focusing on target groups and sectors.
- 7.3 The target has been to reduce the population living below the poverty line to 21 percent by the end of the 12th Plan. Employment centered inclusive economic development programs were implemented accordingly to meet this target. By this period, the population below the poverty line has come down to 23.8 percent from 25.4 percent with a reduction of 1.6 percent by this period. The major reasons for such reduction during this plan period are rapid urbanization, constant growth in remittance inflow from foreign employment, rise in the wage rate, increased employment wage in the non-agriculture sector, and increased share of economically active youths' population.
- 7.4 Despite drop in the poverty level to 23.8 percent from 42 percent in a span of 17 years between FY 1995/96 and FY 2012/13, big disparity among urban and rural, geographical and between various groups still exists. During this period, urban poverty declined to 15.46 percent from 21.56 percent, while rural poverty dropped to 27.43 percent from 43.27 percent. Though urban poverty in the past came down as a result of growing urbanization and increased access to opportunities in urban areas, it has again gone up to some extent in the past seven years.
- 7.5 Reduction in per capita poverty rate is a matter of joy.. But, the gap between the poor and the rich has widened in the country due to general rise in inequality. Gini Coefficient, a measure indicating the existing disparity in the country stood at 0.328 with respect to

consumption expenditure. Such indices in the urban areas stood at 0.353 and 0.311 in rural areas. The level of disparity between geographical regions and ethnic groups is much wider. Accessibility of limited groups to opportunities, low agricultural wage rate, rise in the number of internal conflict displaced people are the major contributing factors to such a huge disparity. Likewise, 24.4 percent of the people living below poverty line have access to education, 20.8 percent to secondary level education and 17.9 percent to higher education. Of the people living below poverty line, merely 15.6 percent have access to services of government hospitals, while 15.3 percent of them have access to agricultural centers.

- 7.6 Millennium Development Goal Progress Report, 2013 shows poverty reduction rate in Nepal between 1996 and 2004 at 1.5 percent, and 2.5 percent between 2004 and 2013. Employment opportunities need to be created to capitalize the larger number of working age population in the demographic structure is for reducing poverty in the country.

Table 7 (a) Poverty Statistics

MDG	Indicators	Progress till 2010 (In Percentage)	Progress till 2012/13 (In Percentage)	Target 2015
Goal I	Population ratio with less than one dollar a day income	19.7	16.4	17
	Population ratio remaining below daily national poverty line	25.4	23.8	21
	Ratio of population employed at less than one dollar a day	22	-	17
	Population with food less than the minimum requirement	36.1	15.7	25
	Underweight Children of (6-59 months) age group	36.4	28.8	29
	Children of age group (6-59 months) with stunted growth	46.8	40.5	30
Goal II	Net Enrollment Rate at Primary education Level	93.7	95.3	100
	Ratio of students enrolled in grade one 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

MDG	Indicators	Progress till 2010 (In Percentage)	Progress till 2012/13 (In Percentage)	Target 2015
	Ratio of Secondary Level Boy and Girl Students	0.93	0.99	1
	Ratio of Boy and Girl Students at Higher Education	0.63	-	1
	Literacy rate of women and men of age group (15 and above years)	-	Male 71.6% and Female 44.5%	1
Goal IV	Children below the age of one year vaccinated against measles	85.6	-	90
	Child mortality rate below 5 years of age (per 1000 live births)	50	54(2011)	54(38)
	Infant mortality rate (per 1000 live births)	41	46(2011)	36
Goal V	Maternal mortality ratio (per 100,000 live births)	229	170	213(134)
	Percent of women giving birth with help of Skilled Health Worker	29	50	60
Goal VI	Age Group between 15-49 with HIV/ AIDS Infection	0.49	0.12	Halt and Reverse the trend
	Infected with Malaria (per 1000 population)	5.7	3.28	Halt and Reverse the trend
	Tuberculosis prevalence Rate (Per 100,000 population)	244	238	Halt and Reverse the trend
	Mortality rate from TB (Per 100,000 population)	22	21	Halt and Reverse the trend
Goal VII	Forest Covered Area (%)	39.6	39.6	40
	Population with access to sustainable water source (%)	80.4	85	73
	Population with sustainable access to improved sanitation (%)	43	62	80

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

- 7.7 A total of three (3) Nepal Living Standard Surveys (NLSS) have been conducted so far. Of these surveys, first was conducted in FY 1995/96, second in FY 2002/03 and third in FY 2009/10.

Table 7 (b): Nepal Living Standard Survey

(In Percent)

	Poverty Headcount Index			Poverty gap index			Squared Poverty Gap Index		
	1995/96	2003/04	2009/10	1995/96	2003/04	2009/10	1995/96	2003/04	2009/10
Nepal	41.76	30.85	25.16	11.75	7.60	5.43	4.67	2.70	1.81
Urban Area	21.55	9.55	15.46	6.54	2.20	3.19	2.65	0.70	1.01
Rural Area	43.27	34.62	27.43	12.14	8.50	5.96	4.83	3.10	2.00

Poverty Headcount Index refers to the proportion of population, to the total population, who are living below the poverty line. Poverty Gap Index refers to the measurement of gap between poverty line and the average number of people living below the poverty line. Squared poverty Gap Index refers to disparity status among the poor. Likewise, Gini Index reflects the uneven distribution of income among the people.

Poverty Alleviation Fund (PAF) Initiatives

- 7.8 The Poverty Alleviation Fund has been conducting demand-led programs in line with five (5) guiding principles namely, (i) *Antodaya*- targeted to the poor, (ii) social inclusion, (iii) transparency, (iv) demand program, and (iv) through the mechanism of direct fund flow to the communities. Programs are being implemented through formation of Community Organizations (COs) and their institutional development with the objective of ensuring full representation of the poor communities for implementing the community owned programs. The Fund has been collaborating with various Support Organization (SOs) including local bodies, NGOs, COs, and private institutions to provide necessary support to the communities for social mobilization,
- 7.9 In FY 2009/10, the number of Fund's regular program districts has reached 40 after the poverty index based program expansion to 15 additional districts. In FY 2012/13, process for implementation of

programs in 15 additional districts (Dolakha, Myagdi, Gulmi, Bhojpur, Surkhet, Nawalparasi, Morang, Lamjung, Arghakhachi, Nuwakot, Gorkha, Banke, Sunsari, Dang, and Kailali) is in progress. Thus, the Fund's regular program operation districts have reached 55 , while its innovative programs are being implemented across the country.

- 7.10 Poverty Alleviation Program costing US\$40 million was implemented between FY 2005/06 and FY 2010/11. The Impact Assessment Study Report, 2009 and Implementation Completion and Results Report, 2009 conducted in the initial six districts to assess the program results, has shown that the number of households with less than three months food sufficiency through their own sources or from dependable income sources has declined by 3.2 percent. Likewise, self-employment rate (weekly working hours) in Fund's program benefiting households has gone up by 18 percent, while real consumption rate of the beneficiaries in the Fund program activities covered areas of more than two years has gone up by 50 percent.
- 7.11 The total cost of Poverty Alleviation Program in operation for FY 2011/12 to FY 2016/17 is US \$ 255 million. Of the 19 districts included in this second phase of the project, 6 of them are the model districts where impact assessment study 2010 (baseline study 2007), was conducted in 3 thousands households of 200 villages. According to its report, the consumption capacity of poor household, progress in food security, income generation, social development, school going trend among children, and women empowerment have shown positive results. Likewise, the consumption capacity of beneficiaries at the real price has increased by 31 percent, the consumption capacity of the household recipients of financial support of the Fund 6 to 19 months period has gone up by 44.4 percent, food insufficiency declined by 10 percent. The school going children of 5 - 15 years age bracket increased by 6 percent and the ratio of Fund's beneficiary households with food sufficiency for less than 3 months has dropped to 5.5 percent from 13.8 percent in 2007.

Table 7 (c): Grants Disbursement to Community Organizations through Poverty Alleviation Fund

S.No.	FY	Disbursed Amount (Rs. in thousand)						
		Income Generation Program	Small Infrastructure Development Program	Innovative Program	Total			
					Total	World Bank Grant	Trust Fund Grant	Nepal government's Grant
1	2004/05	132612	64110	3395	200117	183638		16479
2	2005/06	155083	90730	138070	383883	317597		66286
3	2006/07	404332	76444	499113	979889	979889		
4	2007/08	1274572	230652	46451	1551675	1551675		
5	2008/09	971458	261798	27640	1260896	1260520		376
6	2009/10	1388289	426561	35749	1850599	1850599		
7	2010/11	1526898	470910	11401	2009209	1720129		289080
8	2011/12	1445461	914485	28132	2384077	1661869	685642	36566
9	2012/13	1044414	591030	31630	1667075	1457013	175128	34934
Total		8343119	3126721	817581	12287420	10982930	860771	443721
10	2013/14*	217519	155719	17665	390904	372641	1770	6492
Grand Total		8560638	3282440	835246	12678324	11355571	872541	450212

* first eight months

Source: Poverty Alleviation Fund

7.12 The Fund conducted Social Reassessment and Beneficiaries' Assessment shows that the total (inflation adjusted) income earned through all sources of the reassessed households has gone up by 82.5 percent. Such result is found in those households that have received financial support from the Fund for three or more, and invested in their desired income generation activities. The result has also revealed that 68.3 percent of the total households have increased their income by 15 percent or more. From the beginning of the Fund's program to mid-March 2014, innovative programs are being implemented through 23, 788 community organizations in 1,638 VDCs of its program districts so far benefitting a total of 676, 694 target households. Of the total

program beneficiaries, 28.16 percent are *Dalits* and 29.67 percent are *Janajatis*, while 76 percent of the total members in community organizations are women.

Youth and Small Entrepreneurs Self-Employment Fund

- 7.13 Youth and Small Entrepreneur Self-Employment Fund was established in fiscal year 2008/09 for rapid development of the country by making the maximum use of productive labor through the development of entrepreneurship while bringing changes in the traditional production system. For this, the Fund aimed at availing collateral-free period concessional loans to educate and uneducated unemployed youths through banks and financial institutions, and cooperatives for creating self-employment opportunities and vocational training for them. . The primary objectives of the youth self-employment program is to avail wholesale credit to banks and cooperatives to provide collateral-free period loan of up to Rs. 200,000 per person 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 increased income. These programs include activities like agriculture and farming, rickshaw and cart service operations, 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.
- 7.14 The Fund has made a lending agreement with 623 preliminary cooperatives including 24 banks and financial institutions and lent a sum of Rs. 2,672.14 million by mid-April of FY 2013/14, providing employment to 20,806 individuals.
- 7.15 By mid-April of FY 2013/14, capacity enhancement training including instructor's training on Fund's Credit Investment to 410 chairperson and managers, skill oriented training for 4,500 persons through CTEVT and orientation training to 14,935 persons were provided to officials belonging to cooperatives institutions of 3 districts (Kathmandu, Lalitpur and Bhaktapur).

Employment

- 7.16 In Nepal, efforts have been made towards making both the domestic and international labor markets secured, dignified and organized. Despite annual entries of about 500,000 youths in the Nepalese labor market, employment opportunities could not be created to absorb those new entrants. However, Department of Labor and Employment Information Center has been taking initiatives towards making domestic labor and employment sectors organized, dignified and secured. Efforts are being made for making the domestic employment secured and dignified through programs including minimum remuneration fixation and implementation, Labor Act draft preparation, Development of tri-lateral interrelationship for building cordial labor relation, awareness program, physical grants to encourage skilled oriented trained human resource towards self-employment, national employment policy draft preparation, trade union registration and renewal, labor dispute resolution through collective bargaining, factory inspection and documentation management and risk minimization against on-spot labor approval and renewal. Works on raising awareness and campaign for increasing the contribution on labor productivity enhancement through business oriented health and security project are underway. Preparations are in progress for developing implementation structure of various security related projects on the basis of one percent contribution from the remuneration for making the labors' social security more effective.
- 7.17 As per the National Labor Force Survey 2008 based Report 2010, , there are about 1.6 million children engaged as child labors in various economic sectors. Of this, 621,000 children are found to have engaged in the worst form of labor. As per Nepal's commitment made at international forum to end worst form of child labor by 2016 and child labor of all types by 2020, child labor related National Master Plan (2004-2014) for the elimination of child labor has been endorsed and implemented while child labor related National Master Plan (2011-2020) is under approval process after its formulation. Child Labor Prohibition and Regulatory Act, 2000 and Regulation 2006 have been enforced. Of these, child labor rescue and relief, operation of child care and non-formal education centers; sexual health and other awareness raising through mass media programs, establishment and operation of child labor control fund, legal support, psychosocial counseling on income generation for guardians and skill development training have been the major program activities.

- 7.18 Programs on labor dispute resolution, collective bargaining, risk mitigation at industrial academies, factories inspection and documentation management, publicity on labor exchange, trade union education, program operation on child rescue and data collection on non-resident Nepalese, monitoring, studies and researches have been carried out so as to enhance industrial productivity by maintaining effective labor relation through the creation of secured and dignified working environment for the laborers thereby making country's available labor force market friendly using newer technologies. These programs have helped develop cordial relationship among the government, employers and trade unions and among the trade unions themselves, bring effectiveness in the performance of employment information center and manage documentation of non-resident Nepalese labor employers by providing them with labor permits.
- 7.19 Policy has been implemented to involve the state targeted people's class, area and conflict victims, *Dalits*, *Janajatis*, indigenous people, injured persons in peoples' movement and martyrs' families, women and *Madhesis*, in vocational and skill development training by putting them in priority. Human Resource Development works are being carried out at vocational and skill oriented training centers to help reduce poverty through the promotion of self-employment and employment by imparting vocational knowledge to the productive labor force.

Real Wage Rate

- 7.20 Real Wage Rate in review period of current fiscal year remained positive due to higher growth in the wage rate index than the consumer price inflation rate. Annual point-to-point consumer price inflation rate remained at 8.9 percent during mid-March of fiscal year 2013/14 while wage rate index has increased by 14.1 percent during this period. In contrast, consumer inflation rate had increased by 10.2 percent and wage rate index by 9.6 percent during the corresponding period of previous fiscal year 2012/13. The real wage rate would be negative when the inflation rate exceeds the wage rate. Good news is that inflation growth rate has remained lower than the wage growth rate in the review period.

Foreign Employment

- 7.21 Most of the youth labor force is attracted towards foreign employment as a result of inability to create employment opportunities in the domestic labor market and increased temptation of youths in foreign employment. Granting labor permits to Nepali workers, maintaining their records and protection, rescue and relief related works are being carried out through the Labor Attache, under the Department of Foreign Employment, Foreign Employment Promotion Board and Embassies of destined nations to ensure organized, dignified and secured employment in international labor and employment sectors. The receipt of remittance amount from foreign employment bound youths has played a big role in raising the Gross National Income. Moreover, employment opportunities are created through availability of skill, which has helped improve the income level of target groups and contributed significantly towards reducing country's poverty.
- 7.22 Every day about 1,500 youths are estimated going abroad from Nepal for foreign employment. Seventy four percent of the total foreign bound youths as a result of unavailability of employment opportunities in the domestic employment market are unskilled while 25 percent are semi-skilled and 1 percent is skilled. . Likewise Despite the annual entry of more than 450,000 labor force in the labor market, the employment growth rate is only 2.9 percent.
- 7.23 A total of 109 countries are opened for foreign employment by now. Of the total number of 1,192,924 foreign bound workers, (except India) with work permit in the 12th Plan period, 61,087 are women. Among the labor attaché positions approved 11 destination countries, vacancies in five countries namely Saudi Arabia, South Korea, U.A.E. Qatar, and Kuwait have been filled up while arrangements for secured housing (shelters) have been made in four destination countries namely Saudi Arabia, Qatar, Kuwait, and U.A.E.)

Table 7 (d): Country-wise Foreign Employment Situation

S.N	Country	Male	Female	Total
1	Qatar	77601	1268	78869
2	Malaysia	113689	3518	117207
3	Saudi Arab	50918	602	51520
4	UAE	30886	3627	34513
5	Kuwait	7611	7440	15059
6	Bahrain	2495	274	2769
7	Oman	1373	750	2123
8	South Korea	1496	58	1554
9	Others	5380	2576	7956
	Total	291449	20113	311562

Note: Situation of first eight months of current fiscal year 2013/14

Source: Department of Foreign Employment

7.24 By the end of mid-March of current fiscal year, a total of 585,662 persons have been granted pre-approval for foreign employment.. A total of 109,427 workers from among the returnees have returned to the same country for foreign employment after getting their labor approval renewed. The number of foreign employment bound workers has already reached close to 3.5 million.

Table 7 (e): Country-wise Detail of Pre-approval for Foreign Employment

S.N	Country	Male	Female	Total
1	Qatar	224682	2025	226707
2	Malaysia	161625	6446	168071
3	Saudi Arab	72504	793	73297
4	UAE	88134	7453	95587
5	Kuwait	10691	513	11204
6	Bahrain	4046	387	4443
7	Oman	1727	118	1845
8	Lebanon	94	240	334
9	Afghanistan	200	0	200
10	Japan	186	106	292
11	Others	1615	2017	3682
	Total	565504	20098	585662

Note: By the end of mid-March 2014

Source: Department of Foreign Employment

- 7.25 Financial support has been provided to 638 families of the deceased workers and 69 maimed foreign bound workers through Foreign Employment Promotion Board. Besides rescuing the employees stranded (in peril) in foreign soil, 21 dead bodies have been brought back, and support has been provided to deliver 300 corpses to districts. Likewise, justice is being delivered to the victims of employment related fraud and exploitation by efficient disposal of the cases filed with the Employment Tribunal. By mid-March of current fiscal year 2013/14, verdicts on 73 cases have been delivered while 277 cases are yet to be settled.

Social Security Fund

- 7.26 Social Security Fund has been established to operate the entire ongoing social security programs by consolidating and revising them on the basis of the contribution provided by Social Security Fund in order to expand the social protection floor up to the entire Nepali populace for which necessary resources needs to be mustered in a sustainable manner. Social Security Tax has also been implemented and collected regularly so as to extend social security schemes gradually to all sectors by executing them among economically active labor force which is able to make initial contribution. The number of citizens to have their social security tax deducted from formal and informal sectors has reached approximately 2 million. Formulation of laws and social security schemes required for the operation of social security programs is underway. Works are being carried out on the development of software necessary for the construction of DATA CENTER for service delivery through electronic identify cards and computerizing the entire works to address difficulties, duplication and distortions on conducting various ongoing social security programs.
- 7.27 Presently, all social security programs are state-funded. Investment in social security sector has continued to grow. If this investment could be made contribution-based to extend social security to general public by financing investment through sustainable source, pressure on state fund would be reduced on one hand while a strong financial institution could be established on the other. Through this, investments to be made in other sectors could also be managed by the nation. Hence, contribution based social security program would emerge as a very important financial institution. However, this is still not the right time for

calculating the contribution made towards the country's economic development and economy as the projected programs have not arrived at measurable point of their implementation.

Targeted Programs for Poverty Alleviation and Employment

Karnali Employment Program

7.28 Various projects and programs are being carried out to create employment through various income and skill-oriented programs by reducing the population ratio below the poverty line; to prepare competent manpower capable of contributing to national economy; and to prioritize programs based on local resources, means and capacity. Among these programs, Karnali Employment Program has been operational in 5 districts of Karnali Zone. Of the 68,902 households living in those districts, members of about 61,058 households are unemployed. A total of 244 various projects (motorable roads, school building, maintenance of micro-hydro projects, trails, mule tracks, fruits and herbal farming etc) had been completed by expending more than 99 percent of total allocated budget Rs. 207,677,000 to this program under the Karnali Employment Program in fiscal year 2012/13. The concerned people have been benefited from such programs with creation of employment in Karnali Zone equivalent to 10-12 days thereby completing the work of 692,180 man days.

Rural Community Infrastructure Development Program

7.29 The main objective of this program is to improve food security situation in poor rural families thereby enhancing their self-reliance capacity. Rural road constructions together with livelihood and income generation activities are being carried out through this program which is in operation in 21 districts for developing and improving community infrastructures. A total of 20 Km rural road has been constructed in the first eight months of current fiscal year 2013/14 while 74.14 Km rural road was constructed during the fiscal year 2012/13. Likewise, a total of 146 livelihood and income generation activities were conducted in previous fiscal year in contrast to 35 income generation activities during the first eight months of current fiscal year 2013/14.

Linking Local Initiatives with Local Skills Program

7.30 This program is in operation in Achham, Dailekh, Jajarkot and Kalikot districts. Through this program, periodic plans of all VDCs (114) of Jajarkot, Kalikot, Jumla and Mugu districts have been prepared by the end of mid-March of fiscal year 2013/14. Formulation of periodic plans of all VDCs (120) of Achham, Dailekh, Doti districts is in progress. Thus formed periodic plans have eventually empowered the community as participatory approach is followed where community understands and learns together at the same time while forming such plans. Through this program, a total of 7,000 households have been involved in income generation activities and linked with the market. Similarly, there are 400 active productive groups, 90 Farmer Enterprise School and 15 Agricultural Bi-Product Collection Centers in operation.

Nepal Food Crisis Response Program

7.31 The World Bank has made US\$ 69.50 million available to Nepal through Nepal Food Crisis Response Trust Fund to operate the Food Crisis Response Program for providing food relief support to the people who have been affected largely by increasing global food price in the past. The sum of US\$ 69.50 million provided to Nepal Food Crisis Response Program which is in operation since fiscal year 2008/09 has been used for various studies and improvement programs including food for work and cash program, providing transport subsidy to 23 remote districts for the supply of agricultural inputs (fertilizers, and seeds), agricultural research, program coordination impact assessment, senior citizen allowance disability allowance, widow allowance among others. Similarly, US\$ 2.5 million has been mobilized through the Poverty Alleviation Fund to run nutrition related programs and carryout program impact assessment, capacity development and monitoring works.

Problems and Challenges

7.32 Poverty reduction in Nepal remains a national challenge. Reducing poverty is still a daunting task due to the increased

poverty intensity among women, *Dalit*, minority, *Madhesi*, people of remote and backward communities, physically challenged and the urban people vulnerable to risks. Though the population ratio below poverty line has declined for adopting policies and programs in the past, the gap between rich and poor is widening further.

- 7.33 Economic disparity still exists though poverty statistics show some progress by number. Reducing existing inequality gap between poor and rich by providing continuity to the poverty reduction initiatives is a top challenge.
- 7.34 Implementation of poverty reduction related programs remain at fragmented state. Poverty needs to be addressed only through the application of multi-pronged approach as it is a multi-dynamic issue. Coordinated effort made in this regard by all concerned agencies and sectors has not been able to produce effective result.
- 7.35 It is imperative to establish industries and expedite construction works within the country for achieving demographic bonus from the existing abundance of active human resource by using them to the possible extent in domestic employment.
- 7.36 Nepal has not been able to prepare the labor force competent enough to meet both domestic and international demands. It is a challenging task to reduce the level of dependency over foreign employment by creating employment opportunities at home to cope with the crisis that may emerge in foreign employment sector which contributes largely to the country's economy.
- 7.37 Maintaining appropriate balance between human resource produced within the country and its demand is a challenging task while it is necessary to maintain both the quality of the existing training centers operating in the country, and regular coordination among themselves. As per the principle of inclusiveness, providing adequate access to employment opportunities by carrying out development activities for rural women, *Dalit*, backward areas, classes and communities has remained a challenge.

7.38 There is absence of national standard with regard to the business related security and health, and safety and provisions on health and safety as stated in Labor Act could not be implemented effectively either. A total of 19 social security programs are being conducted through 13 different ministries where investment has continued to grow on one hand while there have been widespread public complaints for failure to provide services to the target groups in contrast to the availability of such services to non-related groups and irregularities in distribution of social security allowance on the other. Despite the target set to meet increased investment through tax and contribution that are regarded as permanent sources, there is a challenge to operate social security programs in a coordinated manner by consolidating those programs as agencies running such programs seem to possess indifferent attitude towards these issues.

8. Agriculture, Forestry and Land Reform

Agriculture

- 8.1 Agriculture sector has been playing a vital role in the Nepalese economy. The sector's role has been important mainly due to its significant contribution to avail employment opportunities to the entire rural farmer communities and food security to the nation at large. In the context of open international market, it has become an utmost necessity to make this sector efficient to benefit from comparative advantage and competition through commercialization and diversification. Based on available means and resources, Agriculture sector has been receiving top priority since the Fifth Five-Year Plan. Special emphasis is given to the formulation of time-conducive agricultural policies, effective implementation and their monitoring and evaluation aspects for the 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 agriculture sector to the Nepalese economy has been noteworthy. The agriculture sector occupies almost one third of Gross Domestic Product (GDP) with about two third of country's population are dependent in this sector. Contribution of this sector to GDP was 33.87 percent in fiscal year 2012/13, which is expected to remain at 33.10 percent in fiscal year 2013/14. In fiscal year 2070/71, the annual growth rate of agriculture sector is expected to be 4.72 percent at constant prices of 2000/01.

Food Crops Production Status

- 8.3 In current fiscal year 2013/14, total food production of Nepal (rice, maize, millet, wheat, barley, buckwheat) is expected to reach 9,564,280 MT with increment of 8.45 percent as compared to that of previous fiscal year. Total food production for previous fiscal year 2012/13 was 8,817,911 MT. As compared to previous fiscal year, the total area under food crops cultivation in the current fiscal year is expected to increase by 3.31 percent reaching 3,480,052 ha. In current fiscal year, total food productivity is expected to increase by 2.91 percent as result of growth

of total food production by 8.45 percent and area under cultivation by 3.31 percent.

- 8.4 Paddy is the major food crop among all food crops in Nepal. As per preliminary estimate, rice production will increase by about 12.0 percent reaching close to 5,047,000 MT. in current fiscal year 2013/14, which is more by 542,000 MT produced in previous fiscal year 2012/13 (4,504,000 MT). Agriculture technology and monsoon have been the major contributing factors for such growth in paddy production. Development of agriculture technology, more than double increase in productivity of the recommended rice varieties such as Sabitri, Bindeshwori, Radha 4 and 12 in Terai region, Khumal 4, 10, 11 and Chandannath in high hill region are the main reasons behind the increase in paddy production. Nevertheless, more than 90 percent of cultivated area brought under the recommended rice varieties has attributed to increase in overall rice production.
- 8.5 Though monsoon rain that generally starts from June 10, began little late this year and remained quite active from mid-July to mid-August. This year has remained favorable for rice due to continual monsoon rain until the end of September. As compared to previous year, paddy productivity in this year has grown by 7.0 percent with an increase of total cultivated area under the paddy crop increased to 1486951 ha. Drought has affected farmer families of some Terai districts such as Saptari, Siraha, Dhanusha, Mahottari, Sarlahi and the rice crops 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 50 districts, and the remaining 10 districts saw decline in its production.
- 8.6 In terms of production volume, maize is the second major food crop in Nepal. In preliminary estimates, maize production in current fiscal year 2013/14 will increase by about 9.8 percent as compared to previous year reaching about 2,283,000 MT. This production is about 2,04,000 MT increments than that of the previous fiscal year production of 2,07,8000 MT. Area under the maize crop in current fiscal year 2013/14 has reached to 928,761 hectares with 6.3 percent increment as compared to that of previous year. The main reasons for increase in maize production are hybrid seeds and favorable weather. Despite

decline in its production in some areas due outbreak of stem-rot disease caused by persistent rain, overall maize production has increased due to increase in areas under the off-season and spring season maize cultivation.

- 8.7 As per the preliminary estimate, millet production in the fiscal year 2013/14 is expected to decline by 0.5 percent to 304,000 MT from 305,000 MT of last year. Productivity of millet could not grow much as a result of lesser practice of using improved seeds, fertilizers and technology in growing this crop.
- 8.8 Buckwheat, which is a major food crop in some areas of the mountain region, has been included in national statistics since last three years. According to this, buckwheat, which is cultivated in about 50 districts of the country, is estimated to occupy 10,510 hectares area with 1.6 percent decline as compared to previous year. Likewise, its production is estimated to remain at 10,335 MT and productivity at 983 Kg per hectare. Area under its cultivation was higher by 3.3 percent in the previous fiscal year than that of current fiscal year.
- 8.9 Wheat is ranked second among the agriculture crops in terms of its contribution to GDP. Production of wheat in current fiscal year 2013/14 is estimated to hover around previous year's production of 1,883,000 MT. Frequent winter rain and snow fall are attributable for witnessing positive impact on its production. The overall area under wheat cultivation saw some decline in this year owing to its decrease in area under this crop in most of the eastern hill and mountain districts. Some districts of central and eastern Terai witnessed decline in its production whereas western hill and most of the mountain districts saw growth in its production, nonetheless its production remained same as that of previous year.
- 8.10 In current fiscal year 2013/14, the area under barley cultivation is estimated to decrease by 2.8 percent and its production by 5.8 percent. The decline in cultivated area of barley has been the major reason for the reduction in its production volume. The production of barley in Nepal's total food crops is negligible which is merely 35,000 MT.

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

Food Crops	Fiscal Year 2013/14			Fiscal Year 2012/13		
	Area (Ha)	Production (MT)	Productivity (MT/Ha)	Area (Ha)	Production (MT)	Productivity (MT/Ha)
Rice	1486951 (4.7)	5047047 (12)	3394 (7)	1420570 (-7.2)	4504503 (-11.3)	3171 (-4.3)
Maize	928761 (6.3)	2283222 (9.8)	2458 (3.4)	874015 (0.5)	2078571 (-8.3)	2378 (-5.9)
Wheat	754474 (-0.7)	1883147 (0.0)	2496 (0.8)	759843 (-0.72)	1882220 (2.0)	2477 (3.0)
Millet	271183 (-1.2)	304105 (-0.5)	1121 (0.7)	274350 (-1.3)	305588 (-3)	1114 (-1.7)
Barley	28173 (-2.8)	34824 (-5.8)	1236 (-3.1)	28989 (4)	36973 (6)	1275 (2)
Buckwheat	10510 (-1.6)	10335 (2.8)	983 (4.4)	10681 (3.3)	10056 (0.3)	942 (-2.9)
Pulse	276205 (-16.9)	294709 (-17.2)	1067 (-0.3)	332497 (0.0)	355874 (12)	1070 (12)

Source: Ministry of Agriculture Development

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

- 8.11 In current fiscal year 2013/14, total production of pulses (legume crops - like lentils, black gram, pigeon peas, soybean, gram and others) is expected to drop by 17.2 percent to 295,000 MT as compared to that of the last year. In addition, area under the pulses crop is also expected to have come down by 16.9 percent to 276,000 hectares. Production of lentils cultivable on non-irrigable land which has largest contribution to total pulses production has decreased due to high winter rain. Similarly, with decline in production of pigeon's pea and grams, (chickpeas) overall production of pulses has plummeted. However, production of lentils such as black gram, soybean, beans, peas, etc. has increased as compared to that of previous fiscal year.

Production Status of Cash Crops

- 8.12 Though the crops such as oilseeds, tobacco, jute, sugarcane and potato were generally considered as cash crops in the past, all crops that traded are defined as cash crops nowadays viz. green maize. In current fiscal year 2013/14, the area under entire cash crops has remained close to 492,000 hectares, whereas its production stood at 5.92 million MT and productivity at 12,037 MT per hectare. As compared to the

previous fiscal year, its area in current fiscal year has not changed while production and productivity has increased by nearly 2 percent.

- 8.13 Potato production is expected to rise approximately by 0.3 percent in current fiscal year 2013/14 reaching 2.69 million MT. Its cultivation area is estimated to rise by 0.4 percent to 198,000 hectares while its productivity to remain at 13.626 MT per hectare. Potato, which is striving towards taking top position in cash crops, is likely to increase nominally in this year due to extreme winter drought. The market price of seasonal potato has been increasing notably in recent years. Increase in cost of production is believed to have led price hike of such potatoes. Potato has been considered as key crop in some mountain districts of Nepal as well. Its domestic production is likely to fall short to meet the actual demand in recent years.

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

Cash Crops	Fiscal Year 2013/14			Fiscal Year 2012/13		
	Area (Ha)	Production (MT)	Productivity (MT/Ha)	Area (Ha)	Production (MT)	Productivity (MT/Ha)
Potato	198005 (0.4)	2698000 (0.3)	13626 (-0.1)	188012 (-1)	2755590 (7)	14645 (8)
Vegetables	248004 (0.7)	3472056 (5.2)	14000 (4.5)	246174 (0.0)	3409722 (3)	13851 (3)
Fruits	98350 (-3.1)	940371 (0.2)	9565 (3.4)	101480 (0.2)	938731 (-8.8)	9250 (-9.1)

Source: Ministry of Agriculture Development

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

- 8.14 Fruit production in current fiscal year 2013/14 is estimated to increase by 0.2 percent to 940,000 MT as compared to that of previous year. Likewise, area under fruit cultivation is expected to decline by 3.1 percent to 98,350 hectares. Despite decrease in orange cultivated area, total fruit production volume is estimated to remain unchanged in this year due to rising trend of commercial farming of bananas and the year considered as high volume yielding year-cycle.
- 8.15 The volume of vegetable production is expected to grow by 5.2 percent in the current fiscal year 2013/14 reaching 3,472,000 MT. Area under vegetable cultivation is estimated to stay at 248,000 hectare while its productivity is expected to rise by 4.5 percent. Increased practice of cultivating off-season vegetables as the major cash crops instead of cultivating other crops in recent years has resulted in the continuous growth of its area and production. Thus, the living standard of farmers

engaged in vegetable farming is believed to have significantly improved.

- 8.16 Production of oilseeds (mustard, yellow mustard, sunflower, etc) in current fiscal year 2013/14 is estimated to rise by 1.1 percent as compared to that of previous fiscal year reaching 185,000 MT. Oilseeds cultivated area preliminarily estimated to increase by 0.1 percent to 215,800 hectares. Though the production of sunflower seed has been gradually rising in recent years, oil crops have not been able to grow much due to decline in production of mustard seeds.

Table No. 8 (c): Preliminary Status of Industrial Crop Production

Industrial Crops	Fiscal Year 2013/14			Fiscal Year 2012/13		
	Area (Ha)	Production (MT)	Productivity (MT/Ha)	Area (Ha)	Production (MT)	Productivity (MT/Ha)
Oilseeds	215800 (0.1)	185412 (1.1)	860 (1.1)	215600 (-1)	183312 (-1)	850 (0.0)
Tobacco	1750 (-2.8)	2200 (-9.5)	1257 (-6.9)	1800 (-5)	2430 (53)	1350 (0.5)
Sugarcane	65000 (0.8)	3020000 (3.1)	46461 (2.3)	64483 (0.0)	2930000 (2)	45438 (2)
Jute	11350 (0.4)	15750 (1.6)	1388 (1.2)	11300 (7)	15500 (7)	1372 (0.0)
Tea	19100 (0.2)	19610 (2)	1027 (1.8)	19056 (5)	19225 (3)	1009 (-2)
Coffee	1765 (0.9)	375 (2.5)	212 (1.6)	1750	366	209
Cotton	175 (0.0)	155 (3.3)	886 (3.3)	175 (30)	150 (13)	857 (-13)
Others						
Honey (Beehive)	213200 units	2050 (26)		169000 units	1625 (8)	
Mushroom		1900 (15)			1650 (5)	
Silk Cocoon		45 (18.4)			38 (21)	
Flower Farming	Transaction worth more than 1 billion			Transaction worth nearly 1 billion		

Source: Ministry of Agriculture Development

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

- 8.17 In comparison to previous year, production of tobacco is estimated to decrease by 9.5 percent to 2,200 MT in current fiscal year 2013/14. Its production and cultivation area are found to have declined since last

few years. In current fiscal year, the cultivation area of tobacco is expected to fall by 2.8 percent totaling 1,750 hectares.

- 8.18 Sugarcane has been a major industrial crop. In current fiscal year 2013/14, area under cultivation of sugarcane has grown by 0.8 percent and stood at 65,000 hectares. Its production is also estimated to increase by 3.1 percent in current fiscal year remaining close to 3,020,000 MT. Earlier, farmers were moving away from sugarcane farming as it was difficult for them to recover even the cost of production due to problems in sales of sugarcane, but now farmers are again attracted towards this crop farming owing to rise in both sugar consumption and its price resulting in the increase in sugarcane's cultivation area, production and productivity.
- 8.19 Both the production and the area under jute crop which is being cultivated in six districts of eastern region including Jhapa, Morang, Sunsari, Saptari, Siraha and Udayapur are estimated to have grown by few percent in current fiscal year 2013/14. Its cultivation area, production and productivity have estimated to grow by 0.4 percent, 1.6 percent and 1.2 percent, respectively. Despite the decrease in its cultivation area and production and productivity as a result of the unavailability of adequate amount of jute seeds in the past, there has been progress in these fronts in recent days.
- 8.20 Of the industrial crops like tea, coffee and cotton, production of coffee has increased by about 2.5 percent in current fiscal year 2013/14. As compared to previous years, the area under coffee cultivation and its productivity has slightly dropped this year. Though farmers are attracted towards coffee farming as this is being exported to third countries, its production is estimated to remain merely at 375 MT. In the current fiscal year, production of coffee has recorded growth of 2 percent. In Nepal, cotton is cultivated in the districts of Dang, Banke and Bardiya. Its production is estimated to reach 150 MT cultivating in an area of about 175 hectares in fiscal year 2013/14.
- 8.21 The number of beehives is expected to increase heavily in current fiscal year 2013/14 as compared to that of previous fiscal year. In current fiscal year, the number of beehives is expected to reach 213,000 units from 169,000 unit of previous year and its total production to grow by 26.0 percent reaching 2,050 MT. Though the number of modern varieties of bee such as Serena and Molifera has increased, the number of wild bees like Mude and Khope has declined.

- 8.22 About 600 nurseries and flower showrooms in Kathmandu valley are estimated to have flower transactions of more than Rs. 1 billion in current fiscal year 2013/14. Such high transaction was observed as a result of high price hike on flowers. Such transactions were of about Rs. 1 billion in previous fiscal year.
- 8.23 Mushroom farming has been gaining popularity mainly in urban areas. The production of mushroom in current fiscal year 2013/14 is estimated to increase by 15.0 percent as compared to that of previous year reaching 1,900 MT. About 333,000 bottles were distributed to meet this production volume. In current fiscal year 2013/14, production of silk cocoon is expected to reach about 45 MT from 38 MT of previous year with 18.4 percent growth.
- 8.24 Production and area under cultivation for all spices have witnessed mixed result in current fiscal year 2013/14. Of the spices, production of garlic is estimated to drop by 11.4 percent, turmeric by 14.8 percent and cardamom by 9.8 percent while that of ginger is estimated to surge by 14.3 percent and chilly by nearly 7.5 percent. Though cardamom has been a major exporting crop- suffered decline in production in previous year due to a spotty disease, its production mainly in high cardamom producing districts like Taplejung and Sankhuwasabha did not fall much due to the implementation of a number of programs and technologies. The prices of cardamom and ginger have escalated high in current fiscal year.

Table 8 (d): Preliminary Status of Spices Production

Spices	Fiscal Year 2013/14			Fiscal Year 2012/13		
	Area (Ha)	Production (MT)	Productivity (MT/Ha)	Area (Ha)	Production (MT)	Productivity (MT/Ha)
Ginger	19454 (2.1)	261175 (14.3)	13425 (11.9)	19049 (-6)	228501 (-10)	11995 (-5)
Garlic	6435 (-9.9)	50531 (-11.4)	7852 (-1.6)	7146 (21)	57022 (40)	7980 (16)
Turmeric	4670 (-9.2)	42294 (-14.8)	9056 (-6.2)	5141 (19)	49649 (41)	9657 (18)
Chilly	7046 (-2.4)	33593 (7.5)	4768 (10.1)	7220 (8)	31252 (14)	4329 (6)
Cardamom	14859 (13.2)	6317 (-9.8)	825 (-7.6)	13129 (-8)	7000 (16)	533 (26)

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

- 8.25 In fiscal year 2013/14, the total number of cattle in Nepal is expected to drop by 1.17 percent reaching nearly 7,188,000 as compared to that of previous year. Of the total number of cattle, the number of mulching cows has stood at 1.02 million (14.0 percent). The number of improved cows is on the rise. Likewise, the number of buffaloes is estimated to decrease by 1.89 percent reaching 5,143,000. Of the total number of buffaloes, the lactating buffaloes are estimated to remain at 1,304,000 (26.0 percent). The number of lactating buffaloes has decreased by 4.75 percent compared to that of previous year. In FY 2013/14, the number of sheep is estimated to remain around 789,000 and the number of goats at 10,179,000. The number of sheep is estimated to decrease by 2.51 percent while that of goats to increase by 4.2 percent as compared to that of previous fiscal year. Similarly, the number of pigs is expected to rise by 5.6 percent as compared to that of previous fiscal year reaching 1,225,000.
- 8.26 As compared to previous year, the number of fowl is estimated to decrease by 4.67 percent from 48,000,000 reaching 45,700,000 in fiscal year 2013/14. Though business of broiler chicken has been flourishing in Nepal, its production is expected to fall this year due to low import of layer parent stock caused by bird flu outbreak in the districts including Bhaktapur. The number of ducks is estimated to increase by 3.79 percent reaching 390,000. Of the total number of fowl, the number of egg laying chicken is estimated to remain at 8,031,000 while the number of egg laying duck out of total number ducks to remain at 180,000. The number of yaks and rabbits in current fiscal year is expected to reach 61,045 and 25,437 respectively. Similarly, the numbers of horse/donkey are estimated to stand at 49,426.

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

(In numbers)

Types	Fiscal Year 2013/14	Fiscal Year 2012/13	Fiscal Year 2011/12
Cow	7188940 (-1.17)	7274022 (0.41)	7244944 (0.26)
Buffalo	5142910 (-1.89)	5241873 (2.13)	5133139 (2.79)
Sheep	789180 (-2.51)	809536 (0.28)	807267 (0.27)
Goat	10179321 (4.02)	9786354 (2.87)	9512958 (3.55)

Types	Fiscal Year 2013/14	Fiscal Year 2012/13	Fiscal Year 2011/12
Pig	1225035 (5.6)	1160035 (2.00)	1137489 (2.62)
Chicken	45719377 (-4.67)	47959239 (6.17)	45171185 (14.27)
Duck	390209 (3.79)	375975 (-0.25)	376916 (-0.30)
Mulching Cow	1020175 (-0.53)	1025591 (2.67)	998962 (2.55)
Mulching Buffalo	1304686 (-4.75)	1369796 (2.94)	1331039 (3.05)
Egg laying Chicken	8031616 (2.45)	8233616 (4.12)	7907469 (5.73)
Egg Laying Duck	179447 (2.71)	174714 (-0.15)	174981 (-0.10)

*Note: Numbers in brackets denotes growth in percent as compared to that of previous fiscal year
Source: Annual Report (Various Years), Ministry of Agriculture Development*

Status of Domestic Animals/Fowls Production

8.27 The production of cow and buffaloes milk (excluding Yak) is estimated to remain at around 1,698,000 MT in the current fiscal year 2013/14 which is higher by nearly 1 percent compared to previous year. Of the total milk production, the share of cow's milk is estimated to remain at 562,000 MT while that of buffalo milk to remain at 1,135,000 MT. Despite the number of buffaloes in recent days has dropped, cow's milk production has increased as a result of flourishing improved cow raising business. As compared to previous year, the total meat production of Nepal is estimated to increase by 0.15 percent reaching 295,000 MT. Of the total meat production, production of buffalo's meat is estimated at around 173,000 MT (58.0%), sheep at 2,652 MT (1.0%), goat(castrated/non-castrated) at 59,050 MT (20%), pig at 19,860 MT (7.0%), fowls at 40,690 MT (13.0%) while that of ducks meat is estimated to remain at 227 MT (1.0%).

8.28 As compared to the previous fiscal year, total eggs production is estimated to drop by 5.0 percent in the current fiscal year reaching 799 million eggs. Of this total, the chicken shares 785.6 million while duck shares 13.4 million units. Similarly, wool production from sheep is estimated to reach 586 MT. Fish production in the current fiscal year is

estimated to reach at 65,757 MT with about 14.0 percent growth. Fish Campaign Programs organized in various districts of the country has attributed to increase in its production.

Table No. 8 (f): Production of Animals and Fowls

Production Type	Fiscal Year		
	2013/14	2012/13	2011/12
Milk Production (MT)	1699760 (1.01)	1680812 (3.60)	1622751 (4.2)
Cow	562684 (14.28)	492379 (5.00)	468913 (4.85)
Buffalo	1135076 (-4.49)	1188433 (3.02)	1153838 (4.0)
Total Meat Production (MT)	295603 (0.15)	295167 (2.51)	287930 (3.71)
Buffalo (Male)	173124 (-1.15)	175132 (1.58)	172414 (2.70)
Sheep	2652 (-2.54)	2721 (0.04)	2720 (-0.07)
Goat (Castrated/N on-Castrated)	59050 (6.25)	55578 (3.02)	53956 (2.97)
Pig	19860 (6.15)	18709 (2.36)	18277 (1.97)
Chicken	40690 (-4.95)	42810 (6.86)	40346 (11.80)
Duck	227 (4.61)	217 (-0.46)	217 (-3.57)
Egg Production (In 1000 unit)	799054 (-4.75)	838940 (4.69)	801370 (13.80)
Chicken	785651 (-4.87)	825890 (4.77)	788310 (14.0)
Duck	13403 (2.70)	13050 (-0.07)	13060 (-0.03)
Wool Production (Kg)	586830 (-0.17)	587834 (0.14)	587017 (0.13)
Fish (MT)	65770 (14.35)	57515 (2.71)	56000 (6.76)

*Note: Numbers in brackets denotes growth in percent as compared to that of previous fiscal year
Source: Annual Report (Various Years), Ministry of Agriculture Development*

Major Reasons for fluctuations in agricultural area, production and productivity

8.29 **Effect of Weather:** Despite late start of monsoon by 3-4 days instead of around its normal onset from 10th of June, it remained pretty much active in the beginning, fluctuated to passive in the middle, and turned the other way around till mid-August. Rice plantation in the current fiscal year remained low in the majority of Eastern and Mid-Terai districts like Sihara, Saptari, Dhanusha, Mahottari, Sarlahi though these district received precipitation until October 17. The overall rice cultivated area and its production have increased as compared to previous year due to increase in both cultivated area and productivity in some hill and mountain districts. June received 125 percent precipitation, July 121 percent and August 129 percent while September received 86 percent of precipitation. The entire year except the month of September in the current fiscal year received more than an average rainfall and there has been even distribution of rainfall across the country as well which provided positive impact to the total production of rice, maize and other crops. In current fiscal year, weather remained favorable for winter crops particularly like wheat, barley, pulses (lentil, peas), and fruits among others. Though November and December month witnessed no rainfall and January witnessed less than average rainfall, winter crops remained satisfactory due to precipitation in October and retained moisture in the soil. Production of most of the winter crops is likely to surge as a result of the receipt of countrywide precipitation for several days in the months of February and March with frequent snowfall.

Table 8 (g): Agriculture Inputs for production

Description	Fiscal Year						
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Chemical Fertilizer (MT)	12751	3285	3157	42178	29604	146584	178461.6
Improved Seeds and Seedlings (MT)	3380	3781	3947	4337	4393	2964	3669.56
Irrigation (Additional Ha)	26967.5	14099	25850	30718	35748	47795	32180
Agricultural Loan (In Rs. 10 million)	1388.2	1388	1337.6	1429.1	1419.2	2340.7	3153.1

Source: Economic Surveys of previous years and Nepal Rastra Bank

8.30 **Impact of Improved Technology:** The overall production in current fiscal year 2013/14 is estimated to grow due to improved technology

developed in agriculture sector such as improved seeds, fertilizers, pesticides, farming tools and techniques, trained human resources, etc. Productivity of recommended rice species such as Sabitri, Bindeshwori, Radha 4 and 12 in Terai, Khumal 4, 10, 11 in Mid-hills and Chandanath in upper hills have been double than that of local breeds. Likewise, productivity has increased due to more than 90 percent of area is covered by recommended rice breeds and maize seeds.

- 8.31 **Impact of Natural Disaster:** The effect of floods, inundation, and river bank erosion on monsoon crops is on the rise in current fiscal year 2013/14 compared to years in the past. About 13,600 hectares of land were destroyed by inundation, river bank erosion and sand burial this year whereas rice could not be planted in an area of about 50,000 hectares due to less precipitation. The overall damage brought about by natural disaster to the nation except from that drought has been increasing in current fiscal year as compared to that of previous years. Floods and landslides have caused the loss of human lives and properties in about 34 districts this year.

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

Affected Agricultural Products	Year 2070 Floods and landslides	Year 2069 Drought	Year 2068 Floods and landslides	Year 2067 Floods and landslides	Year 2066 Floods, landslides, drought
Rice	13500	110450	859	567	92000
Maize	95	21801	656	563	1700
Millet	5	3691	2	13	0
Total	13600	135932	1517	1143	93700

Source: Ministry of Agriculture Development

- 8.32 **Effect of Chemical Fertilizers:** In FY 2010/11, a total of 110,000 MT of chemical fertilizers was sold which grew by nearly 32 percent to 147,000 MT in FY 2011/12. Such sales volume increased to 178,000 MT which is being sold and distributed in fiscal year 2013/14. During the first eight months of current fiscal year 2013/14, a total of 134,500 MT of chemical fertilizers has been sold which is about 55.0 percent of total annual target (245,000 MT). The chemical fertilizer usage rate in fiscal year 2012/13 has been approximately 57 Kg per hectare. This rate was approximately 47 Kg per hectare in fiscal year 2011/12.

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

(In MT)

Name of Fertilizers	Fiscal Year			
	2013/14	2012/13	2011/12	2010/11
Urea	86543	56905	71024	39629
DAP	45818	36919	49313	13766
Potash	2138	1006	3603	1741
Total	134500	94830	115940	55136

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

- 8.33 **Irrigation:** Of the country's total 2,641,000 Ha of arable land, 1,766,000 ha of land are irrigable. It is imperative to increase agriculture production by extending irrigated land area to provide organized irrigation facility through the construction of surface irrigation and ground water irrigation systems. In fiscal year 2013/14, additional irrigation facility has been provided to 19,561 hectares of land through new irrigation projects. A total of 32,180 hectares of land has been brought under organized irrigation facility including 12,619 hectares through farmers' canal by renovating the damaged but already constructed irrigation system. In the first eight months of current fiscal year 2013/14, additional irrigation facility has been extended to 7,948 hectares of land through underground shallow tube-well.

Table 8 (j): Additional Irrigation Extension

(Area in Ha)

S. No.	Description	Fiscal Year 2012/13	First Eight Months		
			Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14
1	Geographical Region	32180	17447	9585	7948
A	Hill	12112	1345	-	
B	Terai	20068	16102	9585	7948
C	Non-classified	-	-	-	-
2	Based on Types	32180	17447	9585	7948
A	Surface	15000	12935	-	
B	Underground	17180	4512	9585	7948
C	Non-classified	-	-	-	-

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

- 8.34 **Water Induced Disaster Control:** Land Conservation as a result of ongoing construction work of embankment on both sides of 14 rivers of Terai has help protect land thereby providing positive impact to the economy. Emergency and rehabilitation works have been carried out in flood affected area caused by torrential rain during the 3rd week of June 2013 leading to flashflood in central and far western development regions. The Adaption Capacity Against Disaster of community has been enhanced indirectly through new technology development, capacity enhancement and people's awareness programs. Initiation for coping with large landslides has been made, while the flow of debris on the plain land has been reduced. About 31 settlements and *Taarbazar* (low land markets) have been protected where damages caused by such hazards have also been reduced in these areas. Dyke construction works are underway in 14 river banks by the end of fiscal year 2011/12 under "People's Embankment" program that began during fiscal year 2009/10.
- 8.35 **Agriculture Credit:** Of the total agriculture credit disbursed by commercial banks in fiscal year 2012/13, arrears of Rs. 39.78 billion has to be recovered. Agricultural Credit of Rs. 28.79 billion had to be recovered by such banks against their credit flow in FY 2011/12. Such arrears that stood at Rs. 8.89 billion in the first eight months of fiscal year 2012/13 grew by 18.3 percent to Rs. 7.28 billion by the first eight months of fiscal year 2013/14.

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

(Rs. In Million)

Types of Credit	2011/12	2012/13*	2013/14**	Change in First Eight Months			
				2012/13 (Amount)	2012/13 (Percent)	2013/14 (Amount)	2013/14 (Percent)
Farming Related Services	2797.9	6222.4	6301.3	3426.7	122.5	78.9	1.3
Tea	1757.2	2130.1	3101.5	210.0	12.0	971.4	45.6
Animal Husbandry and Animal Husbandary Related Services	4382.5	12714.6	13454.2	7264.1	165.8	739.6	5.8
Forest, Fisheries and Slaughter Houses	258.7	4555.6	5351.7	217.2	83.9	796.1	17.5
Other Agriculture and Agro-based Services	19597.7	14161.1	18856.3	2227.1	-11.4	4695.2	33.2
Total	28794.1	39783.8	47064.9	8890.9	30.9	7281.1	18.3

Note: * Unprocessed, ** As of mid-March 2014

Source: Nepal Rastra Bank

- 8.36 **Cooperative Based Farming, Small Irrigation and Fertilizer Seeds Supply Program:** From the prospective of food and nutrition security, it is essential to increase food availability and income generating opportunities by providing access to irrigation facility and agricultural inputs with transportation facility to small farmers' groups. Small irrigation program that came into operation since fiscal year 2010/11 has been in operation in all 75 districts. Agricultural Inputs Supply program is going on in 26 rural upper and mid-hill districts. Under this program, arrangement has been made to provide transport subsidy for the supply of such inputs to the respective headquarters of program's specified districts. Under this program, 77 cooperative based small irrigation schemes were implemented, 1,386 small irrigation constructed and renovated and 56 cooperative based farming schemes were completed in FY 2012/13. Likewise, 1,805 MT of chemical fertilizer and 82.90 MT of improved seeds have been transported in upper and mid-hill rural districts.

Organizations Involved in Agriculture Development

Small Farmer Development Bank Limited

- 8.37 Small Farmer Development Program which has been in operation for last 39 years has remained as a campaign program for the benefit of small farmers carrying objective of reducing poverty by improving the economic and social condition of poor, ultra-poor and small farmers residing in rural Nepal. In this process, Small Farmer Development Bank Ltd. was established in July 6, 2001 for the development and extension of Small Farmer Cooperative Institution along with making arrangement of loan capital for those needy institutions. This Bank has had been providing wholesale credits to Small Farmers' Agricultural Cooperatives and other micro-finance institutions of similar nature established and operated by small farmers of rural Nepal to run agro-based micro-finance programs. The Bank has been conducting social/community development program, livestock insurance program, small farmer cooperative replication and service extension program, and training and seminars for the capacity enhancement of such microfinance institutions and small farmers involved with these institutions.
- 8.38 During the first eight months of FY 2011/12, there were 391 cooperatives of 49 districts affiliated to this bank, while by the same period of the current fiscal year, the service has been extended to 55 districts where 415 such cooperative are affiliated to the bank. In FY 2013/14, small farmer family number involved in cooperative

institutions has increased by 26 percent reaching a total of 336,131 members as compared to that of previous fiscal year. With this, about 1.6 million people have been reaping the benefits. The bank has extended its services to about 475,000 families including additional 113 institutions that are in the establishment process through the small farmer replication program. The credit investment has increased by 38.0 percent reaching Rs, 2709.9 million in the first eight months of FY 2013/14 as compared to Rs. 10963.4 billion of the corresponding period of FY2012/13. In the eight months of previous fiscal year 2012/13, the approved loan that had stood at Rs. 2801.5 million has reached Rs. 2931.3 million during the same period of current fiscal year. The loan recovery has increased by 48 percent while loan investment has increased by Rs. 997.5 million to Rs. 4178.3 million in the first eight months of current fiscal year. Share, saving and reserve fund of small farmer members of 343 institutions affiliated to the bank that had accrued the capital of Rs. 5810.1 million in the first eight months of FY 2012/13 swelled up by 37 percent reaching Rs. 6987.4 million in the same period of current fiscal year. Likewise, a capital sum of Rs. 11,165.7 million has been mobilized in small farmer cooperative sector.

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

S. No.	Description	Fiscal Year					First Eight Months	
		2008/09	2009/10	2010/11	2011/12	2012/13	2012/13	2013/14
1	Number of Districts Covered	39	40	41	43	54	49	55
2	Number of Co-operative Institutions	224	234	251	291	391	343	415
3	Number of Small Farmers Group	22313	24412	28423	31968	40991	36040	43446
4	Small Farmers Member	140962	159767	189899	228418	323384	266667	336131
5	Total Local Source (In Rs. 100 thousand)	12816	19021	29929	41033	65273	50811	69874
6	Approved Credit (In Rs. 100 thousand)	10760	10804	15427	27550	34332	20815	29313
7	Credit Investment (In Rs. 100 thousand)	6349	9558	18709	26738	33091	19624	27099
8	Loan Recovery (In Rs. 100 thousand)	13276	5924	11095	18751	23526	14578	21643
9	Amount on Investment (In Rs. 100 thousand)	7527	11161	18775	26762	36327	31808	41783

Source: Small Farmer Bank Ltd.

- 8.39 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. The bank has started credit investment program since mid-April, 2011 with a target to invest Rs. 2 billion for 23,000 farmers. A credit sum of Rs. 3289.5 million has been approved and of this, a total of 31,749 farmers from 227 institutions affiliated to this bank have availed Rs. 2168.0 million by the first eight months of the current fiscal year through which farmers have raised 157,450 meat oriented livestock heads. Of this credit investment, 115,378 goats, 18,278 pigs, 8,033 buffalo calves and 15,761 she buffaloes have been purchased. So far, 48 percent of the credit amount is invested in the purchase of goats, 9 percent in pigs, 5 percent in buffalo calves and 38 percent in the purchase of she-buffaloes. The livestock raised from this investment is estimated to have generated more than Rs. 3.8 billion annually from meat and dairy products.

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

Description	Fiscal Year			First Eight Months	
	2010/11	2011/12	2012/13	2012/13	2013/14
Number of Institutions	151	186	207	201	227
Number of Farmers	8741	17941	25411	24325	31749
Approved Loan (In Rs. 100 thousand)	6447	14305	23029	22545	32895
Credit Investment Amount (In Rs. 100 thousand)	4621	11023	16229	15268	21680
Number of Livestock	40778	87783	122406	116326	157450
Goats	28796	64073	90433	85690	115378
Pig	6088	11117	14535	13839	18278
Buffalo Calves	2702	5203	6317	6269	8033
Buffalo	3192	7390	11121	10528	15761

Source: Small Farmer Bank Ltd.

- 8.40 Small Farmer Development Bank has been conducting capacity development of cooperatives, livestock insurance and their promotion and microfinance service extension activities under Small Farmer Cooperative Replication program for skill and capacity enhancement, rural physical infrastructure development, cooperative institutions affiliated to this bank and their members. Programs are being operated in the joint participation of Nepal Government, Bank, Small Farmer Cooperative Institutions and small farmers themselves. The capacity enhancement program has benefited a total of 65,070 individuals while 396,851 families have reaped the benefit from social/community development program until mid-March 2014. Likewise, microfinance service has been extended to 104,478 families while 245 long-term microfinance service providing small farmers' cooperatives are in operation in 245 VDCs subsequent to their establishment. Livestock Raising and Management training has been imparted to 12,682 farmers so far. A total of 49,028 units of livestock worth Rs. 720 million of 23,019 families have been insured under community level livestock insurance program in the first eight months of the current fiscal year 2013/14.
- 8.41 Installation of software is completed subsequent to the procurement of hardware for the development of information technology sector of banks. Of the restructured 65 low performing institutions, 64 such institutions have attained encouraging success as expected. Of the target to extend micro-finance service to 30,000 families affiliated with 60 cooperatives in 25 hill and mountain districts, such service has been extended to nearly 105,000 families affiliated with 140 cooperatives in those districts.
- 8.42 Commercialization of agriculture in Nepal cannot be possible unless educated skilled and competent youths are made involved in modern technology based agriculture and livestock businesses by attracting them towards agricultural profession. Lack of commercialization of agriculture sector that contributes about 33 percent to GDP has been creating an obstacle to economic prosperity. Nepal, the agricultural country has been importing food grains and livestock worth billions of rupees. In this context, the bank with the support of Government of Nepal and Israeli Government has sent more than 200 youths (children of small farmer members) of Nepal aged 22 years and above with minimum educational qualification of 10+2 for theoretical and practical training on agriculture in the first phase. Process for sending other 360 youths in the second phase is in progress. Youths sent in the first phase

will be returning home from mid-July 2014. Necessary arrangements will be made to make the trained returnees from Israel involve in commercial agriculture activities.

Nepal Agriculture Research Council

8.43 Nepal Agriculture Research Council (NARC), has adopted the policy in line with National Agriculture Policy 2004 and a twenty-year long-term Agriculture Perspective plan to 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. In the first eight months of the current fiscal year 2013/14, among the new varieties of rice, Hill Rice-1 and Hill Rice 3 have been recommended for introduction. Likewise, drought resistant Dry Rice-4, Dry Rice-5, Dry-Rice-6 have been approved by Technical Committee for introduction while submission of recommendation for NR 1190 variety of rice and *Khumal* hybrid -2 wheat variety and NL 1064 and NL 1073 varieties of wheat has been done. Similarly, millet, buckwheat and barely are under recommendation process for their introduction. Howard variety of Kiwi fruit is found suitable for recommendation. Vegetables at Kalimati vegetable market are tested appropriate for consumption after analyzing pesticide residue sample test using Rapid Bioassay of Pesticide Residues (RBPR) method. Foundation seed of 341 MT has been produced in the first eight months of FY 2013/14.

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

Fiscal Year	Source Seed Production (MT)	Introduction of Crop Varieties (In number)	Introduced Crop Varieties
2004/05	749	9	Rice, Maize, Wheat, Pulses, Oilseeds, Hill-Crops (Barley, Millet, Buchwheat), Potato, Sugarcane, Jute, Vegetables, Ginger, <i>Dhaincha</i> , Grass Seeds etc.
2005/06	669	4	
2006/07	575	10	
2007/08	864	2	
2008/09	789	9	
2009/10	715	0	
2010/11	806	13	
2011/12	912	7	
2012/13	1009	4	
2013/14*	341	5	

*Of the first eight months

Source: NARC, Annual Report, 2012

Status of Imports and Exports of Agro- Products

8.44 Exports of food items and live animals, and that of tobacco and beverages, have increased by 25.8 percent and 952.3 percent reaching Rs. 15.39 billion and Rs.149 million, respectively, in the first eight months of FY 2013/14. Export of such products had stood at Rs 12.23 billion and Rs. 140 million, respectively, in the corresponding period of previous fiscal year. Export of such items during the first eight months of current fiscal year 2013/14 is estimated to surge by 19.4 percent as compared to the corresponding period previous fiscal year. Likewise, Food items and live animals worth Rs 53.64 billion and tobacco and beverages worth Rs.3.01 million were imported in the first eight months of the previous fiscal year 2012/13. Imports of these items are higher by 35.6 percent and 7.6 percent, respectively, as compared to those in eight months of previous fiscal year 201/13. Import of goods is estimated to grow by 27.0 percent in the first eight months of the current fiscal year.

Cooperative Sector

8.45 The interim Constitution of Nepal, 2006 has adopted policy to develop country's economy through public, private and cooperative sectors. The state has recognized cooperative sector as the three pillars for national development. Organizational structure has already been developed from the primary level to national level for the development, extension and promotion of cooperatives in the country. As a consequence, attraction towards conducting entrepreneurial and business transactions embracing cooperative modality in sectors like financial service, agricultural production, processing (dairy, vegetables, fruits, honey, zinger, cardamom, tea, coffee, herbs, sugarcane, tangerine etc.), consumer market arrangement, health, education, transportation, communication, electricity, housing, tourism and insurance has continued to grow.

8.46 In the first eight months of the current fiscal year 2013/14, the number of cooperatives grew by 209.46 percent, membership by 248.99 percent and share capital by 3253.94 percent as compared to that of FY 2006/07. Likewise, the volume of net saving surged by 718.41 percent and net investment by 5496.94 percent during the same period this year from which rapid development and expansion of cooperative sector is visible. Similarly, Cooperative institutions that had their saving mobilization worth Rs. 19.51 billion in FY 2006/2007, recorded a booming growth in savings reaching a total of Rs. 159 billion by the

first eight months of the current fiscal year 2013/14. This indicates that cooperative plays an important role in saving mobilization.

Table No. 8 (o): Number of Cooperatives Capital, Investment and Saving

(In Rs. Thousand)

Fiscal Year	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
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
2013/14*	30080	4396444	35067612	159732675	135152978

Source: Government Departments

*Progress of first eight months of current fiscal year

- 8.47 The total number of cooperative membership has stood at 4,396,444 in the first eight months of current fiscal year 2013/14 of which 2,419,958 are male and 1,976,486 are female whereas, the ratios of male and female members are 55 percent and 45 percent, respectively. Likewise, the number of cooperatives has reached 30,080 of which more than 3,367 cooperatives are being fully operated by women. The rising number of women run cooperative has indicated the significant contribution of cooperatives to women empowerment.
- 8.48 The cooperative sector has been offering direct employment to more than 52 thousand individuals while more than 700,000 people are estimated to have availed indirect employment through this sector. Of the total saving mobilization Rs. 159 billion, Rs. 135 billion is in investment which is estimated to have contributed significantly to the promotion of entrepreneurial businesses from village level to cities and agricultural production enhancement. The total share capital of registered organizations of different natures stood over Rs. 35 billion. National Cooperative Federation -1, National Cooperative Bank Ltd.-1 Central Cooperative Unions-17, District Cooperative Unions -68 and Subject Specific District Cooperative Unions-217 have been registered and in operation aside from those Primary Cooperative Societies.

- 8.49 Of the total number of multipurpose cooperatives established and operated as of the first eight months of FY 2013/14, saving and credit cooperatives constitute 43 percent while agriculture and agricultural production related cooperatives share almost same number to this total.

Table 8 (p): Description of Active Cooperatives

(In Rs. thousand)

Nature of Business	Institution Nos.	Member		Share Capital Rs.	Deposit Rs.	Investment Rs.
		Male	Female			
Saving and Credit	12961	1193901	1127035	25274089	119455311	101656245
Multipurpose	4103	619474	399431	6370219	29249918	24946267
Agriculture	7367	325828	274226	1832072	3299505	4675615
Dairy	1742	84388	28926	457699	5925636	422214
Consumer	1503	35974	23501	235776	255500	455437
Electricity	426	54945	12131	79123	42856	116171
Vegetable and Fruits	200	15410	18230	55712	302012	593712
Tea	108	4202	1619	36499	13315	22704
Coffee	146	3181	2328	12554	16917	6324
Herbs	183	4275	2319	17232	6183	10702
Bee Keeping	64	2458	1452	7378	4102	5098
Communication	119	8803	3959	124655	22322	20743
Health	90	5833	3809	258522	112849	106062
Sugarcane	47	943	287	4663	10653	2121
Tangerine	43	899	516	981	6125	6223
Others	978	59444	76717	300438	1009471	2107340
Total	30080	2419958	1976486	35067612	159732675	135152978

Source: Government Department

- 8.50 Capital grant of up to 50 percent cost of machinery equipment is being provided through cooperatives required for establishment of livestock (cow, goat, pig etc) farms and agro-based processing cooperative enterprises under selected schemes. In last four years, a grant sum of

Rs. 1100.2million has been provided for the establishment of 247 agro-based industries on government-cooperative partnership and grant sum of Rs. 43.606 million has been provided for National Cooperative Federation building on installment basis.

Forest and Soil Conservation

- 8.51 It is imperative to provide support to economic development through proper conservation, sustainable management and utilization of forest resources including forest, vegetation, wild-life and bio-diversity. For this, programs are being conducted such as maintaining 40 percent of total land under forestry, conserving resources of forestry, ensuring sustainable management and optimum utilization. Similarly making easy supply of forest products, creating additional employment opportunities and improving people livelihood through the commercialization of forestry and its products generated through the sustainable management and utilization of situational services, proper conservation of forest land and creating promotional as well as cooperative environment for its development and maintain good governance in forestry sector are among other on-going programs.
- 8.52 Forest occupies 29 percent while shrubs over 10.5 percent of the Nepal's total land mass. Of the total 388 million cubic meter stem volume, Salspecies (*Shorea Robusta*) occupies 28 percent. Likewise, total bio-mass remains at 429.0 million tons, average stem volume 178 cubic meters and average number of trees stands at 408per hectare

Table 8 (q): Forest Resource Statistics of Nepal

Forest Area	4.27 million Ha (29Percent)
Shrub Area	1.56 Million Ha (10.6Percent)
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

- 8.53 Protective, conservational and promotional working policies have been adopted for maintaining minimum 40 percent of Nepal's total land mass under the forests. Reforestation in the quantitative ratio of the forest land used for nationally prioritized infrastructure development works has been arranged through the concerned projects. A total of 648 ha of forest land in FY 2013/14 and 55.5 ha. in the current fiscal

year 2013/14 has been evacuated and managed taking under control as per the Forest Land Encroachment, Protection Scheme 2013 and Forest Encroachment Control Strategy 2011.

- 8.54 The total number of community forest users, under community based forest management development and extension program including community forest, has reached 18,324 by mid-March 2014 with the addition of 191 such users against 18,133 users in FY 2012/13. A Partnership Forestry Model Program that was initiated by 9 forest users' group from Bara, Parsa, Rautahat, Mahottari and Sarlahi, districts has been extended to Bara, Parsa, Rautahat, Mahottari, Sarlahi, Kapilbastu, Rupandehi, Nawalparasi and Kailali district with 19 such groups in FY2012/13 while 20 such groups are running the programs with 1 additional group in Kapilbastu district in current fiscal year 2013/14. A newly added Mayadevi Partnership Forestry Group in FY2013/14 has covered 1740 ha. of land benefiting 16,690 households where the total population is 103,547.

Table 8(r): Community based Forest Management

Description	Fiscal Year 2010/11	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14*
Community Forest				
Community Forest User Group No.	15256	17533	18133	18324
Area of Handed-Over Community Forest (Ha.)	1350644	1639658	1700000	1717763
Beneficiary Household No.	1782550	2160474	2237195	2260668
Leasehold Forest				
Leasehold Forest User Group No.	5206	5206	5847	-
Area of Handed-Over Leasehold Forest (Ha.)	23534.37	23534.37	27407	-
Leasehold Forest Beneficiary Household No.	44197	45397	50678	-
Partnership Forest				
Partnership Forest Group Nos.	9	19	19	20
Partnership Forest Area (Ha.)	22730	54072	54072	55812
Beneficiary Household (No.)	244386	476732	476732	493422

*Upto Mid-March

Source: Department of Forest

- 8.55 A total of 150,000 herbarium samples have preserved at the National Herbarium and Botanical Laboratory are being regularly managed

under the identification of herbs and their management and in-locality and out-locality conservation, study, research and documentation program. Likewise, digitization of 500 herbarium samples has been done with the preparation of electronic database on 1,200 herbarium samples. Similarly, mounting of 1,428 herbarium samples have been accomplished subsequent to their labeling.

- 8.56 In the first eight months of the current fiscal year, phytochemical and biological studies are conducted on 10 botanical species. Necessary studies are underway for the development of tissue culture of *Bijaysal* species. Trades port service has been delivered after conducting chemical quality test on personally and institutionally provided 219 herbarium samples. Likewise, setting up quality standard on aromatic *Kokila* plant (Cinnamon Berry) collected from Godawari, Hetauda, Doti and Salyan has been done. Farming Technology Research work has been carried out for the quality improvement on plants of 7 different species (*Gurjo*, *Bel*, *Satuwa*, *Jatamansi*, *Kaulo*, *Jingsing* and *Ashwagandha*). Num and Senduwa VDC of Sankhuwasabha district based Arun Valley Field States Review Work on CITES listed *Gnetum Montanum* plant has been accomplished.
- 8.57 Forest and Conservation area Management Procedure has been made participatory for sustainable development and maintaining ecological balance. Capacity Enhancement and Empowerment and Green Employment Oriented Program are being operated for improving the livelihood of forest resource reliant poor, women, deprived group, *Dalits*, ethnic group and *Janajati*. Activities to create extra employment in rural Nepal through herbal farming, One Community Forest One Enterprise, and other special Forest Enterprise Development Programs are being carried out. About 30 percent of income earned through all community based forestry management system is being invested for the social and economic empowerment of various underprivileged groups. Community and private sector are encouraged for the identification, sustainable collection, development of technology, commercialization and marketization of high value herbal plants.
- 8.58 National Forest Resource Assessment Program is in operation so as to have the area of Nepal's forest resource and its status updated. Through this program, arrangement will be made for mapping and keeping records of all types of forest resources through geological information system and such information will be made available for the use of local forest management.

8.59 Leasehold forestry program has helped increase rural household income and made positive contribution to the economic activities. It has further facilitated livelihood of rural women with easy access to fodder and forestry products. In FY 2012/13, 506 ha of farm land in various districts were protected thereby increasing the productivity while 440 ha of degraded land were restored. Likewise, 291 groups have now access to drinking water while 2,835 underprivileged households have been benefiting from income generation program. In the current fiscal year 2013/14, a total of 1,050 employments have been generated including 250 direct and 300 indirect employment farming, processing and production of herbs; , and 500 through the expansion of private farming A sum of Rs. 409.8 million has been earned from the sale of aromatic oil, herbal care and other herbal products. In the first eight months of the current fiscal year 2013/14, a total of 1, 614,000 units of *Sancho* has been produced and sold against the production and sale of 3,218,000 such units in previous fiscal year 2012/13. Likewise, value addition to forest products and labor mobilization are supported by the production, sale and distribution of timbers and transmission line poles and the supply of raw materials to forest products based industries.

Table 8(s): Revenue Mobilization and Irregularities

Fiscal Year	Revenue	Irregularities Settlements
2011/12	Rs. 1,019,126,580/-	Rs. 128,415,000/-
2012/13	Rs. 1,245,132,264/-	Rs. 249,150,000/-
2013/14*	Rs. 686,785,765/-	Rs. 128,705,000/-

* first eight months

Source: Ministry of Forest and Soil Conservation

Land Reform and Management

8.60 In the current fiscal year 2013/14, a revised draft preparation on National Land-Use Policy is underway by incorporating suggestions collected from district and community levels. This revised draft will be given final touch after mustering opinions and suggestions from subject specific ministries and experts.

8.61 Of the total 26,560 freed bonded laborer (*Mukta Kamaiyas*) families to be resettled, 24,812 families have been resettled so far with the resettlement of 562 such families by procuring land for them during the first eight months of the current fiscal year. Of the total 19,059 land tillers (*Haliya*) families, identification of 10,694 such families has been

verified by mid-March of current fiscal year. Likewise, identity cards were distributed to 6,385 such freed land tiller families. Executive Order with modality and action plan on resettlement of freed land tillers is implemented upon endorsement from the GoN Council of Ministers on 21 March 2014.

- 8.62 Land Management Training Center in collaboration with Kathmandu University has been running two-year Post Graduate Course in Land Administration and four-year Graduate Course in Geomatics Engineering with a view to produce skilled human resource in Land Administration and Management and Land Information Technology sectors.
- 8.63 Land and Resource Management Planning (LRMP) based Land-Use Map and Data of all 75 districts of Nepal including municipalities of Kirtipur, Lekhnath, Thimi and Panchkhal of Kavrepalanchowk, Abukhaireni of Tanahu, 28 VDCs of Chitwan, 51 VDCs of Nawalparasi and 96 VDCs of Bara, have been prepared. **Digital Technology Operation and Management Manual, 2013** is in approval process, which has been prepared for delivering services through both Land Revenue and Land Measurement Offices by updating data and adopting digital technology.
- 8.64 Data digitization work of 14 offices has been accomplished by mid-March of current fiscal year, while such work is continued for the rest of the offices. Computer data entry of 22.93 million units of Land Ownership Registration Certificates has been completed in 82 Land Revenue Offices. Likewise, pending details on 2,555,000 units of land registration are fed in computers of 82 Land Revenue Offices. Citizens' Charter with compensation provision has been issued to 35 Land Revenue Offices and equal number of Land Measurement Offices thereby making arrangement for clean, uncomplicated, transparent and effective service delivery.
- 8.65 Revenue of Rs. 4,061.5 million has been collected from registration fee and other revenue mobilizations in first eight months of the current fiscal year 2013/14.

Problem and Challenges

- 8.66 It is a challenging task to increase agricultural productivity amid inadequate availability of agricultural infrastructures and inputs like road, electricity, irrigation, fertilizers and hybrid seeds.

- 8.67 Commercialization of agricultural-system, together with development, expansion and marketization of agricultural products thereby maintaining quality have remained a challenge.
- 8.68 There has been problem in operation and regulation of agriculture market centers due to the absence of Agriculture Market Act.
- 8.69 Promotion of herbal markets has remained a challenge as farmers have failed to get right market prices for their herbal products.
- 8.70 Uniformity in defining Chure region has been a challenging task as there is no well-defined basis for defining the region.
- 8.71 Conservation task still remains a challenge as Soil and Watershed Conservation Act could not be enforced.
- 8.72 There has been problem in the utilization and marketization of herbs due to EU imposed ban on the export of *Jatamansi* from Nepal.
- 8.73 It is a challenging task to make feel to service recipients that the services are being delivered through computerized system as it is difficult to manage such system amid unavailability of genuine data and information technology friendly human resource in those offices where digital technology has been introduced for service delivery.

9. Industry

- 9.1 Industrial development in the country is imperative for addressing, mitigating and eliminating problems that either could emerge or have already emerged in Nepalese economy after Nepal's entry to World Trade Organization (WTO). Nepal's economy can be guided towards positive direction through the activities like promoting exports by enhancing industrial production and making them competent at global market; increasing production of daily consumable products for meeting the country's domestic demand and encouraging exports upon identification of industrial goods with higher demand in the global market. Today, it is of utmost necessity to provide momentum to country's industrial development by creating an environment where due regard is paid to every work through establishment of healthy labor relationship to reduce the flights of the youths for foreign employment by raising self-employment and industrial employment opportunities at home and encouraging regulating the entrepreneurs while putting the industries sector in order.
- 9.2 During the first eight months of current fiscal year 2013/14, a total of 45,941 industries have been registered in the country providing employment to 716,557 persons. In the same period, the Department of Cottage and Small Industries, Industrial Enterprise Development Academy, and Micro Enterprise Development Program (MEDEP) have imparted training to 293,355 individuals on entrepreneurship development, technical skill development, business management and provided entrepreneurship related training to women, *Dalits* and *Janajatis*. Family business development program, and technical and skill development training.
- 9.3 Industrial Policy, 2010 has been implemented with the multiple objectives of: developing industrial infrastructure to attract domestic and foreign private investments to the industry sector; making effective use of existing industrial infrastructures; constructing and operating Special Economic Zones (SEZs) by paying greater emphasis on export promotion; and reducing poverty through the promotion of cottage and

small scale industries. Similarly, Industrial Enterprise Act and Foreign Investment Policy are in the contemporary improvement and revision process. Preparation of Intellectual Property Right Policy is in process, while the concept for opening National Intellectual Property Protection Office is being pushed forward.

- 9.4 Industrial profile preparation work is underway with objectives of keeping industrial statistics and industries related details of 75 districts of the country in a single software considering the fact that obtaining industrial statistics is a daunting task due to the absence of real and reliable data on entrepreneur, industry and industrial products. As per the concept of Public-Private Partnership (PPP), Nepal Business Forum has remained active and Forum Secretariat in the Ministry of Industry has come into operation with the objective of providing solutions to industrial problems. Of the total application from 38 different industries, 10 are declared as sick industries while monitoring and consultations at technical committee are in progress on other 28 industries. Efforts are underway for either re-operation or alternative usage of closed industries such as Birgunj Sugar Factory, Hetauda Textile Industry, Janakpur Cigarette Factory, Butwal Thread Mill, Himal Cement Factory, Orient Magnesite, etc.
- 9.5 Industrial Security Force has been formed with the objective of maintaining good industrial relationship and industrial peace in labor relations management in the industry sector of Nepal. Efforts are being made towards establishing handicrafts village in order to promote cottage and small industries.
- 9.6 During fiscal year 2012/13, a total of 445 industries have obtained license for operation including 144 production oriented industries, 102 tourism industries, 95 service oriented industries, 70 energy related industries, 54 agro- based industries, 10 mining industries. These industries have provided employment opportunities to 28,505 individuals with total project cost reaching 119.59 billion.

Table 9(a) : Licensed Industries for Operation*(In Rs. 10 Million)*

Type of Industries	Number		Total Project Cost		Total Fixed Capital		Number of Employment Generated	
	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13
Production Oriented	2319	144	18107.62	1333.17	13186.11	1035.01	266611	9678
Service	1451	95	9883.63	1032.12	6890.58	492.52	95473	5911
Tourism	957	102	4578.47	714.11	4085.56	658.66	39604	4774
Construction	40	0	621.90	0	587.50	0	2718	0
Energy	184	70	26973.67	8653.75	26039.94	8428.66	19262	5105
Agro-based	271	54	1341.94	199.22	1126.81	15.88	29153	2204
Mining	52	10	401.09	26.71	354.25	23.85	5457	833
Total	5274	445	61908.32	11959.11	52270.73	10797.58	458278	28505

Source: Department of Industry

- 9.7 By the end of the fiscal year 2012/13, a total of 5,274 industries of different natures were granted licenses to operate in Nepal. Of the major licensed industries, 2,319 (44 percent) are production oriented; 1,451 (27.5 percent) are service industries and 957 (18.2 percent) tourism industries. The total project cost of those licensed industries is Rs. 619.08 billion while 458,278 employments have been generated.
- 9.8 During the fiscal year 2012/13, a total of 445 industries were granted license on project cost basis. Of these industries, 112 are large industries, 99 of medium scale, and 234 small scale industries. Among these, large industries share 87.9 percent, medium scale 9.2 percent, while small scale industries share 2.9 percent to the total project cost.

**Table 9(b): Licensed Industries for Operation by Type
(Fiscal Year 2012/13)***(InRs.10 Million)*

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Number of Employment
Large Industry	112	10514.81	9996.47	12743
Medium Industry	99	1098.19	518.28	6379
Small Industry	234	346.12	282.83	9383
Total	445	11959.11	10797.58	28505

Source: Department of Industry

Foreign Investment

- 9.9 Foreign investments mobilization is being promoted in the industries sector for export promotion through import substitution by identifying and mobilizing domestic means and resources. The Department of Industry has been assigned with major responsibilities for its implementation, awarding licenses and management.
- 9.10 A total of 317 industries had obtained license for foreign investment in fiscal year 2012/13 which was higher by 39.6 percent than that of preceding fiscal year. During this period, the number of foreign investment industries in operation in sectors other than service and mining has increased. The number of employment generated by such industries reached 16,569 by fiscal year 2012/13. By the end of fiscal year 2012/13, a total of 2,652 industries from 76 countries have been awarded licenses for foreign investment and employing 181,051 persons. Of these industries, 31.2 percent are production oriented, 31.8 percent service oriented and 26.9 percent tourism industries. Of the total employment generated by these industries so far, 47.1 percent are those in production oriented industries, 22.4 percent in service oriented while 17.0 percent are in tourism industries.

Table 9(c) : Licesed Industries for Foreign Investments

(In Rs. Million)

Types of Industry	Number		Total Project Cost		Total Fixed Capital		Foreign Investment		Number of Employment Generated	
	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13	Upto 2012/13	FY 2012/13
Production Oriented	827	85	8152.01	2336.82	6468.60	2131.33	3051.78	405.42	85257	5077
Service	845	89	4050.99	1243.97	2804.15	500.02	2251.66	754.45	40536	4594
Tourism	714	89	2571.37	439.25	2404.09	409.48	1321.06	397.28	30802	4093
Construction	43	1	370.53	10.00	275.31	7.00	286.28	10.00	3126	110
Energy	57	6	5538.70	961.82	5434.67	913.32	2027.15	275.52	8945	408
Agro-based	118	43	328.67	143.81	232.25	107.59	196.11	91.36	5754	1760
Mining	48	5	596.83	63.40	471.33	35.90	365.79	59.60	6631	527
Total	2652	317	21609.10	5199.08	18090.41	4104.64	9508.62	1993.62	181051	16569

Source: Department of Industry

- 9.11 In first eight months of the current fiscal year 2013/14, a total of 162 industries offoreign investment have been registered, from which 7,160 individuals are expected to get employment. Among the major foreign

investment industries by their project costs, energy oriented industries is likely to lead with 79.9 percent followed by service oriented industries with 10.2 percent, tourism related industries with 4.5 percent and production oriented industries with 3.0 percent. During this period, a total of 1,541 trademarks have been registered.

**Table 9(d): Licensed Industries for Foreign Investments
(In the first eight months of FY 2013/14)**

(In Rs. 10 Million)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Production Oriented	21	111.93	78.55	106.93	1464
Service Industry	52	382.89	71.68	352.69	1895
Tourism Industry	41	167.37	155.42	57.72	1284
Energy	9	2987.13	2844.94	1115.67	906
Agro-based	31	74.00	66.48	72.38	942
Mining	8	23.88	19.99	21.14	669
Construction	0	0.00	0.00	0.00	0
Total	162	3747.20	3237.06	1726.52	7160

Source: Department of Industry

- 9.12 Of the industries approved by the end of fiscal year 2012/13 for foreign investment on project cost basis, 228 (8.6 percent) are large scale, 295 (11.1 percent) are medium scale, and 2129 (80.3 percent) small scale industries. Employment generated by these industries stood at 26.8 percent, 19.3 percent and 53.9 percent respectively. Of the total foreign investment of Rs. 95.08 billion by now, share of large scale industry has been the highest with 65.3 percent while those of small and medium scale industries are 18.9 percent and 15.9 percent respectively. This indicates that from the investment volume perspective, foreign investments are apparently attracted towards large scale industries in Nepal.

**Table 9(e): Licensed Industries for Foreign Investments on Project Cost Basis
(By the end of Fiscal Year 2012/13)**

(In Rs. 10 Millions)

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employment Generated
Large Scale Industry	228	16576.98	14919.10	6206.13	48446
Medium Scale Industries	295	2537.43	1499.21	1509.09	35026
Small Scale Industries	2129	2494.70	1672.10	1793.40	97579
Total	2652	21609.10	18090.41	9508.62	181051

Source: Department of Industry

- 9.13 Among the countries that have established foreign investment industries in Nepal, China tops the list with 575 industries followed by India with 566, United States of America with 222, South Korea with 194 and Japan with 179 industries. Comparatively, the number of industries licensed for operating on foreign investment has continued to grow and the number of employment generated through these industries is also growing. It is clear that increased foreign investment in industries will play positive role in the overall industrial development of the country.

Current Status of Industrial Estates

- 9.14 Industrial estates have been established with the objective of providing support to the industrial development by making physical infrastructures and facilities available to establish, operate and promote industrial enterprises. Industrial Estate Management Limited has been established with the objective of carrying out tasks such as conducting feasibility studies on industrial estates, carrying out development and promotional activities, providing consultation services in order to operate industries established within industrial estates in a profitable manner, promoting and supporting the industries established under the private sector, public participation or cooperatives.
- 9.15 Out of the total 11 industrial estates established, currently, 10 industrial estates namely, Balaju, Hetauda, Patan, Nepalgunj, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Gajendranarayan Singh and Dhankutta, are in operation except for Dhankuta.

- 9.16 The government of Nepal has handed over 13 ha. 2271.6 Sq.mt of land owned by Hetauda Textile Industry including its physical infrastructures to industrial estate. Study is being carried out whether to run textile industry or to promote other industries. Homework on preparation of business plan is underway.
- 9.17 By first eight months of the current fiscal year 2013/14, a total of 199 ha (9336.7 sq.mt) of land occupied by 10 operational industrial estates across the country has been leased out to various industries. A total of 509 industries are in operation in these industrial estates while 48 industries have been shut down. During this period, 58 industries are under construction in industrial estates.

Cottage and Small Scale Industries

- 9.18 Cottage and Small Scale Industries make major contribution mainly in the development of developing countries. Development of Micro and Cottage and Small Scale industries is considered indispensable in countries like Nepal as these industries form the backbone and foundation of economic development where resources are limited, capital and its mobilization positions are weak, and promotion of entrepreneurship is not possible to the extent as desired. Department of Cottage and Small Scale Industries and Offices under this Department, Offices of Cottage and Small Scale Industry Development Committee have been working for development and promotion of this sector. Demand-driven programs including skill development, entrepreneurship development, technical counseling, and credit flow and information dissemination are being conducted for the promotion and development of cottage and small-scale industries in an integrated manner in line with the objectives of on-going interim plan for reducing poverty. 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.
- 9.19 In the current fiscal year 2013/14, training programs are being conducted with a view to provide training on various subjects to 15,000 persons for enabling them to get engaged in employment and self-employment activities, a central level Cottage and Small Scale Industry Training Center, microenterprises development programs for poverty reduction in 22 districts, and training program for conflict victims through 27 district cottage and small industries. Business Incubation

Program is going on in the Department of Industry with the objective of transforming youths having new ideas, creativity, skill and techniques into entrepreneurial businesses. So far, 15 persons have acquired certificates while business incubation works are being done for 8 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 establish Cottage and Small Scale Industries using their learned skill.

- 9.20 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 and 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.
- 9.21 A total of 13,933 Cottage and Small Scale Industries were registered in fiscal year 2012/13 while 6,931 Cottage and Small Scale Industries are registered by mid-March of fiscal year 2013/14 under the Department of Cottage and Small Industries. The total capital investment in 13,926 industries registered in fiscal year 2012/13 has reached Rs. 17.14 billion.
- 9.22 Of the Cottage and Small Scale Industries registered in FY 2012/13, the numbers of private firms are 11,971, partnership firms 840 and that of private limited firms are 1,122.
- 9.23 Under the Entrepreneurship Development and Employment Creation Program, 16,470 entrepreneurs were prepared in fiscal year 2012/13 while 3,115 persons have already received such coaching and training by the first eight months of the current fiscal year. Likewise, various training and coaching programs were conducted for 2,059 entrepreneurs in fiscal year 2012/13 for the promotion of industries while a total of 1,513 individuals have already participated in such trainings by the first eight months of the current fiscal year 2013/14.
- 9.24 In fiscal year 2012/13, a total of 2,056 micro entrepreneurs have been produced in the micro entrepreneurship development program

implemented 20 districts for poverty alleviation while aim in current fiscal year 2013/14 is to produce 3,212 micro entrepreneurs in 22 districts.

- 9.25 Of the total 6,931 industries registered under the Department of Cottage and Small Scale Industries in the first eight months of year 2013/14, the number of private firms is 6,391, partnership 368 and that of private limited firms is 170. The total capital investment in these industries has amounted to Rs. 6.09 billion.
- 9.26 A total of 975 business entrepreneurs were imparted trainings in different subjects in fiscal year 2012/13 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 690 individuals have been provided with training during the first eight months of the current fiscal year.
- 9.27 Industries Promotion Program, that is conducted in 48 districts through Cottage and Small Scale Industries Development Committee, has been providing support for establishment, development and capacity enhancement of entrepreneurs trained in the current skill development training, entrepreneurship development training, establishment of business and their operations and management under the programs namely, partnership development program, technical advisory service, and appropriate technology transfer programs. Such support include establishment of industry by availing machinery and capacity and skill enhancement. Likewise, support is being provided for establishment of industrial Exhibition and National Micro, Cottage and Small Scale Industry Entrepreneurship Award, support establishment and operations of Souvenir House , Women Entrepreneurship Development, Product Development and Training, Entrepreneurial Excursion Visits have helped in producing quality products, products market promotion and motivation, and provided industry related special services. Similarly, emphasis has been given on the publicity and promotional activities of Cottage and Small Scale Industries through sample collection and distribution, issuance of trimester journal (Cottage Industry Mirror), Small and Cottage Industry Radio and Television Program "Our Entrepreneurship".
- 9.28 Offices operating under the Committee have been conducting programs such as promotion and development of cottage and small scale industries, training, technical advice, credit flow, as well as

information dissemination in an integrated manner. Market demand-based employment and skill-oriented training, entrepreneurship development training and programs are being implemented with priority accorded to empowering and uplifting the physically challenged people, backward class people, *Dalits*, *Janajatis*, conflict affected, and women by clearly setting targets in the annual program.

- 9.29 In the current fiscal year 2013/14, programs have been implemented with a target of imparting training to 8,000 individuals in various disciplines for enabling them to get engaged in employment and self-employment activities. Likewise, Micro Enterprise Development Program for poverty alleviation in 28 districts and training programs for 3,930 conflict victims in 17 districts have been conducted. Trainings on various subjects such as tea, bamboo, precious stones, fiber enterprises, apiculture and metal products are being provided to 680 persons at 10 different places through Product Development Center with the objective of enhancing entrepreneurial capacity by specializing in various entrepreneurial businesses through the design and development of newest products by using raw materials, means and sources available in the districts. Micro, 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 skilled trainees for them to use their learned skill in establishing cottage and small scale industries.
- 9.30 A total of 5,450 industries encompassing 5,145 private firms, 238 partnership firms and 57 private limited have been registered in the districts under the Committee during fiscal year 2012/13. Employment has been generated to a total of 18,899 including 5,133 females and 13,766 males from these registered industries in that fiscal year with the capital investment of Rs. 10,627.7 million. By the end of first eight months of current fiscal year, 3,414 private firms, 163 partnership firms and 33 private limited companies have been registered with total capital investment of Rs. 4,693.4 million thereby creating employment to a total of 12,063 individuals including 3,678 females and 8,385 males.
- 9.31 The Office of Company Registrar carries out the task of company registrations and administration throughout the country. This Office has been promoting commercial sectors' activities through regular delivery of its services. In fiscal year 2012/13, a total of 10,573 private limited, 38 public limited and 83 non-profit sharing companies were

incorporated, while 6,486 private limited, 13 public limited and 50 nonprofit sharing companies have been added to the above numbers in the first eight months of current fiscal year. The trend of registering public limited company, however, shows a decline. The mandatory provision for banks and financial institutions to get registered as public limited companies still prevails. Reason behind it could be Nepal Rastra Bank's move to restrict the expansion in the numbers of banks and financial institutions through mergers of banks and financial institutions. Likewise, the trend of getting production oriented industries registered as public limited companies is also very low.

- 9.32 The Office of Company Registrar has been delivering its services electronically for making its services simple, easy, transparent and effective so as to promote business environment thereby making their services customer friendly as the private sector can make significant contribution to the national economy. There is possibility of Paperless Administration in future with initiation made towards maintaining e-registry of companies. Arrangement for E-PAN reservation has been made right at the time of company registration at the Company Registrar's Office. Such reform measures are expected to create favorable business environment thereby providing greater momentum to the nation's economy.
- 9.33 The Department of Geology and Mines has conducted exploratory studies and research on the exploration and mining of the mineral deposits along the GoN policy of balanced regional development. As a result, lime deposits totaling 1.07 billion tons comprising 540 million tons of proven, 110 million tons of semi-proven, and 420 million tons of feasible limestone deposits has already been discovered in different areas of the country including Udayapur, Dhankuta, Sindhuli, Makwanpur, Lalitpur, Dhading, Shyanga, Arghakhachi, Surkhet, Dang, Salyan, Baitadi and Palpa. As a consequence, a total of 13 cement industries with 8,450 ton per day capacity have been established and operating, while 10 are under construction.
- 9.34 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), Nawalparasi (Dhauwadi) and Ramechhap (Thosey), 14 million tons of copper mine in Solukhumbhu (Wapsa), Makwanpur (Kalitaar), Chitwan, Tanahun and Dadeldhura (Bawangaon), 5 million tons of coal in Dang, Rolpa, Palpa and Arghakhachi; and Marble mine in the districts of Lalitpur, Makwanpur

and Karve; and gold, copper and lead deposits are discovered in Rolpa, Baitadi, Darchula, Bajhang, Ilam. Apart from this, semi-precious stones (Kainite, Tourmaline, Quartz, Crystal) in Jajarkot, Achham, Kalikot, Dailekh, Sankhuwasabha and Dhading districts together with Dolomite, Phosporite, Mica, Salt, etc mines have been discovered in other districts.

- 9.35 As result of such mineral exploration work, agreement has been signed with private investors after the establishment of 9 mine deposits industries as that of limestone, iron, copper, marble, gold, lead and zinc whereas two industries iron ore deposits based, and 4 based on limestone are in the promotion process. Apart from this, uranium exploration work is ongoing in Makwanpur, Baitadi and Mustang.
- 9.36 Government of Nepal has been pursuing the policy of attracting the private investors from exploration to production towards quick economic return yielding small and medium sized mineral-based deposits such as limestone, chalk, marble, gems stone (Kynite, Tourmaline, Quartz, Crystal) coal, and Quarzite. As a consequence, recently, investors are attracted toward the exploration of metallic minerals including iron, copper, and placer gold, where about 104 licenses for mineral extraction and 591 licenses for mine exploration have been granted.
- 9.37 This Department, under the geological survey and research program, has completed geological survey of entire accessible areas of Nepal specially that of Chure hills and entire parts of Mahabharat range, and some parts of high mountain regions in the first phase and their mapping in the second phase. Of these tasks, one sheet of the geological map of entire Nepal of 1:1,000,000 scale, 5 sheets of such map of the scale 1:250,000 of the entire country (high mountain region except for some parts of Karnali region), 41 sheets of geological map of the scale 1:50,000 from Central Region to Far Western region covering 22,100 sq. km have been printed. Geo-Engineering and Geo-Environmental exploration survey, 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.
- 9.38 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 Himalayan

range by collecting and analyzing the data that are obtained through the seismographic observations and recordings.

Industrial Infrastructure Development Program

- 9.39 Industrial Infrastructure Development Program, which is in operation since fiscal year 2008/09 with the objective of encouraging various types of industries based on the country's available natural as well as mineral resources. Government of Nepal has been carrying out construction of access roads between the industries and the mine sites as well as transmission lines for 13 cement industries that are established and operating towards making the country self-reliant by using the mineral deposits available within the country, raising the level of contribution of industrial production to the national economy, while promoting employment opportunities within the nation.

Special Economic Zone (SEZ)

- 9.39 Feasibility studies are ongoing at 14 different locations of the country for establishment of Special Economic Zones (SEZ) as per the industrial policy to establish such SEZs with the objective of creating employment opportunities, attracting domestic and foreign investments, and reducing trade deficit through import substitution and export promotion. Special Economic Zones (SEZ) Development Committee Formation Order has been issued and subsequently Chief Executive Director has also been selected as per the Formation Order.
- 9.40 Construction of infrastructure has been completed on 54 bighas of land set aside for establishment of SEZ at Bhairahawa with process underway for bringing it into operation. Bhairahawa SEZ Standards and Procedures, 2014 has been prepared through SEZ Development Committee. Land acquisition and compound wall construction works are ongoing at Simara SEZ. .

Micro Enterprise Development Program

- 9.41 In the context of development of micro, cottage and small scale industries and increasing trend of micro entrepreneurs doing business with small investment, Micro Enterprise Development Program (MEDEP) that started in Nepal in 1998 with technical and financial assistance of United Nations Development Program (UNDP) has its main objective to reduce poverty through micro enterprises. It aims at improving the social and economic status of groups or individuals having low income and socially excluded. Its other objective is to

improve living standard of ultra-poor class, women, *Dalit*, indigenous people, *Janaajatis*, and backward community people living below poverty line by providing self-employment opportunity micro-entrepreneurially.

- 9.42 Preparation is underway for implementation of Fourth Phase of Micro Enterprise Development Program (MEDEP) by completing programs under its third phase, while this program, under implementation with the objective of reducing rural poverty and unemployment problem, has been internalized and extended in 45 districts. Preparation of strategic plan is at the 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. This program has prepared 62,162 micro entrepreneurs within the period of 1998 to 2013. As per the indicators of Social and Gender Inclusion Principle, 68 percent women, 23 percent *Dalits*, 36 percent indigenous people, and 41 percent micro entrepreneurs of other castes have been prepared.

Standard and Metrology

- 9.43 By the end of fiscal year 2012/13, the number of Nepal Standard formulation, reevaluation and adoption of various materials and services totaled 966 while such number has reached 977 by the end of mid-March of current fiscal year 2013/14. Likewise, 258 quality standard marks were provided to 59 different products by the end of fiscal year 2012/13 while 308 standard marks has been provided to 59 different products by the end of mid-March of current fiscal year 2013/14. Similarly, Nepal Standard and Metrology has conducted management system verification of 6 different industries and industrial academies while 10 laboratories are verified as per NEPLAS/ISO: 17025:2005 so far. The Department of Nepal Bureau of Standards and Metrology has been conducting market monitoring, taxi meters' test, regular monitoring of petrol pumps and verification on weighing equipment (weights, balance, etc.) on a regular basis.
- 9.44 Nepal Bureau of Standards and Metrology has been promoted to full membership status of ISO from January 1, 2014 while 18 parameters on 3 products of Nepal Bureau of Standards and Metrology and Testing and Calibration Laboratory under the Department of Scientific Testing and Calibration have been certified by the National Accreditation Board for Laboratories (NABL) India. Likewise, certification of the laboratory for calibration of temperature and quantity is under the

process and other laboratories are ready for certifications. The product certification system of this Bureau with National Accreditation Board for Certification Body (NABCB) India is in the final stage.

Commerce and Supplies

- 9.45 Concerned sectoral policies such as New Trade Policy 2008, and Supply Policy 2012 have been formulated in consonance with the commitment made after Nepal's accession to World Trade Organization (WTO) membership in 2004. In addition, some Acts including Export and Import Acts have been amended with respect to WTO compliance. Safeguard, Antidumping and countervailing related Acts are in formulation phases, while the Trade Policy has already been reviewed in 2012. Likewise, supports are being received through World Trade Organization based Enhance Integrated Framework (EIF) and several other donor agencies for export trade capacity development of Nepal.
- 9.46 Nepal played the role of Coordinator for Least Developed Countries (LDC) Consultative Group of World Trade Organization from December 2012 to December 2013. During this period, decision has been made for granting additional period for extending implementation of Trade Related Intellectual Property Rights (TRIPS) by 2021 A.D.
- 9.47 The Government of Nepal has brought Nepal Trade Integrated Strategy (NTIS-2010) into implementation since June 2010 with the objective of making contribution to the country's poverty alleviation and socio-economic development through the promotion of export trade. A Nepal National Steering Committee of the Enhanced Integrated Framework (EIF) is led by Chief Secretary of the government of Nepal with the responsibility of coordinating and providing guidance to the implementation of NTIS. This strategy is being implemented in coordination and cooperation of various government agencies, private sector and development partners, NTIS are being implemented. Among 7 service sectors and 12 commodities identified by NTIS, exports of majority of the commodities have increased while the share of the export of these commodities to the total export has reached close to 35.5 percent in fiscal year 2012/13 against 32.5 of its preceding fiscal year 2009/10.

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

- Commercially Important Person (CIP) title was honored to 34 entrepreneurs including outstanding exporters, foreign importers, investors, employers and presidents of private sector's major organizations engaged to boost the commerce sector's contribution to the national economy.
- Supply Policy, 2012 is implemented with the objective of protecting consumers' rights and interests by making arrangements for availing essential goods and services easily and regularly of appropriate quality and appropriate prices. Such policy has made arrangements pertaining to the goods and service delivery, protection of consumers' rights, monitoring arrangement, food security, market management and regulation.
- Market price adjustment system for petroleum products has been initiated to keep it in line with international market prices. Action Plan Formulation is underway for implementation of the Policy.
- Joint Monitoring Teams have been carrying out market monitoring on 51 kinds of essential goods and 21 kinds of services are being carried in compliance with Joint Market Monitoring Guideline, 2012.
- Efforts have been made to curb the uncompetitive, non-professional, and prohibitory and undesired trading practices like the hoarding of goods and services, creating artificial shortages, adulteration in food products, black marketing, monopolization, cheating in quality and measurement, and over pricing through the joint market monitoring practice. The Department of Commerce and Supply Management conducted market monitoring of 2,233 traders by mid-March 2014.
- As per the Agreement signed between the Government of Nepal and that of China, 30 percent construction work of the Customs Inspection Station at Sindhupalchowk, Larcha has been completed.
- Various projects are in operation on major investment of Enhanced Integrated Framework (EIF) under the World Trade Organization (WTO) and in partnership of the Federation of Nepalese Chambers of Commerce and Industry, Nepal Agriculture Enterprise Center, and Nepal Pashmina Industry so as to raise the export volume of ginger, pashmina and medicinal herbs by improving their qualities.

Supplies

9.48 Department of Commerce and Supplies Management, Five Offices under this Department together with district based Inspection Officers have conducted market monitoring of 2,233 traders by mid-March 2014. Through this monitoring, instructions have been issued to 436 businesses not to sell products without proper labels; 697 businesses to submit and renew business registration certificates; 316 businesses to install calibration equipment; 26 businesses to produce permits; 349 to obtain VAT or PAN certificates; 190 businesses not to sell and distribute date expired products; and 486 businesses to submit clarification. Likewise, works like collection of price lists for 8 times, sampling of 55 products and filing of cases against 3 businesses have been carried out.

Tourism

9.49 Observation of the trend of tourists arrival for the past 10 years until 2012 showed an increasing trend, the number of tourist arrivals between January 2013 and 2014 totaled 797,759. This figure is less by 0.7 percent as compared to the corresponding period (January 2011 to January 2012) of last year. The average length of stay per tourist during the period of January 2012 to January 2013 stood at 12.6 days. Though this figure is slightly lower as compared to that of previous year, per capita length of tourists stay for the last 10 years has averaged around 12 days. .

9.50 The total number of tourists based on their tours and travelling purpose would serve as an indicator for measuring tourism sector's return. This indicator has been crucial for analyzing tourists' specialty, types and their economic activities, and preparing demand-based market management and promotional plans for the tourism sector. Of the total number of tourists visiting Nepal between the periods of January 2013 and January 2014, 54.9 percent of them came for vacation/recreation and tours and travels, 12.2 percent for trekking and mountaineering, 5.1 percent for religious trip, 5 percent on administrative and official visits, 3.8 percent for trade, 2 percent for meetings/seminars, 0.2 percent for rafting while 14.8 percent came with other purposes. Though fixed trend has not been observed while analyzing tourist arrival statistics of last 10 years based on their travel purposes, more than two third of tourists visit for vacation, recreation, tour/travel, trekking, mountaineering and religious purposes.

- 9.51 While analyzing the number of tourist arrivals on country-wise basis, top five countries with largest number of tourist's arrivals during the period of January 2013 to January 2014 have been India (23.0 percent) followed by China (11.2 percent), Sri Lanka (7.5 percent), USA (7.3 percent) and United Kingdom (4.7 percent) respectively. The aforementioned countries have remained as top 5 countries visiting Nepal for last 10 years.
- 9.52 Nepal Tourism and Hotel Management Academy was established in 1972 with the objective of producing basic and skilled trained human resources for the development of tourism sector. This academy has been providing commercial and employment oriented training and teaching Bachelor of Hotel Management (BHM), Bachelor of Tourism and Travel Management (BTTM) and Master of Hotel Management (MHM) as well. During the period of fiscal year 2011/12 to 2013/14, a total of 367 students in BHM, 244 in BTTM and 93 in MHM have already received training from this academy.
- 9.53 On basic, medium and supervisory level trainings, a total of 4,219 persons have obtained training in last 3 years. 222 of them took training on hotel, 403 on tours and travels, 2,636 on trekking, 650 on mobile and homestay trainings conducted outside the capital and 664 on other tourism related trainings. By mid-March 2014, the Academy has produced a total of 35,381 human resources of different levels in tourism sector. On the rural tourism and home stay training side, a total of 450 individuals from different districts have been provided training related to home stay operation through Taragaon Development Committee.
- 9.54 Through the operation of academic study and trainings related with tourism, a total of 1,700 skilled manpower (228 towards academic courses and 1472 towards trainings) were produced in the tourism sector in fiscal year 2011/12, while 1,325 skilled human resource (201 towards academic courses and 1,124 towards trainings) in fiscal year 2012/13 and a total of 1,623 additional manpower (235 towards academic courses and 1623 towards trainings) was prepared whereby total number of manpower receiving training in tourism sector reached 35,389.

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

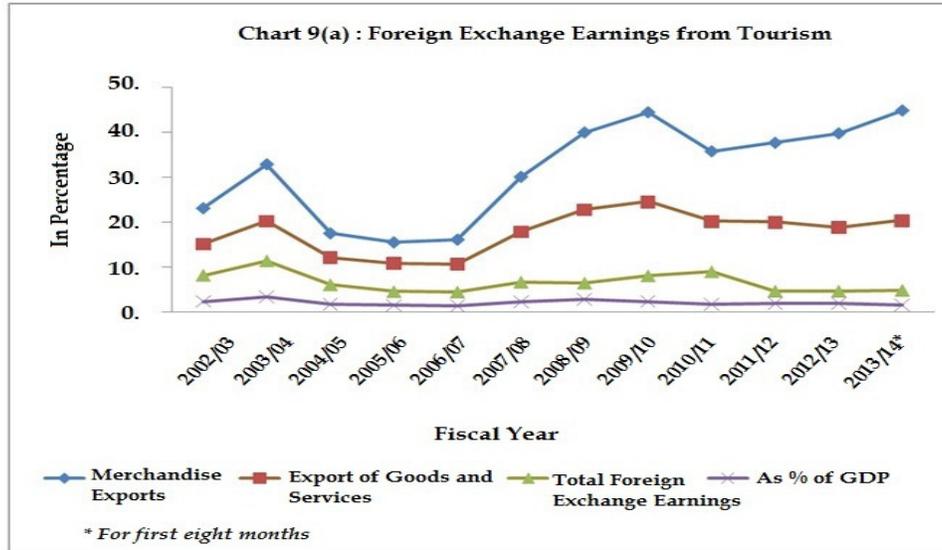
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|---|
| <ul style="list-style-type: none"> • Constructions of Visitor Information Center and Administration Department Building have been initiated which were yet to be completed as per the KenzoTange's Master plan that was approved in 1978 for the |
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development of Birth place of Lord Buddha while construction works on road, greenery and other physical infrastructures are underway as per the master plan. During this period, construction of security wall and mid-link canal of master plan area has been completed.

- A total of 849, 273 pilgrims had visited Lumbini area in the previous fiscal year (2012/13) and of them, 573,529 were domestic tourists, 150,252 were Indian tourists while 125,492 tourists were from third countries. This figure is higher by nearly 7 percent as compared to that of its preceding fiscal year.
- With the objective of promoting domestic tourism, 139 government employees with their spouses were sent on tourism vacation at the expense of Nepal Government in the last fiscal year while, working procedure, 2014 has been approved to send 360 government employees totaling 720 persons including their spouses on 5-days tourism vacation.
- The trekking routes that lie along the longest and most entertaining trail among the world's top ten trails stretching from the eastern district of Panchthar to western district of Darchula through mid-hills to mountain region have been identified and linked with the popular program "the Great Himalayan Trail". From this, the Great Himalayan Trekking Route have received global publicity, which has helped promote Nepal tourism at international level.
- On the auspicious occasion of 60th Anniversary of Mount Everest Expedition, global publicity on Mt. Everest's glory and dignity was conducted with its diamond jubilee celebration while people's attention was drawn towards the effect of ever increasing global warming on the Himalayan climate. Similarly, 22,000 Kg of garbage was collected by organizing special sanitation campaign in Mt. Everest region on the same occasion.
- Process for the procurement of National Flag Carrier Airplanes for Nepal Airlines Corporation's domestic and international flights has already been initiated. As per this, agreement has been made to procure two Airbus 320-200 (narrow body) for international flights of which, the Corporation will be receiving the first Airbus by February 2015 and the next by April of the same year.
- For domestic flights, the governments of Nepal and China have entered into Loan and Grant Agreements to obtain 2 units of MA-60 (turbo prop airplane) and 4 units of Y-12E (remote area flying capability) in concessional loan and grant from the Chinese government. As per this agreement, NAC will be receiving 2 units of airplane on grants by this March.

With the objective of making tourism industry related service delivery time relevant and standard, Tourism Industry Service Delivery Guideline, 2013 has been issued where an arrangement has been made for the registration and regulation of tourism related adventurous recreational sporting activities.

- 9.55 Observation of the mountaineering expedition statistics shows the number of mountaineering expedition team arriving in Nepal as 259 between January 2011 and January 2012 has decreased to 252 during the period of January 2013 to January 2014 whereas the number of mountaineers has increased to 2,455 from 1,951 and the number of topical employment to 2,874 from 2,616 in the same period. Though the amount of royalty collected by government through such growth reached to Rs. 340.82 million from Rs. 232.53 million with a growth of Rs. 108.28 million, there have been slight fall as compared to that of 2012 in mountaineering expedition team, number of mountaineers and royalty collected by government from them.
- 9.56 The number of classified star hotels registered with the tourism industry that stood 107 by January 2013 has increased by 10 reaching 117 during the period from January 2013 to January 2014 while the number of beds has increased to 9,505 from 9,371 in the same period. The number of tourist class hotels except star hotels that stood at 746 by January 2013 has increased by 163 reaching 909 during the period from January 2013 to January 2014. The number of beds tourist class hotels other than the star hotels have increased by 2,731 in the same period reaching a total of 250,107 by January 2014. In this way, a total of 1,026 hotels registered with tourism industry by January 2014 are in operation while a total of 34,523 beds per day are available for tourists.
- 9.57 Foreign exchange earnings from the tourism sector stood at Rs. 30.70 billion in fiscal year 2011/12 while such earnings in the fiscal year 2012/13 increased by 3.50 billion (11 percent) reaching a total of Rs. 34.21 billion. In the first eight months of fiscal year 2013/14, foreign exchange earnings from tourism sector recorded Rs. 30.43 billion. If this trend of foreign exchange earnings continues, then such earnings would reach to Rs. 45.46 billion by the end of fiscal year 2013/14. The ratio of foreign exchange earned from tourism sector in the first eight months of fiscal year 2013/14 has stood at 45 percent of total foreign exchange earnings, 20.4 percent of foreign exchange earned from the export of goods and 4.9 percent of the total foreign exchange earned.



Source: Nepal Rastra Bank

9.58 During the current fiscal year, various programs have been conducted in Nepal for tourism promotion. With the involvement of Nepal Tourism Board and tourism entrepreneurs, promoting Nepalese tourism has been done by participating at a total of 21 tourism exhibitions held in India, China, Japan, Singapore, Israel, Malaysia, Belgium, United Kingdom, Germany, Netherlands, Spain, Turkey and Italy together with organization of B2B session (interaction among Nepalese and foreign tour operators) and sale mission including media brief in India and 7 different cities of Scandinavian countries had been conducted. Promotional programs related with Nepal tourism had been organized in India, China, Argentina and Brazil in the joint efforts of local Nepalese embassy and public relation representatives of Nepal Tourism Board.

Challenges

9.59 The major challenges of the industries sector are to: enhance the existing industrial growth rate; create industrial environment to encourage the establishment of new industries; protect the existing industries from dying; rehabilitate sick industries; cope with strong competitive environment as a result of globalization and economic liberalization; produce quality products to compete in the global markets; improve high unemployment rate by creating industrial employment; fulfill the responsibilities upon accession of membership of World Trade Organization and other international organizations;

utilize opportunities and enhance capacity to move along with the development of information and modern technology. Industrial investment and business friendly environment could not be developed due to inadequate supply of electricity.

- 9.60 Export based industries couldn't be tied up with productive oriented economic sectors (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.
- 9.61 A Joint Market Monitoring Guideline has already been implemented for making inter-agency (including stakeholders' agencies and other organizations responsible for protecting consumers' interest) coordination and cooperation effective for the protection of consumers' interest. However, market monitoring is not yet effective due to inadequate coordination among these agencies.
- 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 cartelling like malpractices in a consolidated effort of central and different administrative entities. For this, Company Registration Acts and other related Acts need to be amended with a provision that restricts such malpractices.
- 9.63 It is necessary for the law to quantify the minimum level of stocks that traders should maintain so as control the price by maintaining balance between the market's demand and supply of goods and services. This would help control overstocking practice which would eventually discourage black marketing. For this, formulation and implementation of price regulating policy is a must.
- 9.64 There is an urgent need to increase entrepreneurial capacity of Public Enterprises for the protection of consumers' interest by extending their storage capacity of daily consumable goods so as to control unscrupulous traders' black marketing practice of raising prices of those commodities by creating artificial shortages of very essential goods and services.

- 9.65 The transport subsidy provided remote districts need to be phased out gradually to reduce their level of dependency on food by bringing changes in their behavior and practices thereby increasing production and consumption locally. In addition to this, it is necessary to eliminate food dependency by conducting food exchange related programs in those remote districts.
- 9.66 There have been problems in the supply of petroleum products owing to fluctuation in their prices at international level, high inflation and failure to manage ever increasing consumption of such products. Hence, it is necessary to increase storage capacity of such products, construct Raksaul-Amlekhgunj petroleum pipeline and facilitate the supply management of such products by establishing Price Stabilization Fund.
- 9.67 Despite the tourism sector being a key source to national income, its actual contribution to national income could not be measured due to failure in developing the Nepal Tourism Information System and Satellite Account for the regular collection and analysis of quality data and information on tourism sector.
- 9.68 Policies on security, physical construction and transport need to be amended 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.
- 9.69 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 homestay tourists to rural communities.

10. Physical Infrastructure

Urban Development

Housing Development

- 10.1 Housing Development program is being carried out with multiple objectives of: homes construction for providing organized residence to squatters, urban poor and low income group of people residing in different areas of the country; carrying out *Janata Awas* (People's Home) Program for *Dalits* and the groups either endangered or near to extinction like (*Dome, Musahar, Chamar, Dhusadh, Khatwe*), and others like (*Raute, Kusunda, Surel, Badi, Gandharva, Chepang*, etc). Besides, the program aims to provide housing to the employees from other districts; and resettlement facilities to families displaced by and vulnerable to natural disasters among others. In fiscal year 2012/13, physical development program was conducted in 34 market centers, and reports on physical development plan for 7 places (Padajungi Aaitabare of Jhapa, Biratnagar-13 of Morang, Balawa of Mahottari, Helambu Melamchi of Sindupalchowk, Palungtar of Gorkha, Marfa of Mustang and Naumule of Dailekh) were implemented. Similarly, physical infrastructure development of 82 places, construction of 170 community buildings and 10 large buildings (Mahendra Narayan Nidhi Mithila Cultural Center; hostel at Singati of Dolakha; and meeting halls at Ratnanagar of Chitwan, Putalibazar of Syangja, Butwal and Pokharithok of Gorkha Prithivinarayan Municipality) are underway. A number of activities were carried out under the studies program including preparation of Detailed Project Report (DPR) of major infrastructures after formulating physical development plan of two (2) market centers; preparation of detailed engineering design for construction of three (3) meeting halls; soil tests (Ratnanagar, Surkhet and Doti Municipalities) and preparation of various Master Plans, and other Studies.
- 10.2 Construction of 1,626 *Janata Aawas* houses has been ongoing in the first eight months of fiscal year 2013/14, including 1,309 carried over from the previous year and 317 started in this year. Building construction works are underway in Ichangu of Kathmandu for providing residences to genuine squatters, urban poor and low income groups with a view to manage unorganized settlements. First phase of construction work and first block under the second phase of construction have been completed. Concrete casting of third floor of

the second block in its second phase of construction has also been completed, while foundation work of the third block is underway. Likewise, residences for out of the district employees are at different phases of construction in three districts, while target has been set for the next year to take up construction of such buildings in additional three (3) districts. Similarly, preparations are underway for the construction of model housing with the use of locally available construction materials and technology.

Rural Development through Small Town Market Development

- 10.3 This program has been implemented with the objectives of: developing necessary infrastructures for municipalities in future by promoting rural-urban interrelationship thereby enhancing urban facility through development of urban infrastructures in small towns; reducing the trend of urban migration and poverty through market promotion of locally produced goods in rural areas by developing rural infrastructures. During fiscal year 2012/13, urban infrastructure development related works were carried out with the implementation of 39 different small town master plans, physical development plan and study report to enhance rural-urban interrelationship in rural towns while DPR was prepared subsequent to the formulation of master plan/physical development plans of 5 different small towns (Sulichaur of Rolpa, Sundarbazar of Lamjung, Syafrubesi of Rasuwa, Dunebazar of Dolpa and Kolti of Bajura). Likewise, Guided Land Development Program in Kushma of Parbat and Physical Infrastructure Development Program at Sulichaur of Rolpa were implemented.
- 10.4 During fiscal year 2013/14, master plan, physical development plan study report of 28 small towns are in implementation with a view to promote rural-urban interrelationship in rural towns.

Integrated Action-Oriented Plan

- 10.5 The primary objectives of this program are to: formulate periodic plans by involving maximum number of the people in urban development plan formulation process based on direct involvement of municipalities and local level participation for organized urban development of municipalities; to prepare digital base map of municipalities and formulate physical development plans of non-municipal district headquarters. Digital Urban Base Maps for three (3) municipalities (Byas, Damak and Surkhet) have been prepared in FY 2012/13 on cost

sharing of the local bodies. Upgrading of Digital Urban Base Map of Bhaktapur and Bhadrapur municipalities; formulation of physical development plans of two (2) municipalities (Tamghas of Gulmi and Urlabari of Morang; formulation of periodic plan of Lalitpur Sub-Metropolis after having it reviewed on municipality's cost sharing basis; and that of Putalibazar of Syangja were completed. Likewise, various works were carried out like preparation of digital engineering design for the construction of Sankhu bus-park of Kathmandu; remodeling plan for the old streets of the core town area; and periodic plan formulation as well as updating of road network plan. Similarly, preparation of Digital Engineering Design after preparing a Master Plan for Taudaha Pond area situated along the Balkhu Dakshinkali corridor; and preparation of Digital Engineering Design and Land Readjustment Plan under Land Pooling Project at Pokhariya of Parsa were among other tasks carried out in FY 2012/13.

- 10.6 During fiscal year 2013/14, Digital Urban Base Map preparation work on Municipality's cost sharing basis is underway while upgrading of the map of current base map of Bhadrapur Municipality to urban map has commenced. Additionally, studies are being conducted for organized development of cities and settlements by implementing land development programs in Hattibangai of Siddharthanagar Butwal section, Lumbini of Kapilbastu, Kohalpur section of Nepalgunj, and Tamghas Municipality. Other activities carried out were Amendment of Municipality Periodic Plan Formulation Manual, 2002; preparation of physical development plans for 4 small towns; and ground work on digital engineering design of major works after upon conducting study on model villages at Katahari of Morang district and Jayanagar of Kapilwastu. A numbers of works such as development of urban environment information system, preparation of digital engineering design of Land Pooling Project at Rajhena of Nepalgunj-Kohalpur Section and land readjustment plan, amendment of planning norms and standards in urban plan formulation, and formulation of physical development plans for Town Development Committee and other market areas are in operation.

Special Physical and Infrastructure Development

- 10.7 This program is being conducted with the main objective of carrying out construction, repair maintenance, and formulation of Master Plans of various cultural and religious areas having national and local importance in line with the concept of sustainable development. In

fiscal year 2012/13, Master Plan was formulated by sticking to the concept of sustainable development by preparing base maps of 13 different locations, while works on construction of physical and infrastructure and maintenance were carried out in 33 different locations as guided by the sustainable development concept-based Master Plan. Likewise, physical and infrastructure development and repair/maintenance works have been carried out in 192 designated special locations of Nepal. In addition, environmental improvement and sanitation activities are in operation in five (5) designated places under the Environmental Protection Plan, where annual Master Plans have been prepared and are getting implemented accordingly.

- 10.8 In fiscal year 2013/14, physical and infrastructure development works are underway at 38 locations as directed by master plans prepared as per the sustainable development concept whereas physical and infrastructure construction and maintenance works are being carried out in 658 specifically designated locations of the country. Environmental improvement and cleaning works are being carried out continuously at Gokarneshowre Mahadev and Bajrayogini Temples of Kathmandu district, Bisankhunarayan Temple area of Lalitpur district, Suryabinayak and Changunarayan Temple areas of Bhaktapur districts that is based on the Project Master Plan and executed as annual recurrent plan.

Intensive Urban Development

- 10.9 Major objectives of this program have been the planned urbanization and environmental improvement through execution of physical infrastructure development programs in major cities of the country. In fiscal year 2012/13, activities were conducted such as completion of urban infrastructure development and environmental improvement work in various urban areas; implementation of periodic plans and physical development plans of 22 municipalities; operation of various infrastructure development works in eight (8) municipalities under the clean city, implementation of integrated infrastructure development program based on need assessment report of 2009/10 in four (4) locations (Rajbiraj, Janakpur, Malangawa, Kapilvastu); infrastructure development work of 10 new towns lying along the mid-hill highway and north-south corridors; land acquisition for infrastructure development for one among 10 towns, construction master plans for all 10 new towns and building construction code, urban base maps as well as digital engineering design preparation work. On-going

infrastructure development programs in 6 large urban corridors (Duhabi-Inaruwa-Itahari-Dharan, Panchkhal-Dhulikhel-Banepal-Panauti, Pokhara-Lekhnath-Dulegauda, Kapilbastu-Lumbini-Siddharthanagar-Butwal, Surkhet-Dhasrathpur-Chhinchu, Attariya-Dhangadi) were in operation while Healthy City Program was conducted in one (1) municipality (Kapilbastu).

- 10.10 In fiscal year 2013/14, infrastructure development program of 8 large urban corridors are in operation. Periodic plan/physical infrastructure development plan of 22 municipalities are underway, while various infrastructure construction work for building 10 new cities are ongoing. Likewise, programs are in operation under infrastructure development of 8 large urban corridors and clean city in 8 municipalities. Infrastructure development in connection with Land Pooling Project in two locations (Lahan municipality and Inchangunarayan of Kathmandu) and other infrastructures are in operation.

Mid-Sized Town Integrated Urban Environment Improvement

- 10.11 The aim has been to increase living standard of urban people by improving inclusive economic growth and health situation in six municipalities (Banepa, Panauti, Dhulikhel, Biratnagar, Birgunj and Butwal) where this project are in implementation. In fiscal year 2012/13, contract agreement for Kavre Valley Integrated Drinking Water Project has been signed; bid notice has been published for construction work (road improvement and sewerage system with processing facility) in Biratnagar municipality; and preparation of detailed design of infrastructure development for Birgunj have been completed. Bid for drinking water of Butwal is in process whereas design of LFS and Auto Village is in the process of being finalized.
- 10.12 During fiscal year 2013/14, construction work of Slow Sand Filter, Distribution Line, and Sedimentation Tank is underway subsequent to appointment of Construction Company for Kavre Valley Integrated Drinking Water Project, while construction work of Reservoir Tank at Dhulikhel, Khups and Devasthan is also ongoing. Similarly, construction work of sewerage system and processing center of Biratnagar is in operation while that of Birgunj is in the process of concluding the agreement. Bid evaluation for Butwal Drinking Water Supply System Extension work and revision on the tender called for waste management in pursuance of ADB's suggestion are being carried

out. Various community development works to be carried out through the users' committees of Biratnagar, Birgunj and Butwal are ongoing.

Building Construction Code, Government Building Construction

- 10.13 The main objective of this program has been to develop Building Code and implement those codes, carry out construction of government buildings and collect the records of government buildings depicting their current statuses, identify alternative construction materials and construction of natural disaster and earthquake resilient buildings economically as well as to construct government buildings. In fiscal year 2012/13, construction of 19 office buildings were under construction for various division offices and project offices of the Department of Urban Development and Building Construction, and construction of other nine (9) government buildings were also underway. Similarly, construction work of Krishna Prasad Bhattarai Ashram at Bandegaun of Lalitpur was underway as a carried over project while reinforcement works of 3 government/community buildings were also ongoing. Celebrating National Earthquake Safety Day and World Habitat Day, conducting on-the-job training to enable Janakpur municipality towards implementation of the Building code were among other activities. Other works include, public procurement management, and training for electrical and sanitary engineers of the department.
- 10.14 In fiscal year 2013/14, a total of 14 buildings including office building for the Department of Urban Development and Building Construction, various division offices and project office buildings are constructed as a carried over project while construction work of other 10 government buildings are underway. Works such as maintenance of Krishna Prasad Bhattarai Ashram located at Bandegaun of Lalitpur, meeting hall at Syangja, Palace at Palpa are in operation as carried over project. Reinforcement work of two government/community buildings is underway. National Earthquake Safety Day is being celebrated while implementation of building construction code and enhancement of public awareness relating to construction of safe buildings are in operation. Likewise, amendment of one (1) Building Code and printing of amended Building Code is in process. Program has been to provide orientation training to new entrant engineers. Conducting seminar relating to National Housing Policy, providing expert service for permission of private hospital, school, nursing home and other big

commercial buildings and monitoring and evaluation work of Joint Housing are in progress.

Biratnagar Ring Road

10.15 This project has aimed at building ring road as a planned and well managed urban development model with nearly 182 meter on both sides of about 30 km length ring road by acquiring necessary land for Right of Way through land pooling system in Biratnagar sub-metropolis to cope with increasing pressure of pedestrians and vehicles resulting from rapidly expanding settlements and population in this metropolis and its peripheral VDCs. In fiscal year 2012/13, preparation of detailed project report (DPR) of the second section of 41 km long ring road through land development has been completed, while work on its third section is in progress. Works like implementation of Land Development Pilot Program in about one (1) Km length at DPR conducted area, preparation of detail engineering design and replication of readjustment plan as per DPR in the field were carried out. In fiscal year 2013/14, implementation of land development pilot program in about one (1) Km length within detailed project report (DPR) conducted area of about 41 Km length ring road through land development and construction of infrastructure according to DPR are in operation. Preparation of readjustment plan of three (3) Km area to implement DPR carried over from last year and detailed engineering design are in progress while other construction works as per DPR are already in operation.

Model Integrated Settlement Development Program (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 every small town settlement development along the People's Highway (*LokMarga*) corridor of every development region; integrated infrastructure development program through model integrated settlement and intensive settlement program by integrating the scattered settlements on appropriate locations; constructing housing units under the *Janata Aawas* (People's Housing) Program for *Dome, Musahar, Chamar, Dhusadh, Khatwe* and other *Dalits* and ethnics/tribes on the verge of extinction such as *Raute, Kusunda, Surel, Badi, Gandarva, Chepang*. In fiscal year 2012/13, integrated infrastructure development work was in operation by conducting intense settlement program in 7 districts of having study completed in

previous fiscal years. Undertakings such as model village study report implementation in Four (4) 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 were carried out. Infrastructure development program of five small town settlements lying along the People's Highway (*LokMarga*) and preparation of DPR by studying two (2) model villages were in operation. Construction work of housing units under *Janata Aawas* (People's Home) Program for *Dome, Musahar, Chamar, Dhusadh, Khatwe* and other *Dalits* and ethnics/tribes on the verge of extinct such as *Raute, Kusunda, Surel, Badi, Gandarova, Chepang* was conducted. Similarly, programs such as providing housing facility to genuine squatters and urban poor as well as low income group families for managing the unplanned settlements, preparing block plan by studying feasibility of land development program in Liwang of Rolpa and reviewing program by evaluation the effect of People's Home (*Janata Aawas*) and integrated intense settlements were in operation.

- 10.17 During fiscal year 2013/14, intensive settlement program in seven (7) districts where this program was carried out in previous fiscal years are in operation while model integrated settlement development program in 20 locations and integrated infrastructure development work in 31 district headquarters of non-municipal districts are underway.

Republic Monument and Republic Memorial Tower

- 10.18 As per the decision to construct a symbolic icon of national importance as an identity of Nepal's national unity and integrity, and the iconic representation for the achievement of the Historical People's Movement, work on geotechnical investigation at Republic Memorial Tower construction site and WGS Co-ordinate System were accomplished under this program and Structural Design draft report was obtained in fiscal year 2012/13. Similarly, IEE for construction of Republic Memorial Tower and foundation work on Replica of local area plan of the Tower premise is underway. Likewise, agreement was signed with Construction Company for access road construction, while superstructure work at site office was underway.
- 10.19 During fiscal year 2013/14, concrete casting work of second story on main part of the Republic Monument construction has been completed while steel work for construction of canteen and fountain is underway.

Similarly, construction of boundary wall on the southern side of Tukucha river is being carried out subsequent to the completion of 176 meter long retention wall along this river. With regard to Republic Pillar, Receipt of final report on Detailed Landscaping Design and AE Design review work of Gangakhel is in process whereas peer review work report has already been obtained. Similarly, Replica of the Tower construction work has been completed and installed at the site while works on landscaping around pillar construction site and access road are in progress.

Nepal-India Boarder Integrated Check Post Development Project

10.20 Construction of well-planned and effective integrated border check posts along Nepal-India boarder are in progress at four locations (Nepalgunj, Bhairahawa, Birgunj and Biratnagar) in full grant assistance of the Government of India with an objective of further strengthening and diversifying trade, commerce and economic relationship among the people of two countries that exists since long. This project will have positive impact on border management, simplifying trade and commerce of two countries as well as on border security. Government of Nepal will acquire the land, protect the acquired land, conduct EIA, pay compensation and provide relief to the electricity supply affected families. In FY 2012/13, grant distribution work to the land acquisition affected families and various infrastructure development programs were conducted so as to provide relief to the ICP affected people while land protection work was conducted at Biratnagar, Bhairahawa and Nepalgunj ICPs. In fiscal year 2013/14, compensation is being distributed against land acquisition in Biratnagar and Birgunj while works such as construction of various infrastructures at Biratnagar, Birgunj and Bhairahawa, ICPs along with protection of project land are in operation.

Urban Governance Capacity Development Program

10.21 This program has objective of developing urban infrastructure of six (6) municipalities comprising Mechinagar, Dhankuta, Itahari, Lekhnath, Baglung and Tansen. In fiscal year 2012/13, contract agreement for Laxminarayan temple of Tansen municipality and infrastructure development of Hile Bazar was signed while bid evaluation of Mechinagar Gate construction work was completed. Similarly, cost estimate and design of other 16 infrastructure construction were prepared while Block Grant was provided to municipalities.

Integrated Urban Development Program

10.22 This project is in operation since July 2012 with the objective of raising the living standard of urban people through development of urban environmental infrastructures situated in Terai (Janakpur, Dharan, Siddharthanagar and Nepalgunj) of Nepal. 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 2012/13, an agreement has been signed with Engineering Design and Supervision consultant conducting infrastructure development programs in all three municipalities except Janakpur municipality and NGO running community development programs at municipal level and so is with Project Management and Supervision Consultation and Gender Equality and Social Inclusion at central level. In FY 2013/14, PPMS that was agreed with 11 different consultants has already been established \whereas construction related draft design, conceptual design of Janakpur municipality and draft conceptual design of Dharan municipality have been submitted.

Rural Access Improvement and Decentralization Project

10.23 This project is in operation with the financial assistance of the World Bank aimed at conducting repair and maintenance of local level all weather roads, and improving the community infrastructure and transport services, under which works on suspension bridges in 58 districts roads in 30 districts are ongoing. Fabrication of 255 suspension bridges, 55 community infrastructure, and transport services; and 150 capacity enhancement training related to the project were conducted in fiscal year 2012/13, while 176, 147 and 35 of such activities were respectively carried out by the end of first eight months of current fiscal year 2013/14.

Rural Reconstruction and Rehabilitation Program

10.24 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 thereby improving their living standard. Achievements made in fiscal year 2012/13 include construction of 236 Km rural road, 53 Km gravel road, 107 Km black topped, 5 motorable bridges, 54 suspension bridges, and 97 drinking water projects. Under this

program, a total length of 134.55 Km road including 9.55 Km black topped, 27 Km gravel and 98 Km earthen roads, and 2 motorable bridges construction work have been completed by the end of first eight months of current fiscal year 2013/14.

Rural Community Infrastructure Development Program

10.25 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. Construction of rural roads and small income generating activities are being carried out through this program. In fiscal year 2012/13, a total of 146 livelihood and income generating activities and construction of 74 Km rural road were conducted while 35 such programs and construction of 20 Km rural road have been carried out in fiscal year 2013/14.

Decentralized Rural Infrastructure and Livelihood Improvement Project

10.26 This program is in operation since 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, construction of 10 Km new roads, rehabilitation and upgrading of 10 Km roads and 20 suspension bridges were in construction stage in fiscal year 2012/13. During fiscal year 2013/14, construction of eight (8) Km new roads, rehabilitation of five (5) Km roads and 42 suspension bridges are under construction.

Suspension Bridge Sector-Wise Program

10.27 This program is in operation in all 75 districts of the country with 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 side, construction of 300 suspension bridges carried over from the previous fiscal year was completed in fiscal year 2012/13. Community agreements for 339 bridges, foundation and concreting of 46 bridges, and fabrication of 152 iron parts have been carried out in the first eight months of fiscal year 2013/14 while stretching and installation on 54 suspension bridges, survey design for 204 suspension bridges and construction work of 55 carried over suspension bridges have been completed.

Local Level Roads, Bridges and Community Access Improvement Program

10.28 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 of local roads has now bridge construction work in progress in 44 districts. In fiscal year 2012/13, a total of eight (8) carried over bridges construction work were completed. During the first eight months of fiscal year 2013/14, construction of 18 bridges and design estimates completed for 28, and 92 road bridges are in construction phases.

Local Transport Infrastructure Sector-wise Program

10.29 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. Under this program in fiscal year 2012/13, survey of 132 Km road, construction of 250 Km earthen roads, gravelling on 240 Km roads, black topping on 21 Km roads, 400 Km road repair maintenance, construction of 101 cause-ways and bridges were completed. Under this program in fiscal year 2013/14, survey of 300 Km road, construction of 90 Km earthen roads, gravelling on 48 Km roads, black topping on 6 Km roads, 400 Km road repair maintenance, construction of 35 cause-ways and bridges have been completed.

Rural Drinking Water and Sanitation Project

10.30 Under this program which is implemented with the target of access drinking water facility and sanitation facility to entire population, a total of 70 carried over and new gravity drinking water projects, one(1) rain water harvesting program, installation of two deep tube-wells, and installation of 150 shallow tube-wells were completed in fiscal year 2012/13. In first eight months of current FY, programs such as carried over and new gravity projects, rain water harvesting program, deep tube-well and shallow tube-well installation are being carried out.

Rural Water Resources Management Project

10.31 Works are being carried out since 2006/07 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. In fiscal year 2012/13, a total of 89 Drinking Water and Sanitation Schemes, eight (8) Multiple Usage of Water Schemes, 90 Stand Alone Drinking Water Schemes, and five (5) Irrigation Schemes were completed. A total of 30 Drinking Water System and Sanitation Schemes, four (4) Multiple Usage of Water Schemes, 24 Stand Alone Drinking Water Scheme, and 100 Schemes related to the Post Construction of livelihood at household level have been completed in the first eight months of fiscal year 2013/14.

Western Nepal Rural Drinking Water and Sanitation Project

10.32 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 to reduce the arsenic level in three Terai districts covered by project. In fiscal year 2012/13, 574,675 people benefited from sanitation and health program, 6,937 from arsenic minimization program, 44,743 from carried over and new drinking water and sanitation project, and 19,225 from environment protection and income generation program. A total of 2,554 people have been benefited from carried over and new drinking water sanitation project, 6,593 from sanitation and health program and 784 from capacity enhancement program. With the support of this program and water resource management project, Achham, Pyuthan, Parbat, Baglung, Myagdi, Mustang, Tanahu districts have been declared as open defecation free zone.

Local Infrastructure Program for Livelihood Improvement

10.33 This program is in operation in Achham, Dailekh, Jajarkot, Kalikot, Dolakha, Okhaldhunga, Khotang and Ramechhap districts aimed to bring improvements in food security situation of rural farmers of the target districts. In fiscal year 2012/13, detailed survey of 569 irrigation

channels and construction of 394 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 while 788 people were provided with skill development and public awareness program to from which a total of 20,292 households were benefited. Under this program in the first eight months of fiscal year 2013/14, a total of 149 small irrigation channels are being constructed and 150 skill development and public awareness programs are completed while detailed survey of 150 irrigation channel has been completed.

Community Managed Irrigation Project

10.34 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 by increasing their access to irrigation facility, and to extend sustainable irrigation facility in the additional 17,000 Hectares of land through construction and restoration of community managed small irrigation system so as provide support in uplifting living standard of local farmers in the said 12 program districts. In fiscal year 2012/13, construction, maintenance and rehabilitation of small irrigation in 500 Hectares of land, One (1) training on small irrigation survey and design, One (1) GIS related training, 36 feasibility surveys and 20 small irrigation study design were completed. Training has been imparted to engineer and sub engineer working in project coordination unit and district technical office while field survey of 180 irrigation sub projects and feasibility study report of 146 sub projects have been obtained.

Local-self Governance and Community Development

10.35 This program is in implementation in all DDCs, Municipalities and VDCs through local bodies, communities and non-government organizations. The main objective of this program is to provide support to poverty reduction initiatives through good governance and community development and enhancing local people's access to inclusion based priority accorded public goods and services. The program which was in operation since 2008 with the cooperation of various donor agencies has completed its first phase of operation and in 2012 and resumed its second phase of operation from the current fiscal year 2013/14.

Table 10 (a): Status of Infrastructures

Particular	Number of infrastructures completed					
	Unit	2010/11	2011/12	2012/13	2013/14*	Total Progress
Road Gravel	Km	110	566	731	487	1894
Road Black Topped	Km	73	214	178	120	585
Road Repair	Km	353	3401	3075	2050	8879
Culvert Bridge	Km	75	236	165	110	586
Irrigation area	Hectare	2098	9832	7179	4786	23895
School Class Room	Number	1151	2217	1604	1069	6041
New Track	Km			445	87	532
School Repair	Number	834	481	835	557	2707
River Control	Km.			27		27
Health Post Construction and Repair	Number	412	416	203	83	1114
Hydroelectricity	K w			340	175	515
Training Hall Construction	Number			49		49
Community Building	Number			901		901
Maternity Home	Number			81		81

*of the first eight months

Source: Ministry of Federal Affair and Local Development

Energy

10.36 Traditional sources of energy hold the major share in energy demand and its consumption in Nepal. Despite abundant resources and optimal possibility of energy production through such resources, energy crisis has been on the rise as a result of inability to attain notable success in hydro-electricity generation. Situation of energy source and consumption for last five years is presented below:

Table 10(b) : Energy Consumption Status*(Tons of Oil Equivalent)*

Energy Source	2008/09	2009/10	2010/11	2011/12**	2012/13	2013/14*
Traditional	8185	8342	8500	7033	8017	6093
Fire wood	7301	7467	7606	6274	7153	5436
Agricultural Residues	244	324	331	310	353	269
Cow Dung	540	551	563	448	511	388
Commercial	1139	1464	1580	1678	1855	1268
Coal	181	286	293	348	415	277
Petroleum Products	775	965	1058	1083	1182	820
Electricity	182	213	229	248	257	171
Renewable	64	70	75	109	166	247
Total	9388	9876	10155	8820	10038	7608

* Of first eight months

** Based on Survey Statistics

Source: Water and Energy commission Secretariat

- 10.37 The result of national energy consumption and supply survey (2011/12) of Nepal, shows the situation of energy consumption presented in the table above. Based on such statistics, energy consumption in fiscal year 2012/13 recorded a growth of 13.87 percent to 10,038 Tons of Oil Equivalent (ToE) as compared to that of fiscal year 2011/12. During the first eight months of fiscal year 2013/14, energy consumption equaled to 7,608 ToE, which is higher by 15.33 percent as compared to the same period of previous fiscal year.
- 10.38 The ratios of traditional, commercial and renewable energy consumption that stood at 79.87 percent, 18.48 percent and 1.66 percent respectively in fiscal year 2012/13 has remained at 80.09 percent, 16.67 percent and 3.25 percent respectively in the first eight months of fiscal year 2013/14. It shows that heavy reliance of Nepalese economy over traditional energy sources has remained unchanged.
- 10.39 Of the total traditional energy consumption in fiscal year 2012/13, the share of firewood that stood at 71.26 percent, agriculture residues at 3.52 percent and livestock residues at 5.09 percent while such ratio in the first eight months of fiscal year 2013/14 remains at 71.46 percent, 3.54 percent and 5.10 percent respectively. In fiscal year 2012/13, of the commercial energy consumption, share of petroleum products was 11.78 percent, coal 4.14 percent and electricity 2.56 percent while contribution of petroleum products remains at 10.78 percent, coal consumption at 3.64 percent and electricity at 5.10 percent in the first eight months of fiscal year 2013/14.

Coal

- 10.40 In fiscal year 2012/13, coal consumption as compared to its preceding fiscal year rose by 19.26 percent and reaching up to 415 ToE. Consumption of coal has increased by 41.33 percent reaching 277 ToE in the first eight months of fiscal year 2013/14 as compared to same period of fiscal year 2012/13.

Electricity

- 10.41 In FY 2013/14, electricity generation licenses for 83 large and small hydroelectricity projects with approximately 2,150 MW installed capacity have been granted to NEA and the hydroelectricity developers in the private sector.
- 10.42 Performance based structural reform of NEA has been carried out in FY 2013/14 towards strengthening its professional capability. Such reform is expected to help NEA deliver prompt and reliable services to its customers.
- 10.43 Among the projects under the NEA in FY 2013/14, six are study projects, 2 in the process of execution, 16 ongoing, 41 projects under the 132 KV transmission line extension and other voltage categories, 84 distribution line projects, and 2 others.
- 10.44 Under the Andhikhola Hydropower Project to carry out its detail study in FY 2013/14, reestablishment of gauging station and reservoir simulation of alternative powerhouse works are being carried out while topographical survey team has conducted survey on project site's power house and water level measurement work using staff gauge for hydrology field investigation is going on at Uttarganga Hydroelectricity Project.
- 10.45 In FY 2013/14, civil construction, hydro-mechanical and electromechanical works are underway at Upper Tamakoshi Hydroelectricity Project. Likewise, Design Concept Report and Field Investigation Report have been retained from project consultant under the Budigandaki Hydroelectricity Project Development Committee.
- 10.46 Engineering Design revision, invitation of bids, and project's physical infrastructures constructions works are being carried out at Tanahu Hydroelectricity Project in FY

- 10.47 Feasibility study is underway at Tamor Hydroelectricity Project for the electricity generation of 200 MW capacity.
- 10.48 Of the target to carry out work on Nepal's National Energy Consumption and Supply Survey in FY 2013/14, final report has been received upon completion of the task as agreed. This has helped build foundation for Energy Planning.
- 10.49 Detailed Project Report (DPR) on Upper Trishuli 3 "A" Hydroelectricity Project has been prepared with the completion of EPC Contract related works in FY 2013/14.
- 10.50 The detail of electricity demand, consumption, generation, and other physical infrastructures based on results/returns/achievements of NEA operated programs are given below:

Table 10(c) : Electricity Demand, Consumption, Generation and Physical Structures

S. No.	Particulars	Fiscal Year				
		2009/10	2010/11	2011/12	2012/13	2013/14*
1	Production (MW)	689.36	697.85	705.57	746	746
2	Transmission Line (Km)	1972.62	1917.62	1987.36	1987.36	1987.36
3	Customer Number	1670610	1854275	2053259	2599152	2713804
4	Distribution Line (Km)	82871.24	89108.86	95815.98	114160.40	116066.64
5	Available Energy(GWH)	3130.77	3389.27	3858.37	4260.45	3092.47
6	High Demand (MW)	885	946.1	1026.00	1094	1200.98

**Of the first eight months*

Source: Ministry of Energy

Petroleum (POL) Products

- 10.51 Consumption of Petroleum Products (POL), which is an important source of energy, has been growing day by day. However, its supply could not be made easily available to all. Despite policy and

institutional efforts being made towards making supply and distribution of POL products accessible to all, making effective arrangement for their smooth supply and distribution has been a challenge. Details of POL for previous years are as follows:

Table 10(d) : Consumption of Petroleum Products

Description	Fiscal Year					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*
Petrol (KL)	124169	162274	187640	199748	221676	161295
Diesel (KL)	466468	612505	655127	648513	716747	489438
Kerosene (KL)	70089	55788	49494	41808	24721	12708
Light Diesel Oil (KL)	377	238	227	-	258	-
Furnace Oil (KL)	2171	2589	1415	435	2450	-
Aviation Turbine Fuel (KL)	68965	82631	101314	109808	115786	82735
LP Gas (in MT)	115813	141171	159286	181446	207038	151211
Mineral Turpentine Oil (KL)	-	-	-	-	-	-
Total	845504	1054369	1152861	1181323	1288676	897387

**of the first eight months*

Source: Nepal Oil Corporation

- 10.52 Consumption of POL products in FY 2012/13 increased by 9.09 percent to 1,288,676 Kilo Liter (KL), while consumption of LP gas rose by 14.11 percent to 207,038 Metric Ton (MT). Consumption of POL products and LP gas that totaled 680,540 KL and 133,271 MT respectively during first eight months of FY 2012/13 rose by 9.65 percent and 13.47 percent totaling 746,173 KL and 151,211 MT respectively during in the corresponding period of FY 2013/14.
- 10.53 Diesel, Kerosene, Petrol and Aviation Fuel has occupied major portion in POL products consumption volume. Shares of diesel, kerosene, petrol, and aviation fuel excluding LP gas in FY 2012/13 stood at 66.27 percent, 2.29 percent, 20.50 percent, and 10.71 percent respectively. Observation of the consumption ratio of first eight months of the current fiscal year 2013/14 shows shares of diesel, kerosene, petrol, and aviation fuel as 65.60 percent, 21.62 percent, 1.71 percent, and 11.09 percent respectively.
- 10.54 Arrangement has been made for maintaining stock of POL products by increasing storage capacity to meet the demand for at least a month; setting equal prices of diesel and kerosene for maintaining the purity of diesel and combating the practice of mixing and misusing the VAT exempt kerosene in it. Likewise, the tender process will be furthered

ahead for the transport of POL products including LP Gas so as to make it more competitive. Similarly, selling and distribution process of LP Gas at cost price through introduction of blue colored gas cylinder for commercial use has been promoted.

- 10.55 In-principle 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.
- 10.56 Consultation is underway with experts and Indian Oil Corporation for initiating the POL products pipeline laying work. Works on current storage capacity enhancement of NOC and depot repair maintenance are being carried out using means and resources of NOC.

Environment and Climate Change

- 10.57 Various tasks such as 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 climate change in overall development of the country through the sustainable development and extension of alternative/renewable energy technology, supplying clean energy in rural areas through the operation of small industries and businesses using renewable energy technology thereby bringing improvement in economic and social situation of rural public, making human activities and development process environment friendly by adopting green development concept and activities including Local Adaptation Planning Activities (LAPA) to cope with the adverse effect of climate change are being carried out by The Ministry of Science, Technology and Environment.
- 10.58 Works like capacity enhancement programs for environment and climate change, Operation of regular program on raising public awareness through the Second National Communication Program and works related with adverse impact and risk assessment of climate change are being carried out.
- 10.59 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 adaptability programs are being carried out. For this, National Adaptation Program and Local Adaptation Planning Activities (LAPA) 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. Through this, enabling capacity of the local people to cope with the adverse effect of climate change is likely to develop thereby improving their economic and social condition.

- 10.60 The 19th Convention on United Nations Framework Convention on Climate Change (UNFCCC) was held in Warsaw, the capital city of Poland from 11 to 22 November, 2013 in participation of parties of the conference. Nepal had made its effort to lead the negotiation team from among the least developed countries for the first time by actively participating in the dialogue process held in this convention. An agreement to establish Warsaw International Mechanism for Loss and Damage and Warsaw Framework for REDD was possible only in the active participation of countries including Nepal considering the interest of the countries that are at risk and affected by climate change. Climate Technology Center and Network has completed its preliminary works and is in the position of carrying out technology development and transfer related works. Likewise, the commitment has been secured for the collection of Adaptation Fund/Least Developed Countries Fund to provide benefit to the least developed countries.
- 10.61 In the process of issuing and implementing various Standards and Measurements with the objective of allowing people to spend healthy lives by ensuring human health and environmental protection , 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 ; and the Standard for Measurement of Vehicular Pollution, 2012 have been issued and implemented effectively.
- 10.62 Implementation process of the order issued by Supreme Court to prepare and submit Detailed Quality Report on the effects of plastic made materials on human health is in progress, while interaction and workshop programs with stakeholders on the management and

replacement of vehicles of 20 years old and above and preparation of waste management strategies like works are being conducted.

- 10.63 A total of 50 calibration instruments have been installed at various places in 3 districts to conduct analysis on Rhodon Gas (lung cancer inducing gas) that exists in different parts of the country while 19 EIA Reports and 24 Scoping Documents/Terms of Reference have been approved for the purpose of managing and simplifying environmental impact assessment work.
- 10.64 Distribution of meteorological data in digital format has been initiated by Department of Science and Meteorology. The number of data users has increased significantly and so has been the revenue.

Alternative Energy

- 10.65 Major policies adopted in the sector of renewable and alternative energy by the government of Nepal are Rural Energy Policy, Renewable Energy Subsidy Policy and the Three-Year Plan. Major objectives of these policies have been: providing necessary grants for the promotion, development and extension of clean reliable and sustainable energy sources and technologies that are available in abundant quantities in the country; providing technical support, 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 13 percent of total population has been now availing electricity facility from renewable energy source. Similarly, 27 percent of the total population is estimated to be using clean renewable energy.
- 10.66 In pursuance of the commitment made through the budget speech for FY 2013/14 to support the remote rural areas of the country by increasing access to electricity for household uses and also to support the rural economy through production and supply of abundant electricity from small streams of remote areas not connected to the national transmission grids, Working Procedures 2013 making provision for additional financial support to micro and small hydroelectricity projects of up to 500 KW capacity that could not be completed in the last three years was prepared and issued and

implemented. Similarly, Institutional Solar Energy System Grant and Mobilization Working Procedure, 2014, and Urban Solar Energy System Grant and Mobilization Working Procedure, 2014 have been issued and implemented with the aim of promoting solar energy to provide relief not only limited to the rural people but also to the urban population from the inconvenience caused due to load shedding.

10.67 The analysis of the current status, changes, and trends based on updated statistics of last 3 years and that of the first eight months is as follows:

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

S.No.	Major Programs	Unit	Fiscal Year			First Eight Months		
			2010/11	2011/12	2012/13	2011/12	2012/13	2013/14
1.	Electricity generation from micro and small hydropower	KW	2453	3258	3366	1619.7	3207	752
2..	Installation of Home Solar electricity system	Nos	57059	35627	96495	27868	32608	27913
3.	Solar Pump Installation	Nos	22	1	51	1	12	10
4.	Solar Lamp Installation	Nos	6308	10348	6787	5502	1383	-
5.	Solar Dryer/ Cooker Distribution	Nos	272	202	140	118	86	-
6.	Bio-Gas Installation	Nos	17907	18979	17635	3081	238	19478
7.	Improved Water Mill Installation	Nos	353	791	1256	510	365	145
8.	Improved Stove Installation	Nos	84168	118461	120364	43878	56334	2854

Source: Alternative Energy Promotion Center

10.68 Observation of data for the last three years show that electricity generation from micro and small hydro power projects have increased. During the first eight months of current fiscal year 2013/14, electricity generation from micro and small hydropower projects has decreased by 76.56 percent as compared to the increase of 98 percent in the corresponding period of previous fiscal year. In contrary, the number of installed solar home electricity system and improved stoves has decreased in the first eight months of current fiscal year 2013/14 as compared to corresponding period of previous fiscal year. While the

number of solar pumps installed during the first eight months of FY 2012/13 had remained at 12 units which fell by 16.67 percent to just 10 units in the corresponding period of the current fiscal year 2013/14. Likewise, as compared to the first eight months of previous fiscal year 2012/13, number of, installed improved water mills and improved stoves has declined in the corresponding period of current fiscal year 2013/14. Though the progress made in this regard seemed to be less as targeted due to delay in securing additional financial support and approval for working procedures for the installation of solar energy system in urban areas in the first eight month of current FY 2013/14, the target is likely to achieve by the end of current fiscal year.

- 10.69 Of the programs operated in FY 2012/13, a total of 19,478 units of bio-gas plants have been installed in the first eight months of the current fiscal year against the annual target to install 26,000 units of bio-gas plants. Likewise, of the target to generate 4,500 KW of electricity from micro and small hydropower projects, 752 KW of electricity has been generated. Similarly, 27,923 solar power systems have been installed during the same period against the target set to install 125,000 such systems. Moreover, of the target set to install 5,000 units of improved iron stoves, 2,854 units have been installed and 10 units of solar drinking water pumps are installed against the target of installing 25 units of such pumps and 145 units of improved water mills have been installed against the target of installing 750 units. From the above mentioned programs, about 34,606 households have been benefited from access to electricity; 2,854 households from the availability of clean fuel and technology for cooking and about 500 families have benefited from access to drinking water. In addition, clean energy has helped improve education, health, and environment of rural people.

Problems and Challenges

- 10.70 There has been continuous rise in the loss on POL products trade 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.
- 10.71 Difficulties is being faced due to inability of supply and distribution of POL products by timely import caused by frequent closures of highways, agitation, strike, and road blockade (*chakkajam*) while 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.

- 10.72 Though there has been significant increase in the number of population benefiting through renewable energy technology, steep price rise in the construction cost of micro hydro projects especially in rural areas is creating difficulties in garnering necessary fund beyond the subsidy amount as there is no increment in the grant amount.
- 10.73 Despite higher demand, solar energy installations in remote to most remote areas could not be done due to shortfall of subsidy amount.
- 10.74 With the theoretical decision made by Nepal Government to bring in the private sector into POL products business, it is necessary for the NOC to compete skillfully with that sector amid its adverse financial situation.

11. Transport and Communication

Roads Transport

11.1 In fiscal year 2012/13, a total of 876 Km of earthen (fair weather) road, 620 Km of graveled road and 467 Km of black topped road was upgraded. Similarly, by mid - March 2013/14; 334 Km of earthen road, 136 Km of graveled road and 151 Km of black topped road have been upgraded. Likewise, regular and periodic maintenance work of 8,200 Km road has been completed by mid-March of the current fiscal year.

Table 11 (a): Expansion of Road Facilities

S. No	Particulars	Units	Fiscal Year		
			2011/12	2012/13	2013/14*
1	New road construction	Km	1180	876	334
2	Upgraded to gravel road	Km	407	620	136
3	Upgraded to black top	Km	290	467	151
4	Road maintenance (regular and periodic)	Km	6574	7757	8200
5	Periodic Maintenance	Km	500	429	127
6	Bridge construction	No.	47	63	16
7	Road joining district headquarter	No.	1 (Manang)	1 (Mugu)	

Source: The Department of Road

* First eight months of FY 2013/14

1.2 By the end of FY 2012/13, a total of 25,265 Km long road with 10,659 Km black topped; 5,940 Km graveled and 8,666Km earthen (fair weather) was constructed through the Department of Roads including strategic road network and local road network across the country while the length of such road network has reached 25,599 Km; with 10,810 Km black topped and 5,925 Km graveled road by mid-March of the current fiscal year 2013/14.

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

S.	Particulars	Fiscal Year				
		2011/12	2012/13	2013/14*	Till FY 2013/14	
					Total	Share (Percent)
1.	Black Topped	10192	10659	151	10810	42.23
2.	Graveled	5787	5940	136	5925	23.15
3.	Earthen (Fair Weather)	8410	8666	334	8864	34.63
	Total	24389	25265	334	25599	100.00

Source: Department of Road

* First eight months

- 11.3 Similarly, aside from the projects and programs conducted under the Department of Roads, road facility expansion and construction works are also carried out at local levels by local bodies under the infrastructure development, operation, and repair and maintenance related projects, schemes and programs.

Table 11 (c) : Road Facility Extended by Local Bodies*(In Km.)*

Program and Projects	Particulars	Unit	Fiscal Year		
			2011/12	2012/13	2013/14*
a. Rural Access Improvement and Decentralization Project	Perennial Road	Km	231	463	305
	Seasonal Road	"	31	31	20
b. Rural reconstruction and rehabilitation program	Rural Road	Km	335	490.96	134.55
	Earthen (Fair Weather)	"	135	153.68	98
	Graveled Road	"	108	230	27
	Black Topped Road	"	92	107.05	9.55
c. District Road	New Road	"	55	41	6.6

Program and Projects	Particulars	Unit	Fiscal Year		
			2011/12	2012/13	2013/14*
Support Program	Construction				
	Regular Road Repair and Maintenance	"	343	384	160
	Road Restoration	"	17	50	31
d. Rural Community Infrastructure Development Program	Rural Road Construction	"	36	74.14	20
e. Rural Access program	Rural Road Construction	Km	141	65	Track opening work in progress in Bajura, Mugu, Humla and Kalikot
f. Local transportation infrastructure sector-wise program	Earthen (Fair Weather) Road Construction	"	650	250	90
	Road Repair and Maintenance	"	800	400	400
	Road Black Topped	"	35	21	6
h) Decentralized Rural Infrastructure and Livelihood Improvement Project	New Road Construction	"	22	10	8
	Road Rehabilitation	"	4	10	5
i) Local Self-Governance and Community Development Program	Road Graveled	"	676	731	487
	Gravel	"	287	178	120
	Black Topped	"	3754	3075	2050

Source: Ministry of Federal Affair and Land Development

* First eight months of FY 2013/14

Transport Vehicles

11.4 The number of transport vehicles registered between FY 1989/90 and FY 2012/13 across the country stood at 1,557,478 while a total of 130,000 new transport vehicles got registered by the first eight months

of fiscal year 2013/14 reaching the total number of such vehicles to 1,687,478. The number of transport vehicles in current fiscal year has dropped by 8.7 percent as compared to that of the first eight months of previous fiscal year.

Table 11(d) : Number of Vehicles

Types	Fiscal Year			
	1989/90 to 2012/13	2010/11	2011/12	2012/13
Bus	30138	1610	2085	3263
Minibus/Mini Truck	13307	1370	1170	1328
Crane/Dozer/Excavator/Truck	50192	1969	1333	3332
Car/Jeep/Van	138735	8510	8711	9595
Pickup	18171	3087	2981	5422
Microbus	2636	115	155	158
Tempo	7510	2	10	57
Motorcycle	1207261	138907	145135	175381
Tractor/Power Tiller	83101	7937	8413	9795
Others	6427	133	91	152
Total	1557478	163640	170084	208483

Types	Fiscal Year				Total as of now
	1989/90 to 2012/13	2011/12*	2012/13*	2013/14*	
Bus	30138	1016	2040	1456	31594
Minibus/Mini Truck	13307	602	933	716	14023
Crane/Dozer/Excavator/Truck	50192	593	2234	1682	51874
Car/Jeep/Van	138735	5403	6279	7389	146124
Pickup	18171	1208	3494	3772	21943
Microbus	2636	61	93	73	2709
Tempo	7510	6	52	5	7515
Motorcycle	1207261	90305	121182	108911	1316172
Tractor/Power Tiller	83101	2512	5954	5930	89031
Others	6427	73	166	66	6493
Total	1557478	101779	142427	130000	1687478

Source: Department of Road

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

Policy and Institutional Reforms in the Transport Sector

- 11.5 Works have been carried out by putting transport security action plan on top of the priorities to curb road accidents. Similarly, works on setting up of standard and operation modality are underway for the operation of vehicle fitness test center established at Teku of Kathmandu with a view to make transport vehicle testing process scientific and organized.
- 11.6 Software Requirement Specification and Training Planning have been forwarded upon approval under the program to convert vehicle registration certificates and driving licenses into smart cards on the assistance of Asian Development Bank. New software will be introduced from the onset of coming fiscal year, which would provide online service to the service seekers consequently enhancing quality performance in both services.
- 11.7 Under the program for changing transport vehicle number plates to embossed ones, studies are being carried out on design of the number plates, recommendations for appropriate technology, costing, and process together with necessary amendments in prevailing law.
- 11.8 Arrangement has been made for filling up vehicle driving license application forms through Valley Transport Management Service Center, Sallaghari and Sano Bharayang. Citizens' Charter including the provision for compensation has been brought into effect in all Transport Management Offices from April 28, 2013. Motorcycles and scooters are categorized separately in driving license cards. Driving License Registration System has been computerized in all Transport Management Offices. Likewise, arrangement for web posting of the results of vehicle driving license examination has been made.
- 11.9 Actions were taken against 517 transport vehicles after monitoring of those vehicles (on charge of collecting excess fare, overloading, making no provision for reserved seats, ferrying commercial goods through public commuter vehicles, violating traffic rules) through which a revenue of Rs. 341,000 was collected in fiscal year 2012/13. The provision of power delineated to official as stated in provisioned in the Motor Vehicles and Transport Management Act, 1993, for suspending driving license up to six months upon securing the proof of violating the rules to be abided by the drivers for more than 5 times, has been brought into effect.

- 11.10 Taxis equipped with modern facilities have been brought into operation by replacing the old taxis that were in operation at Tribhuvan International Airport (TIA). A total of 316 night buses have been recommended for road permit. In fiscal year 2012/13, a total of 36 new driving training centers and workshops have been registered. Offices under the Department of Transport Management has collected Revenue of Rs. 7.713.8 million plus in fiscal year 2012/13 alone, which is 275 percent higher than the revenue collected in its previous fiscal year 2011/12.
- 11.11 In fiscal year 2012/13, a total of 208,483 new vehicles comprising 175,381 two wheelers and 33,102 four wheelers have been registered through offices under the Department of Transport Management. Likewise, 163,590 new driving licenses were also issued during the same period.

Civil Aviation

- 11.12 Programs in the civil aviation sector are underway in line with the policy of the Ministry of Culture, Tourism and Civil Aviation for developing, extending and promoting the tourism sector through easy, secured, reliable and regular air and land transport facilities thereby ensuring aviation services safe, regular and reliable that play crucial role in the infrastructure development in tourism sector.
- 11.13 Civil Aviation Authority of Nepal (CAAN) has taken a number of measures like, Amendment of Civil Aviation Regulation 2001; Working Procedures for delegating rights to the Director General for the suspension of Air Services; State Safety Program; Safety Management System; and AOCR have been implemented with the endorsement of Nepal Civil Aviation Authority Space Sport Regulation, 2012 to address legal weaknesses and shortcomings as pointed out by ICAO Audit Finding.
- 11.14 VOR/DME that were installed at the airport of Nepalgunj, Bhairahawa and Simara have been upgraded while live web cameras have been installed and brought into operation at the airports of Kathmandu, Lukla, Pokhara and Simikot for online weather reporting facility. Of the additional physical infrastructure development works at Tribhuvan International Airport, runway and apron extensions works are being carried out under ADB's support. In the process of carrying out other infrastructure development works at the airport, CNS/ATM Equipment, VCCS, VHF Communication/Meteorological Equipment

have been installed. ATS Message Handing System-AMHS service has been introduced while groundwork has already been started to execute MLAT technology for Ground Safety Enhancement. Likewise, maintenance equipment procurement process has begun for the execution of already approved TIA Disaster plan to ensure safety against earthquake.

- 11.15 Under the nationwide airport upgradation program, black topping of the runways of Manang and Rukum have been completed while such works have commenced on the runways of Dolpa, Bajura, Dang, Faplu, KhaniDanda, Rumjatar, Ramechhap, Chaurjahari, Mugu, Bhojpur and Taplejung airports.
- 11.16 During this period, permits and certificates have been granted to 10 recreational airlines and 5 commercial airlines companies to begin operations while Airport Tax on domestic flights has been incorporated in their air tickets.
- 11.17 Turkish Airline has started its Kathmandu-Istanbul flights from September 2013 amid the absence of direct flights from Europe which is regarded as the main international tourist hub. This would facilitate tourist and travelers willing to visit Nepal through extension of direct flights to Europe and provide support in quality tourist attraction as well. Understanding has been reached between the government of Nepal and United Arab of Emirates (UAE) for the recognized airline companies to operate up to 70 flights a week. Through this, additional flight services would be extended to middle-east countries which ultimately help reach the major foreign employment and tourist destinations through direct and comfortable flight services.
- 11.18 Modern luxurious prepaid taxis of European standard have been brought into operation since mid-May of last year by replacing old and outdated airport taxis of poor quality which were in operation at the only international airport of Nepal. This is believed to have facilitated especially to international passengers. The analysis of revenue collection vis-a-vie tax payment status of Nepal Civil Aviation Authority for the last three years reveals that it had made a profit of Rs. 1,354.7 million from its total earnings of Rs. 3,366.5 million after deducting its expenditure of Rs. 2,011.8 million in FY 2011/12 has been able to make net profit of Rs. 895.7 million after deduction of last year's accumulated loss of Rs. 459.0 million. The Authority has been able to make net profit of Rs. 1,080 million in FY 2012/13 from its earning Rs. 3521.1 million after deducting its expenditure of Rs. 2,441.1 million.

The Authority has paid tax of Rs. 389.073 million during the same period. In fiscal year 2012/13, the Authority recorded net profit of Rs. 91.3 million from its total earning of Rs. 1,762 million after deducting its expenses of Rs. 1,670.7 million in the first eight months of the current fiscal year 2013/14 while it has paid income tax of Rs. 238.2 million during the same period.

Table 11(e) : Details on Civil Aviation

Indicators	Status by the end of Mid-March 2013	Status by the end of Mid-March 2017
Nepalese Airlines with International Flights	2	2
International Airlines in Nepal	26	29
Country with Bilateral Air Service Agreement	36	36
Air Seats on Each Side of the Aisle	5255000	5850000
Number of Domestic Airlines (Fixed wing + Rotor wing)	17	17
Number of International Airport	1	1
Number of Domestic Airports	54	54
Number of All-season Airports	19	20
Total Number of Domestic Airports in Operation	35	35

Rail Transport

11.19 Following the establishment of Department of Railways 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. 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. Since fiscal year 2013/14, preparation of detailed study report of Simara-Butwal (179 Km) section under the Mechi-Mahakali Electric Railway and Butwal Bhairahawa (Lumbini) Link (44 Km) by consultant is in completion stage. Likewise, process in underway for section of consultant for the preparation of Detailed Study Report of Butwal Gaddachauki section (421 Km). Feasibility study of Kathmandu Valley Metro (77.28 Km) through Railway and Metro Development Project is completed in 2012/13. Contract management work has been initiated

to commence the railway construction work since this fiscal year 2013/14. Implementations of these projects are expected to facilitate public transport as well as generate employment and contribute notably to national economy through growth of economic activities.

Information and Communication

11.20 The Ministry of Information and Communication mainly covers postal services, telecommunications, printing services, press and electronic communications and motion pictures. National Information Commission (NIC) has remained as the Contact Ministry.

Table 11(f) : Target and Progress of Three-Years Plan (Information and Communication)

S.No.	Description	Achievements
1	By the end of plan, 75% of VDCs will have Broadband Service access.	72 districts have the service.
2	The mobile and wireless service access will reach to 75% area of the country.	GSM:75 districts 45% of total area CDMA:75 districts, 3248 VDC(82.96%)
3	Optical Fiber Network will reach to 65 district headquarters of the country.	Optical Fiber Network has reached to 47 districts headquarters.
4	The number of Internet Service Seekers will be 25%.	Number of Internet Service Seeker 8146910 (30.70%)

Annual program and Budget for fiscal year 2013/14 were prepared and implemented with the objectives of bringing effectiveness in the flow of information in line with national policy related to this sector, delivery of commitments expressed at international forums by the above mentioned service providing agencies regarded as the backbone of information and technology, the spirit and sentiments of Federal Democratic Peoples' Republic of Nepal and development and extension of information and communication in rural area. Various programs have been carried out institutional, structural, legal and policy improvement related programs through this ministry and agencies under it.

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

	Fiscal Year				Remarks
	2010/11	2011/12	2012/13	2013/14*	
FM Radio	390	475	512	535	License No.
FM Radio Regular Transmission	330	328	372	404	„
Television Regular Transmission	15	18	23	24	„
Cable Television	714	744	773	790	„
DTH	9	1	1	1	„
Licenses for Downlink	91	106	84	86	„
VHF/UHF Transmitter	38	38	137	91	„
Sales and Distribution of Radio Devices	20	20	17	15	„
Number of Feature Film Censored	91	182	195	129	„
Number of Commercial Movies Censored	168	175	144	72	„
Foreign Movies Shootings	73	66	82	40	„

Source: Ministry of Information and Communication

* First eight months of FY 2013/14

Works Completed in the first eight months of FY 2013/14

- 11.21 Works are in progress with the target to complete Laying of 170 Km optical fiber and construction of 30 Community Information Centers (CIC) by the end of December 2014 with a view to exchange information through Tele-centers by establishing information hub between Nepal, India, Bangladesh and Bhutan under the SASEC Information Highway Project.
- 11.22 There are programs to establish Community Information Center at various 81 locations of 52 districts and to construct five (5) model community information centers each in five development regions under SAARC Development Fund (SDF). Tender has been invited for procurement of necessary equipment for the Centers to complete such work by December 2014. Grant has been provided to construct seven (7) branch office buildings for the Federation of Nepal Journalists'

Federation in the districts namely, Ilam, Chitwan, Dolakha, Bhojpur, Pyuthan and Bhakpur.

Science and Information Technology

- 11.23 Programs like genetic (DNA) testing facility within the country; extension of forensic science service; strengthening of research labs; study of tree cycle; and reducing the trend of brain drain ongoing in the science and technology sector. Science fairs and exhibitions are being organized in various districts so as to raise public awareness on science through the continuation of promotional programs with grants, awards, audio visual, journal publication and publicity of science and technology. Besides, activities on flow of information and technology transfer required for various industries, education and research oriented institutions are being carried out. The Ministry of Science, Technology and Environments engaged in effective implementation of Information Technology Policy 2010; National Atomic Policy, 2007; Electronic Transactions Act, 2006 and Regulation 2007; and creating favorable working environment within the country for its scientific human resource thereby enhancing economic and social development of Nepalese people.
- 11.24 Pursuant to the target to establish Rural Information Centers, so far, over 400 such Centers have been established in public schools and Community Organizations. Scores of tasks have been completed, like arrangement of optical fiber through the National Information Technology Center (NITC) for networking of government offices; benchmarking of IT equipment; upgrading online entry pass system for Singhadurbar visitors; development of application/System required for online service delivery to the service recipients have been completed.
- 11.25 Aside from conducting study on Astronomy, Astronomy Almanac for the year 2013 has been prepared. "Today's Science" (*AajakoBigyan*) TV program is telecast on Nepal Television every 15 days. Similarly, Scientific World Journal, Scientific World Magazine and Science and Technology Bulletin have been published for creating scientific awareness among the people. Inventory preparation work is underway for the promotion and development of indigenous technology.
- 11.26 A roadmap draft on National Information Technology has been prepared, and interaction between government stakeholders and the private sector conducted for obtaining their feedbacks. All the

government entities will formulate and implement their own sectoral plans after this roadmap is approved, which would serve as a guiding document for Nepal to take a leap forward in Information Technology Sector.

- 11.27 The preliminary work on formulating e-Governance Master Plan has been completed. Government works and services could be delivered through electronic means once this is formulated.
- 11.28 The following government entities have been carrying out works including server and application hosting in the Government Integrated Data Center under National Information Technology Center.

S. No.	Works	Number	Remarks
1	DNS Registration of Government Agencies	632	
2	Web and Application Hosting	339	
3	Government Email Provided	75	
4	Internet Provided within Singhadurbar	50	
5	Server Collocations of Government Agencies	30	
6	E-Gate Pass System for Agencies within Singhadurbar Provided and Operated	47	
7	Consultancy Provided Inspecting whether Government Application are as per GEA Standard.	3	

- 11.29 A team of specialists from National Forensic Laboratory has collected data on wildlife such as rhino horn, elephant tusk etc. stored at the Armed Forest Ranger Training Center (*Shree SasastraBanraksyakTalim Kendra*) at Tikauli of Chitwan in previous fiscal year 2012/13 in the process of conducting special study and research for improving quality of Wildlife Artifacts Testing Service. In this process, 10 types of scientific parameters were collected from 110 units of rhino's horn and microtome section were extracted from at least 60 rhino horns to carry out further study in the laboratory. Similarly, scores of statistics were collected from skulls of four tigers, mandible of one tiger, antlers of two spotted dears (*Chital*) and one deer, and tusks of four elephants. Likewise, hairs and scales of Weasel, Deer, Otter, Leopard, Clouded Leopard, Pangolin, Tiger, Hyena, etc were collected. The beneficial results obtained through such researches that are being used in

identifying suspicious artifacts help in wildlife concerned crime investigations and CITES implementation. During this period, a total of 934 cases in connection with forensic science (disputable bonds, DNA, remnants (fossils) of wildlife, poison and drugs, etc) had lab test and their reports submitted to the Courts, Police, Banks, Commission for the Investigation of Abuse of Authority (CIAA), Debt Recovery Tribunal, Forest Offices as well as other related institutions and the people.

Postal Sector

11.30 Postal service is the oldest service in the information and communications sector that is highly used by the people with its institutional network extended up to the remotest rural areas. Aside from delivery of letters and parcels, a number of other services like issuance of postal stamps, operation of Postal Saving Bank, Money Order Service, Same Day Delivery Service, Express Mail Service and E-post, Tele-Center Service are rendered through the Department of Postal Services and the offices under this Department.

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

Postal Services	Mounta in	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 at Post Offices till Mid-March of Fiscal Year 2013/14				401

Source: Postal Service Department

Telecommunications Service

11.31 Telecommunications service has seen both quantitative and qualitative growths together with rise in the number of telecommunication service providers and service users along with access to ultramodern and sophisticated technological telecommunication facilities. By mid-March 2014, the total number of telephone subscribers reached 23,006,799 with telephone density of 74 percent.

Table 11(i) : Status of Telecommunication Service

Types of Service	Fiscal Year			
	2010/11	2011/12	2012/13	2013/14*
Total Number of Telephone	13163649	16971477	21332278	23006799
PSTN	608979	633258	647405	653851
Mobile	11602814	15056109	17996125	19310912
Limited Mobility	719776	1080405	1546697	1804376
GMPCS	1742	1742	1742	1742
Telephone Density	46.4	63.76	80.51	86.82
Total Internet Subscribers	3111858	4944479	6916138	8146910
Internet Density	10.85	18.94	26.10	30.70
ADSL Internet	68343	95623	114534	119285
GPRS	2830695	4683921	6476136	7681392
CDMA IMAX EVDO	154548	188219	232248	235838
Dial Up	20355	15079	15380	14933
Wireless Modem	22288	46602	56900	63107
Cable Modem	15629	17968	18374	24909

Source: Nepal Telecom Authority/Nepal Telecom Company Limited

* First eight months of FY 2013/14

Table 11(j): Number of Telephone Subscribers

Service Providers	Fiscal Year				Percentage Change
	2010/11	2011/12	2012/13	2013/14*	
Nepal Telecom Limited	7522136	8595771	9176060	580289	6.75
United Telecom Limited	613801	698298	719341	21043	3.01
Ncell Pvt. Ltd.	7463071	9553404	10526798	973394	10.19
STM Telecom Sanchar Pvt. Ltd.	5336	5363	5385	22	0.41
Nepal Satellite Telecom Pvt.	146319	149708	149698	-10	-0.01
Smart Telecom	311227	576503	753254	176751	30.66
Others	1742	1742	1742	0	0.00

Source: Nepal Telecom Authority/Nepal Telecom Company Limited

* First eight months of FY 2013/14

National Information Commission

11.32 Article 27 of the Interim Constitution of Nepal, 2007 has made a provision that Right to Information as one of the Fundamental Rights by empowering every individual to have access in the individual information and information of public concerns. This has been coordinating and operating promotional campaigns and programs to build information culture and playing leadership role for balanced and coordinated relationship among the information seeking parties, information disseminating parties and civil institutions and various government agencies advocating for Right to Information.

Print Media (Information Dissemination)

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

Table 11 (k): Activities of Information Department

Title	Fiscal Year				Remarks
	2010/11	2011/12	2012/13	2013/14*	
Meet The Press	39 times	40 times	34	16	
Nepal Bimonthly	6 times	5 times	6	4	Publication
Nepal Introduction		500 copies	1000 copies	English Translated Version sent to Press	“
Calendar	5500 copies	5500 copies	5500 copies		“
Diary	2500 copies	2500 copies	2500 copies		“
Media Directory	3000 copies	3000 copies	3000 copies		“
Basic Journalism Training	130 Persons	6 times	4 times		
Journalist in-service Training		25 Persons	30 Person		
Anchoring Training for Blinds	25 Persons	25 Persons	25 Persons	25 Persons	
Photo Journalism Training			30 Persons		
Journalists	In 5	In 6	5 times	4 times	

Title	Fiscal Year				Remarks
	2010/11	2011/12	2012/13	2013/14*	
Interaction Programs	districts	districts			
Photo Session of Official Function	23 times	20 times	54 times	80 times	
Journalist Coordination in National Festivals and Government Program	17 times	13 times	10 times	8 times	
People's Welfare Advertisement and its Payment	90 million	99.1 million	99.1 million	65 million	
Registration Of Permanent Newspapers	146	156	180	66	
Registration of Temporary Newspapers	510	557	458	208	
Distribution of Press Representative Certificates	508	987	194	661	
Renewal of Press Representative Certificate	2068	2232	209	1648	

Source: Department of Information

* By Mid-April of 2013/14

Table 11 (1): Newspapers Registered in Various Districts

Types	2010/11	2011/12	2012/13	By Mid-April 2013/14
Daily	399	426	582	599
Half Weekly	20	24	33	34
Weekly	2086	2213	2536	2594
Fortnightly	392	408	432	442
Monthly	1868	1981	2014	2061
Two Monthly	229	237	337	341
Quarterly	495	518	564	578
Trimesterly	26	29	31	31
Half Yearly	68	72	78	80
Annually	82	83	83	87
Total	5665	5991	6690	6847

Source: Department of Information

Table 11 (m): Newspapers Registered by Languages

Language	Fiscal Year			
	2010/11	2011/12	2012/13	2013/14*
Nepali	4067	4275	4613	4685
English	427	457	470	483
Nepali/English	990	1030	1150	1210
Newari	33	43	43	43
Sanskrit	2	2	4	5
Hindi	21	24	28	30
Maithili	21	27	40	44
Bhojpuri	6	8	9	9
Urdu	4	4	7	8
Tibetan	2	2	3	3
Tharu	9	9	12	13
Limbu	2	2	3	3
Doteli	2	2	4	4
Tamang	6	8	9	10
Rai	0	0	2	2
Others	281	288	293	295
Total	5873	6181	6690	6847

Source: Ministry of Information and Communication

*Till mid-April 2014

Electronic Communication Services

- 11.34 **Television Transmission Service:** Nepal Television is the government owned communication media with two channels namely, Nepal Television and NTV Plus. Transmission coverage of Nepal Television on the basis of population stood at 72% while 52% on geographical transmission basis. Transmission coverage of Nepal Television's second channel, NTV Plus on the basis of population stood at 40% and 30% on geographical transmission basis. Nepal Television and NTV Plus can be viewed in 116 different countries across the globe through IPTV/Internet.
- 11.35 **Radio Nepal:** Transmission coverage of Radio Nepal on the basis of population stood at 88% and 71% on the basis of geography. Similarly, transmission coverage of Radio Nepal FM on the basis of population stood at 45% and 35% on geographical base.

Printing Services

- 11.36 Printing of Nepal Gazette, Sticker of the Department of Immigration, the Department of Foreign Employment, various books and reports of National Planning Commission, and Ministry of Finance and other

printing works are being carried out by the Department of Printing. Electronic documentation of Nepal Gazettes published since 1951 till to date is ongoing.

Rastriya Samachar Samiti (RSS)

11.37 RSS has adopted the policy of enhancing the ease of access to news service to its service customers through Intranet/Internet and by email. It has added photo service and dedicated feeder facility to diversify its services, as well as Voice Clip service to support its FM service seekers. Government of Nepal has issued RSS Coin and RSS Postal Tickets to commemorate its services. Suggestion has been received from experts to amend the National News Agency Act, 1962 to make it time relevant. Its physical assets have been offered on lease to raise the income of the organization.

Motion Picture Sector

11.38 The major policy adopted in the motion picture sector include: conduct or cause to conduct necessary study research for the development and promotion of motion pictures; encourage the private sector for production and release of standard movies; maintain coordination among entrepreneurs in the sector; promote indigenous story, art, culture, language, literature of the nation through the movies; award and honor its creators and performers so as to develop and promote movies; and develop Nepal as an attractive center for international motion pictures as well.

Challenges and Problems

11.39 Among the projects of National Pride, execution process of Pokhara and Nijgarh airports could not be initiated, while execution periods of Master Plans that of Lumbini, the birthplace of Lord Buddha, and Pashupati Nath are in the processes of getting extended.

11.40 The lack of national flag carrier airplanes for international flights has made the travel to Nepal costlier, and absence of direct connection to international tourist destinations has hindered quantitative growth of tourists' arrival.

11.41 Due attention could not be paid towards diversifying the postal service after decline in frequency of letter exchange owing to introduction of most advanced technology in the communications sector. Though telecommunication and motion picture sectors have attained

quantitative growths, these sectors have not been able to grow qualitatively. The financial liability of national news media like Gorakhapatra, Nepal Television, and Radio Nepal has inclined due to their national obligation for publishing and airing the news and programs in different languages. But, involvement of private FMs, Televisions and Print Media in government program and advertisement has pushed national transmission institutions into difficult situation.

- 11.42 Expansion of national transmission and terrestrial transmission of NTV Plus remains a challenge due to the country's diverse geographical landscape. There has been an additional challenge for Nepal Television to move ahead competing with private TV channels while playing the role of a national transmitter. It is a challenging task for Nepal Television to switch over from its current system of program development, editing and analogue transmission system to digital by 2017 A.D. through its own internal resources.
- 11.43 It is necessary for corporations/agencies like Gorakhapatra Corporation, RSS, and Radio Nepal to increase their income through commercial use of their land properties situated at different locations. As news agencies like Radio Nepal, Gorakhapatra Corporation, RSS and Nepal Television have their own individual stringer correspondents, it is imperative to reduce the cost by making necessary arrangements for these correspondents to work in an integrated manner.

12. Good Governance, Peace and Reconstruction

Good Governance

- 12.1 Establishment of good governance is the State's destination or ideology. The agencies from central to local levels of the State have been performing their tasks from their own respective sectors or levels in line with the State's policies, objectives and priorities for sustaining good governance. The government of Nepal has been performing its tasks by formulating a number of Acts, Rules, Policies, and Guidelines with the objectives of making the public administration time relevant, dynamic, accountable to the people, result oriented, and enhancing effectiveness while maintaining the quality of good governance and transparency in line with the people's aspiration. The Acts, Rules and Regulations thus formulated include the good governance (Management and Operation) Act 2008 and Regulation 2008; Corruption Control Act 2002; Right to Information Act 2007; Civil Service Act 1993 and Regulation 2007; Public Procurement Act 2007, and Public Procurement Regulation 2008; Money Laundering Prevention Act 2008, and Money Laundering Prevention Regulation 2009; Decentralization Act 1983; Nepal Government Work Division Regulation 2012; Grievance Handling Manual 2009; and Citizens' Charter with Compensation 2013. Similarly, Periodic Plan and annual budget have also laid emphasis to ensure the effectiveness of good governance and public service delivery.
- 12.2 The government of Nepal has assigned the leadership role of good governance to the Office of Prime Minister and the Council of Ministers. Likewise, the Public Accounts Committee of the Parliament; Office of the Auditor General; Commission for Investigation of Abuse of Authority; Supreme Court; National Human Rights Commission; National Vigilance Center; Revenue Investigation Department; Department for Investigation on Money Laundering; and other Sectoral Ministries, Departments and Offices in Nepal have been remaining active towards maintaining peace, good governance, and ensuring effective service delivery.
- 12.3 The objectives of the civil service are to make this sector fair, competitive, transparent, result oriented and inclusive, well disciplined; make sensitive towards the needs and aspirations of the people and accountable to them; and capable to perform its tasks abiding the rule of law by acknowledging the basic norms and values of federalism and decentralization. Likewise, strategies include

developing performance-based reward and punishment system through gradual implementation of e-governance and policies; making recruitment, placement, transfer, promotion and the salary anticipatable, legitimate 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 accordingly.

- 12.4 A Support Center for Inclusiveness in the Civil Service has been established under the Ministry of General Administration with a view to provide support to targeted groups on policy formulation by facilitating the effort of diversification, create an environment to 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. Works like time sought reforms and amendments in prevailing Acts and Rules so as to make them effective pursuant to the principles of good-governance and rule of law have been done which has facilitated in its work performance.
- 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 Ministry of Physical Infrastructure and Transport; Ministry of Education; Ministry of Federal Affairs and Local Development; Ministry of Agriculture Development; Ministry of Energy; and in some departments under these Ministries. Likewise, effort has been made towards implementing Result-Based Budget in these entities pursuant to this concept. In addition to this, preparation of Result Framework on education, agriculture, health, forestry, local development, infrastructure, drinking water, energy and environment sectors has been initiated for Thirteenth Periodic Plan.
- 12.6 With a view to make the budget process realistic by interlinking it with Periodic Plan, emphasis has been given for integrating the results of programs and projects with those subject specific sectoral results so as to make Medium Term Expenditure Framework (MTEF) result oriented. The concept of Performance Contract has been adopted in the projects of national pride from the previous 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 the System Reform

- 12.7 Regular effort is 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. Acknowledging this fact, continuity has been given in this fiscal year as well to the preparation of Monitoring Framework with Performance Indicators in an effort towards making sources of information reliable and orderly for measuring outcome indicators.
- 12.8 An integrated Monitoring and Evaluation Guidelines Draft with incorporation of various manuals, working procedures and forms that are currently in use for monitoring and evaluation works has been prepared so as to make the monitoring tasks of programs and projects simple, transparent and organized. Comments and suggestion were also sought from Ministry, Departments, central level agencies and development partners while preparing this Guideline. This Guideline is expected to make monitoring and supervision works of government entities realistic, reliable and organized.
- 12.9 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.
- 12.10 Provision has been made in the New Guideline 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.
- 12.11 Since monitoring and evaluation related works are of technical nature, employees working in these areas have been imparted result oriented management and monitoring and evaluation trainings with a view to enhance their performance capacity. The National Development Action Committee (NDAC), an apex body for monitoring and evaluation constituted under the Chairmanship of Honorable Prime Minister has held 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 Development Action Committee (MDAC).

Local Good Governance

- 12.12 After the completion of phase I of the Local Governance and Community Development Program (LGCDP), operating from 2008 in the initiation of Ministry of Federal Affair and Local Development and joint collaboration of donor agencies, in FY 2012/13, phase II of the program has started from the current fiscal year. Phase II of this program will remain in operation from FY 2012/13 to FY 2016/17. This program has been in operation with the support of various development partner agencies under the United Nations (including Multilateral development partners: ADB, World Bank, European Union; and Bilateral development partners: DFID, Government of Denmark, GIZ, JICA, Government of Norway, SDC, USAID, Government of Finland; and UN Agencies: UNCDF, UNICEF, UNDP, UNFPA, UN Women and UNV). This program is being implemented through local bodies, community and non-governmental organizations in all DDCs, Municipalities and VDCs of the country. This program aims at contributing to the poverty reduction initiatives through local good governance and community development. It is expected from the program that the local government will be made responsible and accountable and sensitive towards citizens and communities. Additionally, all the citizens will be availed effective local services, and local government and governance system will have improved in line with principle of devolution, local service provision policy, and institutional framework.
- 12.13 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 a new height 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 brought under implementation. In addition, incentive allowance of Rs. 1,500 is being offered 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.

- 12.14 The Ministry has been institutionalizing third party monitoring with the involvement of students and teachers of Environment Faculty by signing Memorandum of Understanding (MoU) with Departments of Environment of Tribhuvan University and Kathmandu University since FY 2010/11 on annual basis so as to bring effectiveness in the approved Initial Environmental Examination (IEE) report. Monitoring of IEE report on the collection and excavation of stones, concrete and sand in 9 districts of Chure region has been initiated by both these universities from mid- May of current fiscal year. 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 on a regular basis in order to make monitoring and inspection works of local bodies effective. Likewise, E-bidding process has been started in District Development Committee (DDCs) and Municipalities to make bidding process systematic and dignified. 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.

Public Administration and Service Delivery

- 12.15 Ministry of General Administration was established in 1981 with the objective of forming, operating and managing civil service that is responsible for delivering public services. The Ministry has been carrying out its activities in line with the spirits and objectives of Civil Service Act, 1992 and Civil Service Regulation, 2007. There is a Department of Civil Personnel Records (*Nijamati Kitabkhana*) under the Ministry, whose main responsibility is to manage and update the records of civil servants. Likewise, Nepal Administrative Training Academy and Employees' Training Academy have remained as affiliated agencies in the form of training providing institutions for civil service. Civil Hospital has been established with a view to provide health services to civil servants where both the civil servants and general public are being provided health services.
- 12.16 There are a total of 13 branches within the organizational structure of the ministry including three Departments and a library. Personnel Administration Division, aside from formulating policy and rules, carry out tasks pertaining to appointment, placement, transfer, and

promotion of civil servants. Likewise Planning and Human Resource Development Department has been carrying out functions of the Ministry such as: overseeing internal management; planning; setting annual programs; budget formulation; and monitoring and evaluation along with human development related works. Likewise, Administration Reform Department performs tasks related to management assessment, employees' welfare, organization and management.

Comparative Analysis of Updated Statistics and Indicators of Concerned Sectors

Department of Civil Personnel Records

12.17 Department of Civil Personnel Records is the central body of the Ministry of General Administration for keeping personal records of all civil servants. It plays important role in making the civil servants' personal profile available and providing services such as pensions and gratuity to the retired employees.

Table 12(a): Detail of Civil Personnel

S. No.	Particulars	Fiscal Year		
		2011/12	2012/13	2013/14*
1	Personnel working in Civil Service	79472	79802	79653
	Inside Kathmandu Valley	19504	19644	21550
	Outside Kathmandu Valley	59968	59885	58103
	Officer	15888	16711	14501
	Assistant	42233	41696	44835
	Non Class	21351	21082	20317
2	Seat Roll Registration	2252	1851	1555
3	Retired Civil Servants	2516	1612	1824
4	Gratuity	219	101	93

**of the first eight months*

Source: Department of Civil Personnel Records

Civil Service Hospital

12.18 Civil Service Hospital, established with the objective to deliver prompt, hassle-free, and quality services to civil servants, their immediate family members, besides general public is in operation where emergency service, family medicine, general medicine, maternity and gynecology, orthopedics, dermatology, pediatrics, dentistry, ENT, anesthesia, radiology, diagnostic services are in full operation till the

first eight month of FY 2013/14. Likewise, psychiatry, physiotherapy, family planning, cancer treatment, vaccination, ophthalmology, hematology, cardiology, day-care, neurology services are also being delivered through this hospital on a regular basis.

**Table 12(b) : Detail of Services Provided through Civil Service Hospital
(In the first eight months of fiscal year 2013/14)**

S. No.	Month	Service Seekers	OPD	Lab Test	X-ray Service	Emergency Service	USG Service	Endoscopy	Surgery	CT Scan	Hospital Admit
1	Mid-Jul to Mid-Aug	Civil Servant	7016	16934	759	163	600	37	113	100	124
		General Public	16039	35124	2257	1156	1628	69	339	414	497
2	Mid-Aug to Mid-Sept	Civil Servant	5752	15064	714	149	516	27	105	82	117
		General Public	13429	30790	1939	1239	1318	74	304	571	464
3	Mid-Sept to Mid-Oct	Civil Servant	4534	12032	563	116	381	36	81	65	114
		General Public	10628	25691	1710	1118	1194	51	260	508	400
4	Mid-Oct to Mid-Nov	Civil Servant	4039	10592	522	97	353	33	83	49	108
		General Public	10073	22720	1678	836	1112	53	254	528	376
5	Mid-Nov to Mid-Dec	Civil Servant	4154	12020	545	119	431	27	85	55	119
		General Public	10573	23282	1618	795	1143	59	281	506	413
6	Mid-Dec to Mid Jan	Civil Servant	4903	12621	669	111	505	33	84	87	110
		General Public	12112	28139	2036	875	1388	74	327	680	458
7	Mid-Jan to Mid-Feb	Civil Servant	4865	13630	649	138	481	23	100	76	121
		General Public	12838	30055	2045	990	1465	69	343	634	443
8	Mid-Feb to Mid-Mar	Civil Servant	5511	16425	100	163	520	51	99	99	139
		General Public	14483	36702	2480	1198	1672	87	328	714	483
Total			140949	341821	20284	9263	14707	803	3186	5168	4486

Human Resource Development

12.19 Currently a total of 19 civil service training institutions are engaged for enhancing knowledge, skill, capacity and efficiency of civil service employees. These institutions include: Nepal Administrative Staff College; Employees' Training Academy; Local Development Training Academy; Revenue Administration Training Center; Postal Training Center; Central Cooperative Training Center; Foreign Affairs Studies Academy; Judicial Service Training Center; National Judicial Academy; National Health Training Center; National Center for Education Development; Agriculture Training Directorate; Directorate of Livestock Training and Extension; 5 Regional Forest Training Centers; and Land Management Training Center. These institutions have been conducting their respective area related annual programs on a regular basis. However, it is felt that these institutions would require to conduct additional training programs other than their fixed annual programs after the implementation of 'Training for All' program.

Table 12(c) : Detail of Training Programs Conducted through Nepal Administrative Staff College

Fiscal Year	Program	Target		Progress	
		No. of Program	No of Trainees	No. of Program	No of Trainees
2010/11	Regular	55	1140	45	1023
	Paid	0	0	68	1469
	Total	55	1140	113	2492
2011/12	Regular	59	1395	54	1177
	Paid	43	0	48	1137
	Total	102	1395	102	2314
2012/13	Regular	50	1095	50	1088
	Paid	50	1037	26	699
	Total	100	2132	76	1787
2013/14*	Regular	33	635	29	549
	Paid	31	719	16	412
	Total	64	1354	45	961

* Based on the progress of first eight months
Source: Nepal Administrative Staff College

Annual Program wise Achievements

12.20 In FY 2013/14, classes are running subsequent to the establishment of Civil Service Boarding School Dhankuta; about 70 percent construction work completed in civil servants residence building in Darchula; completed Organization and Management (O&M) survey work of 41 agencies including all Ministries of the government of Nepal,

Secretariats, Commissions together with Courts; and Management work of employees with promotion adjustment in pursuant to Civil Service Ordinance, 2012 accomplished. Besides, implementation Manual of Training for All program prepared and is in final approval process; Grievance survey Workshop in 12 different districts were conducted; Persuasive Partnership Program conducted in various 8 districts to attract the youth towards civil service; Work performance evaluation of about 10,000 employees fed in the computer; and Management assessment work of various districts based 9 offices has been completed.

Problems and Challenges

Ministry of General Administration

12.21 The problems and challenges of this Ministry are: difficulties in making decisions of different natures including transfer of employees as PIS could not be updated, challenge encountered in CPA's role, problems in motivating employees and difficulties in retaining in-service employees, tendency to create vacancies in the interest of an individual disregarding the need of the organization, difficulties in the receipt of information and cooperation as expected while assessing management thereby creating problem in the implementation of the report, documentation system is unorganized and unscientific, increased complexity in transfer management and dearth of scientific and contemporary human resource among others.

Department of Civil Personnel' Records

12.22 The Department is facing multiple problems such as: problem encountered in PIS system while making some adjustments as this software is MIS based with its architecture not yet upgraded; untimely submission of records for approval of salary distribution reports; records for salary reports of only 322 offices received out of about 400 offices in Kathmandu that require reports approved by the Department; difficulties in making adjustment of positions due to untimely receipt of documents to the Department required for making such adjustments caused by periodic structural changes in the GoN entities.

Nepal Administrative Staff College

12.23 Lack of professional human resource, maximum number of unproductive employees; difficult to compete due to higher operating

cost, increased repair and maintenance cost of existing physical infrastructures; steady growth in competition with the private sector; high expectation of service recipients; and maintaining financial transparency and accountability of training programs have been the problems and challenges of the Staff College.

Employees Training Academy

12.24 Employees Training Academy faces a number of problems such as: inability to conduct problem centered trainings with regard to the needs; scope of work of trainees and their tasks to be performed in the office; identification of training needs; lack of budget for evaluating training's effectiveness in the field; enhancing instructors' capacities and updating of training curricula. Additional problems noted are: difficulty in conducting trainings in districts due to government's policy to provide training allowance for only 21 days to the trainers traveling to the districts against the mandatory requirement of 30 days training for promotion eligibility requiring the trainers to stay between 30 and 40 days in districts traveling to districts for training; and country's preparation to enter the e-governance system which requires employees to get trained accordingly, but the academy lacks such experience amid unavailability of adequate computers and necessary equipment in place.

Peace and Reconstruction

12.25 The peace process initiated after comprehensive peace accord with the objective of bringing it to a meaningful conclusion, undertakings such as paying due respect to martyrs who lost their lives in the peoples' movement; searching the disappeared people; providing relief to conflict victims and their rehabilitation; reintegration and providing transitional justice; and reconstruction of those physical infrastructures destroyed during the conflict period are in progress with greater priority. Attaining sustainable peace, non-discriminatory behavior, providing equal opportunity to all at the State's every level have been challenging tasks. On policies, rules, guidelines and working procedures, GoN has taken in this regard are: National Policy, 2007 on Internally Displaced Person; Guidelines on providing relief facilities to persons and families displaced in the Conflict; Peace Fund Operation (Working Procedure) Regulation 2009; Guidelines, 2008 on providing financial assistance to claimants of those who died in the conflict; and Guideline 2009 on providing relief to the claimants of those who were made disappeared. Other initiatives taken in this regard include,

Reconstruction/Rehabilitation of physical infrastructures destroyed during the conflict and development program for peace operation working procedure 2010; Working Procedure manual 2010 on Citizens Relief; Compensation and Economic Support, Local Peace Committee Guideline 2010; Guideline 2011 on the operation of employment/self-employment services to conflict affected people; Guideline 2011, on monitoring, command, control and code of conduct of Maoist combatants; Guideline 2011 on the rehabilitation of Maoist army combatants; Guideline 2011 on development program operation for peace; Conflict affected area special program operation manual 2011; Guideline 2011 on rehabilitation and nurturing of mutilated and injured Maoist combatants and mutilated and injured persons due to armed conflict; and historical peoples' movement and Tarai (*Madhesh*) movement; Additional provisions that are active in this respect are, working manual 2011 on the rehabilitation program operation for children orphaned during conflict; Guideline 2011 on identity card distribution to the immediate family members of those who died or made disappeared; Psychosocial counseling service operation manual 2012; and rehabilitation of armed conflict affected children and national action plan implementation working procedure for reintegration manual 2012.

- 12.26 Cantonment management offices have been dissolved from January 14, 2013 subsequent to the completion of cantonment management tasks. Army integration work in line with Comprehensive Peace Agreement has been completed. All landmines planted in 53 different places and IED Fields laid at 341 places during conflict have been cleared. Of the destroyed government buildings during the conflict, reconstruction of 126 of such buildings has been completed during this period under reconstruction and rehabilitation program. Construction works of 15 projects is accomplished under the special program for conflict affected area. Under the Relief and Rehabilitation Program, claimants of those who died due to armed conflict were distributed Rs. 100,000 each and Rs. 200,000 was distributed under special relief program to each of those claimants through 73 district administration offices. Employment/Self-Employment programs have been introduced in 42 districts for conflict affected persons and their families through which 11,700 conflict victims have acquired skill oriented training.

Table 12(d) : Highlights on Relief, Financial Assistance, Reconstruction, Rehabilitation and Army Integration

Program	Total Number	2010/11	2011/12	2012/13	First eight months of 2013/14	Total as of now
Relief to Dependents of Dead Persons(Rs. 100,000)	17831	332	225	100	61	14262
Relief to Dependents of Dead Persons (Rs. 300,000)	14831		10249	243	25	10517
Relief to Single Women Dependents of Common People dead in Conflict (Rs. 25,000)	4700	1192	165	5	14	4449
Relief to Dependents of Disappeared People	1517	105	1381	42	17	1517
Relief to Single Women Dependents of Disappeared People (Rs. 25,000)	1000	-	500	111	38	649
Relief against the damage of personal properties	16200	825	3342	1045	109	9124
Financial Assistance to Persons turned into Physically Challenged	8191	1794	1420	2996	1750	7960
Relief to Abducted Persons	3142	998	1244	905	279	3142
Monthly Relief to Injured in People's Movement (above 50 percent)	30	23	30	30	30	744
Gratuity to Martyr's Families	26	26	26	26	26	26
Scholarship to the children of injured persons in People's Movement	28	26	28	34	38	38
Relief to Dependents of Persons dead after Peace Accord	-	25	31	2	1	59
Financial Assistance to Children who lost their Parents	-	121	348	522	620	620
Financial Assistance to Physically Challenged Persons losing more than 51 percent of their body parts.	-	736	736	736	744	744
Financial Assistance to Internally Displaced Persons	79552	-	-	-	-	25000
Reconstruction of Completely Damaged Physical Structures	9000	487	281	13	126	2800
Recipients of Employment /Self-Employment Services	-	-	3030	-	11740	12770
Management of Former Maoist Combatants	17051			-	-	17051

- 12.27 On Relief and Rehabilitation Unit side, the concerned districts are provided with authority in pursuant to the Guideline Working Procedures to provide financial support of Rs. 6.1 million to immediate family members of 61 people who disappeared during the conflict and Rs. 80.82 million to the 1,600 people mutilated and injured due to the conflict. A total of 116 reconstruction and rehabilitation projects have been completed. Projects completed under the Conflict Affected Area Special Program have totaled to 40. As per the policy to mobilize peace fund in the second constituent assembly election and sustainable peace related programs, as authorized Election Commission has mobilized the amount in conducting the second Constituent Assembly election it had asked for keeping within the ceiling amount as agreed between the Commission and Peace Fund Secretariat. A total of 11,740 conflict victims have received training conducted in FY 2012/13.
- 12.28 As per the policy to provide continuity to already formed Local Peace Committees (LPC) for mitigating conflicts at local levels, capacity development of LPC related programs were formulated by them and forwarded to the Ministry for their approval, which it has approved the programs received from 68 districts, and are already in execution at local levels. Likewise, pursuant to the policy of conducting projects under Development for Peace Program, 15 projects have been accomplished so far. Leadership evaluation system from Joint Secretary level has already been implemented while necessary home works are being carried out to execute result based performance incentives.
- 12.29 As per the policy Government of Nepal has adopted, the progress details of the first eight months of the current fiscal year 2013/14 on the Ministry of Peace and Reconstruction adopted relief, reconstruction and rehabilitation programs are as follows:

Table 12(e) : Relief and Rehabilitation (By the first eight months of Fiscal Year 2013/14)

Program	Completed Number	Budget (In Rs. Thousand)
Financial Assistance against the damage of personal properties	553 person	26947
Financial Assistance to Abducted Persons	1 person	25
Financial Assistance to Dependents of Disappeared People	9 person	900
Details on Relief Distributed/Financial Assistance Receipts		
Publication through updating and message oriented information newspaper/communication means (Updated Details as of now)	695	
Monitoring of Relief Program of various districts	10 Districts	
Participation of Stakeholders including Media		
Coaching/Interaction Program related with Relief Distribution Process and Advance Settlement in 5 Development Regions	3 Development Regions	1500
Financial Assistance to Dependents of Disappeared People	21 person	4200

Source: The Ministry of Peace and Reconstruction

Table 12 (f) : Reconstruction and Rehabilitation (By the First Eight Months of Fiscal Year 2013/14)

Program	Completed Number	Budget (In Rs. Thousand)
Completed Projects towards Reconstruction and Rehabilitation	126 Nos	258400
Completed Projects towards Conflict Affected Area Special Program	40 Nos	31700
Completed Projects towards Development Program for Peace	15 Nos	62200

Source: The Ministry of Peace and Reconstruction

Problems and Challenges

12.30 The Ministry of Peace and Reconstruction has been facing multiple problems and challenges such as: redefining its role in the changed context; difficulty in carrying out monitoring and evaluation of programs and maintaining coordination with various implementing agencies due to absence of its own unit offices; absence of cutoff date with regard to relief distribution; difficulties in program implementation owing to the absence of alternative mechanism at hand of the records collection task force team; difficulty to carryout reconstruction works due to failure in allocating budget as per demand; inability of the Ministry of Peace and Reconstruction to effectively utilize donor agencies provided financial grants; and inability to make adequate means and resources to LPCs that are established with the objectives of playing key roles for maintaining peace at local level by enhancing peace process .

13. Social Sector

Education

- 13.1 Primary responsibility of the country is to capacitate human resource to actively contribute to the country's development initiatives in the changed context by making necessary investment in the education sector, which is the backbone of development. Acknowledging this fact, various programs such as extension of equitable access to education, quality improvement and capacity enhancement, are being carried out through the Ministry of Education and its line agencies. In this process, special emphasis has been accorded towards making foundation of education robust through implementation of various educational programs in relation to pre-primary education, school education and non-formal education. Likewise, different programs for generating medium and high level human resources required for the development of higher and technical education are being carried out through various universities and technical education institutions.
- 13.2 School education and implementation of 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 functioning as below the District units. Likewise, specialized programs of the education sector like curriculum and textbook development works through Curriculum Development Center; human resource development related works of manpower engaged in managing education through Educational Human Resource Development Center; management of school teachers through Teachers Service Commission; examination and assessment work through the Office of the Controller of Examination; informal education works through Informal Education Center; technical and vocational education related works through Council of Technical Education and Vocational Training; higher secondary education management works through Higher Secondary Education Board; overall management, policy formulation and program implementation are being performed by different

universities through University Grants Commission,. Necessary route guidance for work performance and management of different level mentioned in education sector has been based on the various legal and policy arrangements.

School Education

13.3 The education sector has experienced gradual improvement as a result of various programs carried out in the past to increase access to school education; sustain the retention rate of enrolled students; and enhance the quality of education. There has been gradual improvement in literacy rate and net enrollment rate also. According to the National Population Census, 2011, total literacy rate of age group above 6 years in Nepal has reached to 65.9 percent. Similarly, the literacy rate of age group above 15 years has been 56.5 percent according to Nepal Living Standard Survey, 2010/11.

Table 13(a) : Status of Educational Indicators

Indicators	Unit	Achievements						2013/14 (Of the first eight months)
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
1. Enrollment in Grade 1								
New enrollment in Grade 1 with kinder garden experience	Percent	33.1	36.2	49.9	52.1	54.3	55.6	56.9
Gross Enrollment Rate	Percent	141.0	147.7	144.0	142.4	140.7	137.7	141.8
Net Enrollment Rate	Percent	78.0	81.0	86.4	89.0	90.7	91.2	91.6
2. Enrollment (Easily visible Enrolment Rate)								
Elementary Education Development /Pre-Primary	Percent	60.2	63.4	66.2	70.0	72.9	73.7	76.7
Basic Education (1-8)	Percent	116.0	123.0	123.0	124.0	123.7	120.1	115.7
Secondary Education	Percent	36.0	40.0	44.7	46.2	49.4	51.7	50.4
3. Net Enrolment Rate								
Primary Education	Percent	89.1	91.9	93.7	94.5	95.1	95.3	95.6
Basic Education	Percent	71.0	73.0	83.2	86.0	86.6	87.5	86.3
Secondary Education	Percent	20.0	21.0	23.9	27.1	30.6	32.4	33.2

4. Teachers W/ Required Qualification and Trainings								
Basic Education	Percent	62.0	66.0	75.0	79.0	91.1	91.5	92.5
Secondary Education	Percent	74.0	77.0	85.0	88.0	90.1	90.7	91.5
5. Teachers with Required Certification								
Basic Education	Percent	90.0	91.0	92.0	94.0	-	96.9	98.1
Secondary Education	Percent	90.0	91.0	92.0	94.0	-	98.0	98.7
6. Student/Teacher Ratio (Approved Teacher Posts of Community Schools and Teachers Working on Relief Teachers Grant System)								
Basic Education	Ratio	44:1	43:1	44:1	46:1	44:1	42:1	41:1
Secondary Education	Ratio	42:1	39:1	34:1	35:1	36:1	31:1	31:1
7. Repetition Rate								
Grade 1	Percent	29.5	28.3	26.5	22.6	21.3	19.9	17.5
Grade 8	Percent	13.0	11.0	7.0	6.6	6.0	6.0	4.9
8. Continuation upto Grade 5 and 8 Rate as per Cohort Method								
Grade 5	Percent	54.0	58.0	77.9	80.6	82.8	84.2	85.4
Grade 8	Percent	37.0	41.0	62.0	66.0	67.5	69.6	72.1
9. Coefficient of Efficiency								
Basic Education	Ratio	0.5	0.5	0.61	0.65	0.66	0.77	0.71
10. Achievement through Training								
Grade 5	Percent	50.0	53.0	-	-	-	-	-
Grade 8	Percent	44.0	46.0	-	-	-	44(a) and 63(b)	44(a) and 63(b)
11. Pass Rate								
SLC	Percent	63.76	68.47	64.31	55.50	47.65	41.57	43.92
Higher Secondary (Grade 11)	Percent	-	-	40.05	39.26	38.15	39.94	39.80
Higher Secondary (Grade 12)	Percent	-	-	46.68	43.90	47.55	43.39	44.29
12. Literacy Rate								
Age Group (15-24)	Percent	73*	73*	73*	73*	-	-	-
Age Group (Above 6 Years)	Percent	51*	51*	51*	51*	60.9**	65.9**	65.9**
Age Group (Above 15 Years)	Percent	48*	48*	48*	48*	56.5**	56.5**	56.5**
13. Gender Parity Index (GPI) based Literacy (Above 15 Years)								
	Ratio	0.52*	0.52*	0.52*	0.52*	0.62**	0.62**	0.62**

(a) Community School (b) Institutional School

*NLSS Report (2003/04) and **NLSS Report (2010/11)

*** National Population Census Report (2011)

Source: Ministry of Education/ Central Statistics Bureau

School Management

13.4 Handing over of management and authority to operate community schools to local community on direct involvement of

the stakeholder communities is being carried out since FY 2002/03. A total of 12,754 schools in the country have been handed over to communities.

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

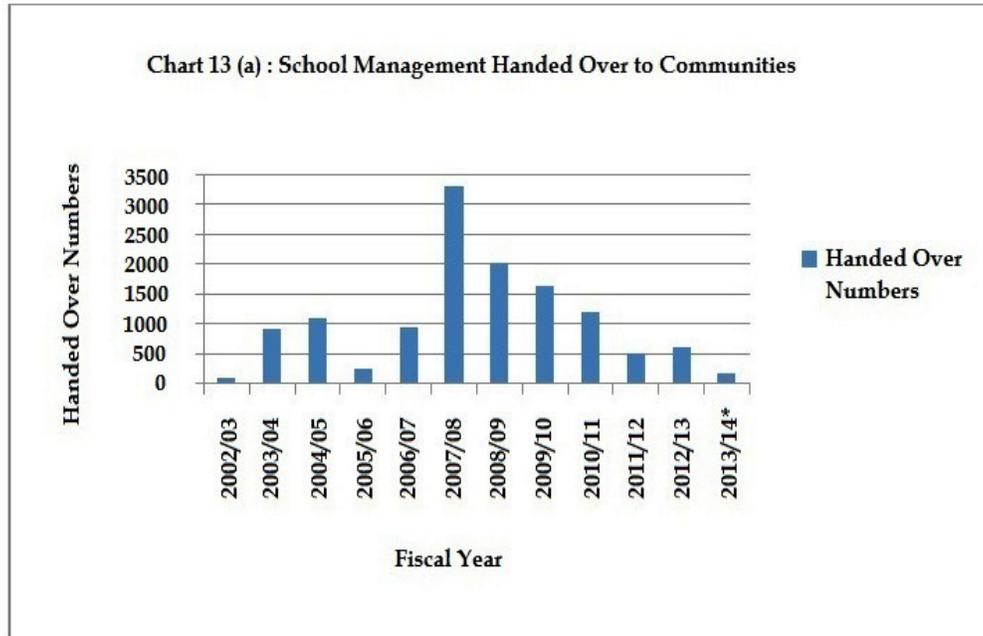
Fiscal Year	Handed Over Numbers
2002/03	93
2003/04	907
2004/05	1092
2005/06	241
2006/07	949
2007/08	3308
2008/09	2017
2009/10	1647
2010/11	1195
2011/12	507
2012/13	619
2013/14*	179
Total	12754

**Of first eight months*

Source: Ministry of Education

- 13.5 Highest numbers of 3,308 schools were handed over to the communities in fiscal year 2007/08 while such handing over process in succeeding years has not been encouraging. In the first eight months of fiscal year 2013/14, a total of 179 schools have been handed over. A total of 473 schools were entrusted to community in the same period of previous year. Due to the reasons including unwillingness shown by communities in school operation and absence of elected representatives at the

local level, handing over of schools has not been so satisfactory in recent years.



Pre-Primary Education and Child Development Program

13.6 Pre-Primary and Initial Child Development Programs were started from fiscal year 1999/2000 by targeting the children of 3 - 4 years with the objectives of providing educational continuity and promoting the capable groups helping for proper care and socialization for overall development of the children. Pursuant to the policy of expanding child development centers by especially targeting the children belonging to backward communities, by the first eight months of FY 2013/14, a total of 30,035 community-based such centers are in operation. In addition, 5,087 pre-primary classes are running in institutional schools. By the first eight months of fiscal year 2013/14, a total of 10, 47,123 children have benefited from children development centers. By the first eight months of current fiscal year, 500 such centers have been added in comparison to addition of 262 in the previous year.

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

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

* Based on first eight months description

Source: Department of Education/Ministry of Education

- 13.7 Children enrolled in grade one in the previous academic year with experience of child development center accounted for 55.6 percent which increased to 56.9 percent in this academic year.

Scholarship Program

- 13.8 Scholarships are being provided at different levels of school education for expanding equitable access of students at corresponding levels, improving the rate of retention, and broadening meaningful teaching opportunities. Accordingly, scholarships are being provided annually to students selected by the schools on the basis of specified criteria. Under this program, scholarship at different levels school education has been provided to children of the martyrs, children of conflict victims, *dalits* and most marginalized and endangered ethnic groups.

Table 13 (d) : Detail of Student Scholarship*(In Numbers)*

Scholarship	Fiscal Year				
	2009/10	2010/11	2011/12	2012/13	2013/14*
Scholarship for all girl students studying in Grade 1-8 (including Karnali Package 1-10)	1,066,799.00	2,293,744.00	2,276,479.00	1,907,469.00	1,307,981.00
Handicapped Students (1-8)	38,586.00	62,163.00	69,944.00	59,098.00	53,903.00
Handicapped Students (9-10)	33,746.00	4,494.00	6,193.00	4,841.00	2,879.00
Specially Targeted Groups (22 Ethnic/1-8)	86,937.00	104,157.00	86,712.00	106,517.00	49,887.00
Dalit Scholarship (1-8)	984,007.00	1,100,349.00	1,200,816.00	1,000,741.00	629,462.00
Dalit Scholarship (9-10)	-	-	75,511.00	79,587.00	49,825.00
Scholarship for Martyr's Children	56.00	37.00	62.00	89.00	99.00
Capacity Development and Scholarship for Kamlari	2,946.00	7,673.00	7,886.00	6,882.00	5,146.00
Scholarship for Conflict Victims	758.00	3,808.00	8,097.00	7,412.00	3,842.00
Remote Scholarship for Student of Mountain Hostels	-	413.00	407.00	437.00	410.00
Scholarship for Students of Feeder Hostels	-	400.00	400.00	399.00	340.00
Scholarship for Students of Model Hostels	-	148.00	222.00	382.00	287.00
Scholarship for Mountain Boarding School Hostel Students	-	220.00	140.00	160.00	100.00
Secondary Education Scholarship	-	58,836.00	59,023.00	58,412.00	43,428.00
Scholarship for Endangered Ethnic People, extremely marginalized including Children of Free Bonded Laborer, Tiller, Cattle Grazers and Badi (9-10)	-	13,595.00	32,703.00	9,252.00	4,620.00
Scholarship to Target Groups for Science Students of Higher Secondary School Level	-	80.00	76.00	68.00	-

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

Educational Human Resource Development Center

13.9 Numbers of programs are being carried out for capacity enhancement as well as efficiency and effectiveness enrichment of personnel employed in agencies belonging to school education. Under this, a total of 9 educational human resource development center, 20 educational training center (A), and 46 educational training center (B) are in operation at the central level while training of primary level (6-8) and secondary level are being conducted through Leadership Resource Center. Likewise, human resource development programs including training of primary level (1-5) through 1,053 resource centers and vocational training to primary level teachers of class 6 to 8 and training to principal through 29 educational training centers have been carried out.

Teachers Management

13.10 Teacher's 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 and providing teaching licenses to candidates for the position of teacher. The seventh amendment in Education Act has provisioned for the prohibition to become teacher without obtaining teaching license from the Commission. Similarly, work is in progress to fulfill a total of 13,059 vacant positions. Also, a total of 645,224 persons have been issued teaching license till the first eight months of fiscal year 2013/14.

Curriculum and Textbook Development

13.11 Curriculum Development Center has been providing concrete support for achieving the national objective of Education through the development, improvisation and updating of curriculum, textbook and other educational materials of school education. This has been conducting programs such as workshop, meeting, seminar, discussion, interaction, orientation, and also been performing research based work. Mainly School Area Improvement Program, Community School Capacity Enhancement Program and Various programs under "Education

for All” Child Development Program are being undertaken through this center.

Education to the Children of Martyrs and Conflict Victims

13.12 Education with residential facility is being provided by establishing Martyrs’ Memorial Academy in five development regions with a view to provide school education to children of martyrs, disappeared, injured and handicapped during the conflict period of the past.,. Number of children studying in Martyrs Academy which stood at 1,400 in academic year 2013 has reached 1,417 in academic year 2014.

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

(In Numbers)

School	Academic Session				
	2010	2011	2012	2013	2014
Sahid Smriti Boarding School, Sunsari	239	234	262	300	328
Sahid Smriti Boarding School, Jiri,Dolakha	182	200	217	240	205
Sahid Smriti Boarding School, Kaski	208	218	228	240	298
Sahid Smriti Boarding School, Manpur,Dang	244	285	350	400	382
Sahid Smriti Boarding School, Rajpur, Doti	185	169	195	220	204
Total	1058	1106	1252	1400	1417

Source: Ministry of Education

Food for Education Program

13.13 Food for education program is in operation with the support of World Food Program of the United Nations. As per the agreement signed between Government of Nepal and World Food Program, Day Tiffin Program is being carried out to raise the attendance, reduce the class dropout rate, learning, increase result/capacity of children studying in the schools with permission to teach from class 1 to 5 of selected VDCs of 17 districts having less access to the education. The program is also aims to bring improvements in nutrition and health condition of students from districts with food scarcity and very low access to education.

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

Fiscal Year	Program	Number of Students
2010/11	Day Snacks Program	157000
	Girl Student Encouragement Program	56949
	Mother and Child Health Care Program	19162
2011/12	Day Snacks Program	132000
	Girl Student Encouragement Program	40197
	Mother and Child Health Care Program	15497
2012/13	Day Snacks Program	151701
	Girl Student Encouragement Program	50180
	Mother and Child Health Care Program	14325
2013/14	Day Snacks Program	123071
	Girl Student Encouragement Program	No
	Mother and Child Health Care Program	No

**Of the first eight months*

Source: Ministry of Education

- 13.14 With the objective of bringing down women and infant mortality rate caused by health condition and malnutrition of pre-natal and post natal women in the past, Per Month Nutrition Plus were provided to pregnant, post-natal women and children aged 6 months to 36 months. Girl Students Motivation Program and Mother and Child Health Care Program being in operation in the past have ended in all districts while Day Tiffin Program has been in operation in only 10 districts (Dailekh, Rukum, Doti, Dadeldhura, Achham, Baitadi, Bajhang, Bajura, Darchula, and Jajarkot).

Technical and Vocational Training

- 13.15 Technical Education and Vocational Training Council has been carrying out various programs for producing employment oriented medium level manpower in the country thereby actively contributing in the development of the country. Under this, technical SLC, Diploma/Certificate level educational programs are being carried through the Council constituent Community Schools (Annex) and Affiliated Private Schools. Likewise, short-

term life subsistence. vocational and skill-oriented trainings programs are being carried out as well.

Table 13 (g): Technical and Vocational Education Programs

Program	Indicator	Unit	Fiscal Years		
			2011/12	2012/13	2013/14*
Regular Teaching					
Constituent					
Technical SLC	Enrollment	Person	922	1278	1084
	Production	Person	820	899	672
Diploma Certificate	Enrollment	Person	-	1220	1275
	Production	Person	-	640	685
On Community School Side	Enrollment	Person	1700	2645	2421
	Production	Person	1200	1902	-
On Community School Side					
Commencement of Technical Education in Grade 9 and 10	Technical SLC	No	0	73	-
Affiliations Granted Private Schools					
Technical SLC Level	Enrollment	Person	9245	10040	12880
	Production	Person	7051	654	62
Diploma and Certificate Level	Enrollment	Person	12138	11910	11240
	Production	Person	6252	5727	7772
Technical School/Polytechnic Extension					
Affiliated School Side	School Extension	No.	6	18	-
Affiliation Granted Private School					
1) Permanent Affiliation-Technical SLC-Diploma Certificate Level	School Extension	No.	12	4	50
2) Granting Short-Term Affiliation and Approval	Developing Skills	No.	9	1	44
Vocational Training Program					
Assessing skills after providing short-term	Developing Skills	Person	821	1440	1760

Program	Indicator	Unit	Fiscal Years		
			2011/12	2012/13	2013/14*
Training					
Vocational Training for Livelihood	Developing Skills	Person/Week	3825	3014	1836
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	580	Running	-
Technical SLC Level	Social Security	Person	459	Running	-
Community Service					
Human Health Service	Service	Person	7125	11338	10171
Veterinary Service	Service	No.	3729	7875	7049
Technical Service and Counseling to Farmers	Service	Person	486	2180	2923
Health Camp	Mobile Service	No.	7	0	6
Skill Assessment and Verification	Verification	Person	24000	36159	31773
Training to Technical		Person/Week	-	-	242

* Of first eight months

Source: Ministry of Education

13.16 Vocational Education and Training Promotion Project (VETPP) is in operation with financial assistance of the World Bank has been supporting in the supply of human resource with skills, and as per immediate demand in employment market; broadening the access to quality training; and strengthening technical education and vocational training program. Various training programs are being conducted under VETPP which remains under implementation since July 2011 to October 2015. Programs like Skill Test Assessors Training, Skill Test Manager Training, and Chief Trainer Training are in operation under it.

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

Program	Unit	Fiscal Year		
		2011/12	2012/13	2013/14*
Skill Test Assessors Training	Person	1050	1456	929
Skill Test Manager Training	Person	72	131	105
Head Instructor Training	Person	40	40	45
Instructor and Assistant Instructor Training	Person	200	320	557
Scholarships for Diploma and Technical SLC Level Students	Person	904	908	832
Result Based Short Term Training	Person	-	6924	14715
Voucher Based Short Term Training	Person	-	-	939

*Of first eight months

Source: Ministry of Education

13.17 The project has remained active particularly on enhancing inclusive access to technical education and vocational training by targeting youth groups, such as poor, community living in backward areas, women, *Dalits*, highly marginalized and marginalized ethnic communities and physically challenged group that are deprived of facilities provided by the State.

Informal Education and Open School

13.18 Informal Education Center has been playing the leadership role of an agency working towards formulation of basic literacy, post literacy and alternative education policy; program development and expansion, implementation and monitoring, development and production of curriculum and textbook of informal education; and capacity enhancement of human resource engaged in informal education sector in line with the National Education Policy of ensuring the fulfillment of learning opportunities to all those educational opportunities deprived illiterate adults. To achieve the aforementioned objectives, various programs are being carried out through this center under the National Literacy Campaign such as basic literacy class and skill enhancement training for illiterate adults, adult post for newly literate, and income generation, saving and credit program by forming groups to make women education, literacy

skill of newly literate women sustainable and to uplift the income level, and alternative, open and adult school program are being conducted for mainstreaming school-age youths deprived of school education into the education system to those remaining out of school.

Table 13 (i) : Details of Programs in operation under Informal Education

Program	Unit	Fiscal Year		
		2011/12	2012/13	2013/14*
Literacy Class	Class	-	-	-
	Number of Participants	769367	1105063	1693165
Skill Training	Class	2352	-	-
	Number of Participants	68770	-	-
Adult Literacy	Class	3000	12000	12000
	Number of Participants	60000	240000	240000
Female Education-II	Class	3000		
	Number of Participants	60000	-	-
Primary Education Extension Program	Class	248	248	-
Informal Primary Education	Class	526	353	346
Lower Secondary Open School	School	37	37	37
Income Generating Group	Group	5050	5050	5050
Subject-Wise Training	Number	45450	30962	30962
Saving and Credit Training	Person	10100	10100	10100
Establishment of Community Study Center	Center	83	175	284
Establishment of Informal Education and Orientation to Informal Education Branch Heads	Region	5	5	5
	Person	-	80	80
Orientation on Program Implementation	Region	5	5	5
	Person	-	160	160
Review and Feedbacks	Region	5	5	5
35-Day Rural Health Workers Training on Agriculture, Veterinary and Public Health	District	3	-	-
	Person	264	-	-

* Of first eight months

Source: Non-Formal Education Center/Ministry of Education

Physical Facility Expansion Program

13.19 As physical facilities directly affect the studying-teaching works of any educational institute, School Physical Facility Expansion Programs are being carried out since past so to bring quality in this aspect of education delivery among the school-going population in the society so as to bring them within the access to schooling. Numbers of initiative are being carried out under the program, including construction of additional class rooms in schools, school repair maintenance, and improvement in the surroundings of school such as toilet construction, drinking water, and wire fencing.

Table 13 (j) : Detail of School Physical Facility Extension Program

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

Source: Ministry of Education

Per Student Grant Program

13.20 An arrangement has been made for distributing per student grant in schools since past with a view of retaining students in schools by establishing result oriented grant system in community schools and motivating to maintain specified benchmark by providing quality education. Under this program, a total of Rs. 973.91 million has been distributed in fiscal year 2012/13.

Detail of Schools, Students, and Teachers and their Ratios

13.21 Of the total of 34,743 primary level schools operating in academic year 2013 in Nepal, shares of Mountain, Hills, Kathmandu Valley and Terai as per geographical area stood at 12.1 percent, 50.4 percent, 5.9 percent and 31.5 percent respectively. Of the schools totaling 14,867 on lower secondary front, shares of Mountain,

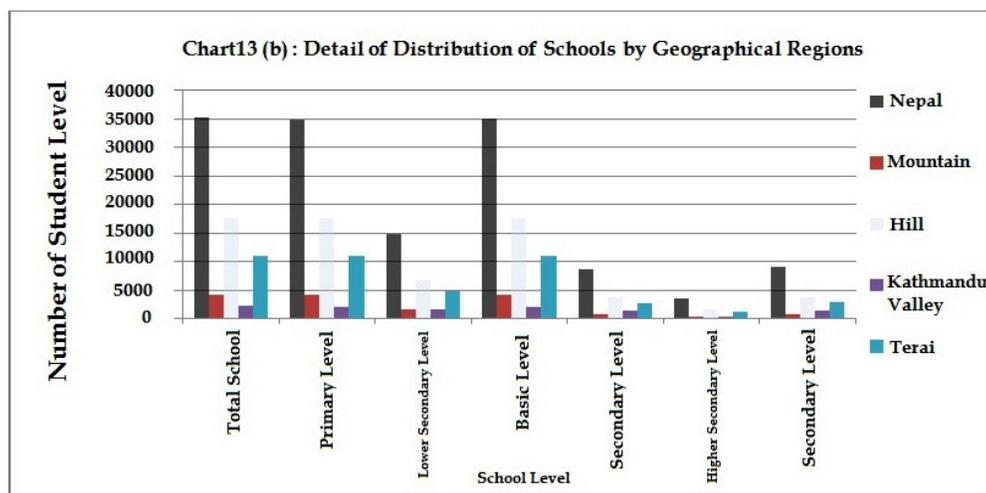
Hills, Kathmandu Valley and Terai as per geographical area stood at 10.8 percent, 45.6 percent, 11.3 percent and 32.2 percent respectively. In respect of Secondary Level schools, shares of Mountain, Hills, Kathmandu Valley and Terai as per geographical area remained at 9.1 percent, 43.5 percent, 15.6 percent and 31.8 percent respectively totaling 8,726 schools.

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

Geographical Region	Total Schools (Unit)	Primary Level (Grade 1-5)	Lower Secondary Level (Grade 6-8)	Basic Level (Grade 1-8)	Secondary Level (Grade 9-10)	Higher Secondary Level (Grade 11-12)	Secondary Level (Grade 9-12)
Nepal	35223	34743	14867	34923	8726	3596	9021
Mountain	4239	4201	1611	4232	794	318	801
Hill	17653	17510	6783	17601	3799	1575	3850
Kathmandu Valley	2213	2077	1681	2091	1360	438	1479
Terai	11118	10955	4792	10999	2773	1265	2891

Source: Ministry of Education
SSRP defined Grade 9-12 as Secondary Education

13.22 Out of 8,726 total Secondary Schools in the country, Mountain shares 794, Hills 3,799, and Terai 2,773. Among these, the number of such schools in Kathmandu valley stood at 1,360.



13.23 In academic calendar year 2013, ratio of student per school in primary, lower secondary and secondary (9-10) level remained at

126.7, 120.1 and 97.4 while such ratio in previous academic year stood at 133.0, 126.0 and 104.0 respectively. Likewise, ratio of teacher per school in primary, lower secondary and secondary (9-10) which stood at 4.7, 3.3, and 6.4 respectively in academic year 2012 remained at 5.3, 3.4 and 4.2 respectively in academic year 2013.

Table 13 (1) : Level-Wise Ratio of School, Student and Teacher (Academic Year 2013)

Ratio	Primary Class (1-5)	Lower Secondary Class (6-8)	Basic Class (1-5)	Secondary Class (9-10)	Higher Secondary Class (11-12)	Secondary Class (9-12)
Student/School	126.7:1	120:1	178.4:1	97.4:1	115.5:1	138.1:1
Teacher/School	5.3:1	3.4:1	6.7:1	4.2:1	5.3:1	6:1
Student/Teacher	23.9:1	35.4:1	26.4:1	23.4:1	22.0:1	22.9:1

Source: Ministry of Education

13.24 Change in students per teacher ratio also brings the change in quality of the education sector. In academic year 2013, the ratio of students per teacher in primary, lower secondary and secondary level towards community (government) school stood at 27.2, 42.6 and 30.5 respectively and that of private/government school remained at 23.9, 35.4 and 23.4 respectively. This ratio during academic year 2012 in primary, lower secondary and secondary level of community school was 29.4, 43.6 and 31.4 respectively while on private/government school front, 25.6, 36.2 and 23.7 respectively. This ratio has remained lowest at 3.3 for primary level in community schools in mountains under Western Development Region and highest at 72.9 for lower secondary level of community school in the Terai under the Central Development Region.

Table 13 (m) : Ratio of Student per Teacher

Region	Per Teacher Student Ratio					
	Private/Government Total			Only Government (All Community Schools)		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
Nepal	23.9	35.4	23.4	27.2	42.6	30.5
Eastern Region	22.3	37.5	27.3	25.1	42.7	32.2
Mountain	18.8	29.7	21.2	19.6	31.0	21.9
Hill	17.3	32.7	26.5	17.7	33.7	27.9
Terai	27.3	43.4	29.0	35.4	58.0	39.9
Central Region	28.1	31.2	18.9	33.8	43.0	29.1
Mountain	17.2	32.8	23.4	17.6	34.6	25.3
Hill	17.8	31.5	21.5	19.9	36.8	29.4
Terai	53.3	60.2	37.4	59.0	72.9	42.6
Valley	16.6	17.4	10.6	15.2	18.6	14.8
Western Region	16.5	29.6	19.1	18.0	34.1	24.0
Mountain	3.7	7.5	4.7	3.3	7.7	4.6
Hill	13.5	27.7	18.6	13.9	30.3	21.9
Terai	24.1	34.1	20.7	30.7	46.1	31.6
Mid-Western Region	29.9	52.2	36.2	31.5	56.9	40.4
Mountain	23.0	42.1	28.9	24.2	43.5	28.8
Hill	32.9	54.9	42.0	34.2	57.4	42.4
Terai	28.7	52.2	32.7	30.8	62.2	43.2
Far-Western Region	25.5	41.2	36.2	28.2	41.1	34.8
Mountain	20.1	30.2	24.6	21.4	30.8	24.7
Hill	24.3	34.5	25.8	26.5	35.4	26.5
Terai	31.7	59.2	61.2	38.2	58.0	57.0

Source: Ministry of Education

13.25 By the academic year 2013, the number of total primary, lower secondary and secondary schools operating at the government level stood at 24,875, 7,000 and 3,734 respectively while such number in previous year was 24,434, 6,797 and 3,604 respectively. Similarly, the number of total primary, lower secondary and secondary schools running at the community level that stood at

4,672, 4,053 and 2,201 respectively by the academic year 2012 has remained 4,592, 4,086 and 2,195 respectively by academic year 2013.

Table 13 (n) : 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	5577	1543	771	861	869	464	1047	682	442
Central	6864	2060	1119	1266	917	575	2130	1713	1390
Western	5911	1601	972	509	711	365	1183	878	651
Mid-Western	3845	967	483	1095	886	397	477	277	182
Far Western	2678	829	389	861	703	394	439	231	132
Total	24875	7000	3734	4592	4086	2195	5276	3781	2797

Source: Department of Education/Ministry of Education

13.26 Central Development Region the number of schools on regional basis is highest at. Among primary schools operating at community level, Mid-Western and Far-Western Development Regions have more number of such schools in comparison to Western Development Region.

Traditional School

13.27 During academic year 2013, a total of 867 Primary Level, 47 Lower Secondary Level, 20 Secondary Level and 879 Basic level schools were in operation under traditional hostels/Gurukul, Monastery, Vihars, and Madarsa schools in the country. This number in each category of such schools in the last academic year was 806, 41, 15 and 818 respectively.

Table 13 (o) : Detail of Traditional Schools*(In Numbers)*

Traditional School	School Unit	School Level			
		Primary	Lower Secondary	Secondary	Basic
Madarsha	735	734	25	12	735
Monasteries and Bihar	76	74	7	1	76
Ashram and Gurkul	68	59	15	7	68
Total	879	867	47	20	879

*Source: Ministry of Education***Teacher's Detail**

13.28 Of the teachers engaged in teaching in community and institutional schools in the first eight months of fiscal year 2013/14, a total of 423,768 teachers comprising 130,166 female teachers and 293,602 male teachers are at community front whereas 70,580 female teachers and 91,342 male teachers totaling 161,922 teachers are towards institutional front.

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

Level	Community School			Institutional School			Total		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Primary Level (1-5)	51863	85000	136863	24722	22337	47059	76585	107337	183922
Lower Secondary Level (6-8)	7506	28789	36295	6683	8675	15358	14189	37464	51653
Basic Level (1-8)	59369	113789	173158	31405	31012	62417	90774	144801	235575
Secondary Level (9-10)	3299	20523	23822	3361	11180	14541	6660	31703	38363
Higher Secondary Level (11-12)	2495	12489	14904	524	3479	4003	2939	15968	18907
Secondary Level (9-12)	5714	33012	38726	3885	14659	18544	9599	47671	57270
Total	130166	293602	423768	70580	91342	161922	200746	384944	585690

Source: Ministry of Education

- 13.29 Among the teachers, there are more women than men in institutional schools at basic level. Community schools I less than one third women teachers in contrast to the presence of , more than 43 percent women teachers in institutional schools.
- 13.30 Observation of the status of female teachers engaged in teaching profession in all categories of schools reveals the need for additional improvement in such situation. The gender equity index at this level remains at 0.63 while these indicators for primary and lower secondary schools are 0.71 and 0.38 respectively. However, these indicator in institutional schools are superior compared to those of community schools. Gender equity index has stood at 0.52 under community school and at 1.01 under institutional schools at basic level.

Table 13 (q) : Gender Details of Teachers by Schools and Levels

Types of School	Primary (1-5)			Lower Secondary (6-8)			Basic (1-8)		
	Female %	Male %	GPI	Female %	Male %	GPI	Female %	Male %	GPI
GPI in total number of Teachers in all types of School	41.5	58.5	0.71	27.5	72.5	0.38	38.5	61.5	0.63
GPI in total number of Teachers in Institutional School	52.4	47.5	1.11	43.5	56.5	0.77	50.3	49.7	1.01
GPI in total number of Teachers in Community Schools	37.9	62.1	0.61	20.7	79.3	0.26	34.3	65.7	0.52
GPI in total number of Teachers working at approved post in Community Schools	38.5	61.5	0.63	20.4	79.6	0.26	34.8	65.2	0.53

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 3.4 percent and 6.0 percent teachers at the Primary and Basic Levels are without any training respectively. Likewise, 7.7 percent, 14.5 percent and 28.3 percent teachers are without any training in Secondary Level (grades 9-10), Secondary Level (grades 9 - 12) and Higher Secondary Level (grades 11-12) respectively. Detailed description related with training of teachers at various levels is presented in below table 13(r) and 13(s).

Table 13 (r) : Numeric Detail of Teachers Training at the Basic levels

Training Status	Primary			Lower Secondary			Basic		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Trained	71298 (93.1)	100819 (93.9)	172117 (93.6)	11169 (78.7)	30102 (80.3)	41271 (79.9)	82467 (90.8)	130921 (90.4)	213388 (90.6)
Partially Trained	1965 (2.6)	3662 (3.4)	5627 (3.1)	476 (3.4)	1890 (5.0)	2366 (4.6)	2441 (2.7)	5552 (3.8)	7993 (3.4)
Untrained	3322 (4.3)	2856 (2.7)	6178 (3.4)	2544 (17.9)	5472 (14.6)	8016 (15.5)	5866 (6.5)	8328 (5.8)	14194 (6.0)
Total	76585	107337	183922	14189	37464	51653	90774	144801	235575

Source: Ministry of Education

Figure in brackets represent percentage

Table 13 (s) : Numeric Detail of Teachers Training at the Secondary Levels

Training Status	Secondary (9-10)			Higher Secondary (11-12)			Secondary (9-12)		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Trained	5715 (85.8)	27881 (87.9)	33677 (87.8)	1916 (65.2)	10556 (66.1)	12472 (66)	7631 (79.5)	38437 (80.6)	46068 (80.4)
Partially Trained	327 (4.9)	1463 (4.6)	1790 (4.6)	212 (7.2)	873 (5.5)	1085 (5.7)	539 (5.6)	2336 (4.9)	2875 (5)
Untrained	618 (9.3)	2359 (7.4)	2977 (7.7)	811 (27.6)	4539 (28.4)	5350 (28.3)	1429 (14.9)	6898 (14.5)	8327 (14.5)
Total	6660	31703	38363	2939	15968	18907	9599	47671	57270

Source: Ministry of Education

Figure in brackets represent percentage

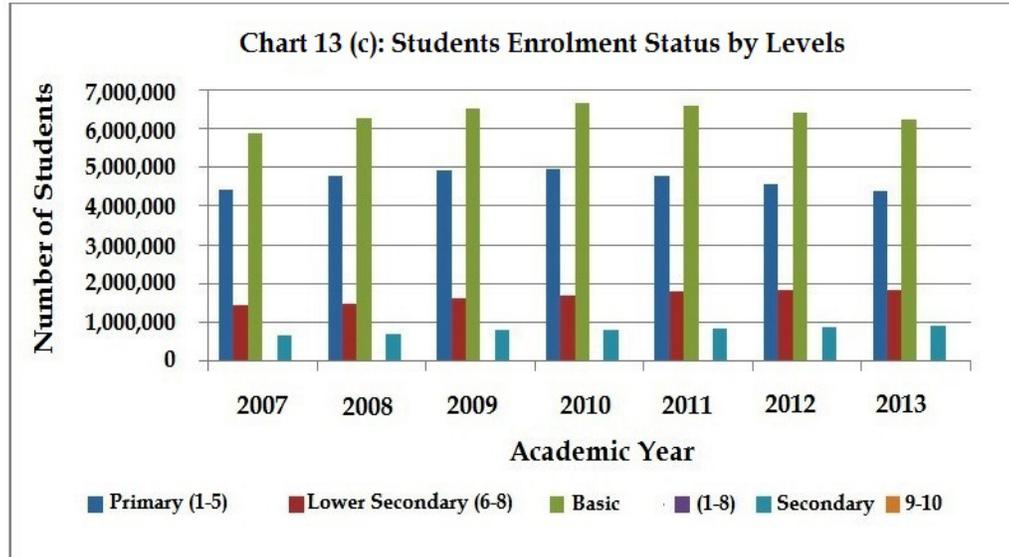
Students Detail

13.32 Flash Report 2013 showed that a total of 6,230,131 students at Basic Level (1-8) and 896,919 at Secondary Level were enrolled in academic year 2013. This number in previous academic year stood at 6,399,885 and 878,047 respectively.

Table 13 (t) : Status of Students Enrollment in School Levels

Level	2007	2008	2009	2010	2011	2012	2013
Primary (1-5)	4418713	4782313	4900663	4951956	4782885	4576693	4401780
Lower Secondary (6-8)	1443515	1466862	1604422	1699927	1812680	1823192	1828351
Basic (1-8)	5862228	6249175	6505085	6651883	6595565	6399885	6230131
Secondary (9-10)	671182	715378	790348	811910	848569	878047	896919

Source: Department of Education/Ministry of Education

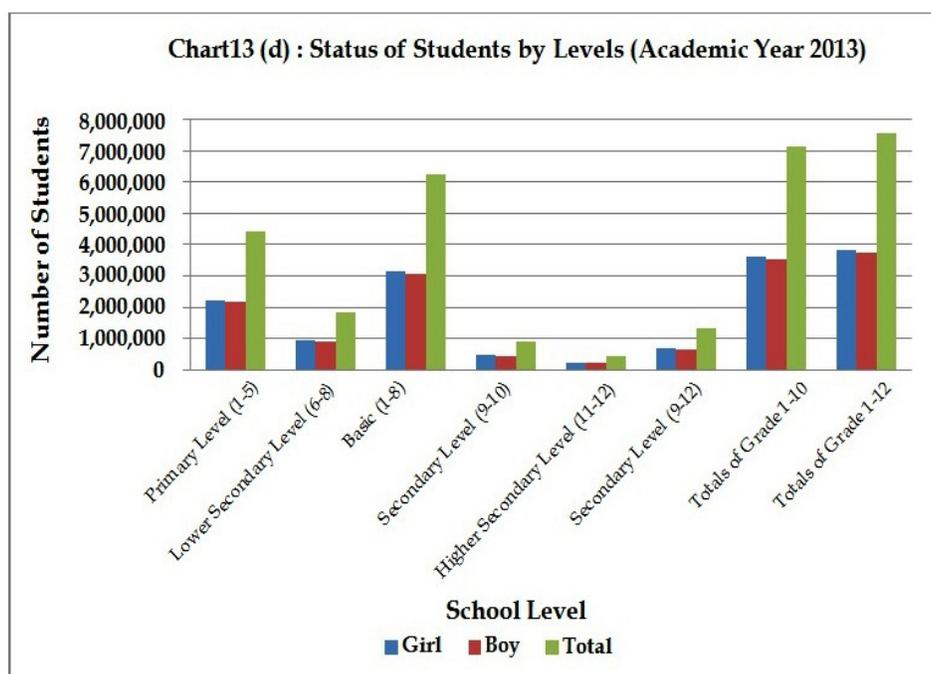


13.33 Flash Report 2013 shows that total number of students studying at Grade (1-10) and Grade (1-12) in community and institutional schools in current academic year 2013 has reached 7,127,050 and 7,542,393 respectively. Statistics shows that of the total students studying, number of girl students is higher in both Grade (1-10) and Grade (1-12) than boy students with 50.65 percent and 50.66 percent respectively.

Table 13 (u) : Status of Students by Levels (Academic Year 2013)

Level	Number of Students		
	Girls	Boys	Total
Primary (1-5)	2229916	2171864	4401780
Lower Secondary (6-8)	925035	903316	1828351
Basic (1-8)	3154951	3075180	6230131
Secondary (9-10)	454961	441958	896919
Higher Secondary (11-12)	211001	204342	415343
Secondary (9-12)	665962	646300	1312262
Totals of Grade 1- 10	3609912	3517138	7127050
Totals of Grade 1- 12	3820913	3721480	7542393

Source: Ministry of Education



13.34 In academic year 2013, net enrollment of Primary Level (5 to 9 years age group) children stood at 95.6 percent, Lower Secondary

Level (10 to 12 years age group) at 72.6 percent and Secondary Level (13-14 years age group) at 55.0 percent. Similarly, gross enrollment (including all those except the aforementioned age group) at Primary Level has remained at 136.8 percent, Lower Secondary Level at 84.3 percent and Secondary Level at 68.7 percent.

Table 13 (v) : Level-Wise Student Enrollment

School Level	Gross Enrolment Rate			Net Enrolment Rate		
	Girl Students	Boy Students	Total	Girl Students	Boy Students	Total
Primary (1-5)	142.4	131.6	136.8	95.0	96.2	95.6
Lower Secondary (6-8)	86.2	82.4	84.3	73.5	71.7	72.6
Basic (1-8)	119.6	111.9	115.7	86.3	86.4	86.3
Secondary (9-10)	69.0	68.3	68.7	54.6	55.1	55.0
Higher Secondary (11-12)	32.3	31.7	32.0	11.6	11.4	11.0
Secondary (9-12)	50.7	50.1	50.4	33.2	33.3	33.2

Source: Ministry of Education

13.35 The total number of students appearing the regular SLC examination in academic year 2012 totaled 403,936, which dropped by 2.23 percent in academic year 2013 to 394,933. The lowest record percentage of students passing the regular SLC examination in the past 5 years was in academic year 2012, while highest percentage was in academic year 2009. Pass percentage both in Regular and Exempted Category witnessed continuous fall between academic years 2009 and 2012 while this percentage marginally grew in academic year 2013. Similarly, among students passing the examination every year, percentage of girl students both in Regular and Exempted category has remained low as compared to boy students. Of the total 566,088 examinees that filled up application form for Regular and Exempted exams in academic year 2013, 17,837 examinees were found ineligible to take examinations, while 548,248 examinees took examinations.

Table 13 (w) : Detail of Students appeared in passed out SLC Examination

(In Numbers)

Year	Appeared	Regular			Exempted		
		Girl	Boy	Total	Girl	Boy	Total
2009	Appeared	20528	179865	385146	17774	24131	41905
	Passed	13871	108973	247689	5609	6618	12227
	Percent	67.57	60.59	64.31	31.56	27.43	29.18
2010	Appeared	21025	187506	397759	23894	32369	56263
	Passed	12430	96461	220766	4431	5302	9733
	Percent	59.12	51.44	55.50	18.54	16.38	17.30
2011	Appeared	21500	204113	419121	33519	43481	77000
	Passed	11262	87087	199714	5195	5612	10807
	Percent	52.38	42.67	47.65	15.50	12.91	14.04
2012	Appeared	20619	197746	703936	43764	63483	107229
	Passed	96454	71481	167935	3821	4497	8318
	Percent	46.78	36.15	41.57	8.73	7.08	7.76
2013	Appeared	19984	195087	394933	54500	79126	133626
	Passed	98777	74659	173436	6593	7998	14591
	Percent	59.43	38.27	43.92	12.10	10.11	10.92

Source: Ministry of Education

Higher Secondary Education

13.36 Though framework for structural integration of grade 9 to 12 as secondary education has been submitted as per School Sector Reform Plan (SSRP), operation and management grades 11 and 12 is still carried out through the Higher Secondary Education Board by upholding grades 11 and 12 in the higher secondary level as per the Higher Secondary Education Act, 1989.

Affiliated Schools

13.37 By the academic year 2013, a total of 3,596 educational institutes including Community, Private, ten plus two (10+2) school and campuses has obtained affiliation for higher secondary school level. No educational institutional was provided with affiliation to higher secondary education school status in academic year 2013.

Table 13 (x) : Region-Wise Detail of Affiliated Higher Secondary Schools

Development Region	Geographical Region	2011					2012				
		Community	Private	+2	Campus	Total	Community	Private	+2	Campus	Total
Eastern	Mountain	62	2	0	4	68	64	2	0	4	70
	Hill	254	10	3	4	271	262	10	3	4	279
	Terai	224	87	28	15	354	233	101	28	15	377
	Total	540	99	31	23	693	559	113	31	23	726
Central	Mountain	94	1	0	2	97	94	1	0	2	97
	Hill	373	219	81	48	721	403	233	81	48	765
	Terai	247	56	24	16	343	270	59	24	16	369
	Total	714	276	105	66	1161	767	293	105	66	1231
Western	Mountain	4	0	0	0	4	4	0	0	0	4
	Hill	478	82	7	20	587	503	90	7	20	620
	Terai	134	60	5	11	210	140	65	5	11	221
	Total	616	142	12	31	801	647	155	12	31	845
Mid Western	Mountain	1	0	0	2	50	56	1	0	2	59
	Hill	7	0	0	3	182	188	10	0	3	201
	Terai	34	5	5	3	137	98	40	5	3	146
	Total	42	5	5	8	369	342	51	5	8	406
Far Western	Mountain	0	0	0	1	76	80	0	0	1	81
	Hill	4	1	1	2	138	140	4	1	2	147
	Terai	26	5	5	5	145	113	37	5	5	160
	Total	30	6	6	8	359	133	41	6	8	388
	Grand Total	589	159	159	136	3383	2648	653	159	136	3596

Source: Higher Secondary Education Board/Ministry of Education

Status of Students in Higher Secondary School

13.38 Details of the students appeared and passed in the examination of Grade 11 and 12 under higher secondary school from academic sessions 2009 to 2013 are given as under:

Table 13 (y) : Number of Students Appeared and Passed in Annual Examination

Year	Grade 11						Grade 12					
	Appeared			Passed			Appeared			Passed		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
2009	132158	122613	254771	57240 (43.3)	44793 (36.5)	102033 (40.0)	94812	92005	186817	47803 (50.4)	3940 (42.8)	87208 (47.7)
2010	155989	142062	298051	65595 (42.1)	51433 (36.2)	117028 (39.3)	11709	11265	229715	55058 (47.0)	4578 (40.6)	100846 (44.0)
2011	161984	141870	303854	64908 (40.0)	51508 (36.3)	115922 (38.2)	13508	12889	263979	67005 (49.6)	5851 (45.4)	125523 (48.0)
2012	151233	134044	285277	62163 (41.10)	51790 (38.6)	113953 (40.0)	13566	12611	261776	60358 (44.5)	5060 (40.1)	110966 (42.4)
2013	139885	124866	264751	58596 (41.89)	46787 (37.47)	105383 (39.80)	128288	118796	251415	59311 (46.23)	49971 (42.06)	111354 (44.29)

Figure in Brackets represent percentage of passed out students

Source: Higher Secondary Education Board/Ministry of Education

Community Higher Secondary School and Teachers Arrangement

13.39 By the end of fiscal year 2013/14, there is the need of minimum 2 additional appointments per school in a total of 2,648 community higher secondary schools, and for this a total of 5,296 teachers need to be added. Similarly, a total of 5,580 additional teachers comprising additional 1 teacher each for 225 higher secondary schools running the science faculty, and for 59 Higher Secondary Schools of Karnali zone, with additional 5,800 teachers needed for arranging one additional teacher per school for higher secondary schools with more than 200 students.

Scholarship for Higher Technical Education

13.40 Ministry of education nominates and sends those students for higher studies (master's degree, post-graduate, master's in nursing) on scholarships availed from the domestic medical colleges affiliated to Universities within the country and international scholarships as well who get through the examination Ministry of Education conducts.

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

Faculties	Fiscal Year					Country
	2009/10	2010/11	2011/12	2012/13	2013/14*	
MBBS	152	202	79	203	71	Nepal
BDS	18	10	57	54	26	Nepal
BAMS	3	7	4	17	8	Nepal
BN	12	12	11	15	19	Nepal
BPH	4	4	8	6	4	Nepal
B. Pharma	-	4	13	20	20	Nepal
B.Sc. Forestry	-	4	2	5	5	Nepal
B.Sc. Nursing	2	4	5	17	17	Nepal
MBBS	21	8	3	12	5	Abroad
BDS	2	1	-	1	-	Abroad
PG Medicine	21	-	-	12	-	Abroad
B.Sc. Engineering	-	-	-	6	-	Abroad
B. Pharma	-	-	-	13	-	Abroad
BMIT	-	-	-	-	1	Abroad
PHD	-	-	-	-	1	Abroad

* Of first eight months

Source: Ministry of Education

13.41 In fiscal year 2012/13, 6 students in B.Sc. Engineering and 13 students in B. Pharma were awarded scholarships abroad while in fiscal year 2013/14, 1 student on BMIT and 1 student on Ph. D have obtained scholarships for abroad study.

University Grants Commission

13.42 The University Grant Commission (UGC) has been performing the tasks including maintaining coordination among universities; distribution of government subsidy; advice to the Government of Nepal for the establishment of new Universities and fixing educational quality standards etc. Also, the Commission has been performing quality reform 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 program, considering the curriculum revision and updating, enhancement of skill and capacity of teachers engaged in studying-teaching, research, development and expansion of culture, support program at Master's Level for physically challenged students and enhancement of educational, academic and physical capacity of higher educational institutions, quality improvement program have been carried out with modification in this fiscal year. Programs such as scholarship, free scholarship and student concessional loan has availed the brilliant students but without opportunity for higher education owing to financial reason. Under this, in fiscal year 2013/14, a total of 22 individuals were selected for refresher training, 70 for M. Phil and Ph. D scholarships, while 20 were selected for micro researches, 60 seminars, workshops, conference operation and participation support, library improvement and physical facilities development support to 323 campuses and 27 research method training, and 15 capacity development training have been approved. Likewise, with the assistance of World Bank, works are being performed such as progress subsidy (motivation, works operation and Cumulative Fund (*Jodkosh*)), student financial assistance program, higher secondary education reform and systematic capacity enhancement in higher education under Second Higher Education Project with the inclusion of 4 sectors.. A total of 12 colleges have obtained quality assurance and accreditation letter through quality assurance and accreditation division.

13.43 By fiscal year 2012/13, the campuses operating under the universities across the country and the number of students studying there on has totaled 678,047 of which Tribhuwan University has the highest number of 604,437 students and lowest in Patan Health Science Academy with 60 students.

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

University	Campuses		Fiscal Year 2011/12			Fiscal Year 2012/13		
	Constituent	Affiliated	Constituent	Affiliated	Total	Constituent	Affiliated	Total
Tribhuwan University	60	991	143899	229947	373846	273349	331088	604437
Kathmandu University	6	15	4293	7017	11310	5050	8287	13337
Purbanchal University	3	121	856	26111	26967	854	24866	25720
Nepal Sanskrit University	13	10	3157	615	3772	615	3424	4039
Pokhara University	4	49	1459	18770	20229	1774	23508	25282
LumbiniBoudha University	1	5	8	-	8	116	-	116
Agriculture and Forestry Science University	-	-	-	-	-	180	-	180
Far Western University	-	-	-	-	-	951	-	951
Mid Western University	-	-	-	-	-	2472	-	2472
BP Koirala Institute of Health Sciences	1	-	1155	-	1155	1155	-	1155
National Academy of Medical Sciences	1	-	203	-	203	298	-	298
Patan Academy of Health Sciences	1	-	60	-	60	60	-	60

Source: University Grant Commission

13.44 The total number of students studying at Tribhuwan University, which stood at 373,846 in fiscal year 2011/12, has reached to 604,437 in fiscal year 2012/13 with growth of nearly 62 percent. Under which, the number of students in the constituent campuses has totaled 273,349 comprising 115,289 real new enrollment and 158,060 carry over students. Also, with 331,088 total numbers of students in affiliated campuses, total number of students (both constituent and affiliated campuses) has reached to 604,437.

Universities

13.45 By the end of first eight months of fiscal year 2013/14, a total of 9 universities (Tribhuvan University, Kathmandu University, Purwanchal University, Nepal Sanskrit University, Pokhara University, Lumbini Boudha University, University of Agriculture and Forestry Science, Mid-Western University and Far-Western University) and 3 recognized universities (B P Koirala Institute of Health Science, National Academy of Medical Science and Patan Academy of Health Sciences) have been producing high level human resource needed to the country and capable of competing in international level through carrying studying-teaching programs in various faculties as autonomous body.

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

(In Numbers)

Level	Description	Tribhuwan	Kathmandu	Purban- chal	Pokhara	Lumbini Boudha	Nepal Sanskrit	Total
Certificate	Enrollment	2419	119	-	-	-	972	3510
	Production	10702	-	-	-	-	339	11041
Bachelor	Enrollment	507240	11391	22937	23197	-	1534	566307
	Production	50361	1311	2928	-	-	1028	55628
Masters	Enrollment	91464	1376	2783	2009	116	293	98041
	Production	17151	378	441	-	-	171	18141
PGD	Enrollment	-	61	-	-	-	-	61
	Production	-	22	-	-	-	-	22
M Phil	Enrollment	297	271	-	76	-	-	644
	Production	40	31	-	-	-	-	71
Ph. D.	Enrollment	1081	119	-	-	-	216	1416
	Production	13	12	-	-	-	12	37
Others	Enrollment	1936	-	-	-	-	1024	2960
	Production	-	-	-	-	-	455	455
Total	Enrollment	604437	13337	25720	25282	116	4039	672931
	Production	78267	1754	3369	NA	-	2071	85395
BP Koirala Institute of Health Sciences (Enrollment)						1155		
National Academy of Medical Sciences (Enrollment)						298		
Agriculture and Forestry Sciences University (Enrollment)						180		
Patan Academy of Health Sciences (Enrollment)						60		
Far Western University (Enrollment)						951		
Mid Western University (Enrollment)						2472		
Total Enrollment						678047		

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

Educational Quality Test Center

13.46 Government of Nepal regards enhancement of education quality as one of its crucial and priority programs. As envisaged by the School Sector Reform Plan(SSRP), and periodic plans, as the core document of GoN on education reform, Education Quality Assessment Center Management Working Manual 2011 has been issued with a view to enhance education quality through establishment of Educational Quality Test Center(EQTC) by conducting national assessment of students' quality education, school wise performance assessment and assessment of educational entities' work performance where activities are being carried out. Works are underway to meet the target of completing two cycles of national assessments of 3, 5 and 8 grade students by the year 2015 AD set as the national assessment period. Assessments of second cycle of 48,000 students of grade VII, 1200 teachers and 1200 school principals have been conducted in this year in line with the roadmap prepared by the Ministry.

Public Libraries

13.47 Kaiser Library (Pustakalaya) Kaiser Mahal, National Library (Pustakalaya), Harihar Bhawan and Dilliraman Kalyandevi Library (Pustakalaya), Lazimpat are in operation for providing library service to readers and service seekers by collecting and securing various publications. These libraries have been carrying out programs such as procuring books, operating WiFi service, celebrating the library day, photocopy service, and supporting district level libraries with books.

Janak Education Material Center

13.48 This center has been regularly producing selling school level textbooks and educational materials at reasonable prices across the country since its conversion into a public corporation on 24th September 1964 under the Companies Act, 1964. In addition, the center has been carrying out question paper printing works for SLC, Higher Secondary Education Board, and MBBS Scholarship examinations in safe and confidential manners. Likewise, as the

private publishers had obtained the responsibility of textbook printing and distributing in Eastern and Western Development Region for grade 1 to 8 and in Far-Western Development Region for grade 1 to 5 in line with the Textbook Printing and Selling Distributing Directives, 2006, there is a situation for this center to compete with private publishers in those areas. Apart from this, the Center has been striving to fulfill its due responsibility. .

Health Sector

- 13.49 The Interim Constitution of Nepal, 2007 has recognized health as a fundamental right of the people. Pursuant to this provision and commitments, Government has been actively engaged towards ensuring the access of the citizens to quality health services. In this context, Ministry of Health and Population has been implementing the programs based on the Millennium Development Goals (MDG), and Nepal Health Sector Program-II to contribute to reduction of poverty. Besides, the Ministry is also giving continuity to on-going priority programs as a measure to contribute towards economic prosperity of the country. External partners including WHO, UNFPA, UNDP, UNICEF, World Bank, DFID, USAID, GIZ, KFW, WFP, Netherlands, Norway, GAVI, Global Fund, SDF have been supporting directly and indirectly for implementation of these programs. Development partners have been supporting implementation of a total of 47 health sector development programs comprising 22 P1, 20 P2 and 5 P3 categories.
- 13.50 Of Nepal's MDG targets, the country has achieved significant progress in respect of health sector with sharp fall in infant mortality rate from was 43 per thousand live births in 1996 to 9 per thousand in 2011. Likewise, maternal mortality rate that was 539 per 100,000 births in 1996 has now dropped to 229 per 100,000 births. In the process of achieving MDG from international perspective, Nepal has been conferred with "MDGs Achievement Award" for its internationally commendable effort in reducing maternal mortality rate to significant level under the MDG 5 and International "MDGs Motivational Award" for it being progressive in child mortality rate under MDG 4 in child

health sector. On leprosy control side, Nepal is declared as the Leprosy Free Nation since 2010 as well. Nepal has been honored with 'Resolve Award' in 'Global Leaders Council for Reproductive Health' convention held in Geneva in June 2012 for making notable progress in the reproductive health sector. There has been significant progress in the health sector as Nepal has also obtained Polio Free Verification Certificate from World Health Organization in 2014.

Table 13 (ac): Major Health Indicators and Achievements

Millennium Development Index	Unit	Achievements					
		1991	1996	2001	2006	2009	2011
Maternal Mortality Rate per 100000	Person	539	539	415	281	229	250
Total Fertility Rate per Woman	Person	5.3	4.6	4.1	3.1	2.9	3.0
Girls Fertility Rate Reproduction (15-19 Years)	Percentage	-	127	110	98	-	98
User of Contraceptives (Modern methods)	Percentage	24	26	35	44	45.1	48
Child Mortality Rate Below 5 Years per 1000	Person	158	118.3	91	61	50	55
Infant Mortality Rate per 1000	Person	106	78.5	64	48	41	44
Newly Born Child Mortality Rate per 1000	Person		49.9	43	33	20	30
Under Weight Child	Percentage		49.2	48.3	38.6	39.7	34
HIV Infection Rate (15-49 Years)	Percentage	-	-	-	-	0.49	
TV Diagnosed and Treated	Percentage	-	48 79	70 89	65 89	71 88	75 89
Annual Malaria Infected Number per Thousand	Person	-	0.54	0.40	0.28	-	-

Source: Ministry of Health and Population

13.51 Various policy arrangements have been made for implementation of regular programs more effectively. Among such ongoing programs are: the Perspective Plan; MDG; Health Sector Reform Action Plan; Three-Year Plan and the Programs, and 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, and Directive on Health Institute Establishment, Operation and Upgrading Standard have been approved and brought into implementation. From the institutional perspective, health service flow is being extended through institutions like Human Organ Transplant Center, Karnali Health Science Academy, Patan Academy of Health Sciences, Ayurveda Academy, Ayurveda Research and Training Center.

Extension in Health Services and Facilities

13.52 Details on health institutions, beds and human resources in the health services sector are as follows:

Table 11 (ad): Details of Health Institutions, Beds and Human Resources

Description	Fiscal Year						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14*
1. Total Health Institutions	4396	4392	4392	4393	4393	4393	4485
a) Hospital	94	102	102	102	105	107	107
b) Primary Health Center	214	214	207	208	205	204	215##
c) Health Post	699	676	1176	1698	2175	2175	2175
d) Ayurvedic Dispensaries	293	293	291	291	293	293	293
e) Sub- Health Post	3104	3114	2617	2095	1615	1615	1615
2. Hospital Beds	6944	6944	6944	7049	7035	7285	7550
3. Total Human Resources	91840	92010	92181	82994	92150	93495	93495
a) Doctors	1457#	1627#	1798	1798	1654	1954	2154#
b) Nurses	11637	11637	11637	12681	11756	12550	9535
c) Kabiraj (Traditional Physician)	394	394	394	407	394	394	394
d) Vaidya	360	360	360	360	360	360	360
e) Health Assistant (HA, SHA)	7491	7491	7491	8013	8013	8563	11551
f) Health Workers (M.C.H.W.)	3190	3190	3190	3190	3190	3190	3190
g) Local Health Workers (Rural Health Workers)	3985	3985	3985	3985	2985	2985	2985
h) Other Health Workers (Trained Sudeni, Female Health Workers)	63326	63326	63326	52560**	63326	63326	63326**

Source: Ministry of Health and Population

* Of first eight months

Including 350 studying under Scholarship

Including Primary Health Center and Health Center

** Phasing out of Sudeni

Note: Health Institutions are upgraded with no additional health institutions and so their numbers remained unchanged

13.53 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 (ae): Health Service Beneficiary Population by Development Regions

By Country/ Development Region	Fiscal Year 2011/12			Fiscal Year 2012/2013			Fiscal Year 2013/14*		
	Admit	OPD	Emergency	Admit	OPD	Emergency	Admit	OPD	Emergency
Nepal/ National	430179	3295619	764344	427436	3449421	782614	209519	1523410	357089
Eastern	130504	753076	190921	135066	784806	209563	70757	429458	114035
Central	144908	1223645	279909	131341	1139732	265272	577247	345045	81130
Western	75911	660145	131093	97377	914506	161380	53352	463045	92192
Mid Western	40058	351848	59585	30290	308828	57444	17384	154274	31986
Far Western	38798	306905	102836	33362	301549	88955	10815	154274	31986

* Of first eight months

Source: HMIS, Department of Health Service

13.54 By mid-March of fiscal year 2013/14, a total of 4,485 health institutions have been offering health services through 93,495 health personnel comprising 2,154 doctors and 9,535 nurses working in 107 hospitals, 2,175 health posts, 293 Ayurvedic hospitals and dispensaries, 1,695 sub-health posts, 215 primary health posts. The number of hospital beds during that period stood at 7,550. Similarly, development region-wise population availing Out Patient Department (OPD) service is presented in Table below:

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

By Country/ Development Region	Fiscal Year			
	2010/11	2011/12	2012/13	2013/14*
Nepal/National	19708800	21670572	24053836	12796896
Eastern	4640003	4520025	4892123	2823114
Central	5774617	6785721	8098750	4010897
Western	3981678	4894134	5323302	2718521
Mid -Western	3270108	3226630	3341358	1953155
Far Western	2042394	2244062	2398303	1291209

* Of first eight months

Source: Department of Health Service

Major Programs Operating in Health Service and their details

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

Indicators	Fiscal Year 2011/12		Fiscal Year 2012/13		2013/14*	
	Progress	Percent	Progress	Percent	Progress	Percent
BCG Vaccine	632422	95.9	623659	98.95	404259	96.43
DPT, Hepatitis B (Third Dose)	430244	89.7	584727	92.77	336960	80.37
Polio (Third Dose)	432654	86.4	584420	92.72	335428	80.01
Vaccination against Measles	418139	38.4	553736	87.85	228952	54.61
Tetanus Vaccine	203143		303443	41.21	185751	36.58
Measles-Rubella Vaccine Program			9685099	101.0		
Women Receiving Iron Tablet	522606	67.9	765000	95.08	595000	117.17
Registration of Dysentery Patients	211567		1809033	87.0	955006	51.0
Zinc and Oral Rehydration Treatment (ORT)	180533	91.0	1671610	92.0	932119	98.0
Treatment of Respiratory	329475	32.3	2827804	100.0	1701151	91.0

* Of first eight months

13.55 Under the Extended Vaccination and Vaccination Against Polio Program aimed at reducing child mortality rate, a number of programs were carried out in FY 2012/13 including measles-rubella vaccine program for children of age group (from 9 months to below 15 years) in 75 districts; national polio vaccination program twice in all 75 districts; CBIMCI training for 200 left out and newly admitted Female Health Volunteers; and 9,685,099 persons were vaccinated through measles-rubella campaign. In the current fiscal year 2013/14, a total of 404,249 children below one (1) year are vaccinated with BCG; 336,960 children are provided DPT Hepatitis B (third dose), and 228,952 children are given polio vaccination (third dose). Similarly 595,000 women are provided with tetanus vaccine and distributed iron tablets. Under the nutrition program, continuity is given to community based "Severe Malnutrition Management Program". Albendazole tablets are distributed to the government and private school students up to class 10. In the current fiscal year, 789,492 dysentery patients have been registered of whom 736,492 patients have been provided with zinc tablets and electrolytes while 36,402 patients received saline treatment. Likewise, under the same program, a total of 736,109 (93 percent) patients have undergone treatment against respiratory disease. A number of child health programs on vaccination, nutrition, dysentery and respiratory diseases are being conducted on a regular basis as mentioned above.

Family Planning, Safer Motherhood and Woman Health Volunteer Program

13.56 Program is being carried out with the target of bringing fertility rate to the replacement level and maternal mortality rate to 134 per 100,000 live births. In the previous fiscal year 2012/13, a total of 599,420 were provided with contraceptives and 52,181 persons were provided with permanent sterilization service through reproductive health program as a family planning initiative. In addition, 2,478,000 regular users from across the country were offered such services in the same period. The number of patients referred from remote areas for complex maternity service was 99. Likewise, free maternity service has been provided to 317,000 women through safer motherhood program, 55,650 pregnant women received allowance in lieu of pregnancy incentive. Similarly, round the clock emergency maternity services are being rendered from 26 districts. Screening for prolapses, ring pessary placement and preparation of surgery detail works are conducted where 48,017 patients underwent screening treatments while 4,751 patients had their prolapse treated surgically.

13.57 Similarly, in the first eight months of current fiscal year 2013/14, the number of new family planning service (contraceptive) users has reached 418,500. Likewise, the number of new family planning service users (permanent sterilization) stood at 33,120. The number of patients referred from remote areas for complex maternity service to well-equipped hospitals has reached 194. Women received free maternity services from 1,600 birthing centers under the safer motherhood program and 207,033 women received transportation allowance, the number of additional districts offering round the clock emergency services has reached 32 while the 37,200 persons were listed as requiring surgery and the number of patients who underwent treatment and surgery reached 4,500.

Table 13 (ah) : Detail of Reproductive Health Program

Indicators	Unit	Fiscal Year							
		2010/11		2011/12		2012/13		2013/14*	
		Progress	Percent	Progress	Percent	Progress	Percent	Progress	Percent
New Family Planning Service Users (Contraceptive Users)	Person	642533	-	598604	-	599420	-	418500	-
New Family Planning Service Users (Permanent Sterilization)	Person	62600	-	51185	-	52181	-	33120	-
Total Family Planning Service Users (Long term Contraceptive Users)	Person	2425521	94.01	2446286	94.82	2478000	95.1	1620000	65.38
complex maternity service referred from remote areas	Person	55	92	165	83	99	60	194	23
Free Maternity Services Received under Safe Motherhood Program	Person	245439	97	299901	90.69	317000	88	207033	56

Indicators	Unit	Fiscal Year							
		2010/11		2011/12		2012/13		2013/14*	
		Progress	Percent	Progress	Percent	Progress	Percent	Progress	Percent
Post-Natal Service (PNC)	Person	387201	50.5	441580	53.5	55650	42	74250	30
Districts with Round the Clock Emergency Maternity Service	Districts	24	100	26	92	26	100	32	97
Screening for Prolapses, ring pessary placement and Preparing cost of Operation	Person	25374	89	94992	79.16	48017	96	37296	70
Treatment and Surgery on Prolapses	Person	12243	94	9081	65	4751	142	4500	45

* Detail by Mid-March

Tuberculosis (TB) Control

13.58 In FY 2012/13, free medical treatment was provided to potential TB patients through DOTs technique; sputum test of 193,570 persons suspected (TB) patients was conducted; sputum tests of 580,710 new slides were carried out; follow up sputum tests of 86,129 patients were done; MDRTB training was imparted to 225 individuals; programs such as broadcasting and publicizing the messages and awareness raising through various mediums; providing training to health professionals for prevention; and establishment and operation of hostel for MDR patients were carried out. Due credit to availability of such services, 78 percent new patients were registered with successful treatment of 90 percent. In addition, the programs carried from the last fiscal year have been given continuity in current fiscal year as well. Target for fiscal year 2013/14 has been set for sputum test of 187,040 suspected patients; slide tests of 561,120 new sputum samples; follow up sputum tests of 83,233 samples and impart DOTs training to health workers.

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

13.59 In fiscal year 2012/13, 15 treatment camps for epidemics and natural disaster victims were conducted while RRT was mobilized for three times to carry out epidemic and disaster management works 4,900 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 FY 2013/14, orientation training was provided to medical doctors, nurses, and health workers on the proper use of rabies vaccine and tackling against venomous snake bites while 2,000 rabid and snake bit patients were treated successfully. Likewise, Micro-filaria follow up survey and post MDA survey were conducted by making multiple drugs supply arrangement in Filariasis Control Campaign organized 20 districts.

Leprosy Control Program

13.60 Tests were conducted on 172,112 patients and neighborhood households under the leprosy program, while Rs. 1,000 transportation allowance was distributed to each 3,373 leprosy patient; and skin disease camps were organized for 16 times in FY 2012/13. Likewise, in FY 2013/14, onsite 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 Rs1000 each. During the first eight months of the current fiscal year, 2,094 patients were diagnosed with new disease while 2,195 patients are undergoing treatment process.

National Population Program

13.61 Population management related programs are being conducted as per the quality standards defined by the Twenty-Year Population Prospective Plan (PPP); one window crisis management programs are in implementation in 16 hospitals as per the Hospital-based One Window Crisis Management Center Operating Guidelines 2012 in line with Action Plan on ending gender related violence 2012. Geriatric ward for senior citizens has been established at Patan hospital, Ayurvedic Teaching Hospital, TU Teaching Hospital, Bharatpur Hospital, Western Regional Hospital, and BP Koirala Health Science Institute. Likewise, services are being delivered through Social Service Units based at eight (8) different central and zonal hospitals. Under the "Local Level Population Program", 22 programs are in operation in all 75 districts of the country. A number of research oriented programs are brought into operation in line with Nepal's Population Report 2012. National Population Policy Draft, 2013 has been prepared.

National Health Education, Information and Communication Program

13.62 Council of Ministers has approved the National Health Communication Policy, 2012 in FY 2012/13. Nepal Television telecast 52 episodes of the most popular health related TV programs "Jeevan Chakra" 26 episodes each of "Aama" and "Thorai Vaye Pugisari" while 1,680 (168 days) debate program on health were conducted, and health related messages preceded the NTV news telecast. Additionally, 156 episodes of "janaswasthya" radio program, 26 episodes each of "chetana ka swar haru" and "Aama", various health related messages were aired for 3,650 (in 365 days) from Radio Nepal. Similarly, health messages were aired 87,000 times through different FM radios, while interaction programs were conducted at 1,050 locations in participation of the people. Materials on health education produced at the central and district levels were distributed in 75 districts and communities. Master's Level Curriculum in Health Education has been developed, and Agreement reached for running the program. Similarly, awareness raising programs were conducted for Raute and Chepang tribes (nearing to extinction) in their own areas. Orientation program on statutory provision on curbing tobacco products was organized in 15 districts for district level office heads. By the second trimester of the current fiscal

year 2013/14, health related messages are being aired through NTV for 1,900 times and 1,000 times through Radio Nepal while community level awareness programs were conducted for 60 times. Keeping of health hazard warning pictures and messages in the packages of tobacco products is done. A Health Inspector for each of the 240 constituencies is hired on consultation service. 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

13.63 The following programs and services are being availed pursuant to the concept of "Free Health Services for 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, Inspection on 254 drug stores and 99 drug industries was conducted and recommended for necessary actions against those drug stores involved in irregularities, inspection on 2 foreign drug industries, free maternity service through all government health institutions and pregnant women were provided transportation allowance as prescribed. Sahid Gangalal National Heart Center and Manmohan Cardiovascular Center Teaching Hospital have been rendering services to children below 15 years and senior citizens (of nearing to extinction race/tribes) of above 75 years as per the target to provide free heart and kidney disease treatments to prevent them from such diseases. Likewise, 112,600 heart patients were examined, 1,380 heart patient children below 15 years and 450 heart patient senior citizens of over 75 years were treated and free health services are provided to PTMC doing patients. About 12.7 million persons including hospital visiting children, elderly people, people on the verge of extinction, female health volunteers have received free treatment services. Similarly, 25 primary eye treatment centers were established and operated by Nepal Netrajyoti Sangh, 4,300 eye patients have undergone cataract surgery, eye glasses were distributed at free of cost to 5,000 people over 50 years in 19 districts of Karnali zone, eye treatment centers established in 13 districts having no such centers, eye glasses distributed to 4,500 people of over 50 years. Besides, 500 poor people were provided free eye treatment by eye hospitals, eye

donation camps were held for 36 times and about 17 thousand people were provided extension services.

Table 13 (ai): Social Security Program Details

Indicators	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14*
	Progress	Progress	Progress
Medicine Distribution: Sub-Health Post (Type)	25	25	25
Medicine Distribution: Health Post (Type)	35	35	35
Medicine Distribution: Primary Health Center (Type)	42	42	42
Free Health Service to Children, Elderly, Near to Extinction Tribes, Women Health Volunteers From Hospitals	17577802	8521999	12757302
Free treatments for ultra poor and poor	3089431	1255797	9682588
Free treatments for handicapped	10383	9711	5060
Free treatments for elderly people	85407	51572	39388
Free treatment with heart surgery for children under 15 years of age	860	771	608
Free treatment with heart surgery for elderly people above 75 years of age	210	196	255
Distribution of eye glasses at free of cost to people over 50 years of age	15000	5000	4500

**Details until Mid-March*

National AIDS and Sexually Transmitted Disease (STD) Control Program

13.64 In fiscal year 2012/13, AIT Training provided on Management Training of Trainers to 200 persons while training on HIV and referral services was provided to Female Health Volunteers for 200 times, and PMTCT training provided to 172 health professionals. 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 Antiretroviral treatment to HIV infected were carried out. Likewise, provision of free medication, extension of 13 community based CBPMTCT services, 4,200 ARV treatments to infected persons and PMTCT program affiliated pregnant females and children below 15 years who under ARV treatment will be provided nutritional foods.

Similarly, trainings and orientations were provided to different level health professionals for 108 times 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 2013/14 as in previous years. Together with comprehensive and intensive programs conducted on HIV/AIDS for jail inmates and homosexuals, intensive treatment program were carried out for homosexuals, sex workers, intravenous drug users, migrants on service contract of non-government organizations.

Human Resource Development, Study and Research

13.65 In FY 2011/12, trainings on emergency service, safe maternity service, abortion service, family planning service, upgrade and refreshment trainings were provided to 180 Senior Assistant Health Workers, skilled maternity service training to 100 Nurses, 16 Anesthetic Assistants and 20 bio-medical technicians were provided trainings on their respective subjects while 250 Health Workers and 5,000 Female Health Volunteers were provided basic trainings. Similarly, in FY 2013/14, a number of trainings were provided including officer level service entry training to 144 persons, assistant level training to 125 persons, implant training to 60 individuals, safe abortion training to 80 health workers, good-governance training to 80 employees, ToT training to 80 persons. Likewise, various trainings such as training on MDR TB management to 225 Health Professionals, community based physiological (mental) health training 20 times, tooth extraction basic training to 180 Health Professionals on tooth extraction, training on HMIS to new and old employees for once, training on five acts (*Pancha Karma*) /Yoga/statistics to 82 Health Professionals, safe abortion training 24 times, and refreshment training to 23 Health Professionals having skilled maternity service training. Likewise, studies and researches were conducted on non-communicable, severity of diseases and traditional medicines, researches and studies as pilot study were carried out for the development of health sector, conducted health programs at free of cost, researches are being carried out on Safe Motherhood Program, Dengue, Bird Flu, non-communicable diseases.

National Public Health Laboratory

13.66 In FY 2012/13, 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 2013/14, 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. Laboratories were established at 50 Health Posts. Bio-Safety Level-III established and operated, Electro-light machine operated and 135 employees providing pathology services at health institutions were imparted quality standardization related training.

Ayurvedic Health Service

13.67 While providing continuity in FY 2012/13 to programs on method of treatment and consultation through Ayurvedic, Yunnan 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. In this fiscal year, herbal collection, production and medicine production (*Kashthadi, Rasadi, Tauladi*) are being done through Sighadurbar Vaidyakhana and Ayurvedic Hospitals while Department of Ayurveda has been responsible for the construction of Ayurvedic institutions and regular supply of medical instruments as per the demand of these institutions. Likewise, from 291 institutions across the country, five acts/Yoga Teacher Training Program was conducted for 10 persons while 56 Health Professionals were provided with training on five acts (*panchakarma*)/Yoga/Statistics, and Ayurvedic Specialist Health Camp was conducted for five times. 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 have been improved together with improvements in packaging of Chyawanprash and Bazigar Shakti (medicines) through Singha Durbar Vaidyakhana Development Committee. In FY 2013/14, training and orientations on Ayurved and on modern medicine were provided to 145 persons, while 10 Ayurved doctors received various training on Ayurved and five acts *Panchakarma*/yoga along with imparting training to Kabirajs (Ayurvedic Health Professionals). Consultations were also held among Traditional Health Workers, *Dhamis, Jhankris, Lamas, and Amchis* on Ayurvedic services. Similarly,

free Ayurvedic Camps were conducted in each of all 75 districts; a pilot herbal garden established at the district level; waist bath (*Katti-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 in 45 districts. Naradevi Ayurved Hospital has extended *Panchakarma* related service.

Nepal Medical Council

13.68 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 enrolment and setting minimum qualification in pursuant to Nepal Medical Council Act, 1964 and Regulation 1968. It takes action against laws and regulations non-abiding medical practitioners, and medical/dental colleges. It also curbs illegal medical practices. Likewise, 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(a): Number of Doctors Registered with Nepal Medical Council (Medical and Dental)

Courses	Male	Female	Total
Dental (BDS)	597	843	1440
Medical (MBBS)	8613	3915	12528
Medical and Dental (Total)	9210	4758	13968

By 31st December 2013

13.69 By the end of December 2013, the Council has issued Undergraduate Eligibility Certificates to 3,850 and Post Graduate Eligibility Certificates to 1,271 students as per its mandatory provision that came into effect from 2005 AD for the students to obtain such certificates prior to flying abroad for MBBS/BDS courses or studies of similar nature.

13.70 A total of 21 Council recognized Medical Colleges are in operation including 3 dental colleges (Peoples Dental College, Kantipur Dental College and MB Kediya Dental College) and 18 medical colleges (Institute of Medicine-IOM, BP Koirala Institute of Health and Science, Manipal College of Medical Science, Nepal Medical College,

Kathmandu Medical College, Nepalgunj Medical College, Universal College of Medical Science, National Medical College, Janaki Medical College, National Academy of Medical Science, Nobel Medical College, Kist Medical College, Lumbini Medical College and Research Center, Chitwan Medical College, Patan Academy of Health Science and Gandaki Medical College).

13.71 The total number of specialist medical doctors registered with the council by 31st December 2013 reached 3,003 and their details are as follows:

Table 13 (ak) : Details of Medical Specilists Registered with Nepal Medical Council

S. No.	Subject	Male	Female	Total
1	<i>General Practice</i>	123	34	157
2	<i>E.N.T.</i>	75	22	97
3	<i>Psychiatry</i>	62	9	71
4	<i>Anesthesiology</i>	127	57	184
5	<i>Radiology & Imaging</i>	137	24	161
6	<i>Pediatrics</i>	183	73	256
7	<i>Nephrology</i>	9	4	13
8	<i>M.D.S.</i>	92	74	166
9	<i>T.B. & Respiratory</i>	7	1	8
10	<i>Community Medicine & Public Health</i>	51	21	72
11	<i>Pharmacology</i>	20	3	23
12	<i>Obst. & Gynae</i>	97	230	327
13	<i>M.S.(General Surgery)</i>	296	14	310
14	<i>Orthopaedic</i>	238	2	240
15	<i>Cardiology</i>	79	5	84
16	<i>Ophthalmology</i>	90	78	168
17	<i>Internal Medicine</i>	290	25	315
18	<i>Clinical Pathology</i>	55	55	110
19	<i>Dermatology & venereology</i>	65	35	100
20	<i>Neurology</i>	19	3	22
21	<i>Gastroenterology</i>	21	0	21
22	<i>Urology</i>	21	0	21
23	<i>Surgical Oncology</i>	15	0	15
24	<i>Forensic Medicine</i>	8	0	8
25	<i>Microbiology</i>	10	8	18
26	<i>Nuclear Medicine</i>	5	0	5
27	<i>Physiology</i>	4	1	5
28	<i>Family Medicine</i>	0	0	0
29	<i>Anatomy</i>	5	0	5
30	<i>Pulmonology</i>	5	0	5
31	<i>Hepatology</i>	1	0	1
32	<i>Bio chemistry</i>	2	0	2
33	<i>Radio therapy</i>	2	1	3
34	<i>Endocrinology</i>	3	0	3
35	<i>Neurosurgery</i>	4	1	5
36	<i>CTVS</i>	1	0	1
37	<i>Pediatrics Surgery</i>	1	0	1
	Total	2223	780	3003

Source: Nepal Medical Council

Note: By the end of December 2013

13.72 In the context of Health established by the Interim Constitution of Nepal 2007 as a fundamental right of the people, the total number of specialist doctors has reached 3,003 by December 31, 2013 comprising 2,223 males and 780 females to provide equal opportunities and enhanced access to quality health services to every citizen. Yet, this number cannot be considered sufficient as compared to Nepal's population.

Impact Analysis of Health Related Program in the Health Sector

13.73 Positive impact on GDP can be confidently expected with due credit to positive impacts of family planning, safer motherhood, child health nutrition that have resulted 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. Introduction of different skill development programs as well as development of physical infrastructures that are imperative for the production of qualitative healthy manpower is believed to provide positive impact to improving nation's economy in future. The flow of services to children, physically challenged, 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 bringing progress to the economy. Likewise, measures, policies and institutional provisions adopted in the health sector have brought positive results.

Women, Children and Social Welfare Program

13.74 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 and these programs are still receiving continuity.

- 13.75 In addition to necessary amendments in Policy, Acts and Legislations, programs and activities are under implementation throughout the country that are aimed at enhancing participation of women in every sector of national development by fully adopting the concept of women empowerment, gender mainstreaming, and gender equality; protecting and promoting the interests and rights of women; protecting inherent rights of children; ensuring rights of senior citizens, and physically challenged people. As an initiative on women empowerment, examination preparation classes have been conducted for 120 women interested to enter Nepal Administrative Service Gazetted Officer Class III in current FY 2013/14. Program for the victims and those affected by family violence is conducted in 15 districts through the service centers. Likewise, awareness raising program against gender based violence are being broadcasted on Radio Nepal and Nepal Television.
- 13.76 A number of policies and programs have been introduced with the objective of meeting the gender equity goals amidst glaringly visible necessity for the social and economic empowerment and getting rid of present situation of relatively backward women from economic and social perspectives and such programs have been receiving continuity as well. Committees, and Institutions promoted under the Women Development Program are the primary messengers of this program. Women groups, Committees and institutions promoted through the Women Development Program are the major carrier of the program. Women Committees and Organizations have been given the roles and responsibilities of conducting village level training and activities to upgrade the role of women from active participants to active partners. Emphasis is given to advocacy, orientation, and operationalization from district and VDC levels for mainstreaming the gender in decentralized development process.

Senior Citizens

- 13.77 A model Elderly Home has been established in each of the 5 development regions where destitute (having no one and nothing) senior citizens are living their comfortable lives by availing special facilities. Various organizations working in the areas of senior citizens are running elderly homes subsequent to their construction through the receipt of capital grants. Likewise, recurrent grants are also provided to those organizations for providing cares to the elderly citizens through which elderly homes are being run in various districts.

Similarly, senior citizens have been receiving result oriented services through day care centers established in various districts. Feelings of respect to elderly citizens have been developed in new generation people through Inter-Generation Skill Transfer Program. Two senior citizen villages are under construction in Kathmandu district with a view to provide necessary services to elderly people.

Physically Challenged Persons

13.78 Community Based Rehabilitation (CBRP) Program has been expended to all 75 districts of the country since FY 2009/10 for implementation through institutions working for various programs under health, education, livelihood, socialization and empowerment 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. Aside from providing them assistive devices after their identification, their skills have been developed which in turn has enhanced their self-confidence of doing something through this program. Printing and distribution works on identity cards physically challenged persons are being carried out. Based on the magnitude of disability, assistive devices such as white sticks and wheel chairs, tri-cycles, artificial limbs that are received on grants are distributed free of cost in four Development Regions through organizations working in the area of distributing such devices. Review work on Disability related National Policy and Action Plan, 2006 has been initiated while Manual on Physical Accessibility and Communication Service to Disabled Person, 2012 has been issued. More than 54 organizations have been provided grants to run empowerment related program activities such as identifying differently able persons, creating environment to spend respectful life in the society, providing various economic and social opportunities enhancing accessibility to live comfortable life among others.

Child Rights

13.79 Constitutional, legal, policy-wide and institutional commitments and efforts are underway for protecting and guaranteeing child rights, and for multi-faceted development of children.

13.80 Pursuant to national legal and policy arrangement, a Ten-Year National Action Plan (2004/05-2014/15) has been prepared and

implemented to bring the children's interest and rights into implementation on priority basis with the focus on child rights issues including child rescue, protection and development. This has been revised on the basis of its mid-term evaluation report and newly felt needs in this sector together with nation's responsibilities towards this sector and is in operation since mid-August, 2012 after securing approval from the government of Nepal. Children's Act 2012 is prepared and in the approval process. Conditions and Standards for the operation and management of Child care Home (Balgriha), 2012 has been approved and implemented. Investigation and Prosecution Guide, 2009 on Juvenile Justice for government advocates has been issued. National Policy on Children, 2012 has been approved and adopted. Emergency Child Rescue Fund (Operation) Regulation, 2008 has been prepared and implemented.

- 13.81 In the areas of institutional mechanism, Women Development Department has been renamed as the Department of Women and Children, and District Women Development Office renamed as Women and Children Offices where Women Development Officers of 75 districts have been designated as Children Welfare Officers until other provisions are made. Sustainable Government Enabling Program 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. This has been targeted to extend in 8 additional districts in coming fiscal year. South Asia Initiative to End Violence against Children (SAIEVAC) and its permanent Secretariat in Nepal have been established where programs dealing with 5 priority gained child issues including child marriage, child labor, sex abuse and harassment, physical torture and child trafficking are in operation. Missing Children Search and Coordination Center has been established and operating regularly with toll free telephone number 104 facility for searching children and reintegrating them in their families. Out of the total 990 missing children (816) and unattended children (174) in this year, 620 of them have been rehabilitated. Likewise they are being sent to 28 different children homes for their protection. For taking immediate action by

immediately addressing incidents of abuse of the Rights of children, helpline telephone number 1098 has been expanded to 14 districts. A Child Day Care Centre has in operation inside Singha Durbar premise for babies of female civil servants. More than 50 children of female civil servants have been receiving services from Center.

- 13.82 Grant fund has been provided to all 75 districts with directives to District Welfare Committees through District Women and Children Offices for the help and protection of disaster affected, orphans, unattended, destitute, and helpless children. Foreigners from different countries were handed over 52 children in FY 2010/11, 24 children in 2011/12, 7 children in FY 2012/13 and 2 children in FY 2013/14 through Inter-Country Adoption Management Development Committee.
- 18.83 Community School and various institutions based 17,864 child clubs have been formed in 70 districts where more than 400 thousands children are the attached.

Human Smuggling and Trafficking (Control)

- 13.84 A total of 429 persons were rescued from human trafficking by mid-April of FY 2013/14. Such rescued number stood at 1,458 last year. District Development Committees have been provided with grants of Rs. 3,750,800 for curbing human trafficking and Rs. 3 million to rehabilitation centers.

Women Empowerment

- 13.85 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 groups and institutional development, and basic and subjective training mediums under the Women Development Program. At the district-level, Woman 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. Efforts have been made towards providing continuity to the programs constituting women's groups in their neighbors,

committees at ward level and organizations at VDC level by integrating scattered women through institution development. Women development programs are being implemented in all 75 districts, 3,636 VDCs and 43 municipalities. Until now, 807,976 members of 132,928 groups have been directly participating under the Women Development Program. These groups have constituted 15,211 committees and 1,768 organizations.

- 13.86 As per the Policy arrangement, Women Development Program Strategy Paper, 2012 has been formulated and implemented. Emphasis has been given on activities including advocacy, orientation and operationalization from district to VDC levels for gender mainstreaming in decentralized development process. Likewise, practice has been developed to assess gender base participation in sectoral programs while formulating and implementing the Joint Action Plans on gender mainstreaming. Priority is accorded to development of local viability-based “commodity-specific” commercial groups and expansion of facilities to accessing common markets for the commercialization of economic activities of target women. 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 livelihood for their multidimensional development. Preparation of Gender Development Report of some districts highlighting their overall condition has commenced.
- 13.87 Policy has been adopted to provide sustainability to the programs by prioritizing institutional development of target groups as per the institutional arrangement. Regularization process of Women employees involved in women development programs as provisioned in Civil Service Act, 1993 (with amendment) and Regulation 1993, has completed. Process for reviewing the existing vacancies and promotions to comply with the workload in the offices of women and children has commenced.

Table 13 (a): Women Development Program Details

S. No.	Name of Activities	Unit	Fiscal Year		
			2010/11	2011/12	2012/13
Extension					
1.	Program Operating Districts	No.	75	75	75
2.	Program Operating VDCs	No.	3360	3570	3636
3.	Program Operating Municipalities	No.	37	41	43
4.	Program Operating Wards	No.	19507	21362	22421 (including municipalities)
Institutional Development					
5.	Women Groups Formed	No.	107958	123573	132928
6.	Involved in Group	Person	653083	736046	807976
6.1	Women	Person	106369	124516	131735
6.2	<i>Dalit</i>	Person	(16.29%)	(16.91%)	(16.30%)
6.3	<i>Janajatis</i>	Person	219952	258912	292615
	Others	Person	(33.68%)	(35.18%)	(36.22%)
			326762	352618	383626
			(50.03%)	(47.91%)	(47.48%)
7.	Women Committees Formed	No.	5548	13116	15221
8.	Women Organizations Registered	No.	1323	1439	1568
9.	Women Ad-hoc Organization	No.	107	229	200
Resource Mobilization					
10.	Women's Group Savings	Rs. In Thousand	1216233	1685708	2270921
11.	Total Amount in Investment	Rs. In Thousand	1419344	1577477	2175168
12	Operating fund	Rs. In Thousand	119874	125346	130767
12.1	Principal	Rs. In Thousand	111780	116527	118864
12.2	Interest	Rs. In Thousand	8094	8819	12405

Source: Ministry of Woman, Children and Social Welfare

13.88 On resource mobilization aspect, group savings of women that stood at Rs. 1,685.708 million in FY 2011/12 with an increase of 38.60 percent from of FY 2010/11, has reached Rs. 2,175.168 million in FY 2012/113 with the growth of 34.72 percent as compared that of previous year.

Social Welfare (Non-Government Organization)

13.89 Continuity has been provided to the earlier initiative of formulating Social Development Act through several time relevant amendments and revisions in the existing Social Welfare Act, 1992 with a view to make non-government sector work efficiently by resolving problems surfaced lately on this sector.

Table 13 (am): Programs Approved by Social Welfare Council

Particular	Unit	Fiscal Year	
		2012/13	2013/14*
Non-Government Organization	No.	573	533
International Non-Government Organization	No.	75	31
Approved Programs	No.	1138	656
Approved Fund	Rs. In Thousand)		
(a) Non-Government Organization		8735990	5160604
(b) International Non-Government Organization		2601753	2629228

* Of 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

13.90 Under this program, 46 schemes of carried over projects have been accomplished during the first eight months of the current fiscal year benefiting 15,100 people. Last year, 196 projects were completed benefiting a total of 53,000 persons.

Table 13 (an): Status of Drinking Water and Sanitation (Rural and Small Town Drinking Water Program)

S. No.	Particular	Unit	Fiscal Year	
			2012/13	2013/14*
1	Drinking Water and Sanitation Project	No.	112	-
	Beneficiary Number	Person	286000	-
2	Completed Schemes under Successive Projects	No.	196	46
	Beneficiary Number	Person	53000	15100
3	Completed Drinking Water Processing System	No.	7	-
	Beneficiary Number	Person	63746	-
4	Rain Water Harvesting Project	No.	4 Project and 20 School	1
	Benefitted number (Including Students and Pilgrims)	Person	9496	300
5	Declaration of Open Defecation Free Zone			-
	(a) VDCs	No.	452	182
	(b) Municipalities	No.	2	4
	(c) Districts	No.	5	5

* First eight months

Source: Ministry of Urban Development

Urban Drinking Water System

13.91 Of the target set for constructing 13 deep tube-wells under Production Enhancement Program in Bhadrapur, Biratnagar, Rajbiraj, Lahan, Janakpur, Malangwa, Gaur, Kalaiya, Butwal, Taulihawa, Krishnanagar, Nepalgunj and Mahendranagar in FY 2012/13, those tube-wells are brought into operation in current fiscal year benefiting 80,000 people through the production of around 150,000 liters of water a day. Likewise, despite the fact that tender has already been called subsequent to the budget and program approval for the operation of Phase II in FY 2011/12 of the Butwal Drinking Water Improvement Project that began in FY 2009/10, only 20'' DI pipe could be obtained so

far. This project with the target to get completed within this fiscal year will add 10 million liters of water thereby benefiting about 60,000 additional populations.

Youth and Sports

- 13.92 The Ministry has been carrying out international relations promotion works including studies and researches on youth sports and scouts by coordinating with National Sports Council and Nepal Scout.

National Youth Mobilization Program

- 13.93 National Youth Mobilization Program is in operation since last few years with the objective of ensuring youths' active participation in nation building endeavor by organizing empowerment, capacity enhancement and skill development training programs for their overall development. Youth Partnership program is being implemented at the local level through DDCs and district level Youth Information Center in 18 sectors as prescribed by National Youth Policy (NYP), 2010.
- 13.94 Youth Information Centers have been established in all 75 districts and upgrade works at 15 such centers are underway in this fiscal year in an effort to gradually upgrade all these centers. Radio Program on Youths is being broadcasted weekly through Radio Nepal every Sunday from 8:15 to 8:40 with a view to disseminate useful information for youths. A number of training programs are being implemented in collaboration with different training providing institutions for 680 youths with the objective of creating self-employment opportunities by organizing capacity, entrepreneurship and skill development related trainings to unemployed youths.

Table 13 (ao): National Youth Mobilization Program

S. No.	Program	Unit	Fiscal Year		
			2011/12	2012/13	2013/14*
(A) Youth Mobilization Programs					
1	Local Youth Partnership Program	No.	640	653	In Operation
2	International Youth Day	Time/ Frequency	1	1	1
3	a) Youth Experience Sharing Program operating under	Person	99	50	-

S. No.	Program	Unit	Fiscal Year		
			2011/12	2012/13	2013/14*
	Bilateral Agreement				
	b) Internal Youth Experience Exchange Program	Person	25	32	48
4	Workshops on Youths Contact Points	Time/Frequency	2	2	-
5	Grant for running Youth Information Center	District	75	75	64
6	Youth Information Center Improvement	District	-	5	15
7	Youth Bulletin/Publication of Ministry's Activities	Time/Frequency	1	1	-
(B) Youth Empowerment and Capacity Enhancement Program					
1	Skill Oriented Training for enhancement of Youth's Capacity and Employment	Person	0	57	-
2	Youth Talent Award and Support Program	Time/Frequency	1	1	1
3	Youth Communication Radio and Television Program	Time/Frequency	1	1	Youth Generation Communication Program being operated through Radio Nepal
4	Preparation of Youth Responsive Budget Framework	Center	1	1	-
5	Orientation Workshop for the employee of Youth Information Center	Center	-	1	1

*First eight months

Source: Ministry of Youth and Sports

13.95 Youth Partnership Program that was being operated at central and district levels until FY 2011/12 is in operation only in the districts since FY 2012/13.

Sports and Extracurricular Activities

13.96 With the objective of exploring, identifying, honoring and protecting talents by keeping the school at the center for sports development, a number of sporting events and tournaments such as athletics, volleyball, Jujutsu, taekwondo, karate are being conducted at district level, President running-shield tournament, school level football and cricket tournaments for boy and girl students are being organized at the central level. Training are being imparted to community school sports teachers in all 5 development regions with a view to upgrade the quality and standard of sports by increasing the number of participants thereby providing trainings to these students involved in sporting events.

13.97 Para-Olympic and special tournaments are being conducted with a notion of adopting "Sports for All" concept and keeping the players with different sporting skills healthy by attracting them towards various sports. Talented players and special contribution providing institutions in sports sector are being duly honored. There has been participation of high-level representatives in international level tournaments and international sports related studies are also being conducted so as to ensure the increased participation of players and international aids in such areas. Financial grants have been provided to the institutions involved in conducting scout programs in order to make these programs effective and run scout related activities.

Table 13(ap): Sports and Extra-Curricular Activities

S. No.	Program	Unit	Fiscal Year			Remarks
			2011/12	2012/13	2013/14*	
1. School Sports Development Program (Boys/Girls)						
1.1	Presidential Running Shield Competition					
	a) District Level	District	68	68	68	
	b) Regional Level	Region	5	5	-	Operating since Mid-April 2014
	c) Central Level	Center	1	1	-	
1.2	Secondary /High School Level Football Tournament (Boys/Girls)	Frequency	1	1	1	
1.3	Secondary /High School Level Cricket Tournament (Boys/Girls)	Frequency	-	1	-	
2. Sport Support and Development Program						
2.1	National Talent Award on Sports	Person	1	1	1	
2.2	Para-Sports Support Program (Para-Olympic, Crickets for Blinds and hearing impaired Students and Football, Athletics, Basketball, Table Tennis for Physically Challenged Students)	Center	1	1	-	
2.3	Special Olympic Program	Center	1	1	-	
2.4	Study and Participation in International Sports Tournament	Center	1	1	2	
2.5	Sport Act, Regulation, Directive Amendment and Sport Formulation	Center	1	1	-	
3. Training, Awareness and Other Program						
3.1	School Sport Teacher Training	Person	94	57	135	
3.2	Awareness Program against Usage of Banned Medicine in Sports	Person	0	32	120	
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

13.98 The National Sports Council, with its motto "Sports for Health, Sports for Nation", has been conducting a number of programs including

construction, repair and maintenance of physical infrastructures for sports, organizing national/international level tournaments, imparting trainings to players, making them involve in various sports, and other motivational programs. Likewise, the Council is engaged in providing life-long allowance, insurance facilities together with medical treatments to injured players. In current fiscal year 2013/14, SAF Football tournament has concluded successfully. Similarly, Mountaineering sporting event has also been organized in the current fiscal year.

Culture

13.99 Bamboo Handicraft Training has been organized in Pyang village of Lalitpur district with a view to conserve traditional skills so that, religious and cultural heritages could be conserved and protected, and cultural tourism developed through conservation and protection of physical and abstract heritages of the country. In this effort, inventory of abstract cultural heritage of mountains has been prepared at Khopasi of Kavre district. Study on religious trekking for Pashupati, Ramjanaki, Bhimeshwor and Balmiki Ashrams and study and documentation on physical and non-physical heritages lying along the foot trail between Chame of Manang and Thorangpass of Muktinath have been completed.

13.100 Under the physically present heritages, grant has been provided for the conservation of 661 such heritages located in districts including temples, mosques and monasteries while renovation works were carried out for the conservation of popular and important 10 monuments including Mustang based Muktinath Temple, Janakpur based Ram Mandir. Likewise, archeological excavation work has been initiated at important archeological sites like Kapilbastu (Tilaurakot) Bhawanipur and Panditpur.

Social Development Efforts through Local Bodies

13.101 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 and disable citizens for their easy and comfortable living:

Registration Program

13.102 Registration of 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 personal events 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.

Table (aq): Vital Statistics Registratoion

S. No.	Personal Events	Particular	2012/13	FY 2013/14*
1	Birth Registration	Female	385536	134214
		Male	429485	148046
		Total	822429	282260
2	Death Registration	Female	43045	11713
		Male	69823	19804
		Total	113368	31517
3	Marriage Registration		208211	73260
४	Divorce Registration		557	210
५	Migration Registration		81946	23181
6	Number of People migrated out		137499	34666
	Number of People migrated in		158901	47297
	Total Number of Migrants		296251	81963

**Of the 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.

Social Security (Senior Citizen, Incapable, Differently Able and Endangered Races and Single Women Security Arrangement)

13.103 Monthly allowances at different rates are being distributed to a total of 2,172,595 citizens including 929,180 senior citizens, 654,719 single women above 60 years, 19,223 indigenous and ethnic people nearing to

extinction, 25,492 fully incapable and differently able citizens, 6,863 partially disable and physically challenged people and 537,118 children from Karnali zone as specified by Social Security Program Working Procedure. As per the policy to distribute such allowance through the banking system, allowances are being distributed through various commercial banks in all municipalities and 144 VDCs of 26 districts. Distribution of such allowances through branchless banking system has been initiated in Banke, Surkhet and Baglung districts from this current fiscal year. Likewise, distribution of children education subsidy to school going children of deprived families of Dadeldhura and Kanchanpur districts has been initiated through branchless banking system.

Table 13 (ar): Distribution of Allowance under Social Security Program

Target Group	Monthly Rate (Rs.)	Fiscal Year		
		2011/12	2012/13	2013/14*
		Number	Number	Number
Senior Citizen	500	605021	663693	655737
Senior Citizen (<i>Dalits</i>)	500	130917	170825	244646
Senior Citizen (Karnali)	500	14056	29626	28797
Single Women above 60 Years	500	258113	361350	341106
Widows below 60 Years	500	536312	219933	313613
Fully Disabled Persons	1000	18252	22138	25492
Partially Disabled Persons	300	6875	6774	6863
Endangered Indigenous/Ethnic People	1000	19299	18825	19223
Children	200	458135	551916	537118
Grand Total		2046980	2045080	2172595

*First eight months

Source: Ministry of Federal Affair and Local Development

Numerical description of the allowance receiving target individuals in current fiscal year

Golden Thousand Days Project

13.104 Golden Thousand Days Project has been brought into implementation in a total of 292 VDCs (25 percent) of 15 districts including Okhaldhunga, Khotang, Udayapur, Saptari, Sunsari, Siraha, Sindhuli, Ramechhap, Dhanusha, Mahottari, Makwanpur, Bara, Parsa, Rautahat and Sarlahi with the target to improve nutrition related habits, practices, concepts of women of reproductive age group and children below 2 years of age.

Environment Management

- 13.105 Environment protection related issues have been clarified in the Acts and Regulations made environment friendly in relation to solid waste management program; climate change adaptation program; conducting IEE prior to implementation of development project; and the local bodies conducted programs by maintaining environmental balance with due consideration to the mutually exclusive relationship between environment and development. Government of Nepal, Council of Ministers has issued Environment Friendly Local Government Structure on 9th October 2013 with simple and measurable indicators, in which the roles and responsibilities of environment protection, climate change adaptation, disaster management, solid waste management, bio-diversity conservation sectors at local level are clearly defined. Environment Management Improvement Program, initiated in FY 2002/2003 at local level is in operation in Biratnagar sub-metropolis, Dhankuta, Dharan, Itahari, Inaruwa, Damak, Jhapa, Bhadrapur, Mechinagar, Ilam Municipality, panchthar and sunsari of Eastern region.
- 13.106 The third party monitoring is being gradually institutionalized with the involvement of students and teachers of Environment Faculty on an annual basis by signing Memorandum of Understanding (MoU) with Departments of Environment of Tribhuvan University and Kathmandu University since FY 2010/11 to bring effectiveness in the implementation of Initial Environmental Examination (IEE) Report. Monitoring of IEE report on the collection and excavation of stones, concrete and sand in 9 districts of Chure region has been initiated by both these universities from mid- May of current fiscal year.

Inclusive Development

- 13.107 Various programs for indigenous (*Aadibasi*), and ethnic (*Janajatis*), people, neglected, oppressed, and *Dalits*, *Madeshis*, Muslim, backward communities and remote and special areas, monastery management and development programs and decentralized action plans for women and children are brought into implementation with the concept of inclusive development. Likewise, women-friendly and gender equity programs have been made mandatory.

Programs for uplifting Endangered Indigenous/Ethnic People and Chepang Development

- 13.108 A number of programs are ongoing from central to local levels since FY 1997/98 with the objectives of bringing indigenous groups, *Janjatis* and

Chepangs living in the different geographical locations of the country into the mainstream of national development through their social, economic, cultural and educational development . In FY 2012/13, 24 programs were organized for the conservation and promotion of cultural heritages of indigenous and ethnic (*Janjatis*) groups, 53 cultural festival programs, 23 mother language literacy classes, 56 awareness raising program, 16 skill oriented programs were conducted. While during the first eight months of the current fiscal year 2013/14, 24 awareness raising programs, 5 programs on issues of indigenous/ethnicity groups through electronic media, 6 programs on tourist trekking routes for indigenous/ethnic groups and 24 mother language literacy and training of trainers (ToT) programs have been conducted. Likewise, International Mother Language Day has been marked with the distribution of 6 mother language service awards while 3 institutions conducted a three-day motion picture festival separately so as to conserve and promote indigenous/ethnic films and encourage film makers .

Development Programs for Neglected, Oppressed and *Dalit* Groups

13.109 This program is in operation since 1998 with the objective of bringing the people extremely backward from social and economic perspective, and *Dalit* communities into the mainstream of development through their overall development.

Table 13 (as): Development Programs for Excluded, Oppressed and *Dalit* Groups

S. No.	Major Programs	Unit	2012/13	2013/14*
			Physical	Physical
1	Higher Education Scholarship	Person	624	473
2	Drinking Water and Toilet Construction	No.	15	21
3	Employment Oriented Training	Person	15	70
4	Public Service Preparatory Class	Person	200	60
5	Radio and Television	Frequency	64	66
6	Agriculture and Livestock Service	No.	4	5
7	Income oriented and Skill Oriented	Districts	75	75

*First eight months

Source: Ministry of Federal Affair and Local Development

Development Program for uplifting Backward Community

13.110 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 (3) workshops were conducted and three (3) upliftment programs for backward communities and one (1) for Muslim community were implemented. In the first eight months of the current fiscal year 2013/14, one (1) workshop and one backward class and single women upliftment programs and one TV program on backward communities, two training and workshop programs on Bhojpuri and Magahi languages were completed while 205 senior citizens were honored during the same period of current fiscal year.

National Commission on Dalits

111. The Commission on *Dalits* formed protecting the interests and rights of *Dalits* is engaged mainly on *Dalits* related policy formulation; conduct studies on traditional skills; collect and analyze the data on landless *Dalits*; run social awareness and justice programs; coordinate and integrate *Dalits* related programs; and develop a *Dalit* statistics resource center since 2001 A.D. The Commission completed a number of programs in fiscal year 2012/13 including 17 interaction and debates related to caste discrimination and untouchability; 5 programs each related to conservation and modernization of traditional occupations of *Dalits*, and initial support to problematic inter-caste couples. Extension and publicity of Caste Discrimination and Untouchability (Offence and Punishment) Act, 2012 was carried out.

National Muslim Commission

13.112 The Commission has been active since FY 2011/12 after its formation as per the decision of the Council of Ministers on 5 April, 2012 with the approval of "National Muslim Commission Establishment and Operation related Provision 2068". The Commission has been making efforts towards promoting and improvising Islamic religion, culture, practices, language and education while analyzing and identifying areas of awareness and statutory provisions for economic strengthening of Muslim community, providing feedback to the nation and leading in a coordinated manner.

Remote and Special Area Development

13.113 The Remote Area Development Program is in operation with a focus on supporting poverty alleviation initiatives in 22 northernmost bordering districts, and geographically remotest and extremely economically backward districts of Nepal. Under this program, 13 suspension bridges, two (2) irrigation projects, 55 km mule tracks, eight (8) drinking water projects were completed in FY 2012/13 while in the first eight months of the current fiscal year 2013/14, five (5) suspension bridges, three (3) electrification projects, two (2) irrigation projects, three (3) drinking water projects 9 km track/road construction and six (6) community infrastructure projects have been completed.

Buddhism Philosophy Promotion and Monastery Development Program

13.114 This program is conducted to conserve, promote and expand the monasteries (*Gumbas*) and their valuable archaeological materials and public properties scattered across the country. In fiscal year 2012/13, a number of programs were carried out including one Buddhism Philosophy Study Tour, two *Dharmadeshna* programs, 175 ancient monastery conservation programs while in the first eight months of current FY 2013/14, solar power was distributed to 20 monasteries, Buddhism Philosophy Study Tour, was conducted, documentary was prepared and *Dharmadaesana*(Speech) program was organized in Dhading and Makwanpur districts Nawalparasi and Sunsari districts.

Badi Community Development Committee

13.115 Badi Community Development Committee was established on the decision made in April 5, 2012 by the Council of Ministers of Nepal Government and several programs are being run at local levels since FY 2011/12 with the objective of developing and uplifting social, economic, cultural and education condition of The suppressed *Badi* Community under *Dalit* Community residing at various geographical locations of the country and involving them in the national development mainstream. During the first eight months of the current fiscal year 2013/14, Public Service Commission's entrance examination preparation class was conducted for 21 youths while beautician training was imparted to 24 youth girls and workshop training to 14 youths.

Local Self-Governance and Community Development Program

13.116 The Ministry of Federal Affair and Local Development led program that was executed in all DDCs, municipalities and VDCs under the joint support of donor agencies has been implemented through local bodies, community and non-governmental organizations. This program aims at contributing to poverty reduction through local good governance and community development.

Table 13 (at): Status of Social Mobilization

(In Numbers)

S. No.	Description	By Fiscal Year 2013/14*
1	Social Mobilization conducted VDCs	3195
2	Social Mobilization conducted Municipalities	403
3	Number of Ward Citizen Forum Established	35638
4	Number of Ward Citizen Forum Member (43 percent Women)	810835
5	Number of Citizen Awareness Center Established	6318
6	Orientation to VDC Secretaries and Ward Secretaries on Transformation Social Mobilization	4318
7	Number of Citizen Awareness Center Member (68 Percent Women)	116077
8	Training to Ward Citizen Forum/Citizen Awareness Center Members on Local Plan Formulation	129540

**First eight months*

Source: Ministry of Federal Affair and Local Development

Problems and Challenges

Followings are the challenges seen in the entire social sector:

13.117 The task of handing over schools to the communities has been challenging owing to the factors like apathetic attitude of the community towards operating schools and absence of peoples' representatives.

13.118 Education sector has witnessed several challenges like retaining students by establishing result oriented subsidy system in community schools and maintaining standard by providing quality education.

- 13.119 It is a challenge to create vacant positions for teachers and fulfilling them by maintaining the minimum teacher student ratio as per the mandatory provision set for the schools to meet such requirement.
- 13.120 Education sector requires additional effort as quality education can only be provided if skillful and capable human resource could be developed by broadening the capacity enhancement effort of the human resource involved in school education.
- 13.121 There is a challenge to carry programs ahead by maintaining coordination among these programs as programs conducted under the Ministry of Education are interrelated to each other and success/failure of one project has correlation with success/failure of the other.
- 13.122 Implementation of most of the target group focused programs requires proper identification of target groups which is a challenging task.
- 13.123 Enhancing citizens' access to health services amid the outbreak of several epidemics, ensuring the services of medical doctors and other health workers in rural areas and supply of required resources have posed challenge to the Health sector.
- 13.124 It is a challenge to make health services delivered through private sector service oriented catching the spirit of social responsibility and to regulate such institutions.
- 13.125 Identifying a right solution for health related problems originating specially from physiological health, disability and economic tortures suffered by displaced people due to conflict is complex and challenging task.
- 13.126 It is a challenge to reduce maternal mortality and infant mortality rates to a desirable level amid the practices of restricting girl children from sending them to schools due to the traditional mindset of groups and people living in backward communities, early marriages and giving births at early age.
- 13.127 There has been a challenge to extend programs required to cope with rapidly growing non-transmittable but incurable epidemics targeting low income and marginalized people.
- 13.128 A task to bring the population at replacement level by 2022 AD is a challenge.

- 13.129 Avoiding duplications in programs implemented by mushrooming social organizations and making those programs effective, responsive and accountable apart from maintaining coordination and cooperation among these organizations are daunting tasks.
- 13.130 Extending sports access down to village level, keeping the sports sector away from political activities, preparing documentation on youth related activities in an integrated manner, formulating programs for youths incorporating youths from all sectors, castes and ethnicities have been other challenging tasks.

14. Public Enterprises and Privatization

- 14.1 Public Enterprises (PEs) have been established with the objectives of making basic goods and services easily available to the Nepalese people; building the basic structure of development; achieving financial self-reliance by earning profits through adoption of business principles in production and sale of goods and services thereby enhancing capacity and effectiveness of these undertakings; and contributing to infrastructure development and economic growth. PEs had to be established taking into consideration the necessity for the State to get engaged in the development of basic infrastructure for economic development of the country in a situation where entrepreneurial capacity of the private sector fell short of the desired development state; and technical knowledge, investment decision-making capacity, and experience in building the basic infrastructure were lacking.
- 14.2 Formal beginning of Public Enterprise in Nepal was establishment of Nepal Bank Limited in 1936 A.D., with number of PEs reaching 66 by 1992 A.D. Despite policy arrangements made for PEs with the privilege of flexibility in their investments and ample protection on their operations so that they could run on business principles for effective production, distribution and service delivery, these PEs performed well in the beginning but their effectiveness started deteriorating gradually in later years. These PEs could not achieve professional and entrepreneurial skills despite getting longer government's protection,, rather they have been making huge losses while becoming more dependent on government's protection policy and grants. A total of 30 PEs were privatized and investment on PEs was reduced subsequent to liberal market economy Government of Nepal had adopted after the political change of 1990. Public Enterprise Directives Board formed in 2011 has been working to some extent with the objectives of appointing Chief Executives in PEs on the basis of their qualification, skill and capacity and carrying out performance monitoring and evaluation works with a view to improve their overall efficiency and enhance their professionalism.
- 14.3 The net operating income of (fully or partially) Government owned 37 PEs has reached Rs. 223,263.9 million in fiscal year 2012/13. This figure is higher by 20.17 percent as compared to that of previous fiscal year. The net operating income of these enterprises in fiscal year 2011/12 was Rs. 185,792.7 billion.

- 14.4 Among the fully or partially government owned 37 PEs, 19 were operating in net profit while 16 were making net loss in fiscal year 2012/13. Nepal Engineering Consultancy Service Center Ltd. did not conduct any transaction whereas detail on retirement pay-offs made to employees of Janakpur Cigarette Factory Ltd., is yet to be obtained. PEs, that had recorded net loss of Rs. 3,496.0 million in fiscal year 2011/12 earned net profit of Rs. 11,400.5 million in fiscal year 2012/13. Emergence of such a situation is the result of significant decline in net loss of Nepal Electricity Authority and Nepal Oil Corporation and rise in net profit of Nepal Airlines Corporation, Agriculture Development Bank, Agriculture Input Company Limited, and Deposit and Credit Guarantee Corporation Ltd.
- 14.5 Profits earned by the PEs reached Rs. 11,400.0 million with their overall improvement in fiscal year 2012/13 resulting from net profit of Rs. 11.30 billion of Nepal Telecom Ltd., Rs. 2.29 billion of Agriculture Development Bank Ltd., Rs. 1.31 billion of Rastriya Banijya Bank Ltd., Rs. 1.09 billion of Nepal Civil Aviation Authority and Rs. 370 million of Timber Corporation of Nepal Ltd.
- 14.6 Nepal Electricity Authority, which had registered a net loss of Rs. 9.95 billion in fiscal year 2011/12, came down to Rs. 4.63 billion in fiscal year 2012/13. The net loss volume of Nepal Electricity Authority has declined sharply owing to 20 percent rise in its tariff, decreased exchange rate loss, and allocation for employees provision lower by Rs. 740 million in comparison to previous fiscal year. Likewise, net loss of Nepal Oil Corporation that stood at Rs. 9.53 billion in fiscal year 2011/12, has been contained at Rs. 2.05 billion only. Decline in the price of crude oil in international market is attributable to such sharp decline in its net loss.
- 14.7 By the fiscal year 2012/13, government's total share investment in 37 PEs totaled Rs. 107,663.8 million while total loan investment during the same period amounted to Rs. 106,501.7 million. Share investment in these PEs in FY 2011/12 amounted to Rs. 102,413.7 million and loan investment Rs. 101,236.7 million. In this way, government's share and loan investment in these enterprises has increased by 5.13 and 5.20 percent respectively from the previous fiscal year.
- 14.8 The total shareholder's fund of 37 PEs totaled Rs. 97,841.5 million by fiscal year 2012/13. In the previous fiscal year, such shareholder's fund stood at Rs. 97,598.7 million. As compared to fiscal year 2011/12, shareholder's fund of enterprises has increased by 0.25 percent in its

succeeding year. Similarly, net fixed assets of PEs totaled Rs. 120,416.1 million by the fiscal year 2011/12, while such figure has reached Rs. 118,568.6 million in fiscal year 2012/13.

- 14.9 The Government of Nepal had received dividend worth Rs. 6,262.3million in fiscal year 2011/12, which grew slightly in fiscal year 2012/13 reaching Rs. 6,990.2million. This amount is equal to 6.49 percent of the total government investment in PEs. In this period, GoN has received dividend only from Nepal Telecom Company Ltd., Nepal Stock Exchange Ltd., Industrial Estate Management Ltd., and Hydroelectricity Investment and Development Company Ltd.

Contribution of PEs to Revenue and GDP

- 14.10 The share of the dividend (Rs. 6,990.2 million) Government of Nepal received from PEs is 2.36 percent of its total revenue collection of Rs. 296.01 billion in fiscal year 2012/13. The dividend Government of Nepal received as its return on its share investment in PEs is just 6.49 percent, clearly shows the return on investment lower than the prevailing interest rate.
- 14.11 Contribution of net operating income of PEs in fiscal year 2012/13 to GDP of Rs. 1,693 billion stood at 13.17 percent (Rs. 223.0 billion). Among the PEs, the share of the operating income of the trade sector to GDP has been the highest with 7.10 percent (Rs. 120.36 billion), while social sector has the lowest contribution with 0.07 percent (1.21 billion).
- 14.12 In fiscal year 2012/13, the share of government's lending to PEs stood at Rs. 12,552.1 million, which is 4.16 percent of total government expenditure of Rs. 302,053.9 million of the same year, while share of government's lending to capital expenditure of Rs. 54,598.4 billion stood at 22.99 percent.
- 14.13 The unfunded liability of PEs has been growing every year due to various facility entitlements to the PE employees upon their retirementsuch as gratuity, pension, medical treatment, insurance, payment against accumulated leave etc. Such unfunded liability of PEs totaled Rs. 2,6509.9 million in fiscal year 2012/13 with the increase of 25.03 percent in such liability of Rs. 21,202.1million of previous fiscal year 2011/12. It is necessary to curb such unfunded liabilities on time to avoid ultimate financial burden on the government.

- 14.14 By fiscal year 2012/13, the total accumulated loss of 37 PEs reached Rs. 21,171.5 million. Enterprises with accumulated loss of over Rs. one (1) billion are Nepal Oil Corporation (Rs. 24.54 billion), Nepal Electricity Authority (Rs. 14.43 billion), Rastriya Banijya Bank (Rs. 11.53 billion), Nepal Food Corporation (Rs. 1.18 billion) and Nepal Airlines Corporation (Rs. 1.10 billion). Likewise, PEs with accumulated gain of over Rs. one (1) billion are Nepal Telecom Company Ltd (Rs. 38.64 billion), Nepal Civil Aviation Authority (Rs. 1.80 billion), Citizen Investment Trust (Rs. 1.25 billion) and Agriculture Development Bank Ltd (Rs. 1.19 billion). The above trend clearly shows that the government operated PEs are burdening it with more liabilities than benefits.

Sector-wise Analysis of Public Enterprises

Industrial Sector

- 14.15 Of the seven (7) PEs run under industries sector in the past, the transaction of Janakpur Cigarette Factory Ltd. has completely stopped its employees were paid off the retirement benefits. PEs operating under the industries sector earned operating income equivalent to Rs. 5,743.9 million in fiscal year 2012/13, which is more than 17.83 percent than in fiscal year 2011/12. The operating incomes of Janakpur Cigarette Factory Ltd. and Nepal Orind Magnesite Pvt. Ltd. have still remained nil whereas operating income of Nepal Drugs Limited has dropped as compared to previous fiscal year. Udaypur Cement Factory Limited, Hetauda Cement Factory Ltd., Dairy Development Corporation and Herbal Production and Processing Center Company Ltd. have been successful in raising their operating incomes by 51.14 percent, 17.77 percent, 12.08 percent and 6.51 percent respectively.
- 14.16 In fiscal year 2012/13, net loss of PEs under this sector has decreased by 54.90 percent as compared to previous year totaling Rs. 569.8 million. Total accumulated loss of this sector stood at Rs. 9,695.0 million. Such huge accumulated loss figure clearly indicates that PEs under the industries sector is in problem. The net fixed assets of PEs under the industries sector has dropped by Rs. 182.7 million to Rs. 3,615.6 million from Rs. 3,798.3 million of the previous year.
- 14.17 The Outstanding debt of PEs operating in the industries sector has reached Rs. 4,243.9 million in fiscal year 2012/13 with an increase of Rs. 33.1 million from fiscal year 2011/12. Of the PEs to borrow large amount are Udaypur Cement Factory Limited (Rs. 1.72 billion) and

Nepal Orind Magnesite Pvt. Ltd. (Rs. 1.29 billion). Likewise, shareholder's fund has remained negative by Rs. 3796.3 million which is more by Rs. 670.4 million from the previous year. Though the government shares investment of Rs. 5365.6 billion in PEs under the industries sector in fiscal year 2012/13, it has not been able to receive any dividend against such investment.

- 14.18 A total of 2,609 employees are employed in PEs under the industries sector, whereas total annual administrative expenditure and unfunded liability for employees' retirement have reached Rs. 419.9 million and Rs. 2,844.1 million respectively. Among seven (7) PEs, five (5) PEs (Dairy Development Corporation, Herbal Production and Processing Company Ltd., Hetauda Cement Factory Ltd., Udaypur Cement Factory Ltd. and Nepal Drugs Ltd.) completed final audits of their accounts up to fiscal year 2012/13, while audits of other PEs have not been carried out for quite a long time.

Trade Sector

- 14.19 A total of six (6) PEs operating under the trading sector earned operating income of Rs. 120,364.7 million and incurred a net loss of Rs. 1,553.4 million in fiscal year 2012/13. In fiscal year 2011/12, Operating income of PEs of this sector amounted to Rs. 95,314.1million and their net loss stood at Rs. 9,765.0 million. The net loss of Nepal Oil Corporation that totaled Rs. 9.53 billion in fiscal year 2011/12 fell sharply to Rs. 2.05 billion in fiscal year 2012/13. Fall in price of crude oil in international market and rise in price of petroleum product in domestic market are the attributing factors for such sharp decline in its net loss.
- 14.20 The total outstanding debt of PEs operating in this sector which stood at Rs. 25,756.8 million during fiscal year 2012/13 reached at Rs. 26,506.1 million in fiscal year 2012/13. Of the PEs under this sector, Nepal Oil Corporation is the leading borrower with its debt amount of Rs. 25,770.9 million. By fiscal year 2012/13, Nepal Oil Corporation has been lent Rs. 13.13 billion by Employee's Provident Fund and Citizen Investment Trust on the guarantee of the Government of Nepal.
- 14.21 The net fixed asset of PEs of the trading sector totaled Rs. 2,022.7 million. Agriculture Inputs Company Ltd. holds the top position in terms of the size of its net assets worth Rs. 772.5 million whereas National Trading Ltd. stands at the lowest position with its net assets worth Rs. 29.2 million. Overall shareholders' fund of PEs operating

under this sector has negative balance of Rs. 23,124.5 million. The capital fund of this sector has remained negative due to the negative capital fund of Nepal Oil Corporation amounting to Rs. 24,247.4 million. Among six (6) PEs of this sector, four (4) PEs have conducted their final audits up to 2012/13, while Nepal Food Corporation and National Trading Limited completed their final audits up to FY 2009/10 and 2011/12 respectively.

- 14.22 The number of personnel employed in PEs of this sector totaled 1,939 with unfunded liability amounting to Rs. 825.1 million. Similarly, annual administrative expenditure stood at Rs. 1,386.4 million. Though the government has made loan investment of Rs. 12,795.2 million and share investment of Rs. 1,999.3 million in PEs of this sector by fiscal year 2012/13, its dividend against those investments appeared to be nil.

Services Sector

- 14.23 Of the seven (7) PEs under the services sector, Nepal Engineering Consultancy Service Center has zero transaction after its employees were paid off with retirement benefits. The operating income of PEs of this sector totaled Rs. 9,753.1 million in fiscal year 2011/12 whereas such income rose by 9.59 percent in fiscal year 2012/13 reaching Rs. 10688.9 million. Nepal Airlines Corporation and Nepal Civil Aviation Authority have earned the largest operating income of Rs. 6,836.8 million and Rs. 3,238.2 million respectively.
- 14.24 Net profit of PEs under the services sector, which totaled Rs. 1,075.8 million in fiscal year 2011/12 has increased to Rs. 1,443.0 million in fiscal year 2012/13. Nepal Civil Aviation Authority, Nepal Airlines Corporation, Industrial Estate Management Ltd., and Nepal Transit and Warehousing Co. Ltd. have earned net profits while National Construction Company Nepal Ltd. and National Productivity and Economic Development Center Ltd. are operating in losses. Nepal Airlines Corporation that suffered loss in previous fiscal year has been able to earn profit of Rs. 310 million in fiscal year 2012/13. By fiscal year 2012/13, the government of Nepal has made share investment of Rs. 14,097.2 million and loan investment of Rs. 2469.3 to PEs of this service sector. The government of Nepal has not received dividend from any enterprises of this sector other than the Industrial Estate Management Ltd.

- 14.25 The net fixed assets of PEs of this sector stood at Rs. 10,113.4 million in fiscal year 2012/13 and shareholders' fund remained at Rs. 14,022.0 million. Only shareholders' fund of Nepal Airlines Corporation has negative figure of Rs. 725.2 million. By fiscal year 2012/13, the debt liability of this sector reached Rs. 3,007.5 million. Of such debts Nepal Airlines Corporation shares Rs. 2,181.2 million, Nepal Civil Aviation Authority Rs. 791.5 million and that of Nepal Transit and Warehousing Co. Ltd. shares Rs. 34.8 million.
- 14.26 By fiscal year 2012/13, the unfunded liability of PEs of this sector reached Rs. 501.6 million. Of this, Nepal Airlines Corporation has the highest figure totaling Rs. 446.7 million. An agreement has been signed between Employee's Provident Fund and Nepal Airlines Corporation for availing loan amount of Rs. 10 billion from Employee's Provident Fund to purchase two narrow body airbus airplanes for Nepal Airlines Corporation against the guarantee of Government of Nepal.
- 14.27 Only Industrial Estate Management Ltd, Nepal Airlines Corporation and Nepal Civil Aviation Authority have completed their audits up to fiscal year 2012/13. National Construction Company Nepal Ltd. and Nepal Transit and Warehousing Co. Ltd. have their accounts audited up to 2011/12 while audit of National Productivity and Economic Development Ltd has been completed up to 2006/07. The number of employees working in PEs under service sector totaled 2,708 by fiscal year 2012/13. In addition, total annual administrative expenditures amounted to Rs. 2,473.3 million.

Social Sector

- 14.28 Except for National Housing Company Ltd, all other four (4) PEs among the five (5) PEs (Cultural Corporation, Gorkhapatra Corporation, Janak Education Material Center Ltd, Nepal Television and National Housing Company Ltd) under the social sector have been operating in net loss. The net loss of PEs of this sector totaled Rs. 268.8 million in fiscal year 2011/12, while net loss of such enterprises in fiscal year 2012/13 amounted to Rs. 185.6 million. The net operating income of PEs of this sector stood at Rs 1,210.6 million in fiscal year 2012/13.
- 14.29 The net fixed assets of PEs of this sector totaled Rs. 877.8 million in fiscal year 2011/12, while such assets has decreased to Rs. 800.9 million in fiscal year 2012/13. Though the government has made share investment of Rs. 2,362.0 million and loan investment of Rs. 449.3

million in the PEs of this sector in fiscal year 2012/13, no dividend has been received so far. Total shareholders' fund of PEs of the service sector, which stood at Rs. 919.9 million in previous fiscal year 2011/12 has decreased in fiscal year 2012/13 to Rs. 760.7 million.

- 14.30 The number of personnel employed in this sector that totaled 1,869 by the end of fiscal year 2011/12 reached to 1,902 in fiscal year 2012/13 with an increase of 33 employees. In addition, the non-funded liability of PEs amounted to Rs. 672.7 million by the end of fiscal year 2012/13. Of this, Gorkhapatra Corporation has the largest share of Rs. 510 million. Nepal Television, National Housing Company Ltd, Gorkhapatra Corporation and Cultural Corporation have completed their audits up to 2012/13 while audit of Janak Education Material Center Limited has been completed up to 2011/12.

Public Utilities Sector

- 14.31 The net operating income of three PEs (Nepal Telecom Ltd., Nepal Electricity Authority (NEA) and Nepal Water Supply Corporation) of the public utilities sector stood at Rs. 53,242.6 million in FY 2011/12 reached Rs. 61,298.5million in FY 2012/13 with the increase of Rs. 8055.9 million. Nepal Telecom has earned the highest operating income of Rs. 35,612.1 million.
- 14.32 The net fixed assets of PEs in this sector stood at Rs. 99,049.1million with their total shareholders' fund of Rs. 78,023.2million by the end of fiscal year 2011/12. Nepal Telecom has been able to earn the highest net profit of Rs. 11,299.1million in FY 2012/13. The overall net profit of PEs in this sector stood at Rs. 6,510.5 million with a net loss of Rs.4,633.6 million of Nepal Electricity Authority (which was Rs. 9.95 billion in previous fiscal year) and Rs. 155.0 million that of Nepal Water Supply Corporation against its previous year's figure of Rs. 243.3 million. The net loss volume of Nepal Electricity Authority has declined sharply due to 20 percent increment in its tariff in FY 2012/13. Despite writing off the accumulated loss of Nepal Electricity Authority amounting to Rs. 27.53 billion in FY 2012/13, it has again reached Rs. 14.43 billion in its two succeeding years reveals the complexity of the problem within the Authority. Reform in NEA is felt necessary as its arrears alone have reached to the level of Rs. eight (8) billion amid its operation at huge accumulated loss.
- 14.33 Total debt liability of PEs in the public utilities sector stood at Rs. 76,167.5 million in fiscal year 2012/13from its previous year's Rs.

70,206.2million in its previous fiscal year. NEA has the highest debt liability of Rs. 74,680.5million while Nepal Telecom has not borrowed any money.

- 14.34 Total number of employees working in PEs under this sector has reached 15,238 by the end of fiscal year 2012/13 with largest number of 9,015 in the NEA. . Total administrative expenditure of PEs in this sector amounted to Rs.17,111.9 million.The unfunded liability of only three PEs in the public utilities sector reached Rs. 20751.3 million in fiscal year 2012/13 in which NEA shares Rs. 14,084.3million, Nepal Telecom shares Rs. 6,229.0million while the share of Nepal Water Supply Corporation is Rs. 438.0 million. Government of Nepal has invested a sum equivalent to Rs. 63,349.5million as share investment and Rs. 82,715.6million as loan investment by the end of FY 2012/13 in PEs under public utilities sector. Against such investment, Government of Nepal has received dividend of Rs. 6,987.5million from Nepal Telecom in FY 2012/13.

Financial Sector

- 14.35 Nine PEs are operating under the financial sector. The total operating income of this sector in FY 2012/13 stood at Rs.23,957.4 million, which is higher by 12 percent from the previous fiscal year. All these PEs in the financial sector have earned net profits in FY 2012/13. The net profit of PEs in this sector that stood at Rs. 5,329.3 million in FY 2011/12 went up to Rs. 5,755.8million in FY2012/13. Of the PEs that earned higher profit in this sector are Agriculture Development Bank Ltd. with Rs. 2,289.6 million and RastriyaBanijya Bank with Rs. 1310.1 million.
- 14.36 In fiscal year 2012/13, the net fixed asset of PEs of this sector grew by 3.09 percent to Rs. 2,966.9 million, from Rs. 2,878.0 million in previous fiscal year 2011/12. The shareholders' fund of PEs in this sector has remained positive with Rs.31,956.4 million in FY 2012/13.
- 14.37 By fiscal year 2012/13, the loan/investment of PEs in financial sector grew to Rs. 193,998.9 million. Such investment had totaled Rs.161,226.3 million in previous fiscal year.The loan/investment of Agriculture Development Bank, RastriyaBanijya Bank, NIDC Development Bank, Citizen Investment Trust and Deposit and Credit Guarantee Corporation Ltd. has recorded sharp growth in FY 2012/13.
- 14.38 The government of Nepal has made net share investment of Rs. 20,490.2 million and loan investment of Rs. 3,097.1 million in PEs of

this sector in FY 2012/13. The government of Nepal has received dividend amounting Rs. 2.2 million comprising Rs. 1.9 million from Nepal Stock Exchange Ltd and Rs. 300,000 from the Hydroelectricity Investment and Development Company Ltd. in FY 2012/13. An additional share investment of Rs. one (1) billion has been made to raise the capital volume of the Deposit and Credit Guarantee Corporation Ltd. This has helped win public trust as certain amounts deposited by small depositors are guaranteed.

- 14.39 A total of 6,296 employees are working in PEs under the financial sector. Of these PEs, Agriculture Development Bank has the highest number of employees with 3,026 followed by Rastriya Banijya Bank Ltd. with 2,741 employees. The total annual administrative expenditure of PEs in this sector stood at Rs. 6,100.6 million. Among the PEs in this sector, Rastriya Beema Sansthan is the only entity to have its account audited till FY 2003/04, while the rest of the PEs of this sector have completed their final audit up to FY 2012/13. The unfunded liabilities of Rastriya Banija Bank stood at Rs. 914.7 million while potential liabilities stood at Rs. 9131.8 million totaling Rs. 10046.5 billion. Similarly unfunded liabilities of Deposit and Credit Guarantee Corporation stood at Rs. 400,000 while other organizations do not hold such liabilities.

Managerial Aspect of Public Enterprises

- 14.40 Of the total 37 PEs that are under the full and partial ownership of the Government of Nepal are formed under the five (5) different Acts. Of these, 23 institutions are operating as per Company Act; two (2) as per Corporation Act; seven (7) through specific Corporation Acts; two (2) as per the Communication Corporation Act; and three (3) as per the Bank and Financial Institutions Act. As some Corporations were established for production of goods and services, bases for managing each of these enterprises are also separate. As these Corporations were established through different Executive Orders and Acts, their operating procedures also differ from one to the other as these are guided by individual laws and 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 Enterprise Directive Board has been formed in 2011 in line with the policy of ensuring representation of qualified, skilled, professionals in the Public Enterprises, and appointing the Chiefs of Corporations through competition among the people of managerial capacity and making the successful candidate to sign performance

contract before appointment. Accordingly, a system of so appointing 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 Corporations result oriented, competitive and professional is very much positive, conducive working environment could not be created for thus appointed organization chiefs to mobilize their employees so as to achieve Corporation's target in a profitable manner. On the other hand, a question has been raised against the legitimacy of the existing system for appointing chief executives and this has been brought to the Apex Court which led to the suspension of such appointment process. The Public Enterprise Directive Board needs to be more active towards achieving PEs' desired result providing them recommendations on policy and infrastructural matters by carrying out regular monitoring, evaluation and studies in line with the PE's formation directives.

- 14.42 By the end of FY 2012/13, the number of employees working at operations level in the total 37 PEs has reached 30,692 against the figure of 31,755 of previous fiscal year. Overstaffing still persists in PEs as compared to private sector companies of similar nature. The existing human resource could not be mobilized to achieve the desired results due to lack of qualitative and skilled human resource.
- 14.43 Trade Union has indispensable role for achieving PEs' objectives in a democratic governance system and protecting the rights and interests of their employees. However, in our PEs, the number of trade unions and other professional organizations is almost equal to the number of the country's major political parties. The authentic trade union elections are not held and at the same time most of the organizations are putting pressure on PEs raising issues with regard to the demands made on increasing employees' services and facilities. Such type of activities in PEs would create immense pressure on the State fund in the end. There has been increasing unnecessary workload and pressure in the Ministry of Finance as a result of current practice of submitting demands directly to the Ministry after having them endorsed for securing its approval without reaching to the conclusion through dialogue and consensus building between the concerned Ministry and Trade Union's Steering Committee. In a nut shell, a provision has to be made ensuring single trade union for one PE through election in order to avoid such potential disputes that may emerge in those PEs. Likewise, it is necessary to adopt sustainable method in order to resolve disputes through a clear-cut working principles and procedures by forming trilateral dispute handling mechanism with the

inclusion of concerned Ministries, Corporation Management and authorized Trade Union. A clean and healthy environment can be expected through the identification of creative solution to mitigate disputes pertaining to the employees' services and facilities through the adoption of this mechanism.

- 14.44 There has been statutory provision for every PE to have their accounts audited by the end of each fiscal year within the specific timeframe. As per this, the current scenario of their audits shows that, 24 PEs have their accounts audited among the total of 37 such PEs in FY 2012/13. Seven of that PEs have completed their final audit in FY 2011/12 while National Insurance Corporation (RastriyaBimaSanthan) has not carried out final audit since FY 2006/07. Moreover, Nepal Orind Magnesite Pvt. Ltd. has completed its audit work only until FY 2003/04 while National Productivity and Economic Development Center has completed its final audit until FY 2005/06 and Janakpur Cigarette Factory until FY 2007/08.
- 14.45 Most of the Public Enterprises, that are required to formulate and implement their business plans in line with their objectives, visions, strategies and working policies, have not been doing so. It is imperative to formulate 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 lives of those enterprises. In addition, formulating long term improvement plan and its implementation is necessary to make one's enterprise competitive and professional.
- 14.46 Though the system of signing performance contract has been started based on work performance indicator and business plan of the concerned enterprise while appointing Chief Executive Officers through Public Enterprises Directive Board, PEs have not been able to achieve their set objectives by formulating business plans and developing strategies according to those business plans. Hence, it is imperative to develop culture of institutionalized work performance contract and method of providing salary facility based on progress of work performance.
- 14.47 With the objective of performing tasks in a coordinated manner by promoting competitiveness and professionalism of PEs, the Public Enterprise Directive Board has started working after it was formed in 2011 as per the decision of the government of Nepal. The important

aspect of the Board's Executive Order is that the provision made to appoint Board's Chief Executive Officers through open competition with a view to provide autonomy to PEs for making administrative and economic decisions and keep them away from non-professional influences. Likewise, the Board is responsible for carrying out functions like formulating PEs policies, plans and investment policies, restructuring of PEs, disinvestment, annulation and making plans for capacity development, carrying out works on the services, terms and conditions and facilities of PEs with regard to human resource development and monitoring, evaluation and information related works aside from its task of appointing Chief Executive Officers. The Chief Executive Officers have been appointed at 11 PEs so far on the Board's recommendation after its establishment.

- 14.48 Ministry of Finance, Public Enterprise Directive Board and concerned Ministries are involved in PEs' coordination and monitoring works. The Ministry of Finance has key role in making policy arrangement for PEs' operation as well as coordinating and monitoring the services and facilities of their employees. Likewise, PEs' daily operation, goods and service delivery, coordination and monitoring works are being carried out by concerned Ministries while the overall coordination and monitoring works on PEs' performance are being done through Public Enterprise Directive Board. Both the internal and external coordination and monitoring systems of PEs need to be improved as they are found weak from physical, financial and managerial perspectives.
- 14.49 Due to pressure exerted from the demand of non-budgetary fund by PEs, the situation has been created where the Ministry's Enterprise Coordination Department, Budget and Program Department and Policy Analysis Department got stuck in the works including making correspondence with the concerned Ministries on the issues like credit investment and employees' facilities throughout the fiscal year. Despite the ability of concerned agencies to identify problems and find solutions of those problems principally, they are not found committed and active at the implementation level. Hence it is necessary to make proper coordinative effort through all stakeholders to resolve these problems.