

Unofficial Transaltion

ECONOMIC SURVEY

FISCAL YEAR 2011/12

**GOVERNMENT OF NEPAL
MINISTRY OF FINANCE
2012**

Preface

Raising standard of living of the general people by expediting economic growth through political stability and full utilization of available resources is the need of today. Political environment is seemingly uncertain in the aftermath of dissolution of the constitutional assembly but political instability is expected to be over once the elections for the constitutional assembly are held. Marching forward by forging an understanding among political parties so as not to let political uncertainty cast a shadow over economic development and issues directly associated with the needs of people, is called for. Goals of achieving economic prosperity of the country and fulfillment of needs and aspirations of the people is possible only through such understanding and proper utilization and management of available resources by implementing long term plans and policies.

Economic survey of fiscal year 2011/12 has been prepared by analyzing achievements of policies and programs that were implemented in the important sectors of the economy. In previous surveys programs that belonged to a particular sector were presented under different sector heads and clusters. From this year on, an attempt has been made to present such programs under one sectoral head. Likewise, ten year data of different sectors of the economy has been presented in the survey while data that was published in part II of last year's survey is presented in an updated form in the digital CD provided along with this survey.

I am fully confident that this survey would be a useful resource for intellectuals, researchers, teachers, students, industrialists, business persons and members of the general public who are interested in the economic affairs of the country.

Finally, I would like to thank the officials of the Ministry of Finance who were involved in the preparation of this survey, the Economic Affairs and Policy Analysis Division, Nepal Rastra Bank and subject specialist, as well as Ministries, Departments and other agencies for providing necessary data and information for the preparation of this survey.

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Abbreviations

ADSL	Asynchronous Digital Subscribers Line
AEPC	Alternative Energy Promotion Center
AFC	Asian Football Confederation
AIDS	Acquired Immune Deficiency Syndrome
ARAST	Asia Regional Aviation Safety Team
ARV	Antiretroviral
ATF	Aviation Turbine Fuel
BBC	British Broadcasting Corporation
BIPPA	Bilateral Investment Promotion and Protection Agreement
CB PMTCT	Community Based Pregnant Mother to Child Trasmitted
CCTV	Close Circuit Television
CDAS	Central Depositary Accounting Software
CDM	Clean Development Mechanism
CDMA	Code Division Multiple Access
CEDA	Center for Economic Development and Administration
CEOC	Comprehensive Essential Obstetric Care
CMA	Continuous Monitoring Approach
CNN	Cable News Network
CnS	Clearing and Settlement Software
COSCAP	Cooperative Development of Operational Safety and Continuing Airworthiness Programme
CT Scan	Computed Tomography Scan
DACC	District AIDS Coordination Committee
DFID	Department for International Development
DOTs	Directly Observed Treatment
DPMAS	District Poverty Monitoring and Analysis System
DTAA	Double Taxation Avoidance Agreement
E Bidding	Electronic Bidding
E DV	Electronic Diversity Visa
EIA	Environmental Impact Assessment
FM	Frequency Modulation
FO	Furnace Oil
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross Domestic Product

GEF	Global Environmental Facility
GIZ	Gesellschaft für Internationale Zusammenarbeit
GMPCS	Global Mobile Personal Communication System
GNP	Gross National Product
GPI	Gender Perception Indicator
GPRS	General Packet Radio Service
GSM	Global System for Mobile Communication
HIV	Human Immune Deficiency Virus
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICIMOD	International Centre for Integrated Mountain Development
IDA	International Development Agency
IEE	Initial Environment Evaluation
IFAD	International Fund for Agriculture Development
IFRS	International Financial Reporting Standards
IH & RA	International Hotel & Restaurant Association
INASP	International Network for the Availability of Scientific Publications
ISDN	Integrated Services Digital Network
ITC	International Trade Centre
JITCO	Japan International Training Cooperation Organization
KOICA	Korea International Cooperation Agency
LDO	Light Diesel Oil
LIBOR	London Inter Bank Offering Rate
LMS	Location and Monitoring Service
LOCODE	International Location Code
MBBS	Bachelor in Medicine and Bachelor in Surgery
MCPM	Minimum Conditions and Performance Measures
MCs	Minimum Conditions
MDGs	Millennium Development Goals
MfDR	Management for Development Result
MOU	Memorandum of Understanding
MRI	Magnetic Resonance Imaging
MW	Medium Wave
N/A	Not Applicable
NABL	National Accreditation Board for Laboratories
NAST	National Academy for Science and Technology
NLSS	Nepal Living Standard Survey
NS	Nepal Standard

NTIS	Nepal Trade Integrated Strategy
NTV	Nepal Television
O&M	Organization & Management
PATA	Asia Pacific Tourism Association
PBN	Performance Based Navigation System
PRSP	Poverty Reduction Strategy Paper
PSTN	Public Switched Telephone Network
SAARC	South Asian Association for Regional Cooperation
SARAST	South Asia Regional Aviation Safety Team
SMS	Short Message Service
STM	Synchronous Transport Module
SW	Short Wave
T.U.	Tribhuwan University
TPR	Trade Policy Review
TPRB	Trade Policy Review Body
UAAA	Union of Asian Alpine Association
UIAA	Union of International Alpine Association
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UN HABITAT	United Nations Human Settlements Programme
UNIDO	United Nation Industrial Development Organization
USOAP	Universal Safety Oversight Audit Program
WASH	Water Supply Sanitation and Hygiene
WLL	Wireless Local Loop

EXECUTIVE SUMMARY

Executive Summary

1. The growth rate of global output has decreased in 2011 compared to 2010. The world economy that grew by 5.3 percent in 2010 got contained to a growth of 3.9 percent only in 2011, which was lower than 4.5 percent, IMF had projected for the year. Especially, the European debt crisis; natural disaster in Japan; recession in European real estate business; the slowed down economic growth rates in countries like China and India; Decreased economic growth in large countries like Brazil and Mexico can be attributed for decline in the world economic growth. Likewise, rise in unemployment rate in USA and Europe also helped in slowing down the world economic growth. IMF has projected the world GDP to grow by 3.5 percent and 4.1 percent in 2012 and 2013 respectively. Economic growth rate of developed and emerging economies for the year 2012 is estimated at 1.4 percent and 5.7 percent respectively.
2. Growth rate of Nepal's neighboring countries especially that of South Asian nations, has also slowed down in comparison to 2010. Average growth rate of South Asian countries that was 7.3 percent in 2010 got contained to 5.8 percent in 2011. IMF has estimated to remain the economic growth rate at the same level in 2012 also. Only the two South Asian countries namely Maldives and Sri Lanka maintained higher growth rate in 2012. India and China, that had attained double digit growth rates of 10.6 and 10.4 percent respectively in 2010 also registered lower growth rate of 7.2 and 9.2 percent respectively in 2011. IMF has estimated to further slow down the growth rate to 6.9 percent and 8.2 percent for these two countries respectively in 2012.
3. According to preliminary estimates Nepal's economy in FY 2011/12 will grow at 4.56 percent at price prices and 4.63 at current prices against earlier estimated 5.0 percent, which is the highest in three years. Growth rates in FY 2009/10 and 2010/11 at base prices were just 4.3 and 3.9 respectively. Increased agricultural production and accompanied by growth in service sector outputs has been the major reason for such growth rate. However, reasons like energy crisis, sluggish agricultural credit expansion, and lengthened political

transition are attributable for failing to achieve the growth in industrial outputs as desired. Total GDP is estimated to reach Rs.1.558 trillion with an increase of 13.8 percent compared to the previous fiscal year.

4. Agricultural GDP in FY 2011/12 is estimated to grow by 4.93 percent compared to 4.51 percent growth in the previous fiscal year. Agriculture and forestry, and fisheries sub-sectors are estimated to grow at the rate of 4.86 percent and 8.84 percent in this period. Production of food crops, which play vital role in the growth of agriculture sector, recorded a notable growth in this year. Production of major food crops in this year totaled 9,459,594 MT with a growth of 9.9 percent. Area under major food crops in the current fiscal year totaled 3,484,395 ha, which is higher by 0.46 percent from the previous year.
5. Growth rate of non-agriculture sector is estimated at 4.27 in this fiscal year, which was 3.4 percent in FY 2010/11 whereas this sector's growth rate in FY 2009/10 stood at 5.39 percent. Growth rates of construction and manufacturing sub-sectors have decreased while that of other sub-sectors has increased in this fiscal year. Among those sub-sectors recording positive growth are: mining and quarrying 5 percent; industrial outputs 1.3 percent; electricity, gas and water 7.4 percent; wholesale and retail trade 3.8 percent; hotel and restaurant 8.3 percent; transport, warehousing, and communications 6.8 percent; financial intermediation 3.5 percent; real estate and professional activities 3.0 percent; Public administration and defense 5.6 percent; education 5.0 percent; health and social works 5.5 percent; and other community, social, and personal service related activities 9.1. At the same time, growth rate of the construction sub-sector is estimated to grow negatively by 0.1 percent.
6. Gradual structural change can be observed in the Nepalese economy. A trend of decreasing contribution of agriculture and industry sectors and increasing that of services sector to GDP is clearly visible. On sectoral basis, contributions of primary, secondary and tertiary sectors to GDP are estimated at 35.68, 14.02 and 50.31 percents respectively. Such contribution of primary and secondary sectors is less by 1.75 and 0.27 percentage points as compared to the previous fiscal year. Contribution of the tertiary sector, however, has increased by 2.03 percent in

comparison to the previous fiscal year. Increase in outputs of all components of the tertiary sector has led to increased contribution of this sector to GDP. Likewise, classification of GDP into two sectors namely, agriculture and non-agriculture shows contribution of agriculture sector to GDP has decreased while that of non-agriculture has increased a little. Contribution of agriculture, forestry, and fisheries to GDP is estimated at 35.1 percent, while remaining 64.9 percent to be shared by the non-agriculture sector. Such shares in FY 2010/11 were 36.9 and 63.1 percent respectively.

7. The share of consumption on GDP has decreased from 91.4 percent in the previous fiscal year to 90.0 in the current fiscal year. The shares of private and government consumption on GDP are 78.1 percent 10.2 percent respectively. Of the total consumption expenditure, shares of the private sector, government and not for profit institutions is found to be 86.4 percent, 11.4 percent and 1.9 percent respectively. Of the total consumption, share of food grain consumption is 62.7 percent and that of services is 11.0 percent.
8. The share of investment in GDP is seen to have increased in FY 2011/12. Such share, which stood at 32.5 percent in the previous fiscal year, is estimated to reach 32.8 percent in this year. Out of this, the share of gross capital formation is 19.6 percent. The private sector has contributed 77.97 percent of the total capital formation while the government sector shared the rest 22.03 percent. The share of savings on GDP has increased in the current fiscal year. The share of gross domestic saving has reached 9.8 percent while that of gross national saving has reached 36.6 percent. In the current fiscal year Gross Domestic Savings is estimated to total Rs. 155.0 billion while Gross National Savings is estimated at Rs.571.0 billion.
9. In this fiscal year, there has been 17.2 percent growth in National Disposable Income at current prices. Based on the data for the first eight months of the current fiscal year, per capita GDP of a Nepali has reached Rs. 57,726.0 or US\$ 735.00. Likewise, based on Gross National Income, per capita income of a Nepali has reached Rs. 58274 or US\$ 742.00. Such a rise in income is attributable to increased

remittance income and the growth in the agriculture and services sectors' output.

10. The share of trade deficit on GDP is on the rise. The share of exports in GDP in the current fiscal year has reached 9.8 percent while that of imports stood at 32.6 percent. Despite marginal decline in the previous fiscal year's trade deficit of 23.9 percent to 22.8 percent this year, it is still quite high.
11. Total government expenditure in 2010/11 grew by 13.7 percent reaching 295.36 billion. Such expenditure is estimated to grow by 23.8 percent in the current FY 2011/12 reaching 365.72 billion. Of this total, share of recurrent and capital expenditure is estimated at Rs. 256.86 billion and 62.90 billion with the remaining Rs. 45.94 billion shared by fiscal arrangement. Revenue mobilization in the current fiscal year is estimated to grow by 20.5 percent totaling Rs. 240.81 billion. This total comprise of Rs.205.22 as tax revenue and the remaining Rs.35.59 billion as non-tax revenue.
12. The ratio of total outstanding debt to GDP has increased. For instance, such ratio was 30.3 in the first eight months of FY 2010/11 has gone up to 32.7 percent in the same period of FY 2011/12. The ratio of foreign debt to GDP has also increased from the previous year's 19.0 percent to 19.8 percent in this year and the ratio of internal debt has also increased from 11.3 to 12.9 in the same period.
13. In this fiscal year, monetary inflation could be contained to some extent. The point to point based overall urban consumer price index at mid-March of FY 2010/11 was 10.7 percent, which has been contained to 7.0 percent in the same period of FY 2011/12. In this month, price inflation rate on food items on point to point basis has been 4.2 percent while that on non-food items by 9.4 percent. Such rate in the previous fiscal year stood at 17.3 percent and 5.4 percent respectively. It shows of some success achieved in containing the price rise of food grains.
14. Broad money supply during first eight months of this fiscal year increased by 12.2 percent as a result of notable growth in net foreign assets. Narrow money supply expanded by 6.4 percent in the same period. In this period, net foreign asset (after adjusting foreign exchange profit/loss) grew by Rs. 79.90 billion, while internal debt increased by 3.4 percent.

15. Commercial banks in the first eight months of this current fiscal year collected deposits totaling 92.90 billion during first eight months of FY 2011/12 thereby raising the level of total deposits in commercial banks to Rs. 772.50 billion at mid-March 2012. Total Credit flow amount of commercial banks reached Rs.598.50 billion by mid-March with additional credit flow of 54.30 billion during the same period.
16. The state of the Share Market has not been satisfactory in this fiscal year. NEPSE Index, which is a health indicator of the Share Market, has been sliding throughout first eight months of the current fiscal year. NEPSE Index, that was at 362.85 points in the beginning of fiscal year, came down to 313.92 by mid-March 2012. Similarly, market capitalization also slipped from 337.57 billion in the beginning of fiscal year to Rs. 323,48 billion in the same period. The transaction amount, however, has improved by 23.5 percent reaching Rs. 5.28 billion in this period.
17. Exports during the first eight months of the current fiscal year rose by 14.1 percent reaching Rs. 48.56 billion, and at the same time imports also rose by 16.6 percent totaling 295.24 billion. Rates of growth in export and import in the previous fiscal year were 5.9 and 1.3 percent respectively. As such, total trade deficit at Mid-March of 2012 totaled Rs. 246.68 billion with an increase of 17.1 percent in this period, compared to just 0.3 percent growth occurred in the same period of the previous fiscal year. Rise in imports, price rise of petroleum (POL) products, and exchange rate depreciation of Nepalese currency against US Dollar have been the major causes behind such rise in trade deficit.
18. Balance of Payment situation in the current fiscal year, however, has been satisfactory. Balance of Payment (BOP) surplus totaled Rs. 79.90 billion due to the growth in remittance income and increased fund reimbursements from the donor community, which is the highest surplus as of yet. There was BOP deficit in the same period of the previous fiscal year stood at Rs.11.29 billion. Remittance income of the private sector in the current fiscal year grew by 34.7 percent as against the previous year's 12.3 percent in the previous year thereby totaling 217.76 billion. Such income in the corresponding period of the previous year was Rs. 161.61 billion.
19. Foreign exchange reserve in the first eight months of FY 2011/12 grew significantly reaching Rs.368.10 billion, of which Nepal Rastra Bank holds Rs. 305.02 billion while remaining commercial banks hold the remaining Rs. 63.08 billion. Such reserve at the same period of the

previous fiscal year was Rs. 272.15 billion. Based on imports in first eight months of the current fiscal year, this reserve can sustain import of goods for next 10.1 months and import of goods and services for 9 months.

20. The Nepal Living Standard Survey (NLSS III, made public in FY 2011/12 shows 25.2 percent population below the poverty line. According to the same survey, the Gini Index, which depicts income inequality, coming down to 0.33 percent meaning that there has been a decline in income inequality.
21. In comparison to the previous fiscal year, industrial index in the current fiscal year 2011/12 rose sharply from 2.82 touching 105.42. Indices of Soybean oil, rice, animal feed, sugar, liquor, soft drink, cigarette, jute goods, plywood, lube oil, paints, medicine, cement, galvanized pipe, aluminum goods, electricity cables, have improved. At the same time, industrial indices of vegetable ghee, mustard oil, biscuit, noodles, processed tea, cotton fabrics, woolen carpet, processed leather, paper and paper goods, rosin, plastic goods, cottage metal goods have declined.
22. Tourist arrival in Nepal grew by 22.1 percent in 2011 as compared to 2010 reaching their number to 736,215. Average duration of their stay, which was 12.67 days in 2010, has increased to 13.12 days in 2011. Income from the tourism sector totaled Rs. 28.63 billion with per tourist per day spending has reached US\$39.90. Contribution of tourism sector to GDP has been 1.8 percent while this sector has provided direct employment to 120,000 people.
23. Energy consumption of the country in FY 2010/11 totaled 10,155 Tons of Oil Equivalent (ToE) with an increase of 2.8 percent over its previous fiscal year. Such consumption by the first eight months of the current fiscal year has reached 8,203 TOE, which is an increase of 24.8 percent over the same period of the previous fiscal year. Of the total energy consumed in FY 2010/11, shares of traditional, commercial, and renewable sources of energy stood at 83.7 percent, 15.6 percent and 0.07 percent respectively. Shares of these sources in the first eight months of the current fiscal year have been 86.5 percent, 12.8 percent, and 0.7 percent respectively.
24. Electricity generation at the end of FY 2010/11 totaled 697.8 Megawatt (MW), while electricity generation by Mid-March of 2011/12 has reached 705.6 MW. During this period 1,987 Kilometers (Km) of transmission lines have been constructed while 95,816 Km distribution

lines have been constructed. Total electricity supply accounts for 3,858 Giga Watt Hours (GWH) including thermal generation, Import from India, and electricity generated in the public sector. Electricity supply in the previous fiscal year totaled 3,689 GWH.

25. Consumption of POL products during the first eight months of FY 2011/12 increased by 2.2 percent compared to the corresponding period of the previous fiscal year totaling 645,876 Kiloliter (KL), while that of Liquefied Petroleum Gas (LPG) increased by 13 percent reaching a total of 113,693 MT. Shares of consumption of POL products excluding LPG during this period stood at 63.8 for diesel, 4.4 for kerosene, 20.2 for petrol, and 11.6 for aviation fuel.
26. With construction of 15 Km black topping, 45 Km graveled, and 185 Km of earthen roads, length of the above-mentioned individual category of roads in the country by Mid-March of 2012 stands at 9,917 Km, 5,715, and 7,822 Km respectively. The numbers of vehicles plying on these roads have reached 1,280,690. Another 8.6 percent vehicles have been added during the by the first eight months of this fiscal year.
27. The number of telephone customers by the end of the first eight months of the current fiscal year totaled 15,516,904. Of this, more than 83 percent are mobile phone users. There are six different telephone service providers. During this period, out of 400 FM stations licensed, 341 FM stations are operating. Likewise, 6,181 newspapers and magazines are published.
28. The education sector has made notable achievements. In this education calendar, net enrolment rate in the primary levels has reached 95.1 percent, on basic it is 86.6 percent, and in secondary education it is 30.6 percent. Such enrolment rates in the previous year were 94.5 percent, 86.0 percent and 27.1 percent respectively. In education session of FY 2011/12, the numbers of students studying in the Primary schools are 4,782,885; 1,812,680 in Lower Secondary schools; and 848,569 in Secondary schools. On education front, numbers of schools have also grown with 33,881 Primary, 13,791 Lower Secondary, and 8,233 Secondary Schools.
29. Of the major targets of Millennium Development Goals (MDGs), targets in the health sector have made tremendous achievements. For instance, infant mortality rate that was 43 per thousand live births in 1996 has come down to 9; and maternal mortality rate has dropped from 539 to 229. By the first eight months FY 2011/12, inpatients numbering 224,354 received treatments; 1,846,507 people received

outpatient services; and 442,531 received emergency services. By Mid-March of 2012, Hospitals 105, health posts 2,175 Ayurved hospitals and clinics 293, sub-health posts 2,292, rural hospitals with 15 beds 7, and 21 others totaling 4,393 health institutions are providing health services to the people.

MACROECONOMIC INDICATORS

Macroeconomic Indicators

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
ECONOMIC ACTIVITIES											
<i>Real GDP (in Basic Price)</i>	Annual % Change	3.8	4.4	3.2	3.7	2.8	5.8	3.9	4.3	3.8	4.6
<i>Agriculture</i>	Annual % Change	3.3	4.7	3.5	1.9	1.0	5.8	3.0	2.0	4.5	4.9
<i>Industry</i>	Annual % Change	3.1	1.5	2.9	4.4	4.0	1.6	-0.6	4.1	2.9	1.6
<i>Service</i>	Annual % Change	3.7	6.8	3.3	5.6	4.5	7.3	6.0	5.8	3.6	5.1
<i>Real GDP (in producer's Price)</i>	Annual % Change	3.9	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.9	4.6
<i>Per Capita Real GDP</i>	Annual % Change	1.7	2.4	1.2	1.1	6.3	4.6	3.1	3.4	2.5	3.2
<i>Per Capita Gross National Income (in constant price)</i>	Annual % Change	1.6	2.3	2.1	1.9	6.9	4.6	3.3	3.7	1.7	3.3
<i>GDP (in current price)</i>	Annual % Change	7.1	9.0	9.8	11.0	11.3	12.1	21.2	20.8	14.7	13.8
<i>Gross National Income (in current price)</i>	Annual % Change	7.1	8.9	10.5	11.5	11.6	12.0	21.4	20.3	14.5	14.2
<i>Gross National Disposable Income (in current price)</i>	Annual % Change	7.6	9.3	11.1	14.0	10.1	16.5	24.2	18.9	13.4	17.2
<i>Per Capita GDP</i>	US Dollar	261	293	328	350	410	491	497	610	712	735
<i>Per Capita GNI</i>	US Dollar	261	292	329	352	414	496	502	615	716	742
<i>Per Capita GNDI</i>	US Dollar	301	339	383	420	487	606	628	759	876	931
<i>Real GDP (in basic price)</i>	Rs in billion	429.7	448.7	463.2	480.4	493.7	522.3	542.7	565.8	587.3	614.1
<i>Agriculture</i>	Rs in billion	165.8	173.7	179.8	185.4	187.2	198.1	204.0	208.1	217.4	228.1
<i>Industry</i>	Rs in billion	76.5	77.6	79.9	81.2	84.4	85.8	85.3	88.7	91.3	92.7
<i>Service</i>	Rs in billion	199.9	213.5	220.6	233.0	243.5	261.4	277.1	293.3	303.7	319.1
<i>Real GDP (in producer's price)</i>	Rs in billion	459.5	481.0	497.7	514.5	532.0	564.5	590.1	618.5	642.6	672.3
<i>Per Capita GDP (in 2000/01 price)</i>	Rs.	18984	19436	19670	19884	21129	22110	22793	23561	24138	24908
<i>Per Capita Gross National Income (in 2000/01 price)</i>	Rs.	18962	19401	19802	20186	21569	22567	23301	24170	24585	25393
<i>Nominal GDP (in</i>	Rs in	492.2	536.8	589.4	654.1	727.8	815.7	988.3	1193.7	1369.4	1558.2

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
<i>producer's price)</i>	<i>billion</i>										
<i>Gross National Income (in current price)</i>	<i>Rs in billion</i>	491.6	535.1	591.1	659.0	735.3	823.6	1000.0	1202.8	1377.0	1573.0
<i>Gross National Disposable Income (in current price)</i>	<i>Rs in billion</i>	567.1	620.0	688.8	785.2	864.3	1006.4	1249.5	1485.4	1684.8	1973.8
<i>Per Capita GDP (in current price)</i>	<i>Rs.</i>	20337	21689	23292	25279	28905	31946	38172	45469	51444	57726
<i>Per Capita GNI (in current price)</i>	<i>Rs.</i>	20309	21620	23357	25471	29200	32257	38626	45817	51727	58274
<i>Per Capita GNDI (in current price)</i>	<i>Rs.</i>	23430	25051	27218	30346	34323	39417	48262	56583	63292	73123
<i>Gross Consumption/GDP</i>	<i>in %</i>	91.4	88.3	88.4	91.0	90.2	90.2	90.6	88.5	91.4	90.0
<i>Gross Domestic Savings/GDP</i>	<i>in %</i>	8.6	11.8	11.6	9.0	9.8	9.8	9.4	11.5	8.6	10.0
<i>Gross National Savings/GDP</i>	<i>in %</i>	23.8	27.3	28.4	29.0	28.6	33.2	35.9	36.0	31.6	36.7
<i>Gross Fixed Capital Formation/GDP</i>	<i>in %</i>	19.9	20.3	19.9	20.7	21.1	21.9	21.4	22.2	21.2	19.6
<i>Government Investment in Gross Fixed Capital Formation/GDP</i>	<i>in %</i>	3.0	2.8	2.9	2.7	3.4	4.0	4.5	4.5	4.9	4.3
<i>Private Investment in Gross Fixed Capital Formation/GDP</i>	<i>in %</i>	16.9	17.5	17.0	18.0	17.7	17.8	16.9	17.7	16.3	15.3
<i>Gross Capital Formation/GDP</i>	<i>in %</i>	21.4	24.5	26.5	26.9	28.7	30.3	31.7	38.3	32.5	32.8
<i>Gap between Gross Domestic Savings and Gross Investment/GDP</i>	<i>in %</i>	-12.8	-12.8	-14.9	-17.9	-18.9	-20.5	-22.2	-26.8	-23.9	-22.8
<i>Total Population</i>	<i>million</i>	23.8	24.1	24.5	24.8	25.2	25.5	25.9	26.3	26.6	27.0
Price											
<i>Consumer Price Index[#]</i>	<i>Annual % Change</i>	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	7.7
<i>GDP Deflator[^]</i>	<i>Annual % Change</i>	3.1	4.0	5.9	6.9	7.3	5.6	16.1	14.4	11.2	9.7
<i>Primary</i>	<i>Annual % Change</i>	0.7	2.8	3.5	4.4	6.1	3.3	21.4	25.1	14.9	3.5
<i>Secondary</i>	<i>Annual % Change</i>	4.1	5.4	5.5	3.6	5.7	11.0	14.4	9.2	9.5	10.0

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Tertiary	Annual % Change	4.7	4.5	7.8	9.9	8.3	5.3	12.9	8.9	8.5	13.0
Wholesale Price Index+	Annual % Change	3.8	4.1	7.3	8.9	9.0	9.1	12.8	12.6	9.8	5.3
Salary and Wages Rate Index&	Annual % Change				3.9	9.8	9.7	15.3	17.2	18.0	27.6
Salary	Annual % Change				0.3	6.3	10.9	10.5	20.2	0.0	19.3
Wages	Annual % Change				5.3	10.9	9.4	16.9	16.3	24.0	29.8
PUBLIC FINANCE++											
Revenues	Annual % Change	11.5	10.9	12.5	3.1	21.3	22.7	33.3	25.4	11.0	20.5
Total Government Expenditures	Annual % Change	4.9	6.5	14.7	8.1	20.5	20.8	36.1	18.2	13.7	23.8
Recurrent Expenditure	Annual % Change	6.6	6.6	11.0	8.6	15.1	18.6	39.7	18.2	12.8	50.8
Capital Expenditure	Annual % Change	-9.8	3.3	18.4	8.3	34.2	34.7	36.6	23.5	19.5	-41.7
Principle Payments	Annual % Change	48.6	12.9	25.4	5.4	17.4	-2.2	14.9	-2.1	-6.6	14.7
Debt Servicing (Principal & Interest)	Annual % Change	32.6	7.2	13.9	3.4	12.2	-0.7	18.6	5.3	5.4	19.0
Revenue /GDP	in %	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.1	14.6	15.5
Tax Revenue/GDP	in %	8.3	9.0	9.2	8.8	9.8	10.4	11.8	13.1	12.6	13.2
Non-Tax Revenue/GDP	in %	2.8	2.6	2.7	2.3	2.3	2.8	2.7	2.0	2.0	2.3
Total Government Expenditure /GDP	in %	17.1	16.7	17.4	17.0	18.4	19.8	22.2	21.8	21.6	23.5
Recurrent Expenditure/GDP	in %	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.7	12.4	16.5
Capital Expenditure/GDP	in %	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.6	7.9	4.0
Principal Payment/GDP	in %	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.5	1.3	1.3
Debt Servicing (Principal & Interest)/GDP	in %	3.3	3.2	3.4	3.1	3.1	2.8	2.7	2.4	2.2	2.3
Foreign Grants/GDP	in %	2.3	2.1	2.4	2.1	2.2	2.5	2.7	3.2	3.4	3.8
Budget Deficit/GDP	in %	3.3	2.9	3.1	3.8	4.1	4.1	5.0	3.5	3.6	4.2
Foreign Loan/GDP	in %	0.9	1.4	1.6	1.3	1.4	1.1	1.0	0.9	0.9	1.5
Domestic Loan/GDP	in %	1.8	1.0	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4
Grants and Loans Received/GDP	in %	3.2	3.5	4.0	3.4	3.6	3.6	3.7	4.2	4.2	5.4
Total Outstanding	Rs. in	308.1	318.9	314.4	337.7	332.7	375.6	425.1	440.4	414.7	509.5

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Debt	billion										
Outstanding Domestic Debt	Rs. in billion	60.0	84.6	86.1	94.7	103.8	116.0	125.7	148.1	184.2	201.5
Outstanding Foreign Debt	Rs. in billion	223.4	232.8	219.6	234.0	216.6	250.0	277.0	256.2	259.6	308.1
Per capita Outstanding Debt	Rs	12939.7	13208.5	12838.6	13602.2	13211.5	14710.7	16416.2	16772.5	15576.4	18866.8
Total Outstanding Debt/GDP	in %	62.6	59.4	53.3	51.6	45.7	46.1	43.0	36.9	30.3	32.7
Outstanding Domestic Debt/GDP	in %	17.2	16.0	16.1	15.9	15.9	15.4	15.0	15.4	11.3	12.9
Outstanding Foreign Debt/GDP	in %	45.4	43.4	37.3	35.8	29.8	30.6	27.9	21.5	19.0	19.8
Outstanding Foreign Debt/Revenue	in %	397.4	373.5	313.2	323.7	247.0	232.3	193.1	142.4	129.9	127.9
Outstanding Foreign Debt/Export	in %	447.5	431.8	374.1	388.4	364.8	421.8	409.2	421.3	403.4	417.1
Debt Service (Principal and Interest Payments)/Recurrent Expenditure	in %	31.1	31.2	32.0	30.5	29.7	24.9	21.1	18.8	17.6	13.9
Outstanding Foreign Debt/Foreign Exchange Reserve	in %	206.4	178.8	169.1	141.8	131.2	117.6	96.7	95.3	95.4	79.6
Money and Banking##											
Domestic Credit	Annual % Change	10.4	9.9	13.8	15.1	11.7	21.3	27.1	43.4	14.6	11.0
Private Sector	Annual % Change	13.2	14.3	14.2	23.6	12.3	24.3	29.0	45.7	13.9	13.0
Net Government Credit	Annual % Change	5.9	-1.8	11.3	11.1	10.4	11.2	20.4	30.2	19.7	2.7
Share of the Private sector in the Banking Sector credit	Percent	67.4	70.1	70.3	75.5	75.8	77.7	78.9	80.2	79.7	81.1
Narrow Money Supply (M1)	Annual % Change	8.6	12.2	6.6	14.2	12.2	21.6	27.3	8.0	5.2	13.5
Currency	Annual % Change	2.2	11.1	8.8	13.1	7.4	19.9	25.5	10.8	1.9	17.0
Current Deposits	Annual % Change	25.0	14.5	2.2	12.3	22.8	25.0	30.5	3.0	11.4	7.4
Broad Money Supply(M2)	Annual % Change	9.8	12.8	8.3	15.4	14.0	25.2	27.3	30.2	12.3	17.0
Fixed and Saving Deposits	Annual % Change	10.4	13.1	9.2	16.7	14.9	27.0	27.3	40.3	14.8	18.1
Total Domestic Credit/GDP	Percent	45.5	45.9	47.5	49.3	49.5	53.6	56.2	66.7	66.6	65.0

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Private Sector Credit/GDP	Percent	30.7	32.1	33.4	37.2	37.6	41.7	44.4	53.5	53.1	52.7
Net Government Credit/GDP	Percent	11.9	10.7	10.8	10.9	10.8	10.7	10.6	11.4	11.9	10.8
Narrow Money Supply/GDP	Percent	17.0	17.5	17.0	17.3	17.4	18.9	19.9	17.8	16.3	16.2
Current Deposit/GDP	Percent	5.5	5.7	5.3	5.4	6.0	6.6	7.2	6.1	5.9	5.6
Broad Money Supply/GDP	Percent	50.0	51.7	51.0	53.0	54.3	60.7	63.8	68.8	67.3	69.2
Fixed and Saving Deposits/GDP	Percent	32.9	34.2	34.0	35.7	36.9	41.8	43.9	51.0	51.0	53.0
External Sector											
Export (Goods)	Annual % Change	6.4	8.0	8.9	2.6	-1.4	-0.2	14.2	-10.2	5.8	14.8
Import (Goods)	Annual % Change	15.8	9.6	9.7	16.3	12.0	14.0	28.2	31.6	5.8	15.0
Export/Import Ratio	Annual % Change	40.2	39.6	39.3	34.7	30.5	26.7	23.8	16.2	16.2	16.2
Trade Deficit	Annual % Change	23.1	10.7	10.2	25.1	19.2	20.2	33.3	44.6	5.8	15.0
Income from Tourism	Annual % Change	35.7	54.5	-42.3	-8.7	6.0	84.2	49.9	0.6	-12.5	26.7
Expenditure on Tourism	Annual % Change	7.7	62.4	-3.3	23.4	32.0	32.2	50.5	2.8	-14.4	-22.0
Remittance Income	Rs. In billion	54.2	58.6	65.5	97.7	100.1	142.7	209.7	231.7	253.6	330.9
Remittance Income	Annual % Change	14.0	8.1	11.9	49.0	2.5	42.5	47.0	10.5	9.4	30.5
Current Accounts Balance	Rs. In billion	11.6	14.6	11.5	14.2	-0.9	23.7	41.4	-28.1	-12.9	31.4
Export/GDP	Percent	10.1	10.0	10.0	9.2	8.2	7.3	6.9	5.1	4.7	4.7
Import/GDP	Percent	25.3	25.4	25.4	26.6	26.8	27.2	28.8	31.4	28.9	29.2
Total Trade/GDP	Percent	35.4	35.4	35.3	35.8	34.9	34.5	35.6	36.5	33.6	34.0
Trade Deficit/GDP	Percent	-15.1	-15.3	-15.4	-17.4	-18.6	-19.9	-21.9	-26.3	-24.2	-24.5
Income from Tourism/GDP	Percent	2.4	3.4	1.8	1.5	1.4	2.3	2.8	2.4	1.8	2.0
Expenditure on Tourism/GDP	Percent	1.3	1.9	1.6	1.8	2.2	2.6	3.2	2.7	2.0	1.4
Remittance Income/GDP	Percent	11.0	10.9	11.1	14.9	13.8	17.5	21.2	19.4	18.5	21.2
Current Accounts Balance/GDP	Percent	2.4	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	2.0
Balance of Payments	Rs in billion	4.4	16.0	5.7	25.6	5.9	29.7	44.8	-3.3	2.2	80.0
Foreign Exchange Reserves	Rs in billion	108.2	130.2	129.9	165.0	165.1	212.6	286.5	268.9	272.2	386.96 [@]
Foreign Exchange	Annual %	2.2	20.3	-0.2	27.0	0.1	28.8	34.8	-6.2	1.2	35.3

Fiscal Year		02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12*
Reserves	Change										
<i>Capacity of Reserves to cover Import of Goods</i>	Months	<u>10.7</u>	11.8	10.7	11.5	10.6	11.7	12.2	8.7	8.4	9.2
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	8.3
Exchange Rate**	Per US Dollar=Rs.	77.8	73.8	72.1	72.3	70.5	65.0	76.9	74.5	72.3	79.4

* Annual Preliminary Estimates (Based on 8 month data)

Base Year 2005/06

^Base Year 2001/02 = 100

& Base Year 2004/05 = 100

+ Base Year 1999/2000=100

% Change = Annual change in percentage

**Annual Average of buying and selling rates, 10 months average for the current fiscal year.

Including the data of development banks and finance companies since July 2010.

++Follows IMF GFS classification from FY 2011/12. This reclassification allocates capital grants into current expenditure and share and loan investment on public enterprises under financial management.

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 ECONOMY

Major Challenges of Economy

1. The economic growth rate of the country, a major indicator of economic development, has not been encouraging. The economic growth rate of country that averaged 3.51 percent over a decade has registered growth of 4.56 percent in the current fiscal year. Achieving the double-digit economic growth rate and creating a platform so as to make the nation economically prosperous has been a major challenge.
2. The poverty appears to be one of the country's major problems. One fourth of its total population still lives below the national poverty line. In this context, there lies a big challenge of reducing the poverty through poverty alleviation oriented programs to make the people economically and socially prosperous.
3. Agricultural production could not be increased as expected despite the fact the agriculture sector occupies one third space in country's GDP and provides employment opportunities to two third of its populace. Attention needs to be paid towards land management, enhancement of irrigation facility, and easy availability of chemical fertilizers, agricultural tools and improved seeds and seedlings, extension of agriculture credit facility, and marketing of agricultural produces in order to ensure the availability of essentiality of agricultural inputs.
4. The status of Industry sector has not been satisfactory. Though this sector was expected to grow in the post conflict situation, this could not be achieved due to lack of adequate investment, political transition and uneasy industrial relation. Hence, creating investment friendly environment for the industry sector by identifying both the domestic and foreign sources of investment and bringing policy, institutional and infrastructural improvements have been a challenge. Producing adequate human resource for this sector so as to facilitate the marketing of industrial outputs are also found to be equally important.
5. Foreign investments could not be attracted as desired despite appropriate policies in place. Though the country has entered into Bilateral Investment Promotion and Protection Agreement (BIPPA) and Double Taxation Avoidance Agreement (DTAA) with some countries

for the promotion of investment, investment has not been made as projected. Even the private sector has not come forward openly for such investment. Hence, special effort has to be made to attract both the foreign as well as private sector investors.

6. Energy crisis has been the largest obstacle for country's economic development. Despite country's huge water resource, all the economic and social activities have shrunk due to unavailability of adequate energy required to carry out such activities. Hence, enhancing investment through expeditious identification of appropriate electricity generation projects and easing policies while removing other difficulties related to such projects have remained as another challenges.
7. The country has not been able to generate enough employment opportunities for the labor force entering the labor market every year. This has increased unemployment rate in the country on one hand, while millions of youth are flying overseas for foreign employment on the other. Hence, providing employment opportunities to the available human resource is a big challenge.
8. The number of foreign employment seekers is surging up every year and the income from remittance is also growing at the same time. However, investment environment could not be created by converting such remitted amount into the capital. Therefore, it is necessary to make it a solid source of investment to mobilize in productive sectors.
9. The expenditure capacity of government agencies has not increased. The synchronization between budget allocation and expenditures is lacking. Efforts on increasing capital expenditure have not been successful. Hence, there is an urgent need to increase capital expenditures to expedite development works.
10. The task for prioritizing government expenditures has not been fully achieved. Though a number of projects/programs are in implementation, the consolidated and coordinated results from these projects could be obtained. Hence, urgency is sought to develop result oriented expenditure system by prioritizing the government expenditure and make public expenditure management effective.

11. Inflation rate is still high though its increasing trend could be curbed by a little. The pressure on price of imported goods was exerted due to the deflation of Nepalese currency against US Dollar during the current fiscal year. Containing the price within certain limit by raising export of domestically produced goods is another challenge.
12. The price hike of petroleum products in international market has affected the domestic inflation of the country. Emphasis should be given to the energy management thereby reducing high dependence over such petroleum products. Likewise, attention should be paid to the imports and distribution of petroleum products.
13. The increasing liquidity with commercial banks, lack of identification of new areas of investment, wide gap between lending and deposits have posed a great challenge. Hence, they have to be managed immediately.
14. Attention should be paid to quality improvement along with the growing number of banks and financial institutions. Increasing rural peoples' access to financial and insurance institutions has been another challenge. It is therefore, imperative to enhance institutional governance of banks and financial institutions and insurance companies.
15. The state of the capital market is still weak and investors are not fully confident either. Though there have been some progress felt in the peace process in the later days of mid-April, 2012, and the policy measures taken by the government in this regard have somehow helped improve the peace process, the situation is not yet fully promising. Hence, it is important to take additional initiatives in this regard.
16. Foreign trade deficit of Nepal is ever growing. Low production of export oriented goods and higher imports of consumable goods due to the rise in per capita income and change in consumption pattern of the people have been attributing factors to persistent trade deficit as such. To reduce this, production has to be increased while promotion of goods and services that are of comparative and competitive advantage should be emphasized.

17. Though the entire Nepal possesses potential for tourist destination, the country has not been able to develop this sector properly as desired. Despite the increasing number of tourist influx as a result of marking the year 2011 as Nepal Tourism Year, contribution of this sector to GDP has not yet been appreciating. Hence, it is imperative to develop tourism infrastructures and increase the number of quality tourists. Managing the national flag carrier airline has remained another challenge.
18. Proportionate development of physical infrastructures across the country could not be attained. All district headquarters are yet to have access to road transport facility. Other infrastructures are concentrated more on cities rather than on villages. Hence, it is necessary to put emphasis on the proportionate development of physical infrastructures.
19. Though social development indicators have been improving since last few years, it still cannot be claimed as fully satisfactory. Investments on health and education sectors need to be increased, while people's access to quality education and health services should be enhanced. The task to extend social security to all service recipients in a judicious manner has remained a challenge.
20. Enhancing productivity of Public Enterprises (PEs) is of utmost importance. Disputes within and outside PEs, lack of coordination, and weaknesses pertaining to production and distribution of goods and services have been the major problems of PEs. For the remedy of these problems, increasing productivity of PEs through overall restructuring of their economic, infrastructural and operational procedures has been the major challenge.
21. Though almost all aggregate economic indices have remained positive, Nepalese economy has not been able to attain dynamism as expected owing to the fact that construction sector remained weak coupled with the vulnerable capital market and real estate business. There is a challenge to make the economy dynamic by developing coordination of this sector with other sectors.
22. Public service delivery could not be enhanced as expected due to the prolonged political instability, flourishing lawlessness culture, and

weak governance. It is imperative to deliver service in a simple, easy and comfortable manner through capacity enhancement of service delivery agencies.

23. Hurdles in smooth project implementation, closure (*Bandhs*) and strikes like problems have delayed in achieving the expected results from projects. Problems as such can only be resolved through political consensus since these problems prevail mostly at time of political volatility.
24. To conclude, the prevailing political transition needs to end soon to smoothly carry forward economic agenda of the country collectively by coming all parties together has been a fundamental challenge.

1. ECONOMIC ACTIVITIES

1. Economic Activities

World Economy

Economic Growth Rate

- 1.1. World experienced a decline in economic growth rate in comparison to 2011 than in 2010. According to International Monetary Fund (IMF) published World Economic Outlook, the world economy that grew by 5.3 percent in 2010 grew only by 3.9 percent in 2011. Observation from regional perspective shows that except for Eastern and Eastern Europe, growth rate in all other regions slumped in 2011 than in 2010. Economic growth rate in the next year also is projected to remain low due to reasons like slower global economic recovery than expected; European debt crisis; natural disaster in Japan; sluggish economic recovery of emerging economies of the world; rise in the price of petroleum products, which is the most necessary source of energy for the people's livelihood; and persistent recession in the real estate business in Europe.
- 1.2. According to the same document of IMF, world economy is estimated to grow by 3.5 percent in 2012, expected to record higher growth rates in succeeding years. Amid projection of economic slowdown throughout all regions of the globe, growth rate of Central and Eastern Europe is estimated to fare worse in 2012. May be due credit to debt crisis of Europe, economic growth rate of Central and Eastern Europe, which stood at 5.3 percent in 2011 is projected to be just 1.9 percent in 2012. Of the developed countries, despite some recovery seen in the economic growth of EU member countries in 2010 as compared to 2009, it again slipped to 1.5 percent in 2011 projected at 0 percent in 2012, there is a possibility of these countries to fall in the Zero Growth Trap. Some Middle East and African countries are expected to record positive economic growth in 2012 in comparison to 2011. The trend of global economic growth is presented in the Table 1 (a) below:

Table 1 (a) World Economic Growth Rate*(Annual percentage change)*

	2009	2010	2011	Forecast		
				2013	2013	2017
World Output	-0.6	5.3	3.9	3.5	4.1	4.7
Advanced Economies	-3.6	3.2	1.6	1.4	2.0	2.7
Emerging and developing Economies	2.8	7.5	6.2	5.7	6.0	6.3
Developing Asia	7.1	9.7	7.8	7.3	7.9	7.9
Middle-East and North African	2.7	4.9	3.5	4.2	3.7	4.4
Central and East European Countries	-3.6	4.5	5.3	1.9	2.9	4.0
EU member countries	-4.2	2.0	1.6	0.0	1.3	2.1

Source: International Monetary Fund, 2012

- 1.3. Growth rate of all South Asian countries except Maldives and Sri Lanka declined in 2011. Growth rate of Bhutan and India, who recorded double digit growth rate of 10 percent in 2010, has also declined. Such decline in growth rate can be attributed to the declined growth the countries of Europe and America have been facing as this region cannot remain untouched by the growth trend in those countries. Likewise, economic growth of China, the close neighbor of South Asian countries able to maintain an outstanding double digit growth rate in the decade of 2000, has also declined in 2011. Table 1 (b) below depicts the growth trend of neighboring countries.

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

Country	2009	2010	2011	Forecast		
				2012	2013	2017
Afghanistan	21.0	8.4	5.7	7.2	5.8	6.6
Bangladesh	5.9	6.4	6.1	5.9	6.4	7.3
Bhutan	6.7	10.6	5.9	7.0	9.9	4.0
India	6.6	10.6	7.2	6.9	7.3	8.1
Maldives	4.7	5.7	7.4	4.4	3.5	3.5
Nepal	4.4	4.6	3.5	4.2	3.8	3.9
Pakistan	1.7	3.8	2.4	3.4	3.5	3.5
Sri-Lanka	3.5	8.0	8.2	7.5	7.0	6.2
China	9.2	10.4	9.2	8.2	8.8	8.5

Source: International Monetary Fund, 2012

Consumer Price

- 1.4. The year 2011 surge in global aggregate demand with sign of Economic recovery from the recession of 2007-2009 exerted pressure on price globally. Global consumer price rise is observed in comparison to 2010 with the surge in the price of petroleum products and food grains as the reflection of the European debt crisis seen lately, and disturbed peace in Africa and Middle East . Countries dependent on imported goods and services are facing the inflation pressure as US Dollar started getting stronger from 2011 and rise in the prices of precious metals including gold. The rate of price rise has been stable in Central and Eastern European countries in 2011 in comparison to 2010. The trend of CPI-based global monetary inflation is given in Table 1 (c) below:

Table 1 (c) : CPI Based Global Inflation Rate

(Percent)

Region	2009	2010	2011	Forecast		
				2012	2013	2017
Developed Economies	0.1	1.5	2.7	1.9	1.7	1.9
Emerging and Developing Economies	5.2	6.1	7.1	6.2	5.6	4.5
Developing Asia	3	5.7	6.5	5	4.6	3.6
Middle East and North African Countries	6.6	6.9	9.6	9.5	8.7	6.9
Central and East European Countries	4.7	5.3	5.3	6.2	4.5	3.8
EC Member Countries	0.9	2	3.1	2.3	1.8	1.9

Source: International Monetary Fund, 2012

- 1.5. The effect of global inflation has also affected South Asian countries, as these countries have to depend on other countries for trading, and also due to price rise of precious metal, and petroleum products. However, the double digit inflation rate South Asian countries had been experiencing some years back is contained at the single digit in recent years. Moreover, double digit inflation still persists in Afghanistan, Bangladesh, Maldives and Pakistan. Inflation rate in China, which contained at the lower rate, has increased by 2.1 percent in this year. 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*(Percent)*

Country	2009	2010	2011	Forecast		
				2012	2013	2017
Afghanistan	-12.2	7.7	11.2	4.5	5.0	5.0
Bangladesh	5.4	8.1	10.7	10.4	7.9	4.8
Bhutan	4.4	7.0	8.6	8.4	7.3	5.5
India	10.9	12.0	8.6	8.2	7.3	4.0
Maldives	4.0	4.7	12.1	11.5	8.3	3.0
Nepal	12.6	9.5	9.6	7.8	7.7	5.5
Pakistan	17.6	10.1	13.7	12.0	12.5	14.0
Sri-Lanka	3.5	6.2	6.7	7.5	8.0	6.0
China	-0.7	3.3	5.4	3.3	3.0	3.0

*Source: International Monetary Fund, 2012***Net Aggregate Domestic Demand**

1.6. The decreasing net aggregate demand of developed and industrialized countries indicates of the global economy not yet heading towards positive direction. Fall In post global recession (2007-09) production and employment in developed and industrialized countries has adversely affected the growth of net aggregate demand. IMF has made a forecast of some increase in such demand in general, the report expects further deterioration of demand in European countries. Demand in Italy and Spain among the European countries, demand and Italy and Spain is estimated to record negative growth. Table 1 (e) below gives change in trend of net aggregate demand in some of the European countries.

Table 1 (e) Net Aggregate Demand*(Annual Percentage change)*

Region	2009	2010	2011	Forecast		
				2012	2013	2017
Developed Economies	-3.6	3.2	1.6	1.4	2.0	2.7
United States of America	-3.5	3.0	1.7	2.1	2.4	3.3
European Countries	-4.3	1.9	1.4	-0.3	0.9	1.7
United Kingdom	-4.4	2.1	0.7	0.8	2.0	2.8
Canada	-2.8	3.2	2.5	2.1	2.2	2.2
Japan	-5.5	4.4	-0.7	2.0	1.7	1.1
Emerging Industrial Asian Economies	-0.7	8.5	4.0	3.4	4.2	4.3

Source: International Monetary Fund, 2012

- 1.7. Decline in net aggregate demand has its adverse effect in overall economy as it causes reduction in economic activities reflecting in the form of decline in trade, production and employment. Especially, drop in demand of countries having trade relationship with developed countries causes drop in exports on one hand and demand in those countries for foreign employment seeking labors falls, on the other adversely affecting countries with small economies like Nepal. As domestic demand in those countries does not seem to improve notably even in 2012, its effect seems to linger. However, improvement in demand situation is expected with gradual global economic recovery taking place.

World Trade

- 1.8. The effect of fall in domestic demand in developed countries is visible also in the world trade. In comparison to 2010, the volume of globally traded goods and services has hugely declined in 2011. For instance, the volume of total goods traded in 2011 increased by 5.8 percent as compared to 12.9 percent increase in 2010. Both the global export and export have declined. Such shrink in trading activities of developed countries, however, has helped improve balance of trade of the emerging and developing economies. Trade balance of such countries reached 3.2 percent in 2011 from 2.0 percent in 2010. Goods and services equivalent to USD 21,982 billion were traded globally in 2011. Table 1 (f) below depicts the trend of world trade.

Table 1 (f): Status of World Trade

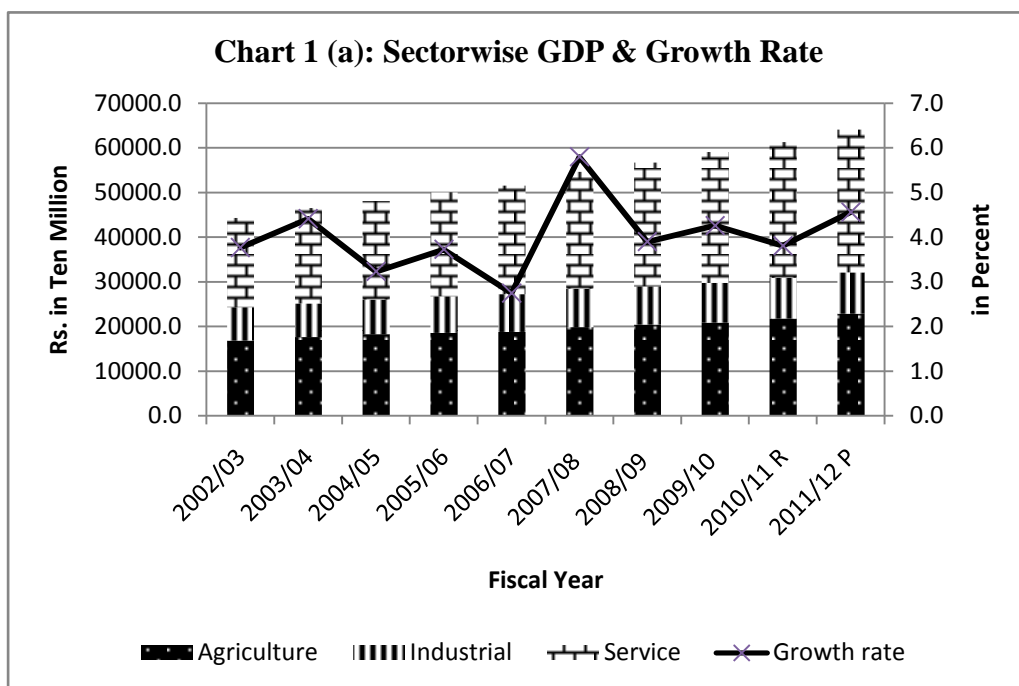
(Annual percentage change)

		2009	2010	2011	Forecast	
					2012	2013
Total Trade Volume	World	-10.5	12.9	5.8	4.0	5.6
Export	Developed Economies	-11.5	12.2	5.3	2.3	4.7
	Emerging and developing economies	-7.7	14.7	6.7	6.6	7.2
Import	Developed Economies	-12.2	11.5	4.3	1.8	4.1
	Emerging and developing economies	-8.1	15.3	8.8	8.4	8.1
Trade Balance	Developed Economies	2.3	-1.0	-1.7	-0.9	0.1
	Emerging and developing economies	-4.3	2.0	3.2	0.6	-1.1
Total Trade Amount (Billion USD)		15,755.0	18,758.0	21,982.0	22,763.0	23,980.0
Amount of Total Goods Traded (Billion USD)		12,383.0	15,084.0	17,958.0	18,642.0	19,600.0

Source: International Monetary Fund, 2012

National Economy

- 1.9. As per preliminary data, GDP in fiscal year 2011/12 is estimated at growth to grow at 4.5 percent at the base price and 4.63 at producers' price against the target of 5.0 percent set for the year. In the previous fiscal year, GDP growth rate stood at 3.81 percent and 4.26 percent at the base price in fiscal years 2010/11 and 2009/10 respectively. Non-agriculture GDP could grow only by 4.27 percent due to ever extending political transition, problems in industrial environment, lack of private investment, and energy crisis.
- 1.10. From GDP growth perspective, the past decade was not encouraging for Nepal. GDP growth rate that had recorded 5.8 percent in fiscal year 2007/08 hovered around 4.0 percent in other years. For instance, GDP rate In the fiscal year 2006/07 grew at merely 2.8 percent. The GDP growth rate In the past decade 3.51 percent on an average, while sector-wise growth also was not encouraging with 3.18 percent, 2.14 percent, and 4.52 percent growth rates in agriculture, industry, and services sectors respectively. In the preceding years, growth rate of the industry sector has been decreasing while that of the services sector has been increasing.



Agriculture sector

- 1.11. Favorable and sustained monsoon rain has been helpful to the Paddy (rice) crop, winter rain was also adequate, improvement in distribution of chemical fertilizers, expansion of seed and technology have helped on achieving growth rate of 4.93 percent in the agriculture sector as compared to 4.51 percent growth in the previous year.
- 1.12. Rice plays important role in agriculture. Production of rice notably 14.0 percent as compared to the previous year reaching 5,072,249 MT with due credit to favorable monsoon. Acreage under the rice cultivation also increased by 2.3 percent in this year. Among major food crops, Maize, wheat, millet, barley, and buckwheat respectively occupy places after rice. Production of these crops in this current fiscal year is estimated to have increased by 5.4 percent, 5.9 percent, 4.1 percent, 14.9 percent, and 13.3 percent respectively. Likewise, cultivation acreage under these crops is also estimated to have increased by 3.0 percent, 0.3 percent, 3.0 percent, 2.1 percent, and 0.3 percent respectively. Among monsoon food crops, yield growth rate than rice and barley, however, have decreased this year. In all, production of major food crops in this year grew by 9.9 percent totalling 9,459,594 MT.
- 1.13. Agriculture and forestry sub-sector is estimated to grow by 4.9 percent in this year as compared to 4.5 percent in the previous year, while growth rate in preceding five years had averaged 2.3 percent only. In this year, food crops by 6.4 percent, fruits by 5.1 percent, meat and milk by 3.0 percent, and other animal-based products of this subsector are estimated to grow by 6.0 percent.

Fishery

- 1.14. Growth rate of fishery in FY 2010/11 is estimated at 8.8 percent. Its growth rate in the previous year was 6.9 percent only. Growth rate of this sub-sector in the preceding five years had averaged 5.2 percent.

Non-Agriculture Sector

- 1.15. Non-Agriculture sector is estimated to grow by 4.7 percent in the current fiscal year. In the preceding five years growth rate of this sub-sector had averaged 4.7 percent whereas it grew only by 3.4 percent. Growth rate of non-agriculture sector recorded improvement as growth

of the services sector, which is a component of this sub-sector, recorded a positive growth in this year as compared to the previous fiscal year. In this year, growth rates of mining and exploration, wholesale and retail trade, hotel and restaurant, Transport and Communications, financial intermediation, education and health, and social sector seem to improve from the previous year while growth rate of construction and industry are expected to decrease.

Mining and Quarrying

- 1.16. According to preliminary estimate, mining and exploration sector will grow by 5 percent. In the previous year, this sector grew only by 3.6 percent. Growth rate of this sub-sector in the preceding five years had averaged 2.4 percent only.

Manufacturing

- 1.17. Progress of this sub-sector is not satisfactory. Nonetheless, this sub-sector which recorded negative growth rates in FY 2007/08 and 2008/09, has shown some improvement in succeeding years. Production of this sub-sector, which grew by 2.3 percent in FY 2010/11, is estimated to slump to 1.9 percent in this fiscal year. According to industrial index, growth rate of this sub-sector has been on the lower side due to decreased production of textiles, leather and wears made from synthetics, plywood, clothes and dairy products. However, production of jute and jute products, carpet and paint, bread, sugar, and leather associated products seem to record positive growths.
- 1.18. The industry sector has been in crisis since long due to lack of improvement in industrial environment, persistent energy crisis, extension of political transition period, failure on convincing the private and international investors for investment. A mere 1.2 percent annual average growth rate of this sector since last five years clearly shows disappointing state of this sub-sector. 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

- 1.19. Output of this sector, which was negative in the previous year, is estimated to grow by 7.4 percent in this fiscal year. Though average annual growth rate of this sub-sector for preceding five years had been

positive by 2.4 percent, such growth rate is not satisfactory. Contribution of this sub-sector to GDP seems to increase in the coming years if this year's growth rate could be maintained.

Construction Sector

- 1.20. Growth rate of the construction sector has been fluctuating. This sector fails to demonstrate any definite growth for the last five years. Output of this sector for the past five years averaged 3.9 percent recorded growth of 4.8 percent in FY 2010/11, but seems to go negative in this fiscal year. Output of this sector in the current fiscal year is estimated to downslide by 0.07 percent as compared to the previous year. Recession in real estate business; cautious approach of banks and financial institutions on credit flow to real estate business; interest rate hike on credit flow of banks and financial institutions, and stunted growth in government capital expenditure against expectation has contributed to lesser growth rate of this sector. Reversal of such negative growth in this sub-sector is necessary as it adversely affects construction related employment and production of raw materials.

Wholesale and Retail Trades

- 1.21. Output of wholesale and retail traded is expected to increase in this fiscal year in comparison to the previous year. According to preliminary estimates this sub-sector is estimated to grow by 3.8 percent in this fiscal year as compared to 1.2 in the previous year. This sector grew only by 2.3 percent in preceding five years. It is because of its growth rate was negative in fiscal year 2006/07. Four fiscal years succeeding to 2006/07 recorded average growth rate of 4.33 percent. The gradual rising trend of growth rate of this sub-sector since FY 2007/08 again slumped in FY 2010/11 due mainly to lower growth of import trade. Since, import has improved and agricultural production has also increased in this fiscal year, this sub-sector is also expected to record growth. Among sub-sectors, it is the largest contributor to GDP. This sub-sector's contribution in this fiscal year is estimated at 12.9 percent at constant prices of 2000/01.

Hotel and Restaurant

- 1.22. Growth rate of hotel and restaurant has been satisfactory due to increase in per capita income, influence of urbanization, change in people's

lifestyle and their food habits. Growth rate of this sub-sector, which slumped just once in 2008/09 in the past five years, has been gradually improving since then. Average growth rate of this sector for preceding five years has been 5.3 percent, and 7.4 percent in FY 2010/11. Growth rate of this sub-sector is estimated to climb to 8.4 percent this year.

Transport, Communications, and Warehousing

- 1.23. According to preliminary estimate, output of this sector will grow by 6.8 percent in the current fiscal year 2011/12. Notable growth in transactions of the communications sub-sector is the main reason behind such improved growth. In the previous fiscal year, this sector grew at 5.7 percent with an average growth rate of 6.6 percent in the preceding five years.

Financial Intermediation

- 1.24. This sub-sector has not been able to maintain the growth rate as achieved in the past. Growth rate this sub-sector achieved in FY 2005/06 was 24.4 percent, and 11.4 percent in FY 2007/08 averaging 5.8 percent in preceding five years. Its growth rate has been 3.3 percent in FY 2010/11 with preliminary estimated growth of 3.5 percent in the current fiscal year 2011/12. This sub-sector encompasses financial transactions of Nepal Rastra Bank, commercial banks, development banks in the banking sector, financial institutions, cooperatives, and microfinance institutions. Likewise, the sub-sector also covers transactions of Insurance Committee, life and non-life insurance. In addition, it covers transactions of social security group like Security Board of Nepal, Employees Provident Fund, and Civil Investment Trust. Growth rate of this sub-sector could not rise due to problems in some banks and financial institutions lately. Likewise, lack of investment due to failure to identify adequate areas for investment has also contributed to lesser growth of this sub-sector.

Real Estate, Rent and Professional Services

- 1.25. Output of this sub-sector in FY 2011/12 is estimated to grow by 2.97 percent as compared to 2.27 percent growth in the previous year. Since last few years, this sub-sector had started experiencing lower growth rate due to policy adoption towards restraining the possibility of unrealistic price rise and transactions in the real estate business. In FY

2006/07, this subsector grew by 11.8 percent as compared to its preceding fiscal year. This sub-sector averaged the annual growth rate of 5.9 percent in the preceding five years. Growth of this sector in this sub-sector in this year is attributable to adoption of some policy measures in the area of real estate transactions.

Public Administration and Defense

- 1.26. Based on budgetary allocation and expenditures on public administration and defense of the central government in this fiscal year, output of this sub-sector is estimated to increase by 5.6 percent. Growth in output of this sector in the previous fiscal year stood at 3.8 percent while annual average growth rate of this sector in the preceding five years remained at 3.4 percent.

Education

- 1.27. Output of the education sub-sector is expected to increase in this fiscal year as compared to the previous fiscal year as a result of budgetary allocation and investments in education sector, and also due to changes occurred in this sector through private and non-government sector operations. The sub-sector, which grew by 2.97 percent in FY 2010/11 is estimated to achieve the growth of 4.97 percent in the current fiscal year 2011/12. Annual average output of this sub-sector for the preceding five years was 6.0 percent.

Health and Social Works

- 1.28. Output of this sub-sector, in comparison to the previous fiscal year, has recorded growth in this year as a result of government investment, and augmentation in transactions of the private and non-government sectors. According to preliminary estimates, this sector will achieve a growth rate of 5.5 percent as compared to 5.3 percent in the previous fiscal year. This sector had averaged annual growth rate of 6.9 percent in preceding five years.

Other Community, Social and Personal Services

- 1.29. Output of this sub-sector, which achieved double digit growth rate in three out of the previous five years, is expected to increase by 9.1 percent than in the previous fiscal year. This sub-sector comprises Government availed community services and other community and

professional services. Reason for this estimated growth in FY 2011/12 is due to central and local governmental budgetary allocations made for communities and social services, and inclusion of economic activities of the private sector operated entertainment programs like television and FM. This sub-sector grew at 8.0 percent in the previous fiscal year while it had averaged growth rate of 12.3 percent in the preceding five years.

Sector-wide Detail

- 1.30. Analysis upon classification of GDP into three major sectors, i.e. Primary, Secondary and Tertiary shows that growth rate of Primary sector (agriculture and forestry, fishery, mining and exploration) is estimated at 4.93 percent in FY 2011/12. Growth rate of this sector in the previous year stood at 4.5 percent while annual growth rate averaged 3.3 percent.
- 1.31. According to preliminary estimate, the Secondary sector is expected to grow marginally by 1.6 percent in FY 2011/12 than in the previous year. This sector covers industrial production, electricity, gas and water, and construction sub-sector outputs. Reason for such reduced growth rate is the decreased growth in industrial output, and negative growth rate of construction sub-sector. Growth rate of this sub-sector in FY 2010/11 stood at 2.9 percent while average annual growth rate in the preceding five years was 2.4 percent.
- 1.32. The service sub-sectors dominated Tertiary sector has recorded a growth in the current fiscal year. In FY 2010/11 this sub-sector grew only by 3.6 percent in comparison to its previous year, while according to preliminary estimate, it is expected to grow by 5.1 percent this year. This sub-sector averaged annual growth rate of 5.45 percent in the preceding five years.

Structure of GDP

- 1.33. Statistics reveal gradual changes occurring in the GDP structure of Nepalese economy. Decreasing trend of contribution of agriculture and industry and increasing that of services sector is apparently visible. From sector perspective, Primary sector contribution to GDP in this current FY 2011/12 at current prices is estimated at 35.68 percent. Such contribution is less by 1.75 percentage point than in the previous fiscal

year. Share of this sector in GDP was 37.01 percent in the fiscal year 2000/01, which gradually came down in succeeding years. But, contribution of this sector increased in the fiscal year 2010/11. GDP share of sector averaged 34.43 percent in preceding five years. Reason for decline in ratio of contribution of this sector to GDP in this fiscal year is higher rate of growth in the service sector despite the growth in agricultural production.

- 1.34. Contribution of the Secondary sector to GDP has been gradually coming down. This sector shared 16.86 percent of GDP in FY 2000/01 at current prices, which is estimated to be contained at 14.02 percent in this fiscal year from 14.29 percent in the previous fiscal year. Reason of such decreasing trend is attributable to decline in the industry and construction activities in this fiscal year. Share of this sector in GDP averaged 15.31 percent in preceding five years.
- 1.35. Despite gradual rise in contribution of the Tertiary sector to GDP, it slightly came down in Fiscal years 2009/10 and 2010/11. This sector shared 46.13 percent of GDP in 2000/01 at current prices, which grew to 48.28 percent in FY 2010/11. The sector's share is estimated to rise further by 2.03 percentage points reaching 50.31 percent. Reason for this sector's comparative increase in the share of GDP is due to growth in outputs of wide ranging sub-sectors including business, hotel and restaurant, transport, communications, financial intermediation, real estate transaction, public administration and defense, education, health, and other community social and personal services.
- 1.36. GDP classification into agriculture and non-agriculture sectors as per industrial classification reveals the declining trend of contribution of agriculture while share of non-agriculture sector has increased to some extent. Contribution of this sector to GDP in FY 2000/01 was 36.6 percent, which is estimated at 35.1 percent in the current fiscal year 2011/12 slipping from 36.9 percent in FY 2010/11. Share of this sector in GDP in the preceding five years averaged 33.9 percent. Observation of data shows that the share of agriculture sector dropped to 31.7 percent in FY 2007/08, while it stood highest in FY 2010/11 with 36.9 percent. Despite increased agricultural production in this fiscal year, its contribution to GDP appears low due to higher growth rate achieved in the services sector under the non-agriculture category.

Consumption

- 1.37. Analysis of GDP from expenditure angle shows that share of GDP consumed is on increase. The share of consumption to GDP in FY 2000/01 at current prices that stood at 88.3 percent, which shot up to 91.4 percent in FY 2010/11 has slightly come down to 90.0 percent in the current fiscal year 2011/12. Share of the private sector in consumption that stood at 79.0 percent in FY 2000/01 decreased to 78.0 percent in the current fiscal year 2011/12 with slippage of 0.98 percentage point. Such share stood at 80.0 percent in the previous fiscal year. Likewise, share of the government consumption to GDP that stood at 8.1 percent in FY 2000/01 rose by 2 percentage points reaching 10.2 percent in the current fiscal year 2011/12. Government had consumed 9.6 percent of GDP in the previous fiscal year 2010/11.
- 1.38. Private sector shared 86.4 percent of the total consumption in the current fiscal year, which was 89.5 percent in FY 2000/01. Of the total government consumption of GDP in the current fiscal year, share of the government stood at 11.4 percent while consumption of non-profit institutions has been 1.9 percent. Food grain tops among the private sector consumption. For example, consumption of food items in 2000/01 that stood at 59.0 percent gradually rose to 62.7 percent by the fiscal year 2010/11 and remained constant in the current fiscal year. Consumption of services sector, however, has decreased despite growth of this sector. Share of services sector consumption that was 12.3 percent in FY 2000/01 has come down to 11.0 percent by the current fiscal year 2011/12. Household consumption of GDP at current prices has slipped by 1.7 percentage points totalling 83.3 percent.
- 1.39. Compared to the previous fiscal year, gross consumption in FY 2011/12 at constant prices of 2000/01 is estimated to reach Rs. 609.0 billion with increase of 3.6 percent. Of this total, government consumption expenditure and private consumption expenditure increased by 12.5 percent and 2.6 percent amounting to 65.48 billion and 530.0 billion respectively. On private consumption side, expenditures on consumption of food items, non-food items, and services increased by 2.9 percent (Rs. 295.0 billion), 2.7 percent (Rs. 165 billion), and 1.1 (Rs. 70.28 billion) respectively. Shares of food and non-food items and services of private consumption expenditure in this fiscal year stood at 55.6 percent, 31.1 percent and 13.2 percent respectively as compared to

55.5 percent, 31.1 percent and 13.4 percent respectively in the previous fiscal year.

- 1.40. The share of exports in GDP that was 10.7 percent in FY 2000/01 has dropped to be negative by 22.8 percent by the current fiscal year 2011/12. It was 23.9 percent in the previous fiscal year. It depicts rising trade deficit and share of such deficit getting added to GDP.
- 1.41. Import of goods and services share 32.6 percent of GDP, which is lower by 0.6 percentage points from FY 2000/01 and 0.2 percent lower from the previous fiscal year. Similarly, share of goods and services export has dropped significantly. Such share that was 22.6 percent in FY 2000/01 has slid to 8.9 percent in the previous fiscal year and 9.8 percent in the current fiscal year 2011/12.

Saving

- 1.42. The share of Gross Domestic Saving to GDP has improved in this year by 1.36 percentage points as compared to the previous fiscal year reaching 9.98 percent. Such share in FY 2000/01 was 11.66 percent, and 11.52 percent in FY 2009/10. Gross domestic saving in the current fiscal year at current prices is estimated at 155.0 billion, which was Rs. 118.0 billion the previous fiscal year. The share of Gross National Saving to GDP increased from 31.6 percent in the previous fiscal year by 5 percentage points in the current fiscal year reaching 36.6 percent. Gross national saving in the current fiscal year is estimated at 571.0 billion from the previous year's 433.0 billion.

Capital Formation and Investment

- 1.43. Capital formation in the fiscal year 2011/12 is estimated to grow by 14.6 percent at current prices reaching Rs. 510.59 billion. In the previous fiscal year such capital formation had decreased by 2.6 percent totalling Rs. 445.32 billion. Likewise, gross fixed capital formation in the current fiscal year is estimated to grow by 5.1 percent totalling 305.68 billion. In the previous fiscal year, gross fixed capital formation had increased by 9.7 percent reaching Rs. 290.69 billion.
- 1.44. In the previous fiscal year, gross capital formation grew by 1.2 percent totalling Rs. 220.69 billion, while gross fixed capital formation slipped by 4.9 percent totalling 121.31 billion. In the fiscal year 2010/11, gross capital formation and gross fixed capital formation decreased by 8.6

percent and 0.2 percent totalling 220.69 billion and Rs. 127.50 billion respectively. Share of gross fixed capital formation in the previous fiscal year, which was 57.9 percent, is estimated to contain at 54.4 percent in the current fiscal year.

- 1.45. The share of gross investment to GDP in the current fiscal year 2011/12 is estimated at 32.8 percent. Such share in FY 2000/01 that stood at 19.2 percent is estimated by increase in the current fiscal year by 0.4 percentage points reaching 19.6 percent. In the previous fiscal year, it was 21.2 percent. The remaining portion of gross capital formation (including statistical error) is covered by change in reserves. Of gross capital formation in the current fiscal year, contribution of the private sector and the government is estimated at 77.97 percent and 22.03 percent respectively. Such contribution, which was 78.69 and 21.31 percent in FY 2000/01, stood at 76.99 and 23.01 percent in the previous fiscal year.

Income Per Capita

- 1.46. Per capita income of Nepalese has risen. Per capita GDP at current prices has increased by 12.2 percent reaching Rs. 57,726. Likewise, gross national income per capita also grew by 12.7 percent reaching 58,274. Such growth in per capita GDP and gross national income per capita at current prices, however, has been 3.2 percent and 3.3 percent reaching Rs. 24,908.0 and 25,393 respectively.

Gross National Disposable Income

- 1.47. Disposal income of Nepalese has been on increase since past few years. Such income in the fiscal year 2011/12 is estimated to grow by 17.2 percent totalling Rs. 1.974 trillion at current prices. This growth is due to increase in remittance income for the last few years. In the current fiscal year, GDP at current prices is estimated to grow by 13.8 percent reaching Rs. 1.558 trillion. As compared to its preceding fiscal year, disposable income in FY 2010/11 rose by 13.4 percent, while GDP grew by 14.7 percent totalling Rs. 1.685 trillion and 1.369 trillion respectively.
- 1.48. Based on gross national disposable income, ratios of consumption vs. national saving come out to 71.1 percent vs. 28.9 percent respectively. Such ratio in FY 2010/11 was 74.2 and 25.8 percents respectively. In

the previous fiscal year, growth rates of all among GDP, Gross National Income, Gross National Disposable Income, Gross Domestic Saving and Gross National Saving had decreased, while in the current fiscal year, except for GDP and Gross National Income, all others are estimated to record growth. Saving in this year is estimated to increase as the share of consumption expenditure to GDP has been lower than in the previous fiscal year.

2. PUBLIC FINANCE

2. Public Finance

Structure of Public Finance

- 2.1. Total expenditure of Nepal Government in the fiscal year 2010 /11 was Rs. 295.36 billion. Of this, 57.7 percent was recurrent, and 36.5 percent capital expenditure while 5.8 percent accounted for repayment of principal. Looking at the expenditure trend of the past years, the share of recurrent expenditure in total expenditure remained close to 60 to 62 percent between fiscal years 2002/03 and 2005/06 while such ratio has declined in subsequent years, which is considered as positive from public financial management perspective. The share of capital expenditure in total expenditure was about 26 percent between fiscal years 2002/03 and 2005/06 while it showed gradual improvements in the subsequent years reaching 36.5 percent in the fiscal year 2010/11. Similarly, revenue mobilization covered about 63 to 70 percent of the total expenditure between fiscal years 2002/03 and 2009/10. During this period, average gross revenue grew by 17.5 percent, while average growth rate of gross expenditure stood at 17.3 percent.

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

(In percentage)

Description	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Current	62.0	62.1	60.1	60.4	57.7	56.7	58.2	58.2	57.7
Capital	26.6	25.8	26.7	26.7	29.7	33.2	33.3	34.7	36.5
Principal Repayment	11.4	12.1	13.2	12.9	12.5	10.2	8.6	7.1	5.8
Receipts	80.4	82.3	82.4	77.7	77.5	79.3	77.3	84.1	83.2
Revenue	66.9	69.7	68.4	65.2	65.7	66.7	65.3	69.3	67.7
Foreign Grant	13.5	12.6	14.0	12.5	11.8	12.6	12.0	14.8	15.5
Saving (+) Deficit (-)	-19.6	-17.7	-17.6	-22.3	-22.5	-20.7	-22.7	-15.9	-16.6
Foreign Loan	5.4	8.5	9.0	7.4	7.5	5.6	4.5	4.3	4.1
Domestic Loan	10.6	6.3	8.7	10.7	13.4	12.7	8.4	11.5	14.4
Change in Cash Reserves (-) Saving	3.6	2.9	-0.2	4.3	1.6	2.4	9.8	0.02	-1.7

Source: Financial Comptroller General's Office

- 2.2. The average fiscal deficit increased by 16.5 percent from the fiscal year 2002/03 to 2009/10. During the same period, share of fiscal deficit in the total expenditure continued to decline from 19.6 percent in the fiscal

year 2002/03 to 17.6 percent in 2004/05, which has further declined to 16.8 in the fiscal year 2010/11. Of the resources of financing of fiscal deficit in the fiscal year 2002/03, the share of Domestic Borrowings was 54.0 percent. The share of Domestic Borrowing reached 85.7 percent during the fiscal year 2010/11. Cash balance after repayment of foreign loans is reflected as change in reserve deficit.

- 2.3. The ratio of both gross expenditure and revenue to GDP decreased in the fiscal year 2010/11 as compared to that of 2009/10. The ratio of Government Expenditure that was 22.2 percent in the fiscal year 2008/09 stood at 21.6 percent in the fiscal year 2010/11. The revenue ratio in the current fiscal year is 14.6 percent against 15.4 percent in the previous fiscal year. The gap between revenue mobilization and total expenditure rose to 7.0 percent from 6.8 percent in the fiscal year 2009/10.

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

(In percentage)

Description	Fiscal Year								
	2002/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
Recurrent Expenditure	10.6	10.3	10.5	10.2	10.6	11.2	12.9	12.9	12.4
Capital Expenditure	4.5	4.3	4.6	4.5	5.5	6.6	7.4	7.7	7.9
Principal Repayment	1.9	2.0	2.3	2.2	2.3	2.0	1.9	1.6	1.3
Total Expenditure	17.1	16.7	17.4	17.0	18.4	19.8	22.2	22.2	21.6
Revenue Mobilization	11.4	11.6	11.9	11.1	12.1	13.2	14.5	15.4	14.6
Revenue and Expenditure Gap	5.6	5.1	5.5	5.9	6.3	6.6	7.7	6.8	7.0

Source: FCGO and CBS

- 2.4. Revenue surplus is considered as a sustainable source of financing the capital expenditure and principal repayments. The ratio of revenue surplus to the capital expenditure and principal repayments in the fiscal year 2009/10 was 26.6 percent stood at 23.6 percent in 2010/11. This ratio is less by 3.0 percentage point as compared to the previous fiscal year. Of the sources to finance capital and principal repayments, the

share of foreign grants in the fiscal year 2010/11 increased by 1.2 percentage point reaching 36.7 percent. Additionally, such ratio of deficit financing in the fiscal year 2010/11 increased by 1.8 percentage point reaching 39.7 percent as compared to the previous fiscal year.

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

(in million Rs.)

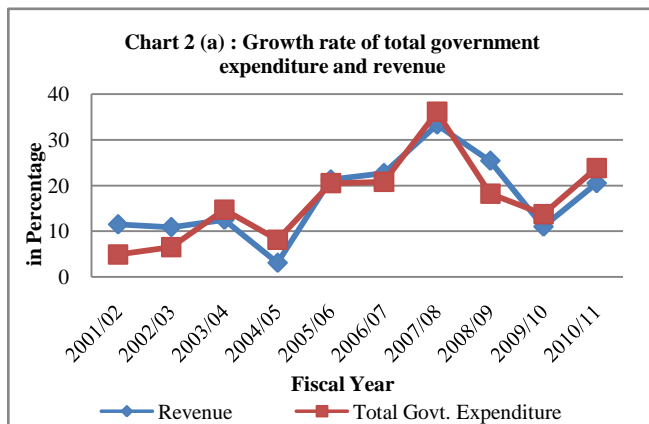
Heads	2003/05	04/05	06/07	07/08	08/09	09/10	10/11	2011/12
Total Capital and Principal Repayment Expenditure	33890.5	40874.0	43871.4	56482.2	69903.0	91923.0	108670.0	125068.0
A. Capital Expenditure	23095.6	27340.7	29606.6	39729.9	53516.1	73088.9	90237.7	107847.5
B. Principal Repayment Expenditure	10794.9	13533.3	14264.8	16752.3	16386.9	18834.1	18432.3	17220.5
Expenditure Bearing sources (in percent)								
A. Revenue Surplus	20.0	20.6	12.0	18.7	23.1	17.1	26.6	23.6
B. Foreign Grant	33.3	35.2	31.5	28	29.1	28.7	35.5	36.7
C. Sources of Deficit Financing	46.7	44.2	56.5	53.3	47.8	54.2	37.9	39.7
A. Foreign Loan	(22.5)	(22.7)	(18.8)	(17.8)	(12.9)	(10.8)	(10.3)	(9.7)
B. Domestic Borrowing	(16.5)	(21.9)	(26.9)	(31.7)	(29.3)	(20.0)	(27.5)	(34.0)
C. Change in Reserves	(7.7)	(0.4)	(10.8)	(3.8)	(5.6)	(23.3)	(0.1)	(4.0)

Source: FCGO

2.5. Of the sources of deficit financing, the share of foreign loan stood at 9.7 percent, share of domestic borrowings at 34.0 percent and the share of change in reserves 4.0 percent in the fiscal year 2010/11. The share of foreign loan was notable from the fiscal year 2004/05 up to 2006/07. In the fiscal year 2010/11, of the sources to finance capital and principal repayments, the share of revenue surplus stood at 23.6 percent, share of foreign grants 36.7 percent, and the share of deficit financing remained at 39.7 percent. The share of revenue surplus in the fiscal year 2010/11 is less by 3.0 percentage points than that of FY 2009/10 while share of foreign grants is more by 1.2 percentage point.

Public Finance

- 2.6. The total government expenditure that increased by 18.2 percent in the fiscal year 2009/10 compared to its preceding fiscal year grew by 13.7 percent in the fiscal year 2010/11. Of this, recurrent expenditure had increased by 18.2 percent in the fiscal year 2009/10 while this category of expenditure grew by 12.8 percent in the fiscal year 2010/11. The capital expenditure in the fiscal year 2009/10 had increased by 23.5 percent in the previous fiscal year, which recorded a growth of 19.5 percent in FY 2010/11. The principal repayment had decreased by 6.6 percent in the fiscal year 2010/11 in comparison to its decrease of 2.1 percent in FY 2009/10.



- 2.7. Government expenditure in the fiscal year 2010/11 totalled Rs. 295.36 billion. Out of that total expenditure, revenue mobilization financed 67.7 percent, foreign grants 15.5 percent, foreign loan 4.1 percent, domestic borrowing 14.4 percent while change in reserves stood at -1.7 percent. Among the sources of financing expenditure of Rs. 259.69 billion in the fiscal year 2009/10, revenue mobilization had contributed 69.3 percent, foreign grants 14.8 percent, foreign loan 4.3 percent, domestic borrowings 11.5 percent and change in reserves shared 0.02 percent.

Current Expenditure

- 2.8. Recurrent expenditure in FY 2010/11 totalled Rs. 170.29 billion, which is higher by 12.8 percent compared to the previous fiscal year. Recurrent expenditure in FY 2009/10 was Rs. 151.02 billion. Of the total recurrent expenditure of the year, expenditure on Constitutional bodies was 1.4 percent, General Administration 13.0 percent, Revenue and Economic Administration 1.1 percent, Economic Administration and Planning 0.8 percent, Judicial Administration 0.7 percent, and

Foreign Service Administration 1.1 percent. Likewise, the share of Defence expenditure in the same year was 10.2 percent, Economic Services 10.4 percent, Debt servicing (principal and interest payment 7.5 percent, and miscellaneous expenditures 12.3 percent.

- 2.9. Of the total recurrent expenditure incurred in the fiscal year 2010/11 education, health, drinking water, local development and other social services absorbed largest share (Rs. 70.54 billion). Similarly, among other recurrent expenditures were General Administration with Rs. 22.21 billion, Defense 17.41 billion, and Economic Services Rs. 17.79 billion. . In the same period, expenditure against payment of principal and interest (debt servicing) totalled Rs, 12.74 billion.
- 2.10. Analyses of major recurrent expenditure reveal that in comparison to the fiscal year 2009/10, expenditure on social services increased by 13.1, Defense by 5.0 percent, general administration by 13.5 percent, judicial administration by 7.1 percent, foreign services by 31.2 percent, economic services by 19.2 percent, and revenue and fiscal administration by 27.7 percent., and miscellaneous expenditures decreased by 2.7 percent likewise, expenditure on constitutional bodies in this year went up by 54.0 percent. Expenditure on economic administration recorded a steep growth of 174.5 percent. As compared to its previous fiscal year, expenditure on interest payments in this year increased by 27.6 percent.

Capital Expenditure

- 2.11. Capital expenditure in the fiscal year 2009/10 rose by 19.5 percent as compared to the previous fiscal year totalling Rs. 107.81 billion. Such expenditure in FY 2009/10 was Rs. 90.24 billion. Among major components of capital expenditure, economic services expenditure stood at Rs. 45.62 billion, followed by Rs, 45.59 billion on social services and then by Rs. 1.30 billion on defense. Likewise, capital expenditure on general administration stood at Rs. 1.77 billion, judicial administration Rs 120.7 million, loan and investment Rs. 8.98 billion, constitutional bodies Rs. 105.3 million, revenue and financial administration Rs. 359.6 million, fiscal administration and planning Rs. 169.2 million, foreign services Rs. 113.5 million, and miscellaneous expenditure totalled 3.60 billion. On the total capital expenditure, economic services and social services shared equally with. 42.3 percent each, defense 1.2 percent, general administration 1.6 percent, judicial

administration 0.3 percent, loan and investment 8.3 percent, constitutional bodies 0.1 percent, revenue and fiscal administration 0.3 percent, fiscal administration and planning 0.2 percent, foreign services 0.1 percent and miscellaneous expenditures accounted for 3.2 percent. When compared to capital expenditure of the fiscal year 2010/11 to that of 2009/10, such expenditure on social services increased by 24.9 percent, economic services by 6.2 percent, economic administration by 6.2 percent, defense rose by 37.7 percent and judicial administration decreased by 10.0 percent. On the contrary, revenue and fiscal administration decreased by 8.3 percent, general administration by 11.5 percent and that of constitutional organs by 15.4 percent.

Principal repayment expenditure

- 2.12. In the fiscal year 2010/11, principal repayment expenditure stood at Rs. 17.22 billion. Such expenditure was Rs. 18.43 billion in the previous fiscal year. Of the total principal repayment expenditures, the share of principal repayment against domestic borrowing remained at 34.9 percent and that of foreign loan 65.1 percent in the fiscal year 2010/11. When compared to the previous fiscal year, principal repayment in the fiscal year 2010/11 against domestic borrowings has decreased by 21.9 percent while that of foreign loan has increased by 4.4 percent.

Expenditure Status of the First Eight Months of FY 2010/11

- 2.13. Based on disbursement and operation of current accounts, total expenditure escalated by 20.1 percent totalling Rs. 172.40 billion in the first eight months of the current fiscal year 2011/12 as compared to the same period of the previous year. In the same period of the fiscal year 2010/11, such expenditure was Rs. 143.55 billion. Of the total expenditure in the review period of the current fiscal year 2011/12, recurrent expenditure accounted for Rs. 137.35 billion, capital expenditure Rs. 16.15 billion and principal repayment Rs. 19.21 billion. Recurrent expenditure for the first eight months of the fiscal year 2010/11 was Rs. 108.42 billion, capital expenditure Rs. 20.19 billion, and principal repayment Rs. 14.94 billion. When compared to the first eight months of the previous fiscal year, recurrent and principal repayment expenditures in this period has increased by 26.4 percent and 28.5 percent respectively while capital expenditure has decreased by 20.0 percent.

Revenue

- 2.14. Revenue mobilization, foreign grants and loans, domestic borrowings and change in cash reserves are used as fiscal instruments for financing government expenditures. When compared to the fiscal year 2009/10, revenue mobilization in 2010/11 grew by 11.0 percent totalling Rs. 199.82 billion. In the fiscal year 2009/10, revenue collection had increased by 25.4 percent as compared to its preceding fiscal year. The Government revenue had financed 69.3 percent of the total government expenditure in the fiscal year 2009/10 while contribution of this source accounted for 67.7 percent of the total expenditure in the fiscal year 2010/11
- 2.15. Of the total revenue, shares of tax revenue and non-tax revenue in the fiscal year 2010/11 stood at 86.5 percent and 13.5 percent respectively. Such shares in the previous year were 86.9 percent and 13.1 percent respectively.
- 2.16. Tax revenue grew by 10.5 percent in the fiscal year 2010/11 compared to that of the previous fiscal year. Such revenue had increased by 33.5 percent in the fiscal year 2009/10 compared to its preceding fiscal year. Of the total tax revenue in the fiscal year 2010/11, the share of customs duty was 20.6 percent while the share of tax on production and consumption of goods and services was 51.2 percent. Likewise, the share of land revenue and registration was 2.1 percent and that of the total of income, profit, and property tax was 26.1 percent.
- 2.17. Customs revenue collection in the fiscal year 2010/11 grew nominally by 1.6 percent while tax levied on production and consumption of goods and services rose by 11.4 percent. Total of income, profit, and property taxes increased by 24.4 percent. In the same period, however, land revenue and registration fees dropped by 35.2 percent. Of the customs revenue, revenue from imports increased by 5.1 percent while that from exports rose by 60.9 percent. Indian excise refund and Excise Duty under the production and consumption category of taxes slipped by 9.2 percent and 12.3 percent respectively in the fiscal year 2010/11.
- 2.18. Non-tax revenue in the financial year 2010/11 increased by 14.3 percent reaching the total of Rs. 27.04 billion in the as compared to that of the fiscal year 2009/10. Of the total non-tax revenue in the fiscal year 2010/11, the share of fees, fines, forfeitures was 37.7 percent; income

from the sale of government goods and stood at 6.0 percent; dividend 31.9 percent; sales of royalty and government properties 9.8 percent; principal and interest 9.7 percent; and miscellaneous non-tax revenue 4.9 percent. On non-tax revenue front, firm registration fees increased 8.8 percent while the total of administrative fees, penalties, fines and forfeitures decreased by 89.6 percent in the fiscal year 2010/11 as compared to the previous fiscal year. Dividend of service-oriented organizations rose by 14.3 percent other government sector income rose by 88.8 percent and income of principal payment receipt from companies and enterprises fell by 27.0 percent while interest payments rose by 166.7 percent in the fiscal year 2010/11 in non-tax revenues category.

Revenue Receipt Status for the First Eight Months of 2011/12

- 2.19. A total of Rs. 143.85 billion revenue has been collected in the first eight months of the fiscal year 2011/12. This figure stood at Rs. 117.38 billion in the same period of the fiscal year 2010/11. The rate of revenue growth in the first eight months of the current fiscal year 2011/12 has been 22.6 percent than in the same period of the previous fiscal year. Of the total revenue collection, tax revenue receipt totalled Rs. 125.10 billion, and Rs. 18.75 billion as non-tax. Compared to the first eight months of FY 2010/11, tax revenue registered a growth of 17.7 percent while non-tax revenue rose by 68.8 percent in same period of the current fiscal year 2011/12.
- 2.20. Customs revenue receipt on imports in the first eight months of the current fiscal year 2010/11, as compared to the same period of the previous fiscal year grew by 13.2 percent totalling Rs. 24.76 billion. During this period, such receipt from exports totalled Rs. 50.06 million with a whopping 712.3 percent as compared to the same period of the previous fiscal year. Tax receipt from production and consumption of goods and services rose by 17.3 percent totalling Rs. 55.69 billion as compared to the same period of the previous fiscal year. Collection of foreign trade based taxes grew by 16.4 percent in this period, while excise tax receipt grew by 11.6 percent. Similarly, taxes levied on income, profit, and capital gains rose by 18.4 percent in the first eight months of this current fiscal year compared to 26.7 percent growth in the same period of the previous fiscal year.

Foreign Aid

- 2.21. The foreign aid commitment that recorded a steep growth of 101.4 percent in the fiscal year 2009/10 compared to its previous fiscal year increased a normal growth of 9.8 percent in FY 2010/11. In monetary term, committed foreign aid was for the fiscal year 2010/11 totalled 106.11 billion compared to Rs. 96.61 billion for FY 2009/10. Of the total foreign aid commitment for the fiscal year 2010/11, bilateral assistance constituted Rs. 31.82 billion, whereas the multilateral assistance totalled to Rs. 74.28 billion. Classification of the foreign aid into grant and loan categories, for the year 2010/11, grants amounted to Rs. 64.74 billion and loans Rs. 41.36 billion. Compared to the previous fiscal year, foreign grants in the fiscal year 2010/11 declined by 7.9 percent whereas loan amount rose by 57.0 percent.
- 2.22. The sector-wise classification of foreign aid commitment for fiscal year 2010/11 shows the share of agriculture, irrigation and forestry as 5.5 percent, electricity 16.0 percent, rural development 5.1 percent, education sector 13.3 percent, health sector 17.7 percent, transport and communication sector 10.7 percent and others 31.7 percent.

Grant and Loan

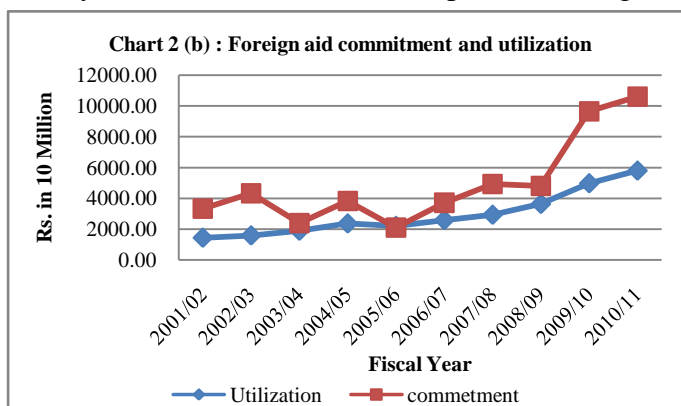
- 2.23. The total committed foreign aid in the first eight months of the current fiscal year 2011/12 amounts to Rs. 61.11 billion which is less by 16.2 percent as compared to the corresponding period of the previous fiscal year. Of the total committed foreign aid, foreign grants constitute Rs 30.20 billion (49.4 percent) while foreign loan amounts to Rs. 30.91 billion (50.6 percent) in the review period. Out of the total committed foreign aid of Rs. 72.96 billion in the first eight months of the fiscal year 2010/11, grant constituted Rs 42.64 billion, and loan Rs. 30.32 billion with respective share contributions of 58.4 and 41.6 percent.

Commitment and Utilization

- 2.24. In the first eight months of the fiscal year 2011/12, the share of bilateral assistance among the total commitment was 69.9 percent while that of multilateral assistance was 30.1 percent. In the same period of the previous year, shares of bilateral and multilateral assistance were 34.3 percent and 65.7 percent respectively. While analyzing sector-wise foreign aid commitment in the first eight months of the current fiscal year 2011/12, the share of electricity sector remains at 21.45 billion

(35.1 percent), education 8.69 billion (14.2 percent), and rural development Rs. 3.30 billion (5.6 percent). Similarly, drinking water and sewerage shared Rs. 6.24 billion (10.2 percent) agriculture, irrigation and forestry sector Rs 8.06 billion (13.2 percent), health Rs. 1.51 billion (2.5 percent) and other sectors Rs. 11.77 billion (19.3 percent).

- 2.25. Utilization of foreign aid in the fiscal year 2010//11, as compared to 2009/10 increased by 16.5 percent to Rs 58.0 billion. Of the total foreign aid utilized in the fiscal year, Rs. 45.92 billion (79.2 percent) was grants and Rs. 12.08 billion (20.8 percent) loans. In the fiscal year 2009/10, foreign aid utilization totalled Rs. 49.77 billion, of which Rs. 38.55 billion (77.4



percent) was received as grant and Rs. 11.12 billion (22.6 percent) as loan. Of the total foreign aid utilized in the fiscal year 2010/11, multilateral aid comprised Rs. 32.15 billion (55.4 percent) Rs. 25.85 billion (44.6 percent) as bilateral assistance. Multilateral aid utilized amounted to Rs. 26.87 billion (54.0 percent) and bilateral Rs. 22.90 billion (46.0 percent) in the previous fiscal year 2009/10.

- 2.26. Sector-wise analysis of the foreign aid utilization in the fiscal year 2010/11 reveals that the social sector received Rs. 36.40 billion (62.7 percent), transport, electricity and communication Rs. 14.83 billion (25.6 percent), agriculture, irrigation and forestry Rs. 2.94 billion (5.1 percent) and others Rs. 3.82 billion (6.6 percent). Comparing foreign aid utilization of the fiscal year 2010/11 with its immediate preceding year on sector basis, utilization in the social sector rose by 10.2 percent, and transport, electricity and communication sector by 25.8 percent. Likewise, utilization of foreign aid in agriculture, irrigation and forestry sectors fell by 4.5 percent during the period, while other sectors recorded a phenomenal rise of 156.4 in utilization of aid.

Net Foreign Loans

- 2.27. Foreign loan has been playing the vital role in the Nepalese economy. The net outstanding foreign loan that totalled Rs. 256.24 billion in the fiscal year 2009/10 has increased marginally by 1.3 percent in the fiscal year 2011/12 totalling Rs. 259.55 billion.
- 2.28. Net outstanding foreign debt by mid-March of the 2012 (after adjusting gross borrowing and principal repayments) totalled Rs. 280.47 billion, with an increase of 8.8 percent from 257.89 in mid-March 2011 .
- 2.29. Based on data for the first eight months of the current fiscal year 2011/12, the ratio of net outstanding foreign debt to GDP stood at 18.0 percent from 19.0 percent in the previous fiscal year..

Gross Domestic Borrowing

- 2.30. The gross domestic borrowing that stood at Rs. 148.06 billion at mid-July 2010 rose by 24 .4 percent and reached Rs. 184.21 billion by mid-July 2011. Of the gross domestic borrowing until mid-July 2011, the share of Nepal Rastra Bank was Rs. 36.54 billion (19.8 percent) commercial banks was Rs. 105.94 billion (57.5 percent) and the share of other institutions and the private sector was Rs. 41.72 billion (22.7 percent). Analyzing domestic borrowing by instruments, 65.3 percent was Treasury Bills, 23.6 percent Development Bonds, 5.8 percent National Savings Certificate, 2.5 percent Citizens Savings Certificates, and 2.8 percent Special Bonds.
- 2.31. Outstanding domestic borrowing grew by 28.4 percent until mid-March of the current fiscal year 2011/12 as compared to the corresponding period of the previous fiscal year 2010/11. The net outstanding domestic borrowing that totalled Rs. 151.24 billion by mid-March 2011 reached Rs. 194.20 billion in the same period of 2012. Of the total domestic borrowing until mid-March of the current fiscal year 2011/12, Nepal Rastra Bank held 14.8 percent; commercial banks 63.9 percent and others 21.3 percent. Analysis of sources of domestic borrowing until mid-March of the current fiscal year 2011/12 shows Rs. 126.84 billion (65.3 percent) in Treasury Bills; Rs. 47.02 billion (24.2 percent) in Development Bonds; Rs. 10.68 billion (5.5 percent) in National Savings Certificates; Rs. 4.63 billion (2.4 percent) in Citizen Savings Certificates and Special Bonds worth Rs. 5.03 billion (2.6 percent). Comparing sources of domestic borrowings between the fiscal years 2010/11 and

2011/12, Treasury Bills rose by 29.1 percent, development bond by 22.1 percent but Citizen Saving Certificates fell by 9.7 percent. The share of National Savings Certificate rose by 167 percent during the review period. The Special Bond has declined by 5.6 percent. As compared to the first eight months of FY 2010/11, this has increased by 84.5 percent in the corresponding period of this fiscal year. Comparing the ratio of GDP to domestic borrowing liabilities, it was 12.4 percent in the fiscal year 2009/10 and 13.5 percent in 2010/11.

Fiscal Deficit

2.32. The persistence of fiscal deficit is due to unmatched revenue and foreign grants receipts as compared to higher level of expenditure. As such, fiscal deficit increased by 20.4 percent to Rs. 49.63 billion in the fiscal year 2010/11 from Rs. 41.20 billion of FY 2009/10. The fiscal deficit that was on a decreasing trend since the fiscal year 2002/03 started showing increasing trend again from 2004/05. The ratio of fiscal deficit to GDP, which was 3.5 percent in the fiscal year 2009/10 stood at 3.6 percent in 2010/11.

Table 2 (d): Fiscal Deficit

Fiscal Year	Fiscal Deficit (Rs. in 10 Million)	Proportion of Fiscal Deficit to GDP (In Percentage)
2000/01	24,18.81	5.5
2001/02	22,94.06	5.0
2002/03	16,43.72	3.3
2003/04	15,82.82	2.9
2004/05	18,04.65	3.1
2005/06	24,77.96	3.8
2006/07	30,09.17	4.1
2007/08	33,40.67	4.1
2008/09	4980.46	5.0
2009/10	4119.74	3.5
2010/11	4962.22	3.6

Source: FCGO and CBS

Sources of Fiscal Deficit Financing

2.33. Fiscal deficit, the result of imbalance between expenditure and the revenue is being financed through foreign loan, domestic borrowing and change in cash reserves. Of the fiscal deficit of Rs. 49.62 billion in the

fiscal year 2010/11, Rs. 12.7 billion (24.3 percent) was financed through foreign loan, Rs. 42.51 billion (85.7 percent) through domestic borrowing and deficit Rs. 4.97 billion (-10.0 percent) through the change in cash reserves. Out of the total fiscal deficit of Rs. 41.19 billion in the fiscal year 2009/10, Rs. 11.22 billion was borne through foreign loan, and Rs. 29.91 billion through the domestic borrowing, the rest Rs. 6.0 billion from the change in cash reserves.

Local Bodies Financial Arrangement

Local Body Finance Commission:

2.34. This Commission has been instituted with the objective of carrying out studies and researches on various aspects of Decentralization, Local Bodies Tax, sharing of grants between the Government of Nepal and Local Bodies, and providing policy level suggestions and recommendation to the Government for making its taxation and accounting system time relevant. The Government of Nepal has been providing conditional and unconditional grants to its local bodies on the basis of criteria as recommended by the Commission. In addition to these criteria, the unconditional grants to be provided to the local bodies are tied with performance measure indicators. With regard to the unconditional grants to be provided on the basis of performance evaluation of local bodies, DDC and Municipalities are being evaluated on the basis of Minimum Conditions and Performance Measures (MCPM), while VDCs are being evaluated only on the basis of Minimum Condition (MC) measures. VDCs are being evaluated on the basis of 10 minimum condition indicators, while for Municipalities there are 13 minimum condition indicators and 40 performance measure indicators. Likewise, DDCs are being evaluated on the basis of 13 minimum condition indicators and 62 performance measures indicators. Results of evaluation based on performance indicators for FY 2009/10 carried out in FY 2010/11 are given in the table below:

Table 2 (e): Performance Evaluation of Local Bodies

Local Bodies	Minimum Condition Measures	
	Successful No.	Unsuccessful No.
DDC	61	14
Municipality	51	7
VDC	3344	389

Note: minimum condition measures were conducted in 182 VDC of 2 districts

Source: Ministry of Local Development

2.35. Impacts of performance measure results of FY 2010/11 on Grants for FY 2009/10:

Table 2 (f): Changes in DDC and Municipality Grants

Level of DDC Grants	Additional 30 percent	Additional 25 percent	Additional 20 percent	Unchanged Grant	20 percent deduction	Deduction of all Capital Grants
Number of DDC	2	23	25	3	8	14
Level of Municipality Grant	Additional 25 percent	Additional 10	10 percent to be deducted	-	25 percent to be deducted	-
Number of Municipality	13	15	14	-	9	7

2.36. Tasks accomplished by mid-March 2012 include: like publication of reports on MCPM evaluation for last four fiscal years and financial status analysis of local bodies, study on the later phase of fiscal decentralization as per the Local Self-Governance Act, Revision on operation procedures of MCPM, and MCPM methodology-based evaluation of DDCs, Municipality and VDCs for FY 2010/11.

On Local Bodies Grants

2.37. Government of Nepal has been providing Grants (conditional and unconditional) to local bodies with the objectives of making these institutions engaged in service delivery to the people from arm's length, competent, strong, responsible and accountable towards the people to ensure their maximum participation in the governance system through the means of decentralization.

DDC Grant

2.38. In addition to targeted groups programs, rural roads, suspension bridge, road-bridge, irrigation and river control, micro hydroelectricity, drinking water and sanitation, building construction etc. were implemented through the capital grant of Rs. 1.13 billion earmarked for DDCs in FY 2010/11. In the current FY 2011/12, the capital grant of Rs. 2.3 billion allocated for DDC has been directly released by the Ministry of Finance based on the concerned district's performance indicators, such as population, geographical region, cost and poverty etc., and based on evaluation of MCPM indicators. Likewise, there is also a provision for incentive grant based on the performance measures indicators of a district.

VDC Grant

- 2.39. In FY 2010/11, formula-based grant distribution arrangement was made for disbursement of grants between Rs. 1.5 million to 3.0 million to each VDC out of the VDC Grant Budget allocation made for FY 2010/11. In FY 2011/12, similar arrangement was made for making the grants minimum of Rs. 1.5 million to 3.0 million available to every VDC as per the VDC Grant Operation Procedure 2009. On this basis, 605 VDCs received Rs 1.5 million each, while 80 VDCs received Rs 1.760 million each, 1,704 VDCs Rs 1.95 million each, 1,060 VDCs Rs 2.15 million each, 394 VDCs Rs 2.45 million each and 72 VDCs Rs 3.0 million each. Similarly, additional grants were made available to VDCs based on the minimum condition indicators and the mapping of deprived households.

Local Development Tax Fund

- 2.40. In FY 1998/99, the Government of Nepal substituted the Octroi (Chungi Kar) by 1.5 percent Local Development Tax at customs points. With the savings from the Local Development Tax, a Reserve Fund was established in FY 2002/03. With this, the Ministry has been providing money to projects approved by the municipalities under the cost sharing arrangement with the local users. Out of budgetary allocation of Rs. 2,164.0 million made for 2010/11, authorization was issued to Municipalities for Rs. 1,078,320,000 as capital and Rs. 393,250,000 as recurrent expenditures totalling Rs. 1,471,570,000. Of the Rs. 658.40 million earmarked for implementation of 221 approved projects, 154 have been completed. Likewise, out of Rs. 2.30 billion allocated for Municipalities in FY 2011/12, authorization has been issued for 1,078,320,000 as capital and Rs. 393.250,000 as recurrent expenditure. Of the total Rs. 650 million allocated for Reserve Fund Program in the current fiscal year, 191 projects have been approved and implemented through this fund in the first eight months of the current FY 2011/12.

Municipality Grant

- 2.41. In FY 2010/11, direct authorization of Rs 700.0 million was issued for Municipalities including Rs. 599.0 million as capital and Rs. 111.0 million as recurrent budget. Government of Nepal has earmarked Rs. 710.0 million for the current fiscal year 2011/12 for Municipalities. Of this total, Rs. 600.0 million is for capital and 110.0 million for recurrent expenditure. Likewise Rs. 989.7 million that was allocated for local self-

governance and community development programs has also been added in it totalling to Rs. 1,699.0 million. Municipalities have been distributed with this grant by tying them with the revised conditions and MCMP.

Status of Local Bodies' Internal Income:

- 2.42. As per the Local Self-Governance Act 1998, Local Self-Governance Regulation, 1999 and Local Bodies Fiscal Administration Regulation 2007, the local bodies (DDC, VDC and municipality) have the right to collect income in their own areas and formulate and operate plans and programs as per the necessity and demand of the locals. As per this authority, the local bodies recorded the following income in FY 2010/11:

Table 2 (g): Internal Income of Local Bodies (FY 2010/11)

In Rs.

Headings	FY 2009/10	FY 2010/11
1. District Development Committee		
Total Budget	31649667	33582550
Total Expenses	26466478	30105384
Expense Percentage	84	89
Internal Income	1482773	1624153
Income from Revenue Disbursement	1314902	1475971
2. Municipality		
Total Budget	7473572	7480843
Total Expenses	6389135	6486414
Expense Percentage	85	87
Internal Income	1622257	2118919

Source: Ministry of Local Development

3. PRICE AND SUPPLY

3. Price and Supply

Inflation Trend

- 3.1. The Consumer Price Index (CPI) based annual inflation rate that had earlier shown rising trend since the FY 2005/06 and attained highest point of 12.6 percent in the FY 2008/09 has come down in the last two fiscal years. Although, inflation rate had stood below 5.0 percent for about half a decade prior to the FY 2005/06. Both the internal and external causes have influenced the rise in inflation rate in the past few years. Frequent closures, strikes, load-shedding and political instability that have adverse impact on productive activities and supply situation have been the dominant internal factors, while the price hike in petroleum products and impact of Indian inflation are the major external factors. Additional causes of the apparent impact of the Indian inflation on Nepalese economy can be attributed mainly to the open boarder between these two countries, Nepal's foreign exchange rate pegged with Indian currency, and almost about two-thirds of the trade with India. Though inflation seems contained in the last few months, it is still not that easy to lessen inflationary pressure until positive impact is visible on both the structural and external factors necessary for maintaining the inflation rate at the minimum.

Overall Consumer Price Situation

- 3.2. Consumer Price Index (CPI), taking FY 2005/06 as the base year, has been published since the last fiscal year on the basis of the fourth household budget survey conducted by Nepal Rastra Bank. According to this, CPI-based point-to-point annual urban aggregate consumer price index remained at 7.0 percent in mid-March 2011. The inflation rate for the same period in the previous year was 10.7 percent. Increase in the production of monsoon and dry season crops due to favourable climatic condition, and decline in price of food grains in India has caused the decline in food and beverages group thereby bringing improvement in the overall consumer inflation rate. However, it cannot be denied that price hike in the non-food items due to depreciation of Nepalese currency against the US dollar, price rise in petroleum

products, increase in salary and wage rates, and weak distribution and monitoring mechanism will exert pressure on overall consumer price index.

Table 3.(a) CPI-Based Annual Point to Point Inflation Rate
Base Year 2006/07 = 100

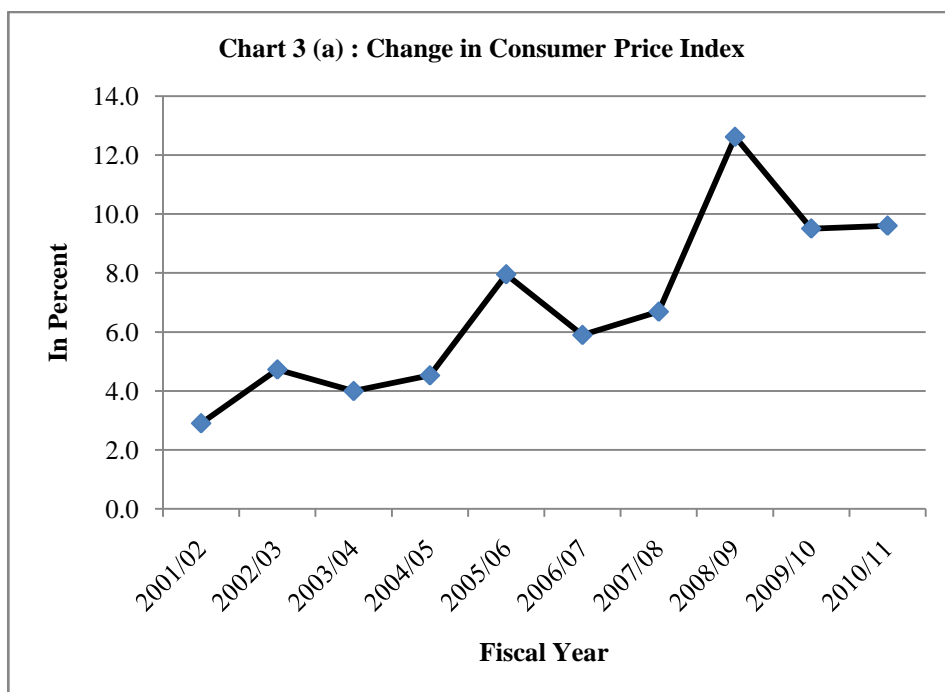
Percentage change

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

Source: Nepal Rastra Bank

- 3.3. Average consumer price index stood at 7.7 percent during the first eight months of the current fiscal year. It was 9.7 percent in the corresponding period of the previous fiscal year. This decrease is close to 7.0 percent target set in the monetary policy of the Nepal Rastra Bank for the current fiscal year. The average inflation rate has declined due to decline in prices of cereals grains and their products, which carry the highest weight in the Food and Beverage index. Impact of the price hike in petroleum products in the past few months, deflation of

Nepalese currency against the US Dollar, closures, and strikes and so on, however, are yet to be evaluated.



- 3.4. By geographical regions, price index recorded highest in Hills with the increase of 8.6 percent, followed by 7.1 percent in Terai, and 5.6 percent in Kathmandu Valley. These rates were 11.6 percent, 7.9 percent and 13.5 percent respectively in the corresponding period of the last fiscal year.
- 3.5. According to group-wise analysis the price of food and beverage group that carries 46.8 percent weight in CPI on point-to-point basis increased by 4.2 percent in mid-March 2012. It had increased by 17.3 percent in the same period last year. Decline in the prices of cereal and cereal-based products, lentils and spices played major role in pulling down the inflation rate of food and beverages. However, the prices of dairy products and egg sub-group, and ghee and edible oil sub-group have increased by highest rates (17.4 percent and 13.3 percent respectively) in the mid-March 2012.

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

Percentage Change

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

Source: Nepal Rastra Bank

- 3.6. The price of non-food and services group that carries 53.2 percent weightage in CPI has increased by 9.4 percent in mid-March 2012 on an annual point to point basis. This figure stood at 5.3 percent in the mid-March 2010. The price rise of communication sub-group in this group remained negative while that of others recorded significant rise.

Region-wise Consumer Price Situation

- 3.7. Taking 2005/06 as the base year, the price index of Kathmandu Valley that carries 31.16 percent weight rose by 5.7 percent in mid-March 2012 on point-to-point basis while this figure was 13.9 percent in the same period last year. During the review period, the price index of food and beverage group has increased by 3.5 percent and that of non-food and services group increased by 7.8 percent. Among the food group, the price index of dairy products and eggs has increased by the highest rate (18.1 percent) followed by clarified butter (ghee) and edible oil (11.8 percent), and restaurant and hotel by 9.8 percent. Likewise, on the non-food and services group, the price of transport increased by 15.1 percent, entertainment by 12.3 percent, garments and foot wears by 11.8 percent, and the price increase for communication remained negative.
- 3.8. Following the 2005/06 as the base year, price index of Terai carrying the highest weight of 42.85 percent increased by 7.1 percent in mid-March, 2012. This figure was 7.9 percent during the same period of the previous fiscal year. On the food and beverage group, dairy products, eggs, ghee, edible oil, restaurant and hotel registered highest increase in Terai. Likewise, on the non-food and services group, prices of transport rose by 17.5 percent, clothes, garments and foot wears by 13.9 percent, furnishing and household decoration items by 14.2 percent and entertainment by 8.4 percent. The price of communication sub-group declined by 5.3 percent.
- 3.9. According to the base year 2005/06, price index of Hills carrying comparatively the least weight of 25.99 percent has increased by 8.6 percent in mid-March 2012, which had increased by 11.6 percent in the same period of the previous year. Of food and beverages group, the Hills also showed the highest increase in the prices of dairy products, eggs, ghee, oil and restaurants and hotels. The price increase on non-food and services group is higher than that in food and beverages group. On non-food and services group, prices of garments and foot

wears rose by 21.8 percent transport by 18.7 percent, furnishing and household goods by 16.1 percent, which led an average increment of 11.2 percent in this group.

Wholesale Price Index

- 3.10. National Wholesale Price Index (1999/2000=100) on year-on-year basis increased by 6.3 percent in mid-March 2012 that had increased by 12.4 percent a year ago. The Index of agricultural products among the National Price Indices rose by 1.7 percent, domestically produced industrial goods by 9.5 percent, and that of imported goods group by 13.0 percent.
- 3.11. Under the agro-products group, the whole-sale price of fruits and vegetables increased by 13.8 percent and 9.9 percent respectively. However, prices of spices and condiments recorded negative growth. While the price of food products among domestically produced industrial goods has gone up, the rate of price rise for imported goods like petroleum products and coal, electric and electronic goods and garments has also been higher.

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

(Base Year 1999/2000 = 100)

Percentage Change

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

Source: Nepal Rastra Bank

National Salary and Wage Rate Index

- 3.12. The year-on-year national salary and wage rate index (2005/06=100) escalated by 27.6 percent in mid-March 2012 against 19.1 percent increase in the corresponding period of last year. Since government

raised the base salary of civil servants ranging from 30.39 percent to 42.87 percent and thus leading to the rise of salary index by 19.3 percent, the overall index rose to a higher level. The wage rate index had increased by 25.5 percent in mid-March 2011, even though there was not any increase of salary index. Higher rate of increase in salary and wages index during the review period can be attributed to rise in salary and wage rates of civil servants and labourers simultaneously.

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

Percentage Change

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

Source: Nepal Rastra Bank

Retail Prices of Some Major Commodities

- 3.13. Review of average retail prices of 10 agricultural commodities among daily consumable items (rice, wheat flour, black lentil, mustard oil, mutton, ghee, potato, dry onion and ginger) shows that prices of mustard oil, ghee and mutton have escalated in mid-March 2012 compared to the corresponding period last year. Price of black lentil, pigeon peas, dried onion and ginger, however, significantly dropped in the same period.

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

S. N.	Item	Unit	2010/11		2011/12	
			Mid-July	Mid-March	Mid-July	Mid-March*
1	Coarse Rice	Kg.	35.84	34.92	35.87	33.58
2	Wheat Flour	Kg.	36.38	37.33	35.11	33.75
3	Black Lentil	Kg.	127.45	115.53	114.49	101.42
4	Pigeon Peas	Kg.	129.01	127.72	123.21	113.11
5	Mustard Oil	Liter	128.60	137.12	140.25	144.11
6	Clarified Butter	Kg.	432.08	479.21	495.26	531.67
7	Mutton	Kg.	372.56	400.83	404.65	496.67
8	Potato	Kg.	23.12	18.97	24.89	18.20
9	Dry Onion	Kg.	38.60	57.27	38.81	26.13
10	Ginger	Kg.	103.61	69.69	73.17	48.83

**Preliminary Estimate*

Source: Department of Agriculture

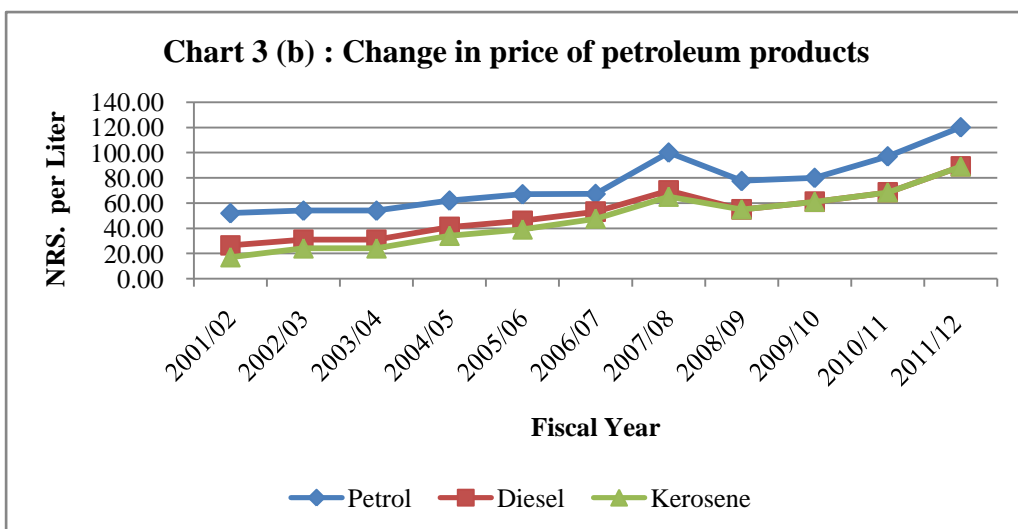
Supply Situation

3.14. During the first eight months of the fiscal year 2011/12, supplies of petrol has increased by 8 percent, diesel by 1 percent, aviation fuel by 12 percent and LP Gas by 13 percent compared to the corresponding period last year. However, supply of Kerosene has decreased by 12 percent.

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

Product Name	First Eight Months		Percent Change
	2010/11	2011/12	
Petrol (KL)	122,378	131,817	8
Diesel (KL)	410,438	415,776	1
Kerosene (KL)	31,907	28,198	(12)
Aviation Fuel (KL)	66,834	75,136	12
L. P. Gas (MT)	100,664	113,693	13
Total	732,221	764,620	4

Source: Nepal Oil Corporation



- 3.15. The arrangement for fixing wholesale price (including VAT) for petroleum products based on Nepal Oil Corporation Depot sites or customs points still exist. Arrangements have been made for the wholesale distribution of petroleum products from Kathmandu, Pokhara, Bhairahawa, Nepalgunj, Surkhet, Dang, Dhangadi, Dipayal and Janakpur. Under this arrangement, wholesale and retail prices may vary from place to place. As per the price set on 26th March, 2012, average retail prices of petrol, diesel, kerosene and LP gas in Kathmandu are Rs. 120 per liter, Rs. 89 per liter and Rs. 1,415 per cylinder respectively. Price for the aviation fuel is set at Rs. 109 per litre.
- 3.16. Target for transporting 50,852 quintals of iodized salt to 22 remote districts is set for FY 2011/12. A total of 38,383 quintals of iodized salt has been transported and distributed by 2nd June 2012, out of the distribution target of 46,626 quintals set for mid-June 2012.
- 3.17. Transportation of food grains to 30 remote hilly districts is continued in the review period of this fiscal year through Nepal Food Corporation under the policy of providing transport subsidy for ensuring smooth supply of food grains in those districts. During FY 2010/11, 16,538 MT of food grains were transported against the target of 16,504 MT. Likewise 10,506 MT of food grains were distributed against the target of 12,00 MT in the first eight months of the current fiscal year. In the first eight months of the previous fiscal year, 9,290 MT of food grains were transported and supplied to those districts against the target of

13,699 MT. The target set to store 25 thousand MT of food grain in various parts of the country for emergency supply is expected to fulfil by the end of the current FY. Similarly, 6,815 MT of food grain has been deposited to SAARC Food Security Bank. The construction of warehouses with the total capacity of 2700 MT in various parts of the country including Birgunj, Mugu, Dailekh, Humla and Kolti of Bajura, and Nakkhu of Lalitpur is expected to complete by the end of the current FY. In addition, construction of a modern laboratory under Nepal Food Corporation with the support of the Government of India is expected to complete by the end of the current FY.

Challenges and Opportunities

- 3.18. Obstacles faced due to price hike of petroleum products together with supply problems have adversely affected the supply of entire goods and services consequently exerting inflationary pressure. In order to avoid this problem, it is imperative to strengthen Nepal Oil Corporation, the authorized distributor of petroleum products, check leakages and introduce a policy offering incentives to encourage the private sector involvement in import and supply of petroleum products. Likewise, in order to avoid immediate pressure that may be exerted on the consumers due to high price hike, arrangement has to be made in such a way that prices would be automatically adjusted in consistent with fluctuations in international market price. As an immediate measure, it is now necessary to orient consumers towards changing their consumption behaviour as the country has to fully rely on import of petroleum products amid its unexpected price rise in the international market. For this, government tax on petroleum products can be adjusted to the extent possible by introducing progressive tax rates while separating general users those get affected by the price rise and the luxurious users like in personal cars. Besides, a Public-Private Partnership (PPP) approach should be encouraged for the provision of mass transportation system especially in urban areas. Development of alternative energy can be a medium and long term solution. For Nepal, there is no option but to develop hydro-electricity in order to reduce country's heavy reliance on petroleum products.
- 3.19. Problems like fluctuation in the production of food and other agricultural products, higher trading margins while bringing those products at consumers' end and presence of syndicate system in transport sector do exist. Market monitoring and supervision works

have to be carried out in an effective manner so as to curb the unscrupulous trading practices such as creating artificial shortages in the market, bringing irrational change in the prices of commodities, trading of goods in collusion. Developing practices for setting cost of production-based market prices of goods and services is also essential. In addition to this, policy implementation is necessary for taking action in a transparent manner against those involved in consumer's activities that hurt consumers.

- 3.20. Difficulties exist on smooth and regular supply of basic consumable food items in various parts of Nepal due to several reasons. Prices especially of food items fluctuate with the level of demand for consumption. It is therefore required to make necessary policy arrangement like establishment of buffer zones in different places of the country to facilitate the smooth supply of food commodities for maintaining uniform price throughout the year. Such an arrangement with involvement of government and private sector for maintaining buffer stock of essential goods and agricultural products will facilitate unhindered supply of such items at a normal price throughout the year.
- 3.21. Proper management and mobilization of the cooperatives scattered all over the country would facilitate the smooth supply of goods and services and can also help to control prices. It is therefore necessary to run cooperative shops and conduct effective monitoring of those shops supplying food items at reasonable prices by developing and managing such cooperatives. Arrangement of wholesale cooperative has to be made at the central and regional levels for the supply goods to the retail cooperatives at reasonable prices.

4. MONEY AND BANKING

4. Money and Banking

Monetary Policy

- 4.1. Higher economic growth and employment along with economic stability are the objectives of the fiscal and monetary policies. Fiscal policy is formulated and implemented by the executives directly elected from the people, whereas monetary policy falls under the jurisdiction of an autonomous central bank or a monetary authority that is free from the direct intervention of the government.
- 4.2. Nepal Rastra Bank has been publicly announcing monetary policy and its mid-term review on an annual basis since 2002/03 as per the Nepal Rastra Bank Act, 2002. The Monetary policy so announced covers the subjects like credit, foreign exchange, micro-finance, and regulation and supervision of the financial system. The provision of announcing monetary policy enhances public accountability of the central bank and helps in achieving the monetary goals. Monetary policy for the FY 2011/12 and its mid-term review were made public on 21 July 2011 and 10 February 2012 respectively.

Economic and Monetary Targets

- 4.3. The Monetary Policy of the FY 2011/12 was announced amid the adverse balance of payments situation and higher inflation due to the increase in food prices. Though the current account had recorded surplus owing to the higher remittance inflow and slower import growth, there were challenges in attaining higher growth and maintaining financial stability because of the liquidity shortage. Further, the economy was reeling under multiple pressures of lower government expenditure, and sluggish share, and real estate market. These phenomena were also contributing to the liquidity problem in the economy.
- 4.4. The monetary policy that has the strategy of attaining economic growth by ensuring macroeconomic stability as envisioned in the Three-Year Plan has explicit objectives. These include containing inflation by restraining monetary expansion, attaining favourable balance of payments and contributing to growth through financial stability.
- 4.5. The Monetary Policy announced for the fiscal year 2011/12 targeted balance of payment surplus of Rs 5 billion and inflation rate of 7 percent. Based on this, the broad money supply rate was projected at 12.5 percent. Likewise, net domestic credit was expected to increase by

13.7 percent while credit growth rate of the private sector was estimated to be 14.0 percent. The mid-term review of monetary policy conducted in February 2011 made the revised estimates for the year as follows: inflation 8.0 percent, monetary expansion 15.0 percent and growth in the credit flow to the private sector 14.0 percent.

Box 4 (a): Major indicators of Monetary Policy

1. The average consumer price inflation stood at 7.7 percent in the first eight months. The annual target for such inflation was 7.0 percent.
2. The balance of payment surplus total Rs. 79.9 billion in the first eight months of the current fiscal year against the projected surplus of Rs. 5.0 billion.
3. The growth rate of broad money supply remained at 12.2 percent in the first eight months. The projected growth of such money supply was 12.5 percent so as to facilitate 5 percent economic growth.
4. Net Domestic Credit was expected to increase by 13.7 percent, which remained at 3.4 percent in the first eight months of the current fiscal year.
5. The deposits of Banks and Financial Institutions grew by 11.4 percent against the expected deposit growth of 13 percent.

Monetary Instruments Implementation Policy

- 4.6. Cash Reserve Ratio (CRR) has been reduced by 0.5 percentage point to 5.0 percent for 'A' Class commercial banks and 'B' and 'C' Class licensed institutions, which accept deposits on current and call accounts. This is aimed at reducing the financial intermediation cost of banks and increase credit flow to the productive sector in order to achieve economic growth. The bank rate has been kept intact at 7.0 percent and statutory liquidity ratio (SLR) has also not been changed. From the FY 2011/12, arrangements have been made to use all excessive liquidity, except the CRR held by all counterparties, as the operational target of the Monetary Policy.
- 4.7. Continuity has been given to Open Market Operation as a major tool in the conduct of the Monetary Policy. Similar to the previous years, monetary management is conducted by injecting or mopping-up liquidity through the open market instruments such as outright

purchase, and sale, and repo, and reverse repo of treasury bills. Though liquidity was injected twice a week through repo in the previous years, there has not been any repo related transactions currently given the comfortable liquidity position of the commercial banks. In addition to treasury bills, arrangements have been made to conduct repo transaction in development bonds.

- 4.8. The arrangement for the calculation of the interest on Standing Liquidity Facility (SLF) that is made available by Nepal Rastra Bank (NRB) to banks and financial institutions in their own initiative has been kept unchanged. Interest on SLF is calculated by adding 3.0 percentage penal rate either to the weighted average interest rates applicable on latest 91-day Treasury Bills or the existing bank rate whichever is higher.
- 4.9. Special refinancing rates for lending credits to export industries, sick industries, small and cottage industries and specified groups for foreign employment has been contained at 1.5 percent similar to the previous year. Banks and financial institutions are not allowed to charge more than 4.5 percent interest to the borrowers while utilizing this facility. Arrangement for setting the interest rate by adding 0.25 percent on existing LIBOR rate for the commercial banks to refinance on export is also continued.

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

In Percent

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

* LIBOR Rate Plus

** Provision made the Monetary Policy for FY 2010/11.

Source: Nepal Rastra Bank

Monetary Aggregates

- 4.10. Broad money supply grew by 12.2 percent and narrow money supply by 6.4 percent in the first eight months of the current fiscal year. Notable increase in net foreign assets is responsible for such higher

growth rate of broad money supply as compared to 5.3 percent growth in the same period last year. Additionally, in lieu of the past practice of including only the balance sheets of Nepal Rastra Bank and Commercial Banks in monetary survey, the survey prepared and published onward October 2011 includes development banks and finance companies as well. This provision, to some extent, could also have bearings on the expansion of broad money supply.

Table 4 (b): Factors affecting Money Supply

Rs. in Million

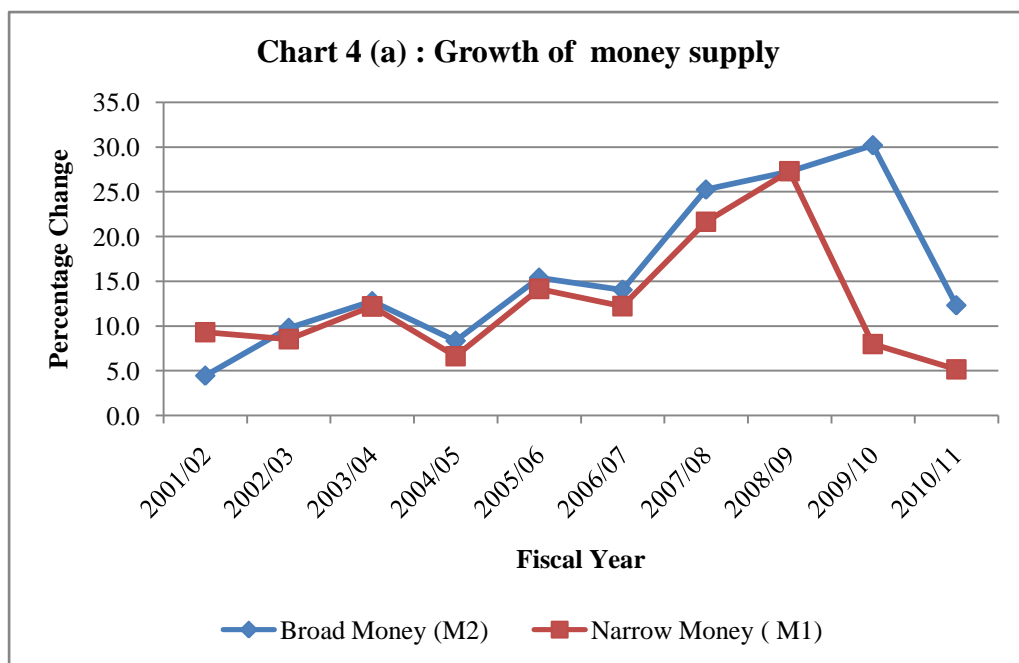
	Changes in First Eight Months			
	2010/11		2011/12*	
	Amount	Percent	Amount	Percent
1 Net Foreign Assets	(11,285.21)#	-5.30	79,901.10##	37.00
2 Net Domestic Assets	54,437.80 #	9.00	32,345.30##	4.60
2.1 Net Domestic Credit	58,006.40	7.30	30,684.70	3.40
a. Net Credit to Government	(17,382.50)	-13.10	(21,505.90)	-13.20
i) Net Claims on Government	(17,615.30)	-12.90	(10,076.90)	-6.20
ii) Government saving	232.80	-	11,421.50	-
b. Credit to non financial Public Enterprises	(602.60)	-10.25	2,145.30	33.80
c. Credit to Financial Institution	(4,223.90)	-27.29	(1,456.20)	-9.41
(i) Government	164.40	6.33	(2,351.70)	-43.33
(ii) Non-Government	(4,388.30)	-33.62	895.50	8.92
d. Claims on Private Sector	80,680.90	12.60	51,501.60	7.10
2.2 Net non-Monetary Liabilities	3,568.60#	1.90	(1,660.60)##	-0.80
3 Money Supply M2 (3.1+3.4)	43,152.60	5.30	112,246.40	12.20
3.1 Money Supply, M1 (a)+(b)	(5,570.10)	-2.60	14,351.60	6.40
a) Currency	(2,070.20)	-1.50	18,448.50	13.00
b) Current Deposits	(3,499.90)	-4.80	(4,096.90)	-5.00
3.2 Saving and Call Deposits	4,870.80	8.30	64,964.50	16.20
3.3 Time Deposits+	43,852.00	19.00	32,930.30	11.00
3.4 Time and Saving Deposits (3.2+3.3)	48,722.70	20.30	97,894.80	27.20

+ Includes Margin Deposits

Adjusting exchange rate gain NRs. 843.9 million

Adjusting exchange rate gain NRs. 12.83 billion.

Source: Nepal Rastra Bank



Net Foreign Assets

4.11. Net Foreign Assets (adjusting foreign exchange valuation gain or loss) during the review period rose by 37.0 percent totalling Rs. 79.9 billion attributed mainly to the notable growth in the remittance inflow and service incomes. Such assets had recorded a negative growth of 5.3 percent i.e. of Rs. 11.29 billion in such assets in the same period last year.

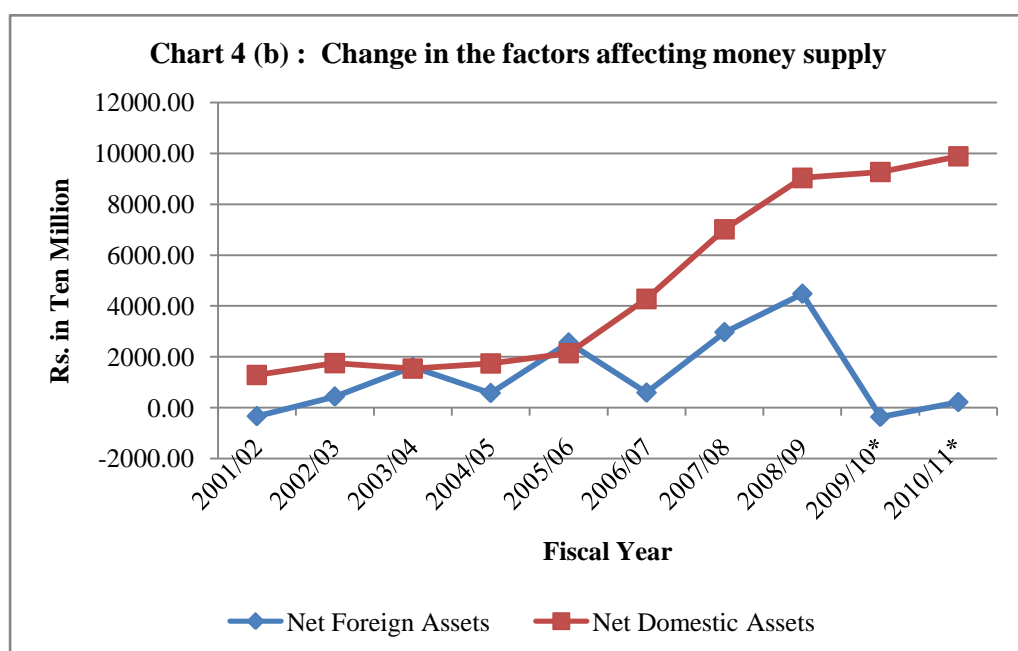
Net Domestic Borrowing

4.12. The net domestic borrowing has increased by 3.4 percent in the first eight months of the current fiscal year compared to 7.3 percent growth recorded in the previous year. The lower growth is mainly due to a decrease in net claim on the government accompanied by decline in the credit flow to financial institutions, and lower growth in the private sector lending.

4.13. During the review period, net claim on the government has declined almost at the same rate (13.2 percent) from 13.1 percent in the same period of the previous fiscal year. Such decline is attributed to the slowdown on lending to the government, which holds deposit of Rs.

11.42 billion as of mid-March 2012. During this period, lending to non-financial government institutions increased by 33.8 percent due to an increase on credit flow to public enterprises including Nepal Oil Corporation.

- 4.14. During the first eight months of the current fiscal year, banking sector's claim on the private sector increased marginally by 7.1 percent totalling Rs. 51.50 billion. Such claim has increased by 12.6 percent in the same period of the previous year totalling Rs. 80.68 billion. The lower demand for bank credit is mainly due to the slowdown prevalent in the share market and real estate business, along with the absence of investment friendly environment.



Reserve Money

- 4.15. The volume of reserve money has increased by 14.1 percent in the first eight months of the current fiscal year, in contrast to a decrease of 1.4 percent during the same period of the previous year. Increase in net foreign assets due to increased remittance inflow as well as the strong liquidity position of the banks; have contributed to reserve money growth. NRB's directive on credit deposit ratio, relatively higher rate of interest and less demand for credit due to unfavourable investment situation have contributed to higher liquidity in the banking system.

Table 4 (c): Change in Reserve Money*(Rs.in million)*

	Mid-June 2010	Mid-March 2011	Mid June 2011	Mid-March 2012*	Percent change in first eight months	
					FY 2010/11	FY 2011/12
Currency Reserve	218,547.1	215,571.60	234,188.80	267,153.30	-1.40	14.10
Narrow Money Multiplier	0.970	0.958	0.953	0.889	-1.30	-6.70
Broad Money Multiplier	3.757	4.009	3.937	3.872	6.70	-1.70

* *Provisional**Source: Nepal Rastra Bank*

- 4.16. Both broad money multiplier and narrow money multiplier have decreased in mid-March 2012 from those of Mid-July 2011. Broad money multiplier decreased by 1.7 percent to 3.872 and narrow money multiplier decreased by 6.7 percent.

Implementation Status of Monetary Instruments

- 4.17. Liquidity absorption has been higher than the liquidity injection due to comfortable liquidity position of the commercial banks in the first eight months of the current fiscal year. The total liquidity absorbed amounts Rs. 7.66 billion of which Rs. 8.4 billion was mopped-up through direct auctions and Rs. 743.7 million was injected through repo auction under the open market operations. During the same period last year, while Rs. 41.8 billion was injected through repo auctions, Rs. 2 billion was mopped-up through sale auctions and Rs. 19 billion through reverse repo auctions.
- 4.18. As a result of notable growth in remittance inflow, Nepal Rastra Bank made net purchase of US\$ 2.05 billion from the foreign exchange market (Commercial Banks) and made net liquidity injection worth Rs. 160.81 billion by first eight months of the current fiscal year. In the same period last year, US\$ 1.56 was purchased in net and net liquidity of Rs. 112.91 billion was injected.

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

Particulars		FY 2009/10	FY 2010/11		FY 2011/12
		Annual	First 8 months	Annual	First 8 months
a	Liquidity Absorption	8,440.0	21,000.0	21,000.0	8,400.0
	Sale auction	7,440.0	2,000.0	2,000.0	8,400.0
	Reverse Repo	1,000.0	19,000.0	19,000.0	0.0
b	Liquidity Injection	135,059.0	41,804.0	92,386.0	744.0
	Purchase auction	3,382.0	0.0	0.0	0.0
	Repo auction	131,677.0	41,804.0	92,386.0	744.0
c	Net Liquidity Absorbed	(126,619.0)	(20,804.0)	(71,386.0)	7,656.0

Source: Nepal Rastra Bank

4.19. During the review period, Rs. 140.82 billion worth Indian currency has been purchased by selling US\$ 1.8 billion. During the same period of the previous fiscal year US\$ 1.64 billion was sold to purchase Rs. 117.97 billion worth Indian currency.

Inter-Bank Transactions and Standing Liquidity Facility

4.20. Utilization of inter-bank transactions and standing liquidity facility slowed down in the first eight months of fiscal year 2011/12 owing to increase in mobilization of bank deposits with improvement in the liquidity situation. During the review period, commercial banks carried out inter-bank transactions equivalent to Rs. 129.17 billion compared to such transactions of Rs. 252.70 billion in the corresponding period of the previous fiscal year. During the review period, standing liquidity facility totalling Rs. 4.35 billion was used with Rs. 9.0 million remaining as arrears by mid-March 2012. During the same period of the previous fiscal year, these figures were Rs. 156.11 billion and Rs. 1.08 billion respectively.

Short-Term Interest Rate

4.21. The short-term interest rate has slipped as greater inflow of remittance has created favourable liquidity situation on one hand and the lower growth of credit flow on the other. For instance, weighted average interest rate of 91-day Treasury Bills that was 9.06 percent a year ago came down to 1.09 percent in mid-April 2012. Likewise, weighted average inter-bank interest rate slipped to 0.69 percent in Mid-April 2012 compared to 9.54 percent a year ago.

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

Description	Mid-April 2010	Mid-July 2011	Mid-Sept. 2011	Mid-Jan. 2012	Mid-April 2012
91-day Treasury Bill	9.06	8.52	1.82	0.70	1.09
Inter-Bank	9.54	8.22	1.08	0.90	0.69

*Source: Nepal Rastra Bank***Expansion of the Financial Sector**

4.22. The number of commercial banks, development banks, finance companies and 'D' class micro-finance institutions remained 32, 88, 77 and 23 respectively in mid-April 2012. In addition to bank and financial institutions, there are other institutions engaged in financial services through various means including 25 insurance companies, Employees Provident Fund, Citizen Investment Trust, and Postal Savings Bank. Recently, merger among bank and financial institutions has started. Two commercial banks and five finance companies resulted in the formation of two banks and a finance company prior to the introduction of Merger By-Law in 2011. In the aftermath of the introduction of merger by-law, four development banks and four finance companies have been merged into four development banks. Similarly, 17 financial institutions have submitted their applications to obtain the letter of intent for mergers.

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

Banks and Financial Institutions	Mid July 2008	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-April 2012
Commercial Banks	25	26	27	31	32
Development Banks	58	63	71	88	88
Finance Companies	78	77	79	80	77
Micro-Finance Institutions	12	15	18	21	23
Nepal Rastra Bank licensed Cooperatives (limited banking transactions)	16	16	15	16	16
Nepal Rastra Bank licensed NGOs (micro-finance transactions)	46	45	45	38	37

Banks and Financial Institutions	Mid-July 2008	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-April 2012
Insurance Companies*	25	25	25	25	25
Employees Provident Fund	1	1	1	1	1
Citizen Investment Trust	1	1	1	1	1
Postal Savings Bank	1	1	1	1	1
Offices of Postal Savings Bank	117	117	117	117	117

*Life Insurance – 8, Non-life Insurance – 16, Comprehensive Insurance – 1

Source: Nepal Rastra Bank

4.23. The increased number of bank and financial institutions has also resulted in an expansion of deposit collection and lending. This is helpful in promoting financial inclusiveness and deepening in the economy. Table 4 (g) shows the major indicators of financial institutions.

Table 4 (g): Some major indicators of Bank and Financial Institutions

Rs. in billion

Description	Mid-July 2008	Mid-July 2009	Mid-July 2010	Mid-July 2011
Total Assets	604.50	833.50	996.10	1,158.32
Total Deposits	505.70	676.00	795.30	871.91
Total Loans	358.10	495.20	622.60	713.09
Deposit/GDP Ratio (in percent)	62.00	68.40	67.90	64.00
Loans/GDP Ratio (in percent)	43.90	50.10	53.10	52.00
Market Share in Total Deposits (in percent)	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Commercial Banks ('A' Class)	85.60	83.40	79.40	78.90
Development Banks ('B' Class)	5.10	7.20	9.70	11.10
Finance Companies ('C' Class)	8.50	8.40	10.00	9.80
Other Institutions	0.90	0.90	0.90	0.20
Market Share in Total Landings (in percent)	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
Commercial Banks ('A' Class)	78.60	76.80	74.20	74.00
Development Banks ('B' Class)	6.60	8.70	10.60	12.50
Finance Companies ('C' Class)	12.10	12.10	12.80	12.20
Other Institutions	2.70	2.40	2.40	1.30

Source: Nepal Rastra Bank

Branch Expansion

4.24. There has been a significant growth in the number of branches of commercial banks. While the number of such banks was 1063 a year ago, it stood 1300 in mid-March 2012. During this period, the numbers of branches of development banks and finance companies have reached 629 and 336 respectively. Thus the total number of bank and financial institutions reached 2265. Taking the expansion of these institutions as a measuring rod, we could infer that Far Western and Mid-Western Development Regions are lagged behind in financial expansion.

**Table 4 (h): Branches of Banks and Financial Institutions
(Mid-March 2012)**

Development Region and Zone	Commercial Banks	Development Banks	Finance Companies	Total
<i>Eastern Development Region</i>	229	92	42	363
Mechi	65	26	10	101
Koshi	115	59	23	197
Sagarmatha	49	7	9	65
<i>Central Development Region</i>	652	246	190	1088
Janakpur	61	25	8	94
Narayani	121	93	32	246
Bagmati	470	128	150	748
<i>Western Development Region</i>	235	213	87	535
Gandaki	102	94	46	242
Lumbini	107	108	30	245
Dhaulagiri	26	11	11	48
<i>Mid-Western Development Region</i>	103	54	15	172
Rapti	35	24	9	68
Karnali	13	0	0	13
Bheri	55	30	6	91
<i>Far-Western Development Region</i>	81	24	2	107
Seti	51	11	2	64
Mahakali	30	13	0	43
Total	1300	629	336	2265

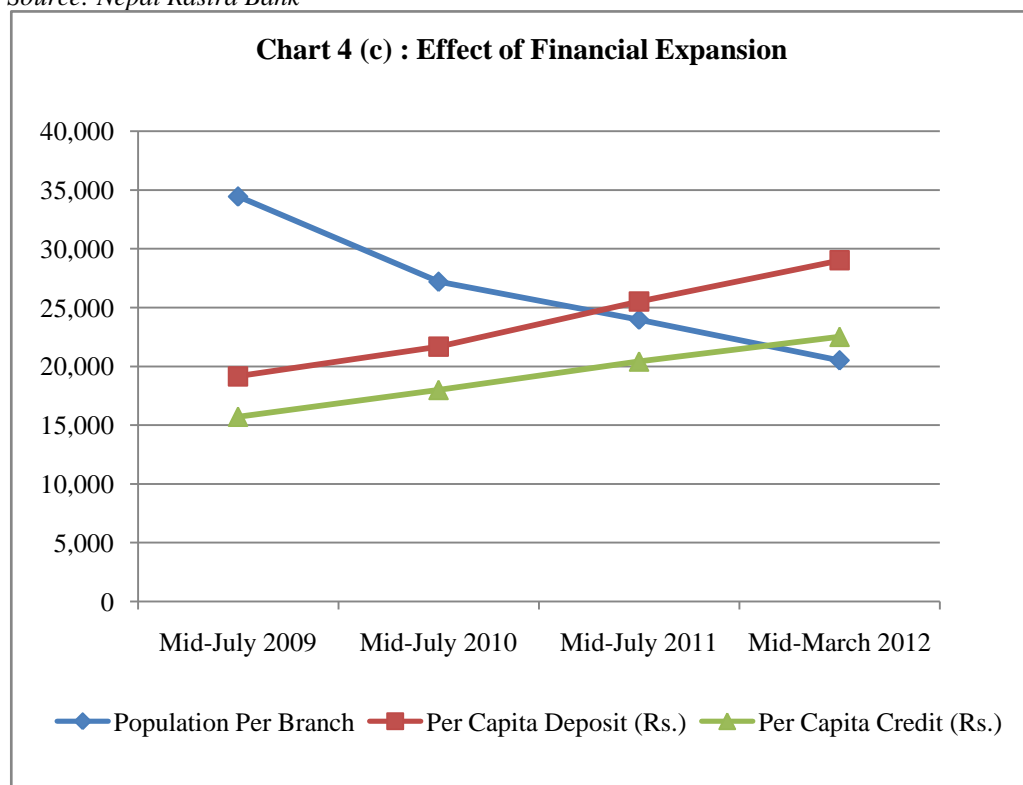
Source: Nepal Rastra Bank

4.25. The deposit and credit indicators of commercial banks shows that average per capita deposit, which was Rs. 25,500 in mid-July 2011, reached Rs. 29,000 in mid-March 2012. Likewise, the average per capita credit increased to Rs. 22,500 from Rs. 20,400 in mid-July 2011. This type of financial expansion is considered to be helpful in achieving the higher rate of growth and alleviating poverty.

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

	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-Mar. 2012
Commercial Bank Branches	752	966	1,111	1,300
Population per Branch	34,435	27184	23,960	20,500
Domestic Deposits of Commercial Banks (In Billion Rs.)	495.8	569.0	680.2	772.5
Per Capita Deposit (Rs.)	19150	21668	25,500	29,000
Commercial Banks Lending (in Billion Rs.)	407	472	544	599
Per Capita Credit (Rs.)	15,709	17,985	20,400	22,500

Source: Nepal Rastra Bank



Box 4 (b): Banks in the Immediate Relief Program

Government of Nepal introduced Immediate Relief Program in 2011 with the objectives of facilitating ordinary citizens. NRB also issued following directives to bank and financial institutions aiming at facilitating the implementation of such relief program.

1. Effectively implementing Service and Service Fee Guidelines issued by NRB in order to provide banking service to the people in a simple and accessible manner.
2. Increasing the credit disbursement to small entrepreneurs and promoting the microcredit programs targeted for poor and backward regions by facilitating the interest rate.
3. Increasing the limit of deposit insurance to Rs five hundred thousand and making necessary arrangement for that with Deposit and Credit Guarantee Corporation.
4. Lowering interest by one percent on loans extended by bank and financial institutions to Dalits, Kamaiyas, Badis, Haliyas, Conflict Victims, single women and senior citizens.
5. Extending bank loan to rickshaw pullers willing to buy rickshaw in their own ownership against the collateral of the same rickshaw in Terai districts.

Deposit Mobilization and Credit Disbursement

- 4.26. Deposit mobilization of banks and financial institutions recorded growth of 11.4 percent during first eight months of the FY 2011/12 compared to 6.1 percent growth during the corresponding period last year. While the deposit mobilization of commercial banks increased by 13.6 percent, such mobilization of development banks increased by 6.8 percent with no increase for finance companies. During the same period of the previous year, commercial banks, development banks and finance companies had registered deposit growth by 2.1 percent, 15.1 percent and 11.2 percent respectively. Likewise, during the first eight months of the current fiscal year, private credit disbursed by bank and financial institutions increased by 7.1 percent while it had increased by 12.8 percent during the same period last year. During the review period, credit disbursement of commercial banks has increased while that of

development banks and finance companies has decreased.

Table 4 (j): Deposit Mobilization and Credit Disbursement

(Rs in million)

Heads	Mid-July 2010	Mid- March 2011	Mid-July 2011	Mid- March 2012*	Percent change in first eight months	
					2010/11	2011/12
<u>Deposit Mobilization</u>						
Commercial Banks	620,608.50	633,725.50	680,230.10	772,453.60	2.1	13.6
Development Banks	72,915.10	83,952.60	91,113.50	97,305.80	15.1	6.8
Finance Companies	75,444.30	83,900.00	81,554.30	81,535.70	11.2	0.0
Banks and Financial Institutions	729,100.60	773,746.20	823,234.50	917,302.10	6.1	11.4
<u>Private sector Credit</u>						
Commercial Banks	488,578.10	540,679.90	544,251.70	598,532.30	10.7	10.0
Development Banks	69,266.70	85,729.40	92,693.60	90,329.00	23.8	-2.6
Finance Companies	77,194.90	89,903.10	85,954.80	85,345.70	16.5	-0.7
Banks and Financial Institutions	635,039.60	716,312.40	722,900.10	774,207.00	12.8	7.1

* Provisional

Source: Nepal Rastra Bank

Status of Non-performing Loans

4.27. Non-performing loan of banks and financial institutions has marginally increased compared to that of mid-July 2011. Such increase in non-performing loan is attributed to the slowdown observed in real-estate business.

Table 4 (k): Non-Performing Loan Status of Commercial Banks
(In Million Rs.)

Bank/Financial Institution	FY 2009/10		FY 2010/11		Mid-January 2012	
	NPL Amount	Percent	NPL Amount	Percent	NPL Amount	Percent
Commercial Banks	11,643.90	2.48	16,867.90	3.19	21,919.40	3.90
Development Banks	1,580.90	2.40	4,052.70	4.62	5,161.70	5.68
Finance Companies	1,099.20	1.67	7,796.20	8.96	8,467.00	10.15

Source: Nepal Rastra Bank

‘D’ Class Microfinance Institutions

- 4.28. Microfinance has been extended by 23 microcredit related institutions through the country. Among those, Grameen Bikas Bank (Rural Development Bank) is operating in each development region with the objective of providing necessary financial resources to engage rural ultra-poor women in various income generating activities through group formation. Similarly, 15 Grameen Bank replicators are operating in the private sector as Microfinance Development Banks while 3 are wholesale lending Micro-Finance Institutions (MFIs).
- 4.29. Total assets/liabilities of ‘D’ Class microfinance institutions increased by 12.83 percent to Rs. 26.26 billion by mid-March 2012 compared to mid-July 2011. The total deposits and borrowings of these institutions totalled Rs. 4.57 billion and Rs. 14.08 billion respectively in mid-March 2012 whereas loans and investments totalled Rs. 16.68 billion and 1.85 billion respectively.

Table 4 (l): Sources and Uses of fund of microfinance institutions
(In Million Rs.)

Resource	Description	Mid-July 2011	Mid-March 2012*	Percent change
	Capital Fund	2,437.30	2,871.60	17.82
	Deposit	3,534.40	4,569.00	29.27
	Borrowing	13,037.60	14,078.40	7.98
	Others	3,767.80	4,334.90	15.05

Resource	Description	Mid-July 2011	Mid-March 2012*	Percent change
	Capital Fund	2,437.30	2,871.60	17.82
	Profit/Loss Account	501.10	410.30	-18.12
	Resource Utilization	23,278.10	26,264.30	12.83
Utilization	Liquid Fund	3,338.70	3,714.00	11.24
	Investment	1,658.90	1,852.20	11.65
	Credit and Lending	14,649.90	16,676.20	13.83
	Others	3,552.40	3,937.90	10.85
	Profit/Loss Account	78.20	84.00	7.42

* Provisional

Source: Nepal Rastra Bank

Sources and Uses of Funds of Other Financial Institutions

Employees Provident Fund

4.30. Employees' Provident Fund was established in 1964 under the Employees Provident Fund Act 2019 (1964) with the objective of managing provident funds collected from civil servants, military and police personnel, teachers, personnel of public enterprises and some other private sector employees. As of March 2012, there are 460 thousand depositors associated with the fund. In addition, there are 5,000 other depositors from 150 private sector firms. Besides providing borrowing facility to depositors, the Fund has been investing in real-estate business, industries and hydro-power projects. Compared to the previous fiscal year, assets/liabilities of the Fund grew by 17.9 percent totalling Rs. 106.58 billion in mid-July 2011, which further grew to Rs. 119.49 billion in Mid-March 2012. Similarly, the total provident fund has reached Rs. 114.95 billion in mid-March 2012.

Citizen Investment Trust

4.31. Established on 18 March 1991 under the Citizen Investment Trust Act 1990, the Trust is primarily involved in activities like collection and

mobilization of deposits from individuals and institutions, and offering credit and loans. Moreover, it acts as an issue manager for facilitating issuance of shares on behalf of various organized entities. The Fund's asset/liability grew by 12.2 percent to Rs. 31.90 billion in mid- March 2012 from Rs. 28.43 billion in mid-July 2011. On the sources side, deposits (collection of funds) rose by 13.83 percent totalling Rs. 28.55 billion by mid-March 2012 compared to mid-July 2011. On the uses side, its investment rose by 14.9 percent to Rs 27.21 billion in mid-March 2012 from Rs. 23.67 billion in mid-July 2011.

Insurance Companies

- 4.32. The number of insurance companies by mid-March 2012 totalled 25 including 8 companies dealing with life insurance, 16 with non-life insurance and one with both life and nonlife insurance. From ownership structure perspective, 3 insurance companies are operating with full foreign capital investment, while 3 of them are operating as joint capital venture of foreign Insurance companies. Similarly, 18 companies are under private ownership and the government of Nepal owns one Insurance company. The total resource/ utilization of these insurance companies increased by 9.8 percent to Rs. 67.18 billion by mid-March 2012 from 61.28 billion in mid-July 2011. By mid-July, 2011, insurance companies have collected a total premium of Rs. 17.48 billion from both the life and non-life insurances while this premium figure was Rs. 15.26 billion in the same period of last year.

Postal Saving Bank

- 4.33. 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 (60 District Post Offices and 8 Area Post Offices) have been providing banking services as of mid-March 2012. The total deposit of postal saving banks, which was Rs 1.15 billion in mid-July 2011, has increased by 6.9 percent to Rs 1.23 billion in mid-March 2012. The total number of such postal saving bank accounts reached 47,892 by mid-March 2012.

Deposit and Credit Guarantee Corporation

- 4.34. Deposit and Credit Guarantee Corporation was established on 20th September 1974 with objective to encourage commercial banks for

investing resources in priority sectors and avail banking services to deprived people at their doorsteps. It has continued guaranteeing loans and credits availed to deprived groups and credit for small and medium industries in the priority sector including livestock, vegetable crop farming, foreign employment, and micro-finance. Out of the corporation's paid up capital of Rs 1 billion, Government of Nepal shares 87.7 percent, NRB 10 percent, and the rest is of Nepal Bank Ltd and Rastriya Banijya Bank.

- 4.35. The Deposit and Credit Guarantee Corporation, that guaranteed credits worth Rs. 515.5 million as of mid-July 2011 stood at Rs. 546.4 million in mid-April 2012. As per the NRB directive issued in October 2011, A, B, C and D Class banks and financial institutions must insure deposit up to Rs. 200 thousand made at personal saving and fixed accounts. As per this provision, the corporation, as of mid-April 2012, has insured Rs. 194.48 billion deposit of 193 banks and financial institutions.

Credit Information Bureau

- 4.36. The Credit Information Bureau was established in 1990 at 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 credit defaulters. The NRB owns 10 percent share, commercial banks 65 percent, development banks 10 percent and financial institutions 15 percent to the total shares of this Bureau. According to the record available from the bureau, the number of blacklisted defaulters of banks and financial institutions has reached 3,850 in mid-March 2012 from 3,679 in mid-July 2011 while 1,687 defaulters were delisted from the black list.

Rural Self-Reliance Fund

- 4.37. Rural Self-Reliance Fund, established in 1990 with the objective of providing wholesale credit to government and non-government organizations for micro financing activities, has paid up capital of Rs 443.4 million. Of this, the Government of Nepal has the capital investment of Rs. 190 million and NRB has Rs. 253.4 million. The Fund has disbursed the credit of Rs 862.3 million by mid-April 2012, of which Rs 426.1 million has been recovered while the rest Rs. 436.2 is still on investment.

Table 4 (m): Transaction Details of Rural Self-Reliance Fund*Rs. in Million*

Description	Mid-July 2009	Mid-July 2010	Mid-July 2011	Mid-March 2012
Number of loan disbursed districts	51	54	57	60
Number of loan disbursed institutions	404	496	548	680
Beneficiary households	17,990	22,904	27,522	31,358
Loan amount disbursed (in million Rs.)	269.9	402.2	558.1	862.3
Recovered amount (in million Rs.)	141.9	203.4	294.9	426.1
Amount outstanding (in million Rs.)	128.0	198.8	263.2	436.3
Overdue Loan (in percent)	7.48	6.23	4.93	4.28

*Source: Nepal Rastra Bank***Cooperatives Licensed for Limited Banking Transactions**

- 4.38. A number of Co-operatives, established under the Cooperatives Act, 1991 and licensed by NRB, are carrying out limited banking transactions in line with the NRB guidelines. By mid-March 2012, the number of such institutions has reached 16 with 15 cooperatives and one National Cooperative Development Bank. The total assets/liabilities of these Cooperatives reached Rs. 8.86 billion by mid-March 2012. Likewise, during the same period, deposit collections of these cooperatives reached Rs. 6.43 billion with credit and loans totalling Rs. 5.80 billion. These institutions have invested a total of Rs. 800 million in government bonds, fixed accounts and others as of mid-March 2012.
- 4.39. The number of saving and credit cooperatives registered under the Cooperatives Act, 1991 has reached eleven thousand. These cooperatives are engaged in lending activities by collecting deposits from their members.

Table 4 (n): Activities of Savings and Credit Cooperative*In Rs. million*

Description	Savings and Credit Cooperatives		
	Mid-April 2010	Mid-April 2011	Mid-Jan 2012
Number of Cooperatives	8,888	10,558	10,997
Members	960,648	1,406,021	1,489,671
Share capital (in million Rs.)	7,278.6	14,222.0	14,167.1
Savings (in million Rs.)	42,930.6	98,453.8	94,033.8
Investment (in million Rs.)	48,885.6	80,700.0	89,308.7

Source: Government of Nepal, Ministry of Agriculture and Cooperatives, Department of Cooperatives

Financial Sector Reform Program

- 4.40. The term of Financial Sector Reform Program started on 30th April, 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 ended on 31st December, 2011. The program was implemented with the target of making the financial sector of the country healthy, competitive, efficient and professional thereby enabling it to contribute largely for country's economic development. The main activities under the program include (1) re-engineering of NRB, and (2) restructuring of Nepal Bank Ltd. (NBL) and Rastriya Banijya Bank (RBB), and capacity enhancement of entire financial sector.
- 4.41. Under the NRB's re-engineering program, activities such as human resource development, strengthening bank regulation and supervision, job based organizational restructuring, adoption of bank audit system as per international standard have been completed.
- 4.42. Under the restructuring program of Nepal Bank Limited and Rastriya Banijya Bank Limited, there has been significant improvement in the non-performing loan ratio of Nepal Bank Limited and Rastriya Banijya Bank Limited from as high as 60 percent to 7.93 percent and 10.85 percent respectively by mid-January, 2012.

Table 4 (o): Non-performing loan and Capital Fund

Mid-July	Non-performing loan (in percent)		Negative Capital Fund (Rs. in billion)	
	NBL	RBB	NBL	RBB
2003	60.47	60.15	9.8	22.39
2004	53.74	57.64	8.9	21
2005	49.64	50.7	7.16	20
2006	18.18	37	6.3	18.59
2007	13.5	27.6	6.25	17.21
2008	12.38	21.65	5.72	15.5
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
Mid-January 2012	7.93	10.85	4.52	10.34

Source: Nepal Rastra Bank

4.43. There has been a notable progress in the negative capital fund of these banks after the implementation of the financial sector reform program. Apart from this, these banks saw significant improvement in human resource management with right-sizing of staff. Prior to this reform program, NBL had 5,652 employees, which has now been reduced to 2,342 and RBB reduced its employees from 5,522 to 2,555. In addition to this, both banks have computerized most of their branches along with the operation of Any Branch Banking Services (ABBS).

Other Provisions Relating to Banks and Financial Institutions

4.44. A “By-law 2011 on the merger of banks and financial institutions” has been introduced for the merger of banks and financial institutions. Objective of this by-law is to facilitate the merger process of banks and financial institutions so that public faith on those institutions is enhanced through consolidation, competency gains, and stability. As a result of the policy arrangement made to encourage the merger, a number of banks and financial institutions have been opting for the same.

4.45. Of the banks and financial institutions that have submitted application seeking license to undertake financial activities as per the policy arrangement set forth, license have been issued to 7 banks and financial

institutions in the review period. Likewise, Sanima Bikas Bank has been issued approval for upgrade to 'A' Class Bank. This bank has started carrying out financial transactions as approved.

- 4.46. Under the provision of providing refinancing facility to bank and financial institutions against the collateral of their good loans, Nepal Rastra Bank (NRB) has provided Rs. 868.6 million as ordinary refinancing facility to three licensed banks and financial institutions including two 'A' class banks and one of 'C' class finance company. Likewise, Rs. 843 million worth refinancing facility has been provided to three banks and financial institutions for refinancing hydropower projects. In the previous fiscal year, a total of Rs. 5.38 billion was sanctioned to 17 banks and financial institutions as refinancing facility against the collateral of good loans and all this has been paid back.
- 4.47. Following the NRB's policy arrangement to provide interest free loan up to Rs 5 million to banks and financial institutions opening branches in the district headquarters and Rs. 10 million to those banks and financial institutions opening branches outside the district headquarter of those districts having less financial services, NRB has provided credits of Rs. 110 million at zero percent interest to banks and financial institution in the review period.
- 4.48. Risk level to overall financial sector is growing with increased number of bank branches, new technologies, and business diversification. In this context, necessary action is being taken to implement Risk Based Supervision System aimed at making the bank supervision more effective by focusing on areas identified as risk prone. For this, International Monetary Fund (IMF) has also extended technical support.
- 4.49. As per the policy arrangement to conduct On-Site Inspection of all the commercial banks at least once a year, such inspection of 22 commercial banks has been completed by mid-March 2012. Besides, overall onsite inspection of the rest of the commercial banks has been planned to be completed by the end of the current fiscal year. Weaknesses observed during the supervision are corrected on the spot to the extent possible. Similarly, based on the inspection report, directives with the time frame are issued for the correction of weaknesses observed. Follow-up monitoring and supervisions are carried out to check whether directions issued so are implemented. According to this, the second quarterly implementation report of the FY

2011/12 has already been prepared. Supervision, monitoring and implementation works have been carried out expeditiously after reforms in the departmental structure and reestablishment of units under the on-site and off-site supervision arrangement.

- 4.50. A high level Financial Sector Coordination Committee has been established under the chairmanship of the Minister for Finance to cope up with the challenges being encountered by the financial system as a whole and to move ahead with the financial sector regulatory agencies in a coordinated manner to find out solutions of possible challenges.

Challenges and Opportunities

- 4.51. The uncertainty observed in the aftermath of the financial crisis in the US has been spread-out all over the world. Currently, the Euro Zone is reeling around further uncertainty due to the greater fiscal crisis. These uncertainties are about to result in weaker growth and inflationary pressure around the world. In this context, the potential threat of international inflationary pressure, especially in India with its slowed economic growth will obviously have influence on the Nepalese economy. At the same time there is a need for economic transformation of the country that addresses swirling aspirations of the people for economic development and opportunities. Acknowledging this fact, attaining sustainable economic growth through sensible efforts and practices of fiscal and monetary policies is the major challenge of the day. It is very urgent to promote transparency and discipline in the activities of banks and financial institutions for enhancing effectiveness of monetary policy as monetary instruments have no direct link with economic goals but the banks and financial institutions could bridge the gap between these two.
- 4.52. Despite the continued growth of banks and financial institutions, credit disbursement to the agriculture sector is compared to the expanded total credit investment ratio. Inability of small and poor farmers towards fulfilment of necessary borrowing procedures from the banking system like valuation of collateral against loans, and lacking the payback capacity discourage them from using bank loans on one hand and savings and credit facility available from cooperatives is inadequate to their requirements and that also at higher interest rate consequently leading to higher cost of agricultural production on the other. To address these problems and facilitate farmers to easily obtain

agricultural loans, there is an urgent need to create conducive environment.

- 4.53. Mandatory requirement has been made for the banks and financial institutions to insure deposits up to Rs five hundred thousand by encouraging deposits for the country's economic development, maintaining peoples' trust on banks and financial institutions, and protect the interest of common depositors. However, formulation and immediate enactment of a new Deposit Insurance/Guarantee Act is necessary due to inadequacy of the existing provision to access the banking system to maximum number of the people and communities. Likewise, the capital volume of Deposit and Credit Guarantee Corporation needs gradual augmentation along the growth in banking transactions.
- 4.54. Rural farmers have not been able to access and avail adequate banking services due to minimal presence of banks and financial institutions in rural areas. The practice of providing financial services by rural farmers run savings and credit cooperatives has been increasing in those areas having limited availability of financial services. Hence, it is imperative to strengthen the monitoring work to ensure capacity enhancement of such cooperatives and make them strictly maintain financial discipline.

5. INSURANCE AND CAPITAL MARKET

5. Insurance and Capital Market

Importance of Capital Market

- 5.1. Capital Market helps flow of non-productive small savings spread among the people to the productive sector through mobilization. Capital Market establishes working relationships between the people engaged in saving, mobilization, and investing capital. A capital Market play a vital role in the economy as it mobilizes the unproductive financial resource remaining scattered among various sectors and encourages investment in productive sectors of the economy.

Primary market

- 5.2. In the first eight months of the FY 2010/11, 27 companies issued shares and mobilized capital equivalent to Rs. 4,037.7 million. Of those 27 companies, 17 companies issued ordinary shares while 10 companies issued right shares through the primary securities market. In the first eight months of the FY 2011/12, seven companies mobilized capital equivalent to Rs. 724.3 million, of which three issued ordinary shares one company issued debentures, while 3 companies issued right shares through the primary securities market. The amount against issuance of shares in the review period is 82.06 percent less than that was mobilized in the same period of the previous fiscal year while only Rs. 400 million has been mobilized through issuance of debentures.
- 5.3. Since last 4 years, the amount of capital mobilized through the capital market in the primary market segment of the securities market been continuously dropping. In the fiscal year 2008/09 a total of Rs. 16.82 billion was mobilized through sale of ordinary shares, right shares and debentures. Such amount in the fiscal year 2010/011 was Rs. 6.85 billion, while only Rs. 720.0 million has been mobilized during first eight months of the current fiscal year. Moreover, the number of organized institutions engaged in capital mobilization has also been unexpectedly dropping since last 4 years. The number of companies appearing at the Board for registration of Bonus shares and amount has been declining as well. In the fiscal year 2008/09, 68 companies had announced dividends or Bonus shares, while in the fiscal year 2010/011, only 43 companies have done so. In the first 8 months of this fiscal year only 19 companies have registered with the Board for Bonus distribution. The security transaction amount, transaction number and other indicators in the secondary market segment of securities has also

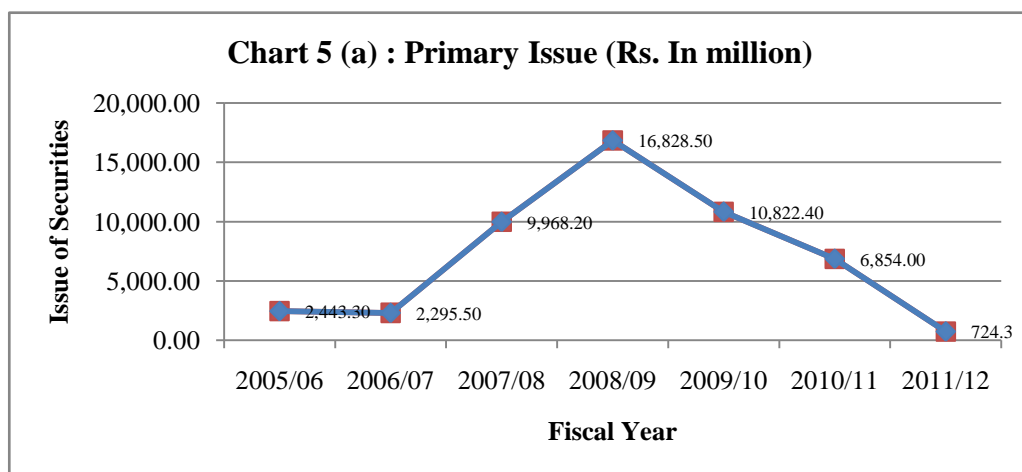
been continuously dropping. By the end of the fiscal year 2008/2009 NEPSE Index that recorded 963.36 points has continuously slipped recording as low as 313.92 points by the end of first eight months of the current fiscal year. The number of listed companies and paid-up price of securities, however, has been on increase.

Table 5 (a): Primary Market Trend

(In million Rs.)

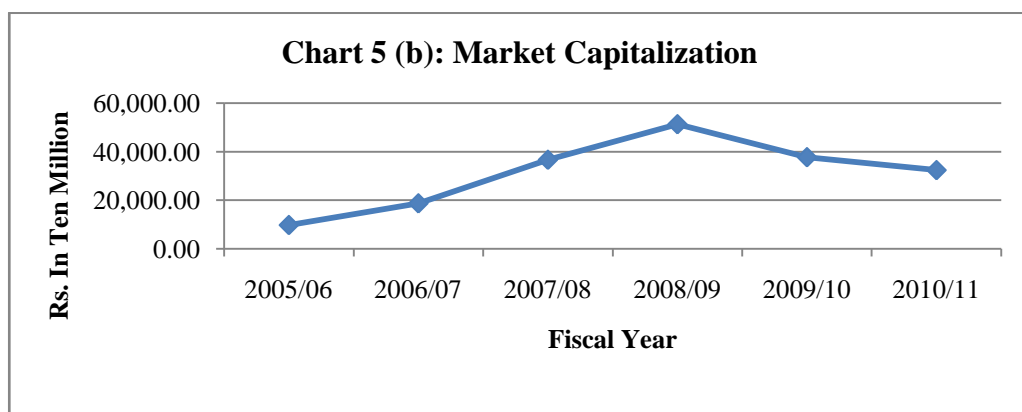
Particulars		Fiscal Year							
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	First Eight Months	
								2010/2011	2011/12
1.	Capital Mobilization	2,443.3	2,295.5	9,968.2	16,828.5	10,822.4	6,854.0	4,037.7	724.3
a.	Ordinary Shares	579.8	380.2	924.8	1,815.7	2,649.3	1,727.7	639.0	123.5
b.	Right Shares	1,013.5	1,265.3	6,093.4	14,262.8	8,173.0	5,075.2	3,398.7	200.8
c.	Preference Shares	-	400.0	-	-	-	-	-	-
d.	Debenture	850.0	250.0	2,950.0	750.0	-	50.0	-	400.0
e.	Citizens Unitary Plan	1,486.3	1,702.3	980.0	953.4	1,008.8	315.4	298.8	330.8
2.	Number of Capital Mobilizing Companies	29	34	64	64	61	47	27	7

Source: Securities Board of Nepal.



Secondary Market

- 5.4. By the end of the Fiscal Year 2010/011, the number of companies listed in Nepal Stock Exchange Limited was 202. In the first eight months of the FY 2011/12, additional 13 companies were listed resulting in 215 companies. Likewise, the total number of listed development bonds in the review period has reached 20 with listing of two new additional development bonds worth Rs. 8.0 billion, while the number of institutional bonds has reached to 14 with listing of the paid-up value of Nepal Investment Bank bond worth Rs. 3 hundred million. At the end of the first 8 months of the FY 2010/011, the market capitalization value slipped by 13.04 percent in comparison to the same period of the previous fiscal year totallingRs. 293.55 billion, which at the end of the first eight month of previous fiscal year 2009/10 was to Rs. 337.57 billion. The market capitalization value that had reached Rs. 323.47 billion at the end of the FY 2010/11 has continuously slipped and has arrived at this point. The main reasons behind this downfall are uncontrolled expansion in the commodity market, troubles seen in the listed bank and financial companies, incapableness to raise the demands of security, changes in interest rates, and the lack of institutional investment.



- 5.5. Altogether, 24.3 million units of shares worth Rs. 5,276.7 million were traded in the FY 2011/12, with an increase of 23.51 percent over the corresponding period of the previous fiscal year. In first eight months of FY 2010/11, altogether 16.875 million units of shares worth Rs 4272.3 million were traded.
- 5.6. The paid-up value of listed shares rose by 12.11 percent reaching Rs. 108,471.0 million in the first 8 months of the current fiscal year 2011/12 as compared to Rs. 9,675.5 million in the corresponding period

of the previous fiscal year.

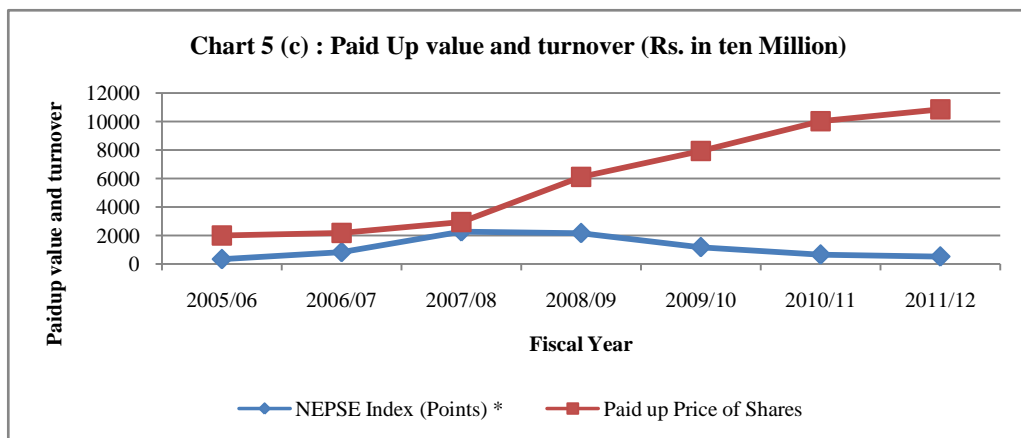
- 5.7. The number of share transactions conducted in the first nine months of FY 2011/12 increased marginally by 0.85 percent totalling 195,273 shares as compared to the transaction of 193,631 shares conducted in the same period of the previous years 2010/2011.

Table 5(b): Secondary Market Trend

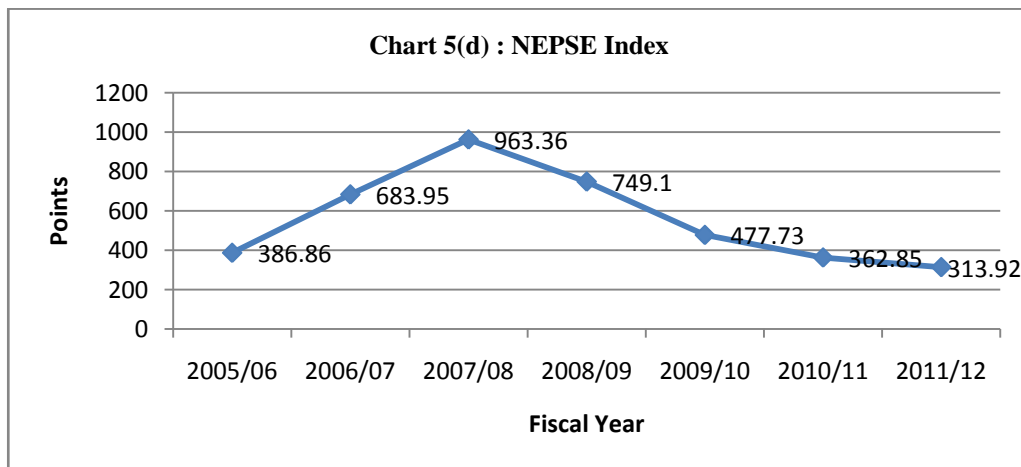
Rs. In million

Description	Fiscal Year						First eight Months	
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2011/12
Securities Transaction Amount	3,451.40	8,360.10	22,820.80	21,681.1	11,851.1	6,665.30	4,272.30	5,276.70
Number of Securities Transaction (1000)	12,222	18,147	28,599.77	30,547.17	26,231.35	26,240.39	16,875.29	24,302.24
Transactions Number	97,374	120,510	150,800	209,091	213,733	302,364	193,631	195,273
Market Capitalization	9,681.37	18,630.13	36,624.75	51,293.90	37,687.13	32,348.43	33,757.43	29,355.64
Percentage of Market Capitalization Transactions	3.56	4.48	6.23	4.23	3.14	2.06	1.27	1.8
Market Capitalization /GDP (Percent)	14.8	25.6	44.9	51.74	32.15	19.48	28.49	18.48
Paid up Price of Shares	20,008.60	21,798.80	29,465.00	61,140.00	79,356.00	1,000.238.0	96,755.00	108,471.00
Number of listed Organized Institutions	135	135	142	159	176	209	202	215
Type of Securities Transaction (Script Traded)	110	116	136	170	198	222	205	211
NEPSE Index (Points) *	386.86	683.95	963.36	749.1	477.73	362.85	384.17	313.92

Source: Securities Board of Nepal, Nepal Stock Exchange Limited



- 5.8. NEPSE index that indicates the status of the entire secondary market stood at 313.92 points in mid-February of the fiscal year 2011/12. This figure is a decline of 35.44 percent as compared to the corresponding period of previous fiscal year. NEPSE Index stood 362.85 points at the end of the FY 2010/11.



Securities Board of Nepal (SEBON)

- 5.9. Mutual Investment Fund Regulation, 2010 under the Securities Related Act, 2006, has been implemented and Nepal Rastra Bank has already brought into effect the policies on fund management. By mid-March 2012, two companies namely Siddhartha Mutual Fund and Nabil Mutual Fund have been registered and permissions issued to go into operation in pursuance of the objective of encouraging entry of the banks and financial institutions desiring to establish mutual investment fund.

- 5.10. In the review period of the FY 2011/12, bonus shares equivalent to Rs. 1,517.1 million of 19 listed companies has been registered with the Board. In the same period, the Board has approved issuance of ordinary shares of three financial institutions and debenture of one institution totalling Rs. 513.5 million. Moreover, permission is also given for issuance of rights shares worth Rs. 208.50 million.
- 5.11. In the review period, SEBON has granted permission to the Central Depository System and Clearing Ltd. to establish Central Securities Depository System for bringing efficiency in the processes involved for approval, clearing and settlement, and ownership transfer of securities. Besides, process for company operation is initiated upon approval of the Company Operations By-Laws.

Box 5 (a) Central Deposit System and Clearing Ltd.

This company was founded on 22 December 2010 with the objective of establishing and operating a central depository system for the organized development of capital market of the country by ensuring well organized securities transactions through an arrangement of maintaining documentation of share transactions, and clearing and settlement system electronically. This fully Nepal Stock Exchange owned company has authorized capital of Rs. 500 million, and Rs. 300 million is paid up. Main objective of the company is to take charge of shares, debentures, bonds, stocks and other securities, and conduct paperless transactions of securities, facilitation, ownership transfers of securities/instruments and maintain up to date records of such transactions electronically. Besides, the company will facilitate the professional transactions of securities/instruments in the country through electronically managed central depository system. For this, the company will establish and operate a modern share trading network by electronically linking the organized stakeholder member institutions, share issuance agencies, registrar and transfer representatives, stock exchange, and clearing agencies. Such arrangement is expected to bring simplicity, easiness, effectiveness and efficiency in the existing trading system.

The company has established its office; installed necessary hardware as infrastructure for starting and managing the depository service; and

has also developed a Central Depository Accounting Software (CDAS). Likewise, development of a separate Clearing and Settlement Software (CnS) is in final stage for providing services relating to clearing and settlement of securities traded in the secondary market. Securities Transactions Act, 2006, Central Depository for Securities Deposits Rules, 2010 and Central Depository Services Rules, 2011 have been approved for operation and management of the Central Depository of Securities.

- 5.12. Approval in principle has been provided to ECRA India, Ltd. for making an entry into the credit rating service in the securities market in line with the objective of permitting companies desiring to enter into the credit rating business. In the process, securities allocation guidelines, and mutual investment guidelines are being drafted.
- 5.13. The Board, imparted basic knowledge on securities market to 1,500 people belonging to general investors, organized agencies/institutions, businessmen, bankers, listed companies, teachers/professors, economic journalists, legal practitioners, and students by organizing training programs in Kathmandu valley, and Banepa, Nepalganj, Dhangadhi, Surkeht, Rolpa districts outside the valley. Moreover, Extensive additional training programs are planned in other parts of the country (outside Kathmandu valley) as well. Necessary preparation is underway for Training of Trainers (ToT) necessary for the extension of securities education throughout the country.
- 5.14. Necessary process has been initiated for attracting NRN investments in Nepal based on the report prepared by a Committee comprising members representing SEBON, Nepal Rastra Bank, and NRN. Also, a draft has been prepared for amendment in Mutual Investment Fund Rules, 2011 to facilitate NRN investment through the Fund.

Nepal Stock Exchange Limited

- 5.15. An MOU is signed between Nepal Stock Exchange and Korea Stock Exchange for the potential mutual cooperation in the field.
- 5.16. To simplify the investors' access, transactions are being carried out through the country's main cities like Biratnagar, Birgunj, Butwal, Pokhara and Narayanghat while necessary monitoring and studies are being conducted.
- 5.17. Of the transactions of listed securities worth Rs. 24.0 billion targeted to

take place through the licensed members in the previous fiscal year, transactions equivalent to only Rs 6.67 billion were conducted. As a result of the constantly slipping secondary market, securities worth Rs. 5.27 billion were traded till mid-February of this year. A total of six companies have been listed in the review period due to constant slippage of aggregate market indicators and apparent weakness seen on issuance of shares in the primary market.

The Securities Traders

- 5.18. In the review period of the fiscal year 2011/12, the number of share brokers has reached 48. As only 23 share-brokers were found engaged in share trading business, additional 25 share brokers have been issued with license to make the business more competitive in the given size of the share market. In the review period, 12 merchant bankers exist, while by the end of the FY 2010/11 there were 23 share brokers and 14 merchant bankers. In the review period, the Board has conducted on site monitoring and supervision and prepared report.

Mutual Fund Plan

- 5.19. Trading of the units of mutual fund plan is being carried out by NCM Mutual Fund through the secondary market. In the first eight months of the FY 2011/12, investment of the NCM Mutual Fund stood at Rs. 136.1 million, which is 5.8 percent more in comparison to the corresponding period of the previous fiscal year. However, as compared to the previous fiscal year, income of the plan decreased by 1.8 percent totalling Rs. 6.64 million. Plan's per unit net asset value in the first eight months of the previous fiscal year was Rs. 33.73, which in the review period has come down to Rs. 21.28.

Citizen Investment Trust (CIT)

- 5.20. By mobilizing both personal and institutional savings, CIT has been maintaining the investment flow by providing amount in the form of loan to different sectors. Besides, the Trust has been providing share issuance and sales managerial services under the Merchant Banking Business. The Trust's assets/liabilities that stood at Rs. 28.43 billion by mid-July 2011 grew to Rs. 31.9 billion by mid-March 2012. The trust fund, which shares a big chunk of the Trust's liability, grew by 20.87 percent by the first eight months of the FY 2011/12 reaching 28.55

billion as compared to the corresponding period of the previous fiscal year. Such liability grew to Rs. 25.08 billion by mid-July 2011 from Rs. 23.72 at mid-March of the previous fiscal year.

- 5.21. The Trust, as a merchant banker under the capital market service, completed the issuance of general and rights shares totalling to Rs. 2.54 billion in FY 2010/11. Amount of such transactions by the first eight months of FY 2011/12 has totalled Rs. 2.43 billion. In the review period, the Trust provided share registrar service equivalent to Rs. 2.49 billion.
- 5.22. Of the total fund collected until first eight-months of the review period, shares of Employees Saving Increment Approved Retirement Fund, Citizen Unitary Plan, Gratuity Fund Scheme, Investors' Accounts Scheme, and the fund collected from the insurance fund has been 61.7 percent, 1.16 percent, 17.61 percent 5.63 percent and 13.83 percent respectively.
- 5.23. CIT, by mid-July of FY 2010/11 invested Rs. 23.67 billion, which is at 3.42 billion more than its total investment in FY 2009/10. By mid-March 2012, such investment reached to Rs. 27.21 billion in comparison to Rs. 22.73 billion during the corresponding period of the previous fiscal year. From the investment portfolio structure, as of mid-March 2012, shares of fixed deposit, government bonds, share securities, period loans, and participate borrow/home loans, stood at 54.50 percent, 7.93 percent 7.48 percent, 16.32 percent, and 13.75 respectively. Compared to same period of the previous fiscal year, investment in fixed deposit decreased by more than 10 percent.
- 5.24. Level of CIT investments that was concentrated in fixed deposit, is being gradually reduced. Policies have been drafted with focus on investment diversification. For this, investment policy has been improvised. Likewise, co-financing procedures, 2011 has been drafted for expanding investments in infrastructure and projects construction. With the aim of purchasing shares from the secondary market, infrastructure building is in process for making arrangement of the Market Maker. Arrangement of Accident Insurance Trust of Rs. 100,000 has been made for the participants of the Employees Saving Increment Approved Retirement Fund, which is effective from 17 January 2012.

Commodity Market

- 5.25. Six Commodity Exchanges are operating since commodity market operations began in Nepal in 2007. Of these, Commodity and Metal Exchange Ltd., Mercantile Exchange Nepal Ltd., Nepal Derivative Exchange Ltd., Nepal Spot Exchange Ltd. and Commodity future Exchange Ltd. have been established as public limited companies while Wealth Exchange Pvt. Ltd. has been established as a private company. Out of six exchanges in operation, four are future exchanges and two are spot exchanges. Wealth Exchange is the first commodity exchange company established as a Spot Exchange in Nepal.
- 5.26. In the review period, SEBON formed a Commodity Market Study Committee comprising of experts for creating foundation for regulatory arrangement. The Committee, after conducting study on problems, challenges, and possibilities as per its terms of reference is preparing its study report.
- 5.27. Commodity market has notably expanded in a very short period. Since establishment of Commodity and Metal Exchange Nepal Ltd. as a first commodity exchange company in 2007, by now six Commodity Exchange Companies are carrying out their operations in Nepal. It seems that every individual company has their own work policy, margin settlement and software system. In all there are 200 brokers in these Exchange Companies. There is the need for a separate regulatory agency for a healthy and balanced development through market systemization.

Insurance Sector

Current Status of Insurance Business

- 5.28. Insurance Committee established on 14 May 1969 under the Insurance Act, 1992, has been carrying out its operation as a regulating agency by systemizing and regulating insurance business. Under the Committee, 8 companies carry out life insurance, 16 companies carry out non-life insurance and 1 insurance company has been carrying out both the kind of businesses totalling 25 companies engaged in insurance business. According to figures of ownership structure insurance companies, 3 are in form of branch of foreign insurance companies, 3 on joint investment with foreign companies, 18 in private ownership, and 1 in Government ownership.

Table 5 (c): Ownership structure of Insurance Companies

Ownership	Non-Life	Life	Life/Non-Life	Total
Government	-	-	1	1
Private	13	5	-	18
Foreign	2	1	-	3
Joint	2	1	-	3
Total	17	7	1	25

Source: Insurance Committee.

5.29. The total financial source and their utilization of life and non-life insurance companies operating in the country by mid-July of 2011 have reached Rs 61,213.4 million, which is 22.46 percent growth as compared to the previous fiscal year. By mid-January of 2012, such amount has reached to Rs. 67,183.4 million.

Table 5 (d): Sources and Utilization of Life and Non-Life Insurance Companies*

(In million Rs.)

Resource	Fiscal year 2008/09		Fiscal year 2009/10		Fiscal year 2010/11		Fiscal year 2011/12**	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
a) Paid up capital	1,647.3	1,270.4	1,890.0	1,560.0	2,451.4	1,642.0	2,451.4	1,642.0
b) Reserve Fund	26,425.4	2,383.7	33,250.0	4,060.0	44,040.0	6,830.0	48,020.0	7,850.0
c) Other Liabilities	1,565.0	3,722.5	2,980.0	3,720.0	2,750.0	3,500.0	3,200.0	4,020.0
Utilization	29,637.7	7,376.6	38,120.0	9,340.0	49,241.4	11,972.0	53,671.4	13,512.0
a) Cash in Bank and at Hand	1,079.9	657.5	920.0	700.0	750.0	900.0	820.0	980.0
b) Investment	26,062.9	4,966.9	33,500.0	6,700.0	44,491.4	8,202.0	48,491.4	8,942.0
c) Fixed Asset	566.2	522.3	1,540.0	870.0	2,100.0	1,070.0	2,290.0	1,270.0
d) Other Assets	1,928.7	1,229.9	2,160.0	1,070.0	1,900.0	1,800.0	2,070.0	2,320.0
Net Resource/Net Utilization	29,637.7	7,376.6	38,120.0	9,340.0	49,241.4	11,972.0	53,671.4	13,512.0

Source: Insurance Committee

*With inclusion of estimates of Rastriya Beema Samiti

**Only till Mid-March 2012

Gross Insurance Income

5.30. In the FY 2006/2007, insurance business of Nepal earned Rs. 5,682.4 million against life and non-life insurance fees. In succeeding years thereafter, there has been gradual increase in insurance fees helping insurance income earning reach a total of Rs. 15,262.7 million in the FY 2010/11, which is a growth of 38.05 percent from the previous fiscal year. The reason behind such growth in fees income can be mainly credited to introduction of compulsory third party insurance of motor vehicles. In the Fiscal Year 2010/2011, total insurance fees income reached to Rs 17,486.1 million, which is approximately 15 percent higher as compared to such income in FY 2009/2010.

Contribution of Insurance Fees Income to GDP

5.31. Contribution of gross insurance fees income to GDP (at current prices) in FY 2010/11 stood at 1.31 percent. Such contribution in FY is estimated to reach 1.41 percent from 0.96 percent by the end of FY 2011/12 with a gradual growth from 0.96 percent in FY 2006/07.

Table 5 (e): Mobilization of insurance premium and status of investment.

Fiscal Year	Total Insurance Fees Income (in million Rs.)			Growth rate (percent)	Investment (in million Rs.)			Contribution of insurance fees income to GDP
2004/05				17.61	11,800.2	3,031.0	14,831.2	0.96
2005/06	3,788.9	2,854.9	6,643.8	16.92	15,201.1	3,211.0	18,412.1	1.01
2006/07	4,623.3	3,288.9	7,912.2	19.09	18,397.6	3,447.5	21,845.1	1.08
2007/08	5,489.9	3,851.9	9,341.8	18.07	20,349.9	4,183.1	24,533.0	1.14
2008/09	6,635.7	4,420.4	11,056.1	18.35	26,516.2	5,007.9	31,524.1	1.11
2009/10	8,766.0	6,496.7	15,262.7	38.05	29,939.9	5,927.6	35,867.5	1.30
2010/11	10,422.2	7,063.9	17,486.1	14.56	42,751.1	7,472.7	50,223.8	1.31
2011/12*	11,600.0	8,100.0	19,700.0	12.66	47,600.0	870.0	56,300.0	1.41

Source: Insurance Committee

*Estimate

Problems and Challenges

- 5.32. Although economic indicators have been positive in recent days, securities market index, however, could not grow. In a situation whereby NEPSE Index is not growing. It has been a challenging task of upholding the confidence of investors in the capital market with its sustainable development.
- 5.33. Currently, more than 90 percent of companies listed in the securities market are banks and other financial institutions. As the presence of real sector companies remains minimal in securities market, it is very necessary to create congenial environment for entry of such companies in this market.
- 5.34. There is the absence of real price and stability in the secondary market of securities and lack of necessary facilities in major cities of the country for securities trading. In such a situation, it is a difficult and challenging task to avail investment opportunities by making the investment education nationwide through the use of the limited means and resources.
- 5.35. In view of rapid expansion of Commodity Market in Nepal, establishment of a separate regulatory agency has become utmost necessary.
- 5.36. Due to the continuous slip in the transactions of Citizen Unitary Plan of CIT, there is a probability of losing the confidence towards the Trust Fund being collected under the Plan.
- 5.37. There is a need to bring improvement in the unhealthy practice of listed companies like not getting financial accounts audited in a timely fashion, not taking care whether even audited accounts of the different organized sector institutions' reconcile with each other, and disseminate sensitive information that could affect market price in such a way that serve their own interests. For this, it is necessary to make institutional sector transparent through implementation of International Financial Reporting Standards – IFRS. It is another challenging task to develop and instil principles and pride of a credible, reliable, and institutional good-governance amid absence of institutional culture in many of industrial enterprises and even in public companies.
- 5.38. It is also a difficult and challenging task to make the capital market a sustainable and trustworthy medium for capital mobilization through

institutional arrangement for conducting continuous studies, researches, investor education, public awareness, and training programs.

- 5.39. Absence of legal provision for regulating a Trustee, despite imperative necessity of such an arrangement for securing the interest of beneficiaries of institutional bonds, mutual investment fund and depository service is adversely affecting the development of securities market. There is a need for a separate legal provision to deal with this shortcoming.
- 5.40. Ordinary shares occupying a major place out of security instruments available in the market, lack of developed instruments like future option index, internet-based trading, and unavailability of supplementary business broker services are the other roadblocks on investment promotion.
- 5.41. Another challenge is broadening the scope of work of stock brokers in the market through the provision of margin financing facility, and enhancing effectiveness of merchant bankers also through expansion of their working territories.
- 5.42. Challenges, such as, maintaining institutional good governance in insurance companies, enhancement of awareness towards insurance business and development of information system that suits changing time, exists in this sector.

6. EXTERNAL SECTOR

6. External Sector

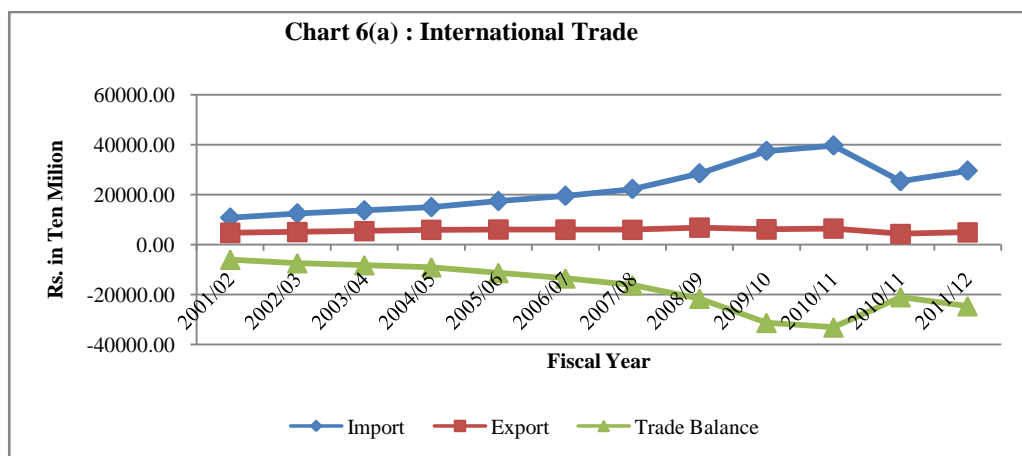
Structure and Tendency

- 6.1. External sector management, amid globalization and economic liberalization, has become an important part of the macroeconomic policies. This requires maintaining the balance of payments with the help of the factors influencing current account, capital account and financial account, also by restraining the ratio of the import and export at a certain level. Managing the external sector remains a challenging task for Nepal due to a number of factors. These, among others, include large trade volume with India almost about two-thirds of total trade, dominance of import over export, and large dependence on remittance inflow. Since Nepal's external sector management largely depends on remittance inflow and any event occurring in international level directly affects such inflow, there is a need to explore alternatives that could be helpful in maintaining the balance of payment in the long run.
- 6.2. Nepal has not been able to make notable progress in the production and promotion of exportable goods, except for engaging in the production of a limited number of traditional items. However, current account balance, on an average, recorded a surplus in the last decade mainly due to the remittance income.
- 6.3. Though current account balance remained favourable with due credit to remittance inflow, the trend of trade in goods for about a decade shows that the trade deficit has been expanding. It is due to the dominance of import than that of export. Consequently, trade deficit that stood at 15 percent of GDP in 2002/03 widened to 24 percent in 2010/11. While export slipped from 10 percent of GDP in 2002/03 to 5 percent in 2010/11, ratio of import to GDP increased from 25 percent to 29 percent in these years.

Foreign Trade

- 6.4. Foreign Trade, which seemed sluggish in the previous fiscal year, increased by 16.3 percent to Rs 3.44 billion in the first eight months of 2011/12, against a marginal growth of 1.9 percent in the same period last fiscal year. In the review period, total export increased by 14.1 percent and import by 16.6 percent. The share of export and import in total foreign trade remains 14.1 percent and 85.9 percent respectively. Trade deficit in the first eight month of FY 2011/12 recorded a rise of

17.1 percent as compared to 0.3 percent increase in the last fiscal year.



Export

- 6.5. In the first eight month of 2011/12, total export increased by 14.1 percent to Rs. 48.56 billion as compared to an increase 5.9 percent in the same period of the previous fiscal year. In this period, growth rate of export to India and other countries has been 14.5 percent and 13.5 percent respectively. In the same period of the previous fiscal year, growth of export to India had increased by 10.1 percent while export to other countries had recorded a decline of 1.7 percent.
- 6.6. Especially export of clothing, polyester yarn, G.I. Pipes, boulders and sand, and cardamom to India has recorded an increase. Similarly, export of carpet, readymade apparel, *Pashmina*, Nepalese Paper and paper made items, and leather to other countries has increased. While India accounts for 67.1 percent of total exports, the share of other countries stands at 32.9 percent.

Import

- 6.7. Imports in the first eight months of FY 2011/12 recorded a growth of 16.6 percent totalling Rs 295.24 billion as compared to marginal growth of 1.2 percent in the same period of the previous year. In this period, import from India increased by 12.0 percent, while imports from other countries recorded a growth of 26.3 percent. The growth rate of imports from India and other countries in the same period of the previous fiscal year was 24.7 percent and 27.2 percent respectively. Primarily, import of Petroleum products, Coal, Fertilizer, Readymade Garments,

Agricultural tools, and spare parts from India has increased. Import of gold, unprocessed soybean oil, silver, edible oil and other machineries and spare parts from other countries has increased. In total import, the share of India and other countries stood at 64.8 percent and 35.2 percent respectively.

**Table 6 (a) Foreign Trade Situation
(First eight months)**

Percentage change

Description	2065/66	2066/67	2067/68	2068/69
Export	16.2	-8.5	5.9	14.1
India	3.7	-3.3	10.1	14.5
Other countries	42.9	-16.8	-1.7	13.5
Import	26.3	41.8	1.2	16.6
India	12.1	38.0	24.7	12.0
Other countries	50.9	46.8	-27.2	26.3
Trade Balance	30.1	58.6	0.3	17.1
India	15.6	53.3	28.2	11.5
Other countries	53.4	65.0	-30.9	28.9
Total Trade	24.2	31.8	1.9	16.3
India	10.2	29.3	22.4	12.4
Other countries	49.4	35.2	-24.4	24.4
Share in Total Export				
India	60.9	64.4	66.9	67.1
Other countries	39.1	35.6	33.1	32.9
Share in Total Import				
India	56.3	54.7	67.5	64.8
Other countries	43.7	45.3	32.5	35.2
Share in Trade Balance				
India	54.7	52.9	67.6	64.3
Other countries	45.3	47.1	32.4	35.7
Share in Total Trade				
India	57.2	56.1	67.4	65.1
Other countries	42.8	43.9	32.6	34.9

** Provisional*

Source: Nepal Rastra Bank

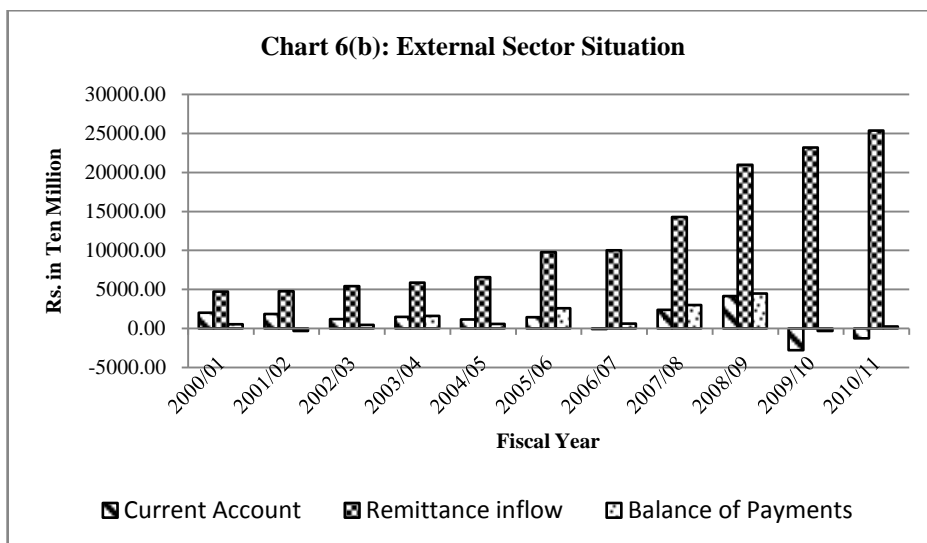
Trade Balance

- 6.8. In the first eight months of the current fiscal year, deficit from trading of goods rose by 17.1 percent to Rs. 246.68 billion. In the same period of the previous year, trade deficit had risen marginally by 0.3 percent. Of the total trade deficit, deficit with India in the review period rose by 11.5 percent compared to a growth of such deficit by 28.2 percent in the corresponding period of the previous fiscal year. However, the trend is reversed for other countries with a 28.9 percent rise recorded in the trade deficit during the first eight months of the current fiscal year, compared to a 30.9 percent decline in the same period last year. The export/import ratio in the review period decreased marginally from 16.8 percent to 16.4 percent owing to higher level of import.

Balance of Payments (BOP)

- 6.9. The BOP recorded a surplus of Rs. 79.90 billion in the first eight months of the current fiscal year compared to a deficit of Rs. 11.29 billion in the same period last year. Current account situation has also improved with a surplus of Rs. 37.51 billion in the review period compared to a deficit of Rs. 8.79 billion in the same period last year. This is mainly due to the growth in remittance income and grants, and notable improvement in services income. In dollar terms, BOP surplus and current account surplus reached \$1,175.0 million and \$469.7 million respectively in the first eight months of the current fiscal year. In the same period of the previous year, there was a BOP deficit of US \$152.4 million and current account deficit of \$119.2 million.
- 6.10. In the review period, FOB price based deficit on trade of goods rose by 16.9 percent to Rs. 237.54 billion. Export and import recorded growth of 18.2 percent and 17.1 percent in the review period compared to a growth of 8.1 percent and 1.4 percent respectively in the same period last year.
- 6.11. In the review period, services income grew by 34.6 percent. While income from tourism rose by 29.9 percent to Rs. 21.36 billion, other incomes inclusive of communication and insurance belonging to services category rose notably by 41.5 percent to Rs. 18.85 billion. In first eight months of the previous year, tourism revenue had fallen by 20.7 percent while other revenues in this category had recorded a growth of 26.5 percent. In the review period, the service accounts expenditure has decreased by 16.5 percent. In comparison to the

previous year, expenditure on transportation under the services payment rose by 17.0 percent and travel expenses fell by 26.1 percent. Expenditure on education under the travel budget head has decreased by 24.2 percent compared to the previous fiscal year. Services account has recorded a surplus of Rs. 11.7 billion as a result of expansion in services income and decline in services payments.



- 6.12. Remittance inflow recorded a notable growth of 34.7 percent to Rs. 217.76 billion in the review period compared to a 12.3 percent growth to 161.61 billion in the same period last year. Likewise, while grants rose by 28.8 percent, pension income fell by 8.6 percent. Compared to the same period of the previous year, net transfer income rose by 29.7 percent to Rs. 256.88 billion. Current account has been in surplus with due credit to improvements in services account and transfer income.

Table 6 (b) Remittance Income

	2062/63	2063/64	2064/65	2065/66	2066/67	2067/68	2068/69*
Rs. in billion	97.69	100.14	142.68	209.70	231.73	253.55	217.77
Annual percent change	49.0	2.5	42.5	47.0	10.5	9.4	-
Ratio to GDP	14.9	13.8	17.5	21.2	19.4	18.5	-

Source: Nepal Rastra Bank

* First eight months data.

6.13. The amount received as net capital transfer during the review period totalled Rs. 10.25 billion compared to Rs. 9.48 billion in the corresponding period last year. In the financial account, Foreign Direct Investment of Rs. 6.02 billion has been received during the review period compared to Rs. 5.47 billion in the corresponding period last year. Other investment assets received in the first eight months amount Rs. 9.11 billion compared to Rs. 17.44 billion last year. On the other investment liabilities side, while inflow of the government debt amounts Rs 6.63 billion, Rs. 7.6 billion has been repaid in principal.

Foreign Exchange Reserves

- 6.14. Total foreign assets of the banking sector increased by 35.3 percent to Rs. 368.10 billion in mid-July 2012 from Rs. 272.15 billion in mid-July 2011. Such assets had declined by 4.2 percent between mid-July 2010 and mid-March 2011. In the US Dollars term, the convertible foreign reserve has increased by 14.5 percent between mid-July 2011 and mid-March 2012 and reached dollar 3.56 billion. Similarly during the eight months of the current fiscal year, non-convertible Indian currency reserve grew by 64.6 percent totalling Indian Rs. 52.88 billion. In the same period of the previous year, such reserve had slumped by 37.6 percent.
- 6.15. During the first eight months of the current fiscal year, the reserve with Nepal Rastra Bank phenomenally rose by 43.1 percent reaching Rs. 305.2 billion in mid-March 2012 compared to Rs. 213.1 billion in mid-June 2011. The Reserve with Commercial Banks has also increased by 6.8 percent. Such rise in the total foreign exchange reserve is due to the notable growth in remittance inflow.

Table 6 (c): Total Foreign Exchange Reserve

(In Billion Rs.)

Description	Mid-July. 2008	Mid-Mar. 2009	Mid-July 2009	Mid-March 2010	Mid-July 2010	Mid-March 2011	Mid-July 2011	Mid-March 2012	Percent Change (Mid-July to Mid-March)	
									2011	2012
Nepal Rastra Bank	169.68	218.46	224.19	185.91	205.37	199.86	213.1	305.02	-2.7	43.1
Commercial Banks	42.94	52.34	60.07	58.37	63.52	57.62	59.06	63.09	-9.3	6.8
Total	212.62	270.80	284.26	244.28	268.89	257.48	272.16	368.11	-4.2	35.3

Source: Nepal Rastra Bank

- 6.16. Based on the trend of imports for the first eight months of the current fiscal year 2011/12, the current foreign exchange reserve is sufficient to cover 10.1 months of goods imports and 9.0 months of goods and services imports. Following the same assumption, foreign exchange reserve as of mid-March 2010 was suffice to cover 8.3 months of goods imports and 7.1 months of goods and services imports.

Exchange Rate

- 6.17. Nepalese Currency depreciated by 10.8 percent against US Dollar between mid-July 2011 and mid-March 2012. This follows the sharp appreciation of the US Dollar and strong demand for this, following the financial crisis in Euro Zone. Also Nepalese Currency depreciated against Pound Sterling, Euro and Japanese Yen.

Table 6 (d): Foreign Exchange Trend

Currency	Buying Rate (in NRs.)					Appreciation (+) Depreciation (-) percent (Mid-July -Mid March)	
	2009	2010	2011		2012		
	Mid-July	Mid-July	Mid-March	Mid-July	Mid-March	2011	2012
US Dollar	68.5	74.44	72.1	70.95	79.55	3.2	-10.8
Pound Sterling	135.89	113.71	115.55	114.54	124.76	-1.6	-8.2
Euro	108.72	94.79	99.57	100.34	104.35	-4.8	-3.8
Japanese Yen	6.42	8.45	8.71	8.95	9.67	-3	-7.4

Prices of Crude Oil and Gold

- 6.18. Price of Crude Oil Brent in the international market that was US\$ 110 per barrel in mid-June 2011 went up by 12.1 percent to US\$ 124 in Mid-March 2012. Factors such as the recovery observed in the US economy, the Spring Revolution in Gulf countries, and the Venezuelan policy on increasing the export of petroleum products to countries other than the US attributed to the price rise.
- 6.19. Price of gold in the international market rose by 17.7 percent to US\$ 1,648 per ounce from mid-February of 2011 to mid-February 2012. However, such an increase was 26.6 percent in the corresponding period of the last year.

Table 6(e): Prices of Oil and Gold in International Market

	Mid-July			Mid-March			Percent Change			
	2009	2010	2011	2010	2011	2012	Mid-July		Mid-March	
							2010	2011	2011	2012
Oil (USD/Barrel)*	61.5	76.4	118.0	79	110	124	24	54.5	38.8	12.1
Gold (USD/Ounce)**	938.0	1189	1587	1106	1401	1648	27	33.4	26.6	17.7

* Crude oil Brent ** Based on London rate

Challenges and Opportunities

- 6.20. Nepal's External Sector has sustained its balance through the remittance income. Even though remittance income provides instant momentum to the economy, such income is generally spent on consumption items, which promote the tendency of expanding imports of foreign goods and services. The experience of the past years shows that Nepal's dependence on remittance inflow and import of petroleum products is increasing. Considering the long-run interest of the economy, it is necessary to create environment for promotion of exportable goods and services, and reduce dependence on petroleum products.
- 6.21. Nepal's foreign trade is largely shared with India. This is natural because India is not only Nepal's neighbouring country but also an emerging economy. In today's era of globalization, the task of strengthening stability of the external sector through a certain country-centric trade is a big challenge. Keeping this fact in mind, Nepal needs to take initiatives to promote export of agro and herbal based products, and handicraft having comparative advantages. Equally important is to diversify the country-wise and product-wise trade of goods and services.
- 6.22. There is a large possibility for Nepal to benefit from tourists of neighbouring countries like India and China having higher rate of economic growth, huge population, and greater number of middle class families. It is necessary to operate India and China focused tourism promotion campaigns like more air services, arrangement of concessional tour packages, and dissemination and publicity of Nepal

related information. Also to attract more tourists from China, it is necessary to simplify the visa process, prepare information and promotional materials in Chinese language, identify potential locations that could attract Chinese tourists, and establish tourism promotion liaison offices in local participation.

- 6.23. Problems like landlocked geography, lack of trade related infrastructures, and unnecessarily time consuming process at custom points has been causing higher transfer costs resulting in a loss of competitiveness. In this context, development of necessary infrastructures is necessary for promoting the export trade through immediate implementation of projects as mentioned in the Immediate Action Plan on Economic Development and Prosperity that the Government of Nepal announced in the first quarter of the current fiscal year. Also it is important to take customs reform initiative for making the customs clearance procedures efficient and less time consuming.

7. POVERTY ALLEVIATION AND EMPLOYMENT

7. Poverty Alleviation and Employment

Poverty Alleviation

- 7.1. With the beginning of planned development, poverty alleviation has been addressed in one way or other. Since ninth plan poverty alleviation has remained as the major objective of the planning process. Though poverty was being defined in general term until the Ninth Plan, this has been analyzed in three dimensions namely general poverty, human poverty and social exclusion from the beginning of the Tenth Plan. However, general poverty has been the only basis for measuring poverty and analyzing the poverty rate. The current three-year plan has targeted to reduce current poverty of 25.16 percent to 21 percent, while investment levels in education and health sectors are raised with a view of reducing human poverty. Similarly, efforts are made to minimize incidences of social exclusion through inclusive development programs.
- 7.2. According to Nepal Living Standard Survey (NLSS), 2009/10, people having an average annual income of Rs. 19,261 are defined as people below the poverty line and on this basis, 25.16 percent of the total population is found below poverty line. During the FY 1995/96, 41.76 percent of the total population was below poverty line and this figure stood at 30.05 percent in 2003/04, and 25.16 percent in current fiscal year which can be viewed as optimistic progress in poverty alleviation initiatives. Factors like increase in literacy rate rise in the wage rate in agriculture and non-agriculture sectors, development of commercial vegetable farming, growing urbanization, growth in number of economically active human resource and inflow of remittance have been the major attributes to such decline in poverty.
- 7.3. Living Standard Survey has been conducted for three times in Nepal, of which first was in FY 1995/96, second in FY 2004/05 and third in FY 2009/10. The summary of the survey findings is presented in the table below:

Table 7 (a) Poverty Measures, (1995/96, 2003/04 and 2009/10)

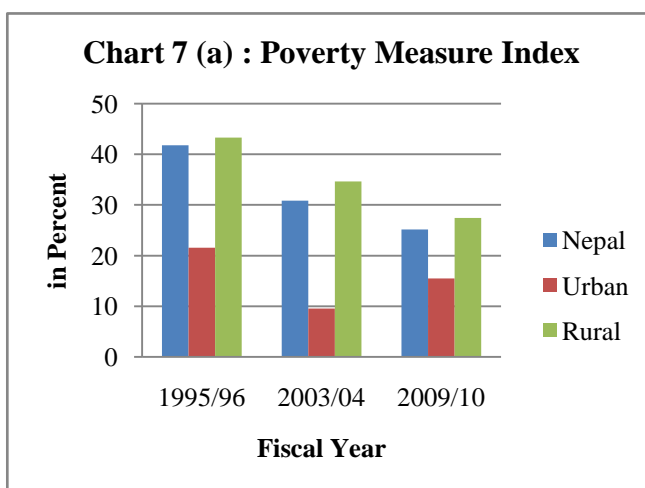
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Areas	(Poverty Headcount Index)			(Poverty gap index)			(Squared Poverty Gap Index)		
	1995/96	2003/04	2009/10	1995/96	2003/04	2009/10	1995/96	2003/04	2009/10
Nepal	41.76	30.85	25.16	11.75	7.60	5.43	4.67	2.70	1.81
Urban	21.55	9.55	15.46	6.54	2.20	3.19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

Source: Central Bureau of Statistics

7.4. While viewing the overall poverty incidence in Nepal, the second NLSS survey though showed decline in poverty incidence in urban areas as compared to the first survey, it has unexpectedly increased as revealed in third survey result. The urban population living below poverty line was 21.55 percent in FY 1995/96 which fell to 9.55 percent in FY 2003/04, but this figure rose to 15.46 percent in FY 2009/10. The poverty incidence of rural area has indicated gradual improvement. In FY 1995/96, rural population living below poverty line was 43.27 percent which fell to 34.62 percent in FY 2003/04. The survey in FY 2009/10 has revealed that this figure is contained at 27.43 percent.

7.5. There has been gradual improvement in Poverty Gap Index as well. The index that was recorded 11.75 percent in FY 1995/96 fell to 7.60 percent in FY 2003/04 and dropped again and contained at 5.43 percent in FY 2009/10. The



Urban Poverty Gap Index was 6.54 percent in FY 1995/96 which fell to 2.20 percent in FY 2003/04. But this figure jumped to 3.19 during FY 2009/10. The Rural Poverty Gap Indices were 12.14 percent, 8.50 percent and 5.96 percent in fiscal years 1995/96, 2003/04 and 2009/10 respectively.

7.6. All three living standard surveys have shown that overall Squared Poverty Gap Index of Nepal has been declining. This index as per first, second and third living standard surveys stood at 4.67 percent, 2.70 percent and 1.81 percent respectively. The urban squared poverty index which was recorded 2.65 percent during first survey in 1995/96 dropped to 0.70 percent during second survey in 2003/04. However, this has unexpectedly increased to 1.01 percent during third survey in 2008/09. While rural squared poverty index is found to have decreased as per the survey results of all three years. During the first survey, this

index was 4.83 percent, 3.10 percent in second survey and 2.0 percent in third survey.

Box 7 (a) Poverty Measurement

The poverty headcount index indicates the portion of population living below the poverty line while the poverty gap index measures the population of the poor measured in terms of gap between the poverty line and the people below it. Squared Poverty Gap Index shows the intensity of different levels of poverty amongst the poor. Gini Index reflects the inequality of income distribution among population.

- 7.7. The Report on MDGs Need Assessment, 2011 published by National Planning Commission has revealed the progress status of various indicators. Major indicators mentioned in this report are shown in table below:

Table 7(b): Quantitative Indicator of Poverty

MDG	Indicator	Progress 2010	Target 2015
Goal 1	Population having income less than 1 dollar a day	19.7	17
	Population below poverty line	25.4	21
	Employed population having income less than 1 dollar a day	22	17
	Population having food less than the minimum requirement	36.1	25
	Underweight Children of age group (6-59 months)	36.4	29
	Children of age group (6-59 months) with stunted growth	46.8	30
Goal- II	Net Enrolment Rate at Primary Level	93.7	100
	Ratio if students enrolled in class and continuing to grade 5	77.9	100
	Literacy rate of women and men of age group (15-24 years)	86.5	100
Goal- III	Ratio of Primary Level Boy and Girl Students	1	1

MDG	Indicator	Progress 2010	Target 2015
	Ratio of Secondary Level Boy and Girl Students	0.93	1
	Ratio of Secondary Level Boy and Girl Students	0.63	1
	Literacy rate of women and men of age group (15-49 years)	0.83	1
Goal-IV	Children below the age of one year vaccinated against measles	85.6	90
	Child mortality rate below the age of 5 years (per 1000 live births)	50	54(38)
	Infant mortality rate (per 1000 population live births)	41	34(32)
Goal -V	Maternal mortality rate (per 100,000 population live births)	229	213(134)
	Women using Skilled Health Worker for Maternity (percent)	29	60
Goal Vi	Age Group between 15-49 with HIV/AIDS Infection	0.49	0.35
	Infected with Malaria(in per 1000 population	5.7	3.8
	Tuberculosis prevalence Rate(Per 100 thousand)	244	210
	Mortality rate from TB (Per 100,000 population)	22	20
Goal VII	Forest Covered Area (%)	39.6	40
	Population with access to sustainable water source (%)	80.4	73
	Population with sustainable access to improved sanitation (%)	43	53

Note: Goals provided in the brackets are revised

Source: National Planning Commission

7.8. While arriving at the Third Living Standard Survey, 2009/10, though the success the poverty alleviation campaign was satisfactory, the poverty gap between rural areas and urban areas, Mountain, Hills and Terai and among development regions is still very wide. This gap is clearly depicted in the table below:

Table 7(c): Area-wise status of Poverty Gap

Area	Poverty Rate	Poverty Gap	Squared Poverty	Poverty Distribution	Total Population distribution
Urban Area	15.46	3.19	1.01	11.7	19.0
Rural Area	27.43	5.96	2.00	88.3	81.0
Eastern Development Region	21.44	3.81	1.01	19.8	23.3
Central Development Region	21.69	4.96	1.76	30.8	35.7
Western Development Region	22.25	4.27	1.38	16.9	19.2
Mid-Western Development Region	31.68	7.74	2.69	16.4	13.0
Far-Western Development Region	45.61	10.74	3.77	16.0	8.8
Mountain	42.27	10.14	3.54	11.8	7.0
Hills	24.32	5.69	2.09	42.8	44.2
Terai	23.44	4.52	1.31	45.4	48.7
Kathmandu Valley Urban Area	11.47	2.77	1.00	2.6	5.7
Other Hill towns	8.27	1.75	0.54	1.5	4.4
Terai towns	22.04	4.31	1.29	7.5	8.6
Rural Eastern Hill	15.93	2.91	0.82	4.0	6.3
Rural Central Hill	29.37	8.52	3.70	10.8	9.3
Rural Western Hill	28.01	5.31	1.75	10.5	9.5
Rural Far Western Hill	36.83	8.89	3.13	13.3	9.1
Rural Eastern Terai	20.97	3.67	0.91	9.6	11.6
Rural Central Terai	23.13	4.14	1.08	13.9	15.1
Rural Western Terai	22.31	4.40	1.35	5.9	6.6
Rural Far Western Terai	31.09	7.17	2.47	8.5	6.9
Nepal	25.16	5.43	1.81	100.00	100.0

Source: Central Bureau of Statistics

Income Inequality

7.9. Gini Coefficient in NLSS-1 1994/95 was 0.34 which rose to 0.41 in second survey 2003/04. Though FY 2003/04 witnessed some decline in poverty, inequality was found to have increased further. However, in third survey 2009/10, this has dropped to 0.32. Gini coefficient in urban area which was measured at 0.43 during first survey increased to 0.44 in second survey and fell to 0.35 in third survey. Likewise, Gini

coefficient in rural area, which was 0.31 in the first survey, rose to 0.35 in the second survey dropping back to 0.31 in the third survey, which can be clearly understood from the following table.

Table 7(d): Gini Coefficient

	NLSS I 1994/95	NLSS II 2003/04	NLSS III 2009/10
Nepal	0.34	.41	.33
Urban area	.43	.44	.35
Rural area	.31	.35	.31

Source: Central Bureau of Statistics

Inclusive Development and Targeted Programs

- 7.10. Interim Constitution of Nepal, 2006 has embraced the principle of Inclusive development. The on-going three-year plan (2010/11-2012/13) has targeted to alleviate poverty through the employment centred inclusive and equitable economic growth. Inclusive oriented programs are being implemented by targeting various groups and communities who are excluded from mainstream of development in the current plan. These programs have benefited women, *Dalits*, ethnic groups, *Janajatis*, *Madheshi*, minorities, people with different abilities and backward class, small farmers and ultra-poor families in addition to the rural communities.
- 7.11. With the objective of mobilizing youths for reducing poverty of backward and disadvantaged people, National Development Volunteer Services – NDVS program has been implemented through district development committee. Volunteers have been mobilized as facilitators in Dalit, poor, ethnic and socially excluded communities for education, health, infrastructure development and social mobilization works. Programs are being conducted with the participation of local bodies and communities for income generation and poverty alleviation. This program has been carrying out activities like facilitating farmers in agricultural and livestock service sector, group formation, seed capital and saving mobilization, construction of *Sulabh Sauchalaya* (toilets) and water tap, skill oriented training, literacy classes etc.

Poverty Monitoring Activities

- 7.12. The earlier practice of monitoring and evaluation, limited to review of physical and financial progress monitoring arrangement was reformed

during tenth plan putting emphasis on monitoring through impact and effect level indicator. Accordingly, Poverty Monitoring Analysis System (PAMS) institutionalized at the central level for measuring the contribution made or to be made towards poverty alleviation by development program and projects has been though implemented, no significant progress been made to institutionalize PAMS thereby result based monitoring and evaluation manuals published and to institutionalize these methods few preliminary works has completed during this fiscal year 2010/11.

- 7.13. Various guidelines, forms related to monitoring and evaluation of development projects/programs have been implemented. Number of various monitoring bodies and lack of expected coordination among them, has caused few ambiguities and difficulties. In this context, National Planning Commission with unified directions and procedures has initiated to make monitoring and evaluation method institutionalized, useful, simple and effective.
- 7.14. To organize and institutionalize the poverty monitoring and analysis at district level, guidelines and software related District Poverty Monitoring Analysis System – DPMAS has been prepared and implemented. In this process, 58 employees at district level have been provided refresher training with joint effort of National Planning Commission and Ministry for Local Development during current fiscal year 2011/12 as emphasized on empowering the district level manpower. For DPMAS to be result oriented, timely amendment in its indicators and developing reliable statistical source for it to make more useful and effective are given special attention.
- 7.15. In order to make development fruit timely reachable at hand of general public, to maintain the value for money of public resources and to make executioner manpower accountable towards results, efforts are being made for internalization of Management for Development Results-MfDR procedures. Under this, development plan, budget process, monitoring and evaluation works are being carried out and accomplished putting results at the centre in every phase.
- 7.16. While institutionalizing MfDR, business plan has been prepared in 13 different Ministries/Line Agencies during current fiscal year 2011/12. Similarly, based on the results from Transport Management Department and Metropolitan Traffic Police Division, documentation preparation is underway for implementation of Result-Based Budgeting. Initiatives

have been taken as per the decision of MfDR Directors' Committee that was formed under the convenor ship of Vice president of National Planning Commission to extend 13 additional bodies. With a view to develop MfDR related human resource, around 100 individual are provided training on result oriented planning process and result oriented budget preparation and formulation of business plans. In the process of evaluating completed and on-going programs/projects, reports on effectiveness of social security program and evaluation of Karnali Employment program have been obtained in current fiscal year 2011/12. The summary of these reports are in the process of their publications. Similarly, continuity has been given to the studies on effectiveness of Sunsari-Morang Irrigation Project and procurement and distribution of essential medicine program.

- 7.17. MDGs Progress Report, 2010 and MDGs Need Assessment Report, 2011 have already been published from National Planning Commission, whereas report of Nepal Demographic and Health Survey (NDHS), 2011 has been prepared. The comparative results of NDHS conducted in 2006 and 2011 have been presented in table below.

Table 7(e): Indicators of Nepal Demographic and Health Survey

S. N.	Demographic Indicators	2006	2011
1	Total Fertility Rate	3.1	2.6
2	Crude Birth Rate (per thousand)	28.4	24.3
3	Contraceptive Prevalence Rate (all types, percent)	48.0	49.7
4	Contraceptive Prevalence Rate (modern means, percent)	44.2	43.2
5	Contraceptive Prevalence Rate (traditional means, percent)	-	6.5
6	Infant Mortality Rate (per thousand)	51.0	46.0
7	Child Mortality Rate (per thousand)	15.0	9.0
7	Children under 5 year Mortality Rate (per thousand)	65.0	54.0

Source: Nepal Demographic and Health Survey 2006 and 2011, Ministry for Health and Population

The study of these surveys has shown improvement in the usage rate (except modern technique) of contraceptive in the year 2011 as compared to the year 2006.

Poverty Alleviation Fund

- 7.18. Poverty Alleviation Fund (PAF) has remained active with the objective of providing support to the inclusive development and targeted programs as stipulated in Poverty Reduction Strategy Program (PRSP) and the subsequent projects of the government of Nepal. In addition to this, the Fund provides support to the programs targeting lower class people living below poverty line. This Fund has been established under the Poverty Alleviation Fund Ordinance, 2003 and is operational as an autonomous body under the Poverty Alleviation Fund Act, 2006.
- 7.19. The Fund, as per its 5 guiding principles: Antodaya; social inclusiveness; transparency; demand based; and direct fund flow to the community; has been implementing community demand based programs in active participation of ultra-poor and backward communities. Programs have been conducted by forming community based organizations and institutionalizing them involving targeted poor communities to plan and implement programs and projects on their own in their active participation. The Fund has been working in collaboration with local bodies; NGOs, community organizations, and private sector to provide facilitate and cooperate in social mobilization works as required.
- 7.20. Various programs are being operated under the Poverty Alleviation Fund-II with grant assistance of US \$100 million, US \$ 4 million from International Fund for Agricultural Development IFAD, US\$ 65 million under additional financing of World Bank, US\$ 10 million from World Bank Trust Fund and matching fund from the government of Nepal.
- 7.21. Facilitation works are being carried out for implementation of social mobilization, institutional development of communities, and preparation of community projects subsequent to signing of agreement with community supporting Partner Organizations (POs). Fund's programs are being operated regularly in 40 districts and some districts have been running this program through the medium of poverty pockets identifying ultra-poor and backward people while processes are underway for the operation of this program in additional 15 districts in F/Y 2011/12. These programs are being executed in cooperation of 417 POs. These POs help maintaining contact and communications between community and the fund in addition to social mobilization, capacity development and skill development training, institutional development

community organizations, providing technical support and facilitation for preparation and implementation of community projects.

Program Achievements from implementation period to date

- 7.22. Between the periods from beginning of the project to mid-March 2012, programs (including new vision based program) are being implemented in 1582 VDCs of 49 districts by 19,138 Community Organizations through which 593,888 targeted households have been benefited. Of the total household benefited from the Fund's program, *Dalits* constitute 28.97 percent while *Janajatis* are 28.60 percent. Likewise, a greater number of women of 74.45 percent among the CO members prove the Fund's commitment towards the socially excluded large segment of the population. In addition, it is making a meaningful effort to reach directly to the poor and backward communities as targeted by the Three-year Interim Plan.
- 7.23. CEDA under the Tribhuvan University had conducted effectiveness assessment study on the Fund's program in 2010 incorporating 3,000 household in 200 VDCs of 6 Districts. The study revealed positive impact on the consumption capacity of the poor, food security situation, incomes, social development, school going trend among the school children and women empowerment. Likewise, it revealed that the beneficiary's consumption capacity has increased by 31 percent at constant price while the consumption capacity of those who have received financial support from 6 to 19 months has increased by 44.4 percent. The study has also shown that the food availability in poor rose by 10 percent. Likewise, social analysis 101 study showed 82.5 percent growth in the average income of beneficiary households.

Table 7(f) Description of Poverty Alleviation Fund Grants Disbursements

S.N	Fiscal Year	Disbursed Amount (in Thousand)						
		Income Generation Program	Small Infrastructure Program	Innovative Program	Total			
					Total	WB Grant	Trust Fund Grant	GoN Grant
1	2004/05	132,612	64,110	3,395	200,117	183,638	-	16,479
2	2005/06	155,083	90,730	138,070	383,883	317,597	-	66,286
3	2006/07	404,332	76,444	499,113	979,889	979,889	-	
4	2007/08	1,274,572	230,652	46,451	1,551,675	1,551,675	-	
5	2008/09	971,458	261,798	27,640	1,260,896	1,260,520	-	376
6	2009/10	1,388,289	426,561	35,749	1,850,599	1,850,599	-	

S.N	Fiscal Year	Disbursed Amount (in Thousand)						
		Income Generation Program	Small Infrastructure Program	Innovative Program	Total			
					Total	WB Grant	Trust Fund Grant	GoN Grant
7	2010/11	1,526,898	470,910	11,401	2,009,209	1,720,129	-	289,080
Total		5,853,244	1,621,205	761,819	8,236,268	7,864,047	-	372,221
8	2011/12*	1,042,441	375,234	9,877	1,427,552	917,188	510,364	-
Grand Total		6,895,685	1,996,439	771,696	9,663,820	8,781,235	510,364	372,221

* First Eight Month

Source: Poverty Alleviation Fund

7.24. Community Organizations of 49 districts that are implementing income generating, small infrastructure development and innovative programs Under Poverty Alleviation Fund have been provided a grant sum of Rs. 8.24 billion between the periods from FY 2004/05 to FY 2010/11.

Youth and Small Entrepreneur Self-Employment Fund

7.25. This Fund was established in fiscal year 2008/09 with the objective of conducting self-employment and vocational training programs for educated and uneducated unemployed youths to provide them employment opportunity through the provision of collateral-free periodic loans at concessional interest rate from banks and financial institutions so as to bring change in the traditional production system and for speedy growth of the country with the optimum utilization of productive labour.

7.26. The primary objectives of the youth self-employment program is to provide Rs. 200 thousand per person at the maximum as collateral free-loan in an easy manner so that economically deprived group, women, *Dalits*, *Janajatis* and conflict affected people, unemployed youths and people having traditional skills will have opportunity to get engaged in agricultural, vocational and service oriented activities thereby making their lifestyle much easier through their increased income. The other objectives of the programs are to provide loans to invest especially on commercial farming, livestock farming, agro-forestry, mines, high valued gemstones industry, rickshaws in cities and markets, carts service, plumbing service, repair and maintenance of electronic goods to run service oriented self-employment programs. Similarly, loans will be provided to the people with traditional skills such as *Kami*, *Damai*, *Sarki*, *Dhimal*, *Rajbamshi* including conflict victims, disabled, injured,

disappearance people's and martyr's families, deprived people, Janajatis and women. Likewise, this program aims at providing loan to impart trainings to interested unemployed entrepreneurs to run self-employment programs and giving high priority to the schemes that utilize skills and local resources.

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

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

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

- 7.28. Of the Fund's approved amount of Rs. 2.69 billion to be disbursed to banks and financial institutions for the operation of self-employment

programs by Mid-March, 2012, Rs. 785 million has been released of which Rs. 335.1 has already been invested. From this, 3,343 persons are self-employed. The major areas of self-employments are animal husbandry, agriculture, floriculture, service, cottage industries and so on.

- 7.29. A total of 3,265 unemployed youths have benefited by participating in various types of Fund's skill oriented (2 to 12 week long) training programs conducted in various parts of Nepal. Such skill oriented training programs were run through 51 different organizations.

Employment

- 7.30. Nepal Labour Force Survey, 2008 has carried out thorough analysis of Nepal's labour force situation. No such survey has been conducted after this survey. Various aspects of labour force has been analyzed in Nepal Living Standard Survey, 2010/11 (NLSS-III) as well. Findings of both these surveys are presented in the following table.

Table 7 (g): Nepal Living Standard Survey and Nepal Labour Force Survey Findings

SN	Description	Percent
1	Employed Population	78.3
2	Unemployed Population	1.8
3	Labour Force Participation Rate	80.1
4	Inactive Population Rate	19.9
5	Unemployment Rate	2.2
6	Employment Rate	97.8
7	Household Engaged in Agriculture Sector	76.3
8	Population Engaged in Non-Agriculture Sector	23.7
9	Fully Employed Population	70.0
10	Underused Labour Population Rate	30.0

Source: NLSS, 2010/11 (Description from SN 1 to 8) and NLFS, 2008 (Description of SN 9 and 10)

- 7.31. According the table above, 19.9 percent of Nepal's total population is economically inactive and the rest 80.1 percent are economically active which can be defined by labour force participation rate. Of the total economically active population, 78.3 percent are employed while the rest 1.8 percent are unemployed. As per the findings of NLSS, 2010/11, the employment rate is 97.8 percent while the unemployment rate is only 2.2 percent. Likewise, the family household engaged in agriculture

sector is 76.3 percent while that of non-agriculture sector is found to be 23.7 percent. According to Nepal Labour Force Survey, 2008 report, fully employed population is 70 percent while underutilized rate is 30 percent.

Foreign Employment

- 7.32. Nepali youth groups are attracted to foreign employment due to dearth of adequate employment opportunity in the country. The number of Nepali workers going for foreign employment is growing every year. According to various reports, large numbers of Nepali workers have gone for foreign employment without securing government permission as well. Based on the official and unofficial records as of now, more than 3 million people have gone for foreign employment. The foreign employment has supported in bringing economic prosperity in rural Nepal and reducing poverty. The contribution of foreign employment to reducing unemployment situation and poverty and enhancing Nepalese economy should be considered significant. The Foreign Employment Act, 2008 has already been issued and enacted for promoting the business of foreign employment while safeguarding the rights and interests of workers and foreign employment entrepreneurs by making it a safe, well managed, and dignified profession.
- 7.33. As per the Nepal Living Standard Survey 2010/11, 56 percent families in Nepal have received remittance income in one year. The average household remittance receipt is estimated at Rs. 80,436 at current prices. Calculation of average remittance receipt per person comes out to Rs. 9,245. Of the numbers receiving such remittance, 58 percent is from within the country, 19 percent from India, and 23 percent from other countries. The number of families receiving remittance has been rising since last 15 years. The first survey showed that only 23 percent families had received remittance while the recent third survey showed 56 percent are receiving remittance. The share of remittance in total income of families is on increase. The share of remittance to household income in 1995/96 was 27 percent, which has gone up to 31 percent by FY 2010/11. Change has occurred in the remittance structure by sources as well. For instance, the share of remittance received from India has come down to 11 percent with a decline of 24 points in the last 15 years, whereas the share of remittance received from countries other than India has increased to 69 percent from 22 percent in the same period.

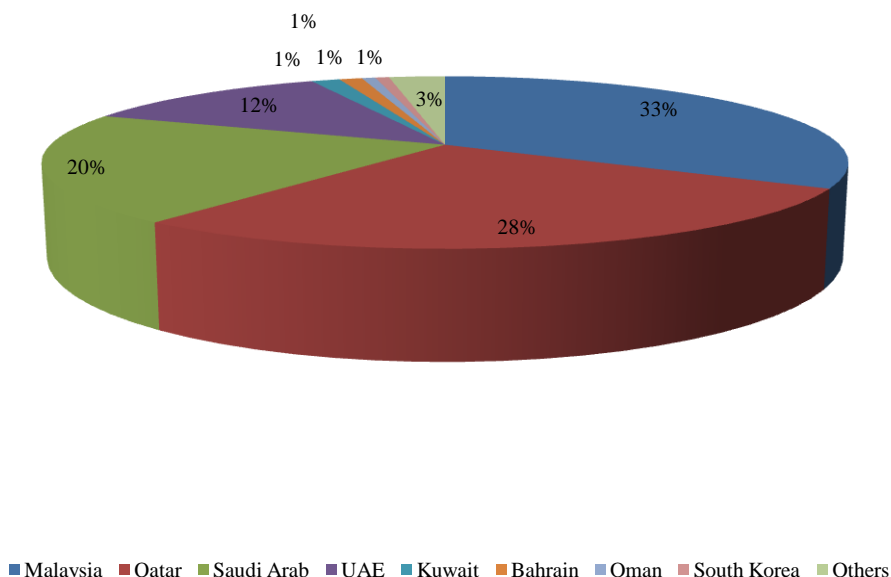
7.34. As per the information from the Department of Foreign Employment, a total of 58,710 Nepali workers are found to have gone to different countries for foreign employment by second trimester of FY 2011/12. Large number of people is estimated to have gone to third countries via India through unauthorized means taking advantage of open boarder with India. A separate Foreign Employment Department was established on 31 December 2008 which has been carrying out foreign employment related activities. An Employment Permit System (EPS), Korea Section is established in the Department while a separate Japan International Trading Corporation Organization (JITCO) unit has been formed in fiscal year 2009/10, for sending workers to Japan. A total of 250,663 workers have gone for foreign employment until the second trimester of the current fiscal year. Of this total number, 14,343 are female and 235,829 are male while this number stood at 354,716 until the end of previous fiscal year of which 344,310 are male and 10,416 are female. The total number and country-wise distribution of workers gone for foreign employment is given below:

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

SN	Country/Area	Total Number as of FY 2009/10	Number as of FY 2010/11			First Eight Months of FY 2011/12			Grand Total
			Male	Female	Total	Male	Female	Total	
1	Malaysia	578292	104520	1386	105906	56983	1182	58165	742363
2	Qatar	483651	102653	313	102966	74348	590	74938	661555
3	Saudi Arab	359780	70960	156	71116	47721	99	47820	478716
4	UAE	216629	42553	1911	44464	37099	2880	39979	301072
5	Kuwait	24452	9392	5795	15187	7793	7790	15583	55222
6	Bahrain	19533	4441	206	4647	4158	385	4543	28723
7	Oman	11502	2385	57	2442	2081	271	2352	16296
8	South Korea	12007	3727	1	3728	1930	9	1939	17674
9	Others	47976	3669	591	4260	3716	1137	4853	57089
Total		1753822	344300	10416	354716	295829	14343	250172	2358710

Source: Foreign Employment Department

Chart 7 (b): Country-wise Foreign Employment Situation



7.35. Of the total 2,358,710 Nepali workers going for foreign employment, Malaysia happens to be the first destination providing foreign employment to 742,363 (32 percent) Nepali workers followed by Qatar with 661,555 (28 percent), Saudi Arabia with 478,716 (20 percent), and UAE with 301,072 (13 percent). Likewise, 55,222 (2 percent) are in Kuwait, 28,723 (1 percent) in Bahrain, 17,674 (1 percent) in South Korea and 57,089 (3 percent) in other countries.

Real Wage Rate

7.36. Real wage rate index has remained positive due to the higher Wage Rate Index than the consumer inflation. Consumer inflation rates during the first eight months of the previous fiscal year and current fiscal year (2009/10-2010/11) rose by 9.9 percent and 10.7 percent respectively while wage rate index rose by 13.6 percent and 25.5 percent during the same periods. Despite the fact that real wage tends to shrink with rising inflation, positive real wages has raised the workers' income level thereby helping reduce their poverty. Besides, the wage rate index with 73.0 percent weightage in the overall national salary and wages index, and agricultural labours occupying 40 percent share with higher real

wage rate, especially the income level of agricultural labours has increased helping reduce their poverty. The monthly wage rate for industrial labours with their dearness allowance has been fixed at Rs. 6,200 while the daily wage rate for tea estate workers is fixed at Rs. 258 and that of agriculture labours is Rs. 221.

Employment Information

- 7.37. Under the Department of Labour, Ministry of Labour and Employment, 14 employment information centres have been established, which started collecting descriptions of unemployed people since mid-March, 2008 and as of mid-March of the current fiscal year 2011/12; descriptions of 49,310 unemployed people have been collected.

Employment and Labour Situation Analysis

- 7.38. A complex question up front is how to alleviate poverty from the country amid absence of clear policy and programs towards resolving the ever increasing unemployment problem in the country. The country's development aspirations can never be materialized until poverty is eradicated, and employment is an important medium for resolving this problem. There has been increasing trend among the youths on visiting abroad for foreign employment. Employment opportunities in the country are very low. To rely on agriculture sector only cannot be a solution to this problem. In this situation, it is very much necessary to increase employment opportunities inside country by expanding the areas of investment. Amid lack of clear vision and policy of entities responsible for the supply of labours inside the country and abroad, it is not possible to absorb the ever growing number of unemployed labour force unless policy and programs on creation of employment opportunities, identification of potential sectors, and areas for adjustments are not worked out and implemented accordingly. In such a situation, it will be a difficult task to economically uplift the people suffering from poverty. To address this issue, there is the necessity for timely initiative from both the government and the private sector.
- 7.39. Poverty could not be reduced as expected despite a number of poverty reduction programs were implemented in the past. Though the target of a three-year interim plan was to reduce poverty level to 24 percent; it has been able to reduce to 25.2 percent. It is undeniable fact that both

the labours working abroad and the domestic labours lack rights, health and insurance facilities. A serious attention need to be paid in this direction as well.

Programs under Ministry of Local Development for Poverty Alleviation and Employment

- 7.40. Though the programs implemented under the Ministry of Local Development are poverty alleviation and employment promotion focused, majority of programs under this Ministry are, Karnali Employment Program; Western Upland Poverty Alleviation Project; program on Connecting Local Initiatives with Local Skills; and Nepal Food Security Program.; Progress Status of the progress of these programs is as follows:

Karnali Employment Program

- 7.41. This program, "Karnali: One Family, One employment" is in operation since FY 2006/07. The objective of this program is to make employment opportunities available to the majority of the families of Karnali zone who are unable to support their livelihood with incomes they earn from their traditional professions, businesses or employments. During the fiscal year 2010/11, a total of 1,222 small projects like trails and mule tracks, motorable roads, toilets, school building, micro-hydro projects were carried out thereby generating 1,717,885 person-days employment opportunities benefiting the local people. During the first eight months of the current fiscal year, works being carried out include: updating the details of district's unemployed household members; form groups of unemployed household members and make selection of projects from among those groups have chosen; prepare cost estimates for those projects; and maintain working level coordination and integration with government and non-government agencies working in the districts.

Western Upland Poverty Alleviation Project

- 7.42. Western Upland Poverty Alleviation Project has been in operation on joint investment of the Government of Nepal, IFAD, concerned District Development Committees (DDCs), Village Development Committees (VDCs), private sector and local users with the objective of enhancing living standards of ultra-poor residing in upland districts of Mid-Western and Far-Western Development Regions namely, Jumla,

Humla, Bajhang, Bajura, Mugu, Dolpa, Kalikot, Jajarkot, Rukum, Rolpa, and Dailekh districts of Nepal. In the fiscal year 2010/11, on infrastructure development side, 32 irrigation, 29 drinking water, 32 school buildings, 5 bridges, and 2 health centres have been constructed benefiting 20,209 households. Additionally, 61 leasehold forest user groups have been formed covering 4,490 deprived and poor households. Likewise, 183,966 tree saplings of various species were distributed to the groups for plantation and subsequently planted in an area of 496 ha of leasehold forest. Similarly, a total of 556 community organizations were constructed during the same period. During the first eight months of the current fiscal year, ongoing construction of 2 school and community buildings, 10 consecutive drinking water, 8 consecutive micro-irrigation, 3 drinking water projects have been completed.

Connecting Local Initiatives with Local Skills Program

- 7.43. This program was implemented under the assistance of Swiss government (Helvetas) in 1997. This program has been included in the Government's annual program budget since FY 2005/2006 and is in operation in Achham, Dailekh, Jajarkot and Kalikot districts. In FY 2010/11, a total of 13,500 families benefited through operation of various income generating activities, market management of goods and commodities, handover, small physical infrastructure, institutionalization local partner organization while, this program had supported in the periodic plan formulation of 25 VDCs. Farmers were imparted technical knowledge through the mobilization of 180 local resource persons. During the review period of FY 2011/12, a total of 5,200 families are involved in various income generating (vegetable seeds, leguminous crops, ginger, herbs) programs. For the publicity of agriculture technology and technology transfer, 200 local resource persons were mobilized as per the demand and capacity of 650 production groups has enhanced. Likewise, this program has helped developing periodic plans of 25 VDCs.

Nepal Food Security Program

- 7.44. This program is in operation since FY 2008/09 with the objective to provide immediate relief to poor public marred by sky-rocketing food prices. In FY 2010/11, irrigation facility was provided to 3,873 hectares of land while tree plantation was carried out in 1,637 hectares. Similarly, 104 drinking water projects, 16,083 compost pits and 176

Km of rural road were constructed during the same period. In the first eight months of current fiscal year, computers were procured and works have been initiated to carry out beneficiary assessment after reaching an agreement with the consultants.

Problems and Challenges

- 7.45. Poverty eradication through appropriate programs for reducing the inequality gap between the poor and rich is a difficult and challenging task.
- 7.46. The migratory pressure exerted on cities as a result of the people seeking safer places within municipal areas, and locations with more physical facilities and amenities has created the problem of urban poverty. Addressing this poverty related issue has been another big challenge
- 7.47. Reducing the existing unemployment problem by conducting programs in every area of the country through identification of local skill, capital and appropriate technology, and involving unemployed local youths in such programs has also been a daunting task.
- 7.48. Awareness also is called for giving priority to country's citizens for meeting the demand of labours and skilled human resource in the large commercial and industrial establishments of the country.
- 7.49. Although the profession of agriculture is believed to be the backbone of national economy, reducing the prevalent disguised unemployment problem by making this profession the centre of attraction to the people, is difficult and challenging.
- 7.50. Reducing poverty and backwardness of people like *Dalits*, women, *Madhesi*, *Janajati*, deprived and backward groups of people, residents of rural and far flung areas, ultra poor and small farmers excluded from country's mainstream of development due to social and economic reasons by involving them in the campaign of national development is equally difficult and challenging.
- 7.51. Employment opportunities could not be created for estimated 400,000 labour forces getting added to labour market every year. Neither the exact number of unemployed skilled, semi-skilled and unemployed labours is identified, nor are studies on these being carried out. In addition, programs on where and how to mobilize labour force, how to involve them through what type of programs are lacking. Likewise,

coordinative roles on how to utilize various kinds of labours are also lacking and as a result, the problem of unemployment is on increase day by day.

- 7.52. Combating labour related problems especially in the area of foreign employment is another daunting challenge like: foreign employment bound labourers getting cheated right from departure points; works and wages are not provided as committed after arriving at the destination; remittance process is difficult; physical tortures have to be endured by labourers; failure in providing even basic knowledge and information; and controlling and regulating unauthorized foreign employment bound labourers.
- 7.53. There is a need to take initiative as quickly as possible for getting rid of various problems labourers have been facing as Nepal does not have its diplomatic mission in every foreign employment providing country for extending relief measures to the labourers when needs arise.

8. AGRICULTURE AND FORESTRY

8. Agriculture and Forestry

Agriculture

Contribution of Agriculture Sector to Gross Domestic Product

- 8.1. Contribution of agriculture sector to Gross Domestic Product (GDP) during the people's movement-II in 2005/06 was close to 35 percent. Though various programs were implemented to increase agricultural production in subsequent years, the contribution of this sector to GDP just remained between 32 percent and 36 percent. As per the preliminary estimates, contribution of agriculture to GDP during the current fiscal year 2011/12 will be 35.68 percent against the revised estimate of 37.47 percent in the previous fiscal year. In the current fiscal year, GDP is expected to rise by 4.56 percent at constant prices of FY 2000/01, while the growth rate of agriculture sector is expected to remain slightly higher than this with 4.93 percent. Agricultural production in this fiscal year is estimated to increase marginally higher by 0.46 percent than that of the previous fiscal year.
- 8.2. Agriculture sector plays a critical role in the Nepalese economy as this sector still contributes more than one third to Nepal's GDP, and more than two-third of its population depend on it for their employment and livelihood. Lack of adequate knowledge, skill, technology and entrepreneurship to transform the prevailing traditional farming to commercial farming system not only contained farmers to subsistence farming but also they are suffered by the under employment and disguised unemployment problems. Factors like easy access to irrigation facility on agricultural lands, improved seed and seedlings, chemical fertilizers, pesticides, agricultural loans, advance farming technology, and farmers' access to technology and knowledge play vital role in mitigating this problem and enhancing agricultural production. But according to statistics of the previous years, addition of irrigation facility, supply of agricultural credit, chemical fertilizers, improved seeds and seedlings has not been satisfactory. Due to severe fluctuations on availability of such inputs make farmers remain reluctant to take risk due to the uncertainty on the availability and accessibility of these inputs and this has direct impact on agricultural production.

Table 8 (a): Supply of Major Agricultural Inputs

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Chemical Fertilizers(in MT)	11,711	18,458	8,136	12,751	3,285	3,157	42,178	29,604
Improved Seeds and Seedlings (in MT)	2,190	2,748.5	3,514	3,380	3,781	3,947	4,337	4393
Irrigation (Additional Ha)	12,753	11,325.5	18,402	26,967.5	14,099	25,850	30718	35748
Agriculture Credit (In 10 millions)	1,014.9	1,181.7	1,285.6	1,388.2	1,388	1,337.6	1,429.1	1,419.2

Source: Economic Surveys of previous years

8.3. Though Table No. 8(a) shows that some additional hectares of land is being brought under irrigation every year, the country is not only unable to bring all arable land under irrigation, but additional areas of the land so brought under irrigation in each year have not increased significantly. The dearth and variation in the supply of chemical fertilizers and its shortage in the cropping directly affect agricultural production. Despite the fact that agricultural credit banks and financial institutions extend to farmers has continued to grow year by year, the agriculture sector shares less than three percent of the total loan extended by such institutions. These facts make it clear that farmers do not have easy access to agriculture credit. Fluctuation in supply of seeds and seedlings being witnessed every year conform to inadequacy of effort made for supply of these essential inputs.

Food Production Status

8.4. In the current fiscal year, the land area of 3,484,395 hectares cultivated with major crops including rice, maize and wheat is estimated to yield 9,457,594 MT of such crops in total. During the FY 2010/11, area under such crops and their production volume increased by 2.52 percent and 10.87 percent respectively as compared to just 0.46 percent and 9.91 percent increases respectively during the current fiscal year. Land under these crops with respect to their area and production decreased by 1 percent and 4 percent respectively in FY 2009/10 as compared to these figures of the previous fiscal year, giving an illusion of higher productivity of these crops in FY 2010/11. The cultivated area of these major crops including rice, maize and wheat with their respective production quantity from FY 2009/10 to the current fiscal year are given in the Table 8(b) below.

Table 8 (b): Area of Food Crops and their Production

Food Items	2009/10		2010/11		2011/12	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Rice	1,481,289 (-4.80)	4,023,823 (-11.05)	1,496,476 (1.03)	4,460,278 (10.85)	1,531,493 (2.3)	5,072,249 (13.7)
Maize	875,660 (0.03)	1,855,184 (-3.91)	906,253 (3.49)	2,067,522 (11.46)	871,387 (-3.85)	2,179,414 (5.40)
Wheat	731,131 (5.21)	1,556,539 (15.83)	767,499 (4.97)	1,745,811 (12.16)	765,275 (-0.29)	1,846,107 (5.86)
Millet	268,473 (0.97)	299,523 (2.34)	269,820 (0.50)	302,691 (1.06)	278,030 (3.04)	315,067 (4.09)
Barley	26,600 (3.03)	27,587 (18.79)	28,461 (7.00)	30,240 (9.62)	27,371 (-2.07)	34,736 (14.87)
Buckwheat			10,304	8,841	10,339 (0.34)	10,021 (13.35)
Total	3,383,153 (-1.02)	7,762,656 (-4.33)	3,468,509 (2.52)	8,606,742 (10.87)	3,484,395 (0.46)	9,457,594 (9.91)

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

Source: Ministry of Agriculture and Cooperatives

8.5. Rice is the staple food crop of Nepal. Share of this crop is more than 50 percent to the total food crop production. The production of rice is preliminary estimated to increase by 612,000 MT (14 percent) in the current fiscal year from 4,460,000 MT of the previous fiscal year to 5,072,000 MT. This has been the highest production recorded so far. One major reason for such increased rice production is the sustained monsoon rain that remained active from June 13 to the end of September 2011 with rainfall active from July to the beginning of September. Another reasons is planting of improved variety of paddy like Sabitri, Bindeshwori, Radha-4, Radha-12 in Terai, Khumal-4, Khumal-10 and Khumal-11 in mid-hills and Chandannath in high hills that has double productivity than the local variety, in more than 90 percent of cultivated area and increase in cultivated land itself by 2.3 percent as compared to that of previous fiscal year. During this fiscal year, the productivity of rice has reached around 3,312 kg per hectare. Landslides, low precipitation, hailstorm, have adversely impacted to the

families of some farmers and the paddy production in some districts.

Box 8 (a): Special Programs on Agriculture Sector

- 1) **Mission Program for Agricultural Production:** Promotional programs for production of onions, maize, lemon, fish and oilseeds have been carried out with the objective of substituting imports of these products. These programs were implemented in Sunsari, Sarlahi, Rauthat, Bara, Kavre, Chitwan, Nawalparasi, Rupandehi and Dang for Maize farming while, onion farming covered Saptari, Sarlahi, Siraha, Dhanusha, Bara, Parsa, Runpandehi, Banke and Bardia, districts, piciculture covered Sunsari, Saptari, Bara, Parsa, Chitwan, Nawalparasi, Rupandehi, Banke and Bardia districts. Likewise, Sarlahi, Chitwan, Lamjung, Nawalparasi, Kapilbastu, Pyuthan, Dang, Surkhet, Banke and Bardia districts conducted oilseeds program while lemon farming program covered Terathum, Dhankuta Bhojpur and Makwanpur districts. These programs have transferred modern farming technology to the farmers thereby bringing positive impacts on the agriculture production and productivity.
- 2) **Cooperatives run Poultry and Pig Farming Program:** This program, which was started from 4 districts in FY 2008/09 targeting *Dalits*, socially downtrodden and back-ward communities, *janajatis*, women, squatters, marginalized and bonded labourers and landless farmers, has now been extended to 26 districts including Kailali, Bardiya, Banke, Dang, Saptari, Jhapa, Morang, Sarlahi, Udaypur, Ramechhap, Dhading, Sindhupalchowk, Syangja, Dolakha, Kavre, Dhanusha, Bhaktapur, Nawalparasi, Lamjung, Parwat, Sindhuli, Parsa, Makwanpur, Mahottari and Banglung. Such program has helped instil the sense of cooperative among the farmers associated with this program together with the rise in their incomes.
- 3) **One Village, One Product Program:** One Village, One Product Program, based on the Public-Private Partnership approach, has made remarkable achievement after reaching the second phase with completion of 5 years of its execution. Under this program, betel nuts production in Jhapa, turmeric farming in Sunsari, ginger farming in Salyan and Palpa, rural agro-tourism scheme in Lamjung and Szechwan pepper farming in Myagdi are being conducted in the current fiscal year. Similarly, *Jarailo* and *Basmati Chamal* farming in Doti, banana farming in Chitwan and Kanchanpur, fish farming in Dhanusha and Mango farming in Saptari are also included in this program.

8.6. Maize (corn), Wheat, Millet, Barley and Buckwheat has been the other staple food after paddy from the production point of view. Though the

- 8.7. cultivation area under the corn has decreased by 4 percent in the current fiscal year, its production is preliminarily estimated to increase by 5.4 percent as compared to that of previous fiscal year. The increase in its productivity by 10 percent, the long and favourable monsoon period coupled with the off-season and spring season maize production are attributed to the increase in corn production. In addition, the continuation of mission program that was introduced in 2008/09 has also been one of the reasons for such increment in its production. Wheat production is expected to rise by 6 percent in the current fiscal year as compared to the previous fiscal year. Area under millet cultivation has increased by 3 percent due to the reason that millet is being sown in Terai and Hilly districts in addition to those areas where other crops were sown in the past. Despite the increased acreage under millet crop, its productivity has remained low due to absence of the uses of improved seeds, fertilizers and advanced technology in its farming. Buckwheat which is regarded as the staple food crop in mountain region has been included in Nepal's national statistics since last year. Despite this crop covering 50 districts of Nepal, area under this crop is estimated at 10,339 hectares only. Buckwheat production in this year is estimated to record a notable increase of 13 percent as compared to the previous year.

Production Status of Cash Crops

- 8.8. Details of production of traditional cash crops in the current fiscal year such as oilseeds, tobacco, jute, sugarcane and potato are given in table 8(c) below. The area covered by entire cash crops in the current fiscal year is expected to rise by 2 percent. Likewise, production of these crops is estimated to reach 5,748,000 MT this year with a growth of 6 percent. Despite quantitative increase in production of these crops this year, yield is contained at 12 MT/Ha, like in the previous years.

Table 8 (c): Cash Crop's cultivated area and their Production

Crops	2009/10		2010/11		2011/12	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Oilseeds	199,500 (10.00)	149,625 (10.43)	213,706 (7.12)	176,186 (17.75)	218,321 (2.16)	181,206 (2.85)
Potato	182,506 (0.33)	2,458,720 (1.43)	186,232 (2.04)	2,508,044 (2.00)	187,122 (2.48)	2,682,539 (6.96)

Crops	2009/10		2010/11		2011/12	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Tobacco	2,534 (-0.31)	2,491 (-0.24)	1,135 (-55.21)	1,238 (-50.30)	1,110 (-2.20)	1,200 (-3.07)
Sugarcane	61,000 (4.99)	2,592,500 (10.11)	62,998 (3.27)	2,718,226 (4.85)	64,483 (2.36)	2,869,493 (5.56)
Jute	13,103 (12.20)	20,965 (18.73)	10,559 (-19.42)	14,418 (-31.23)	10,540 (-0.18)	14,424 (0.04)
Total	458,643 (5.29)	5,224,301 (5.88)	470,998 (2.69)	5,418,112 (3.71)	481,576 (2.25)	5,748,862 (6.10)

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

Source: Ministry of Agriculture and Cooperatives

8.9. Sugarcane and potato contribute 50 percent and 47 percent respectively to the total production of cash crops. Though area under the sugarcane cultivation has increased by less than one percent this year as compared to the previous fiscal year, still the production is expected to increase by about one percent in this year. In the past, farmers were discouraged to continue with sugarcane farming as it was difficult to recover even the production cost owing to problems in the sales of sugarcane, but now farmers are again attracted to this crop mainly due to excessive rise in sugar consumption and its price. Such a trend has led to some increase in cultivation area, production and productivity of sugarcane. Similarly, potato production is also expected to rise by 7 percent this year as compared to the previous fiscal year. The productivity of potato had been rising in the past years, productivity is estimated to increase by 4.6 percent and rise to 14.336 MT per hectare this year. Area under tobacco cultivation has continued to decline this year too as in the previous years. Area under jute cultivation, its production and productivity have declined due to inadequate availability of jute seeds. The preliminary estimate shows that production of oilseeds (mustard, yellow mustard, sunflower etc.) will raise by three percent with additional 181,000 MT and its cultivation area rise by 2 percent. Oilseed cultivation area and its production are estimated to rise due to farmers' attraction towards sunflower farming in recent years.

Production Status of other Crops

8.10. The data on area under cultivation, production and productivity of vegetables, fruits, ginger and garlic and other spices in FY 2011/12 are given in Table No. 8(d). In the current fiscal year, production of vegetables is estimated to increase by 6 percent reaching 3,200,000 MT. Moreover, its cultivation area is also estimated to have increased by 5 percent. The reason for such continuous growth in area and production is due to increased practices of off-season vegetable farming as the major cash crop than other farming in recent days. As a consequence, the living standard of the farmers engaged in this category of farming has improved significantly. Fruit production is also estimated to go up by 6.5 percent as compared to the previous fiscal year reaching 885,000 MT. Total area under fruits and production are expected to rise this year due to the increasing trend in commercial farming of bananas, oranges and due to good mango harvesting year.

Table 8 (d): Production status of Spices and other crops

(Area: Ha, Production: MT, Productivity: KG/Ha)

Crops	2010/011			2011/012		
	Area	Production	Productivity	Area	Production	Productivity
1. Vegetables	244,102 (4.94)	3,203,563 (6.66)	13,124 (1.64)	255,575 (4.7)	3,400,903 (6.2)	13,307 (1.4)
2. Fruits	79,184 (0.39)	831,576 (2.84)	10,502 (2.43)	81,625 (3.1)	885,521 (6.5)	10,849 (3.3)
3. Spices						
Ginger	20,000 (9.3)	216,289 (13.2)	10,814 (3.5)	18,349 (-8.3)	215,613 (-0.3)	11,751 (8.7)
Garlic	5,656 (11.6)	39,566 (29.0)	6,995 (15.6)	6,446 (14.2)	51,055 (29.0)	7,920 (13.2)
Turmeric	4,446 (10.9)	35,295 (23.8)	7,939 (11.6)	4,841 (8.9)	45,131 (27.9)	9,323 (17.4)
Chilly	6,522 (6.1)	27,203 (14.5)	4,171 (8.2)	6,920 (6.1)	29,207 (7.4)	4,221 (1.2)
Cardamom	11,584 (5.9)	5,212 (2.5)	450 (-3.3)	12,729 (9.9)	7,265 (39.4)	571 (26.9)

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

Source: Ministry of Agriculture and Cooperatives

- 8.11. On spices, production and cultivation area of all spices except ginger have gone up. Among those spices, production of garlic, turmeric and chilly steeply rose by 29 percent, 28 percent and 7 percent respectively, while that of ginger has declined slightly. Though cardamom - a major export crop - witnessed a decline both in area coverage and production due to a spotty disease (*chhirke-phurke*), its production in Taplejung and Sankhuwasabha has gone up due to introduction of technologies and schemes Ministry of Agriculture and Cooperatives and the agencies under this Ministry have developed.
- 8.12. Of industrial crops such as tea, coffee and cotton that are not mentioned in Table 8 (d), coffee production has increased by 24 percent and tea by 5 percent. Farmers are attracted toward coffee farming because of its exports to third countries. Cotton farming was done in Dang, Banke and Bardia in around 140 hectare producing 145 MT of cotton. Likewise, the number of beehives is expected to remain the same as last year, i.e., 125,000 units. The total honey production, however, is expected to rise by 8 percent to 1,300 MT this year. About 600 nurseries in the country and flower shops in Kathmandu valley are estimated to have carried out the flower transaction of about Rs. 1 billion. Such transaction was just of about 660 million in the previous fiscal year. Such increase in transaction was due mainly to rise in flower prices. Mushroom comprising of various species, which is getting popular mostly in urban areas, is estimated to reach its production volume of 1,400 MT, this year from its production volume of 1300 MT in the previous fiscal year. Similarly, silk cocoon production is expected to rise slightly reaching 40 MT this year as compared to last year's production of 38 MT.
- 8.13. The share of food crops to the major agricultural production in the current fiscal year is expected to grow to 47.67 percent, but the shares of cash crops and other crops are expected to decline and contained at 28.92 percent and 23.35 percent respectively as compared to 45.44 percent, 30.34 percent and 24.22 percent respectively in the previous fiscal year 2010/11. However, production of all crops has increased in terms of their production volume. The share of food crops to the total production has increased due to the significant growth in production of food crops such as rice, maize and so on. Food surplus is expected to rise due to the growth in production of food crops.

Number of Domestic Animals/Fowls

- 8.14. The number of domestic animals/fowls in Nepal in FY 2011/12 has been presented in Table No. 8(e). Analyses of growth trend of domestic animals/fowls in Nepal reveal that the rate of growth in the number of cows, buffaloes and sheep has remained almost the same while the number of goats in fiscal year 2009/10 that had grown by 4.38 percent has started declining in the subsequent years. Although the number of pigs rose by 2 percent in the current fiscal year reaching 1,130,000, their growth rate in the current fiscal year has been less than half as compared to that of the previous fiscal year. Likewise, the growth rate in the number of chickens in the current fiscal year has been nominal with an increase of 13 percent in the current fiscal year as compared to the growth rate (53.46 percent) of the previous fiscal year. The growth rate in the number of ducks has been negative since last few years.
- 8.15. The number of mulching cows is estimated to increase by 2.55 percent reaching 998,000 as compared to their number of the previous fiscal year. Likewise, the number of mulching buffalo is also estimated to increase by 3 percent reaching 1,331,000. Similarly, among the fowls, the number of egg layers is estimated to increase by 5.6 percent and reach 7,897,000. However, the number of egg laying ducks has been declining since last few years.

Table 8 (e): Description of number of Animals/ Birds

Description/FY	2009/10	2010/11	2011/12
Cows	7,199,708 (0.34)	7,226,050 (0.37)	7,249,173 (0.32)
Buffaloes	4,832,654 (3.25)	4,995,650 (3.33)	5,140,506 (2.94)
Sheep	801,371 (-0.20)	805,070 (0.46)	807,083 (0.25)
Goats	8,844,172 (4.38)	9,186,440 (3.87)	9,519,010 (3.62)
Pigs	1,064,858 (1.95)	1,108,465 (4.10)	1,130,915 (2.03)

Chickens	25,760,373 (5.22)	39,530,620 (53.46)	44,610,305 (12.85)
Ducks	379,553 (-0.93)	378,050 (-0.40)	376,916 (-0.30)
Mulching Cows	954,680 (2.34)	974,122 (2.04)	998,962 (2.55)
Mulching Buffaloes	1,252,770 (3.41)	1,291,644 (3.10)	1,331,039 (3.05)
Layer Chicken	7,290,875 (2.34)	7,478,645 (2.58)	7,897,449 (5.60)
Layer Duck	175,300 (-2.17)	175,150 (-0.09)	174,980 (-0.10)

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

Source: Ministry of Agriculture and Cooperatives

The Status of Domestic Animals/Fowl Production

8.16. Production of cows and buffaloes milk (excluding Yak) is estimated to increase by 4.26 percent reaching a total of 1,623,000 MT in the current fiscal year 2011/12. The share of cow's milk to the total milk production is estimated to remain at 29 percent while that of buffalo's milk will remain at 71 percent. Though the meat production is estimated to reach 288,000 MT (3.71 percent growth) in the current fiscal year as compared to the last fiscal year, it is less than the growth rate of 11 percent achieved in that year. The share of buffalo's meat to the total meat production is estimated at 59.88 percent, goat (castrated/non-castrated) 18.74 percent, fowls (14.01 percent), pigs (6.35 percent) while the share of sheep and ducks meat is estimated to remain less than 1 percent. The growth rate of the all types of meat is estimated to remain lower this year than that of the previous year. Egg production in this year is estimated to climb up by 11.77 percent than in the previous year reaching 78,700,000 units. Of this, the share of fowl eggs is estimated at 98 percent to the total egg production. The description of milk and other animal/bird products are given in the Table No. 8(f) below:

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

Description/FY	2008/09	2009/10	2010/11	2011/12
Milk Production (MT)				
Cows	413919	429129	447185	468913
Buffaloes	1031500	1068300	1109325	1153838
Total	1445419	1497429	1556510	1622751
Meat Production (MT)				
Buffaloes (M/F)	156627	162358	167868	172413
Sheep	2711	2705	2722	2720
Goat (Castrated/Non Castrated)	48472	50315	52809	53956
Pigs	16992	17059	17923	18277
Chickens	16662	17551	36085	40346
Ducks	226	225	218	217
Total	241690	250213	277625	287929
Egg Production (in Thousand)				
Chickens	616312	634660	691070	773950
Duck	13628	13440	13065	13060
Total	629940	648100	704135	787010
Wool Production (KG)	583776	582447	586232	586975

Source: Ministry of Agriculture and Cooperatives

8.17. Total fish production is estimated to rise by 4.4 percent in the current fiscal year as compared to the previous fiscal year reaching 54,360 MT. The fast growing fisheries business that recorded negative growth two years ago has grown slightly last year and this year. Of the total fish production, about 60 percent of fish are harvested from ponds and other from natural sources. The rise in fish production is also due to the continuity given to the pisciculture program as a campaign in Sunsari, Saptari, Chitwan, Rupandehi, Banke, Bardiya, Bara, Parsa and Nawalparasi districts of Terai.

Major reasons behind the variation in agricultural production, area and productivity

- 8.18. **Impact of Weather:** Monsoon that generally begins on June 10 got delayed only by a few days this year, and got weak in mid-July, started becoming very active from mid-August. According to records of rain measurement centres under the Department of Hydrology and Meteorology, 110 percent rainfall was recorded only in June, 96 percent in July, 97 percent in August and 101 percent in September. The rainfall recorded more than average in June and during the review period together with good distribution and, as a result, there was a positive impact on the overall production of crops like paddy, maize, etc. Days with more than 1 mm of rainfall are believed to normally irrigate the land; this season witnessed more of such rainfalls as compared to the corresponding period of the previous fiscal year. Though December and January witnessed less than average precipitation, production of winter season crops such as wheat, barley, lentils (grams and peas) is estimated to increase due to favourable weather with adequate rainfall in October and November that helped maintain moisture and humidity in the soil accompanied by nationwide winter precipitation, and snow falls in the days of January and February also considered as favourable.
- 8.19. **Chemical Fertilizers:** The Agriculture Inputs Company Ltd marketed a total of 116,000 MT of Chemical Fertilizers including 71,000 MT of urea between the period of mid-July, 2011 and mid-April 2012 although the requirement of such fertilizers was 700,000 MT as per the long-term goal of Agriculture Perspective Plan. Despite less supply of fertilizers than the actual requirement, sales and per hectare usage of fertilizer have increased significantly as compared to the previous year according to the information provided by Agriculture Inputs Supply Monitoring Division under the Ministry of Agriculture and Cooperatives. Agriculture Sector Performance Review, conducted in FY 2004/05 has concluded that two third of the total demand for chemical fertilizer is met through such non-formal sources. The highly subsidized Indian fertilizers have attracted non-formal sector to engage in their imports, sale and distribution especially in Terai regions. However, Government of Nepal also has been providing subsidy on limited quantity of fertilizers since last few years due to which the volume and per hectare fertilizer usage have improved as a result of

price subsidy in such fertilizers. Likewise, implementation of programs such as providing subsidy up to 50 percent to the agricultural machinery tools/instruments for the establishment of compost fertilizer factory as an alternative provision to the chemical fertilizer and encouraging farmers for producing and using cattle wastes like dung and green fodder remnants for producing organic/compost fertilizers have helped increase the agricultural production and productivity.

- 8.20. **Sale and Distribution of Improved Seeds:** As per the details provided by National Seeds Company Limited on sale and distribution of seeds from the period of farming season 2011 as of now (first eight month of the current fiscal year), about 2,252 MT of seeds has been distributed which is less than 35 percent as compared to the sales of the previous year. The Seeds Company that had sold 3,407 MT of wheat seed last year has sold just 2,155 MT resulting in the decline of its total sale. Decline in wheat cultivation area in the eastern region is mainly due to the decline in the sale of its seed. Farmers' group, businessmen and organizations involved in seed production at the local level, and farmers themselves are found to have produced and sold improved seeds in adequate quantity. Verification of 1,632 MT of seed has been carried out by mid-April of the current fiscal year so as to ensure quality seed provision to the farmers. Similarly, 4,357 seed samples were tested, monitoring of 1,128 hectares of seed plantation and 13 referee sample tests were conducted under these activities.
- 8.21. **Impact of improved technology:** Agriculture production is estimated to increase due to the intervention of improved technologies developed in agriculture sector such as improved seeds, fertilizers, pesticides, farming instruments and techniques, trained human resource and so on. Productivities of recommended rice varieties such as Sabitri, Bindeshwori, Radha-4 and Radha 12 in Terai, Khumal-4 and Khumal-11 in mid-hills and Chandannath in upper hills have been found double than that of local varieties with more than 90 percent of the area under the rice cultivation covered by these varieties. Likewise, area covered by recommended wheat and maize seed varieties has also been more than 90 percent.
- 8.22. **Irrigation:** Of the country's total 2,641,000 ha of arable land, irrigation command area is only 1,766,000 ha Efforts are being made since last few years to enhance agricultural production by bringing more land under irrigation by providing organized irrigation facility through the

development of surface irrigation and underground irrigation systems on irrigable lands. As a result of such effort, additional 35,781 Ha of land has been brought under irrigation in FY 2010/11 including 26,919 ha under new irrigation projects, and 8,829 Ha through renovation of earlier constructed farmers' irrigation canals. Additional irrigation facility was provided to 30,718 Ha of land in FY 2010/11 with an additional extension of 38.3 percent of such facility as compared to its preceding fiscal year. During the first eight months of the fiscal years of 2009/10 and 2010/11, additional irrigation facility was provided to 13,092 Ha and 8,820 Ha of land respectively while it has been 17,447 ha during the same period of the current fiscal year, which is very encouraging as compared to the figures of the previous years.

- 8.23. **Agricultural Credit:** Arrears of commercial banks out of their lending to the agriculture sector in FY 2009/10 stood at Rs. 14.29 billion totalled Rs. 14.19 billion by the end of FY 2010/11. Such arrears that stood at Rs. 15.17 billion by the first eight months of FY 2010/11 grew to Rs. 18.50 billion by the corresponding period of FY 2011/12. See the Table 8 (g) below:

Table 8 (g): Status of Credit Flow of Commercial Banks

(Rs. In Million)

Types of Credits	2009/10	2010/11*	2011/12**	Chang in First eight months	
				2010/11	2011/12
Farming and farming related services	741.7	1114	1614	522.5	499.6
Tea	885.7	1148	1268	176.2	120.2
Animal Husbandry and Animal Husbandry related services	893.5	1195	1856	189.1	661.1
Forest, Fisheries, and Slaughter Houses	157.1	95.3	149.4	-23.4	54.1
Other Agriculture and Agro-based services	11613	10640	13614	33.7	2974
Total	14291	14192	18501	884.7	4309

Note: * Unprocessed, ** As of mid-March 2012

Source: Nepal Rastra Bank

8.24. **Impact of Natural Disaster:** About 1,500 ha of land have been destroyed by inundation, river bank erosion, and siltation this year alone. Paddy could not be planted in about 25,000 ha of land due to plotting for housing plans and less precipitation. Paddy field of about 650 ha was destroyed by inundation, 200 ha by river bank erosion and over siltation. The study has revealed that short period inundation will not have adverse effect on the paddy crop. On maize production side, 656 ha of land have been destroyed by gales and storms, 31 ha by landslides and sand burials. Though the land destroyed by natural disaster has been comparatively higher this year than in the last year, it is still less as compared to damages occurred in previous fiscal years. The impact of cold wave that various parts of Terai faced during the winter season was found negligible. The various parts of the country have received damages from hailstorm in recent days whose details have not been received yet. The details on impacts of floods, inundation, storms and hailstorms are provided in Table 8(h)

Table 8 (h): Area affected by Natural Disaster (in Ha)

Affected Crops	FY 2004*	FY 2005*	FY 2006#	FY 2007**	FY 2008##	FY 2009#	FY 2010*	FY 2011*
Paddy	116505	3585	120000	88800	30873	92000	567	859
Maize	1293	20	47	4271	549	1700	563	656
Millet	500	419	0	1451	3.2	0	13	2
Total	118298	4024	120047	94522	31425	93700	1143	1517

*Note: *flood/landslides, #flood/landslides and drought, **flood/landslides and inundation, ##flood/landslides, inundation and erosion*

Source: Ministry of Agriculture and Cooperatives

8.25. **Water Induced Disaster Control:** Water induced Disaster Control Department has been implementing river training and people's embankment programs for containment and protection of settlements and arable land from floods, landslides, river bank erosion, and sedimentation specially in the Hills, inner Terai and Terai regions due to expansion of river beds causing potential threats to settlements and arable lands on and around the river banks. The people's embankment program, initiated in FY 2009/10 with a target of training 10 rivers that year, added 3 additional rivers (eastern Rapti, Karnali and Jalad) in its program for that fiscal year. Embankment works are underway on 14 rivers with addition of one river (Aurahi) this year. The embankment

works are being carried out Bagmati, Kamala, and Lalbakaiya Rivers with the support from India. Program execution is underway based on the Master Plan designed with objective of conducting impact study on rivers from the foothills to Nepal-India border and their training and managing on priority basis. Likewise, policy has been adopted to implement programs by integrating engineering and bio-engineering technologies. Technical skills enhancement, awareness raising and various studies and researches are being carried out in the areas of water-induced disaster reduction under the disaster reduction support program.

Organizations involved in Agriculture Development

Small Farmers Development Bank Limited

- 8.26. Small Farmer Development Bank Limited has been providing wholesale credit for uplifting the economic and social status of small farmers and deprived people living in the rural Nepal through Small Farmer's Cooperatives established and operated by small farmers and other microfinance programs run by microfinance institutions. In addition, it has been involved in capacity enhancement of such microfinance institutions through community development programs, livestock insurance program, small farmer development replication programs, and trainings and seminars. During the first eight months of the previous fiscal year, there were 243 cooperatives of 41 districts affiliated to this bank, while during the same period of the current fiscal year, the bank has been able to extend its services to the additional 25 such cooperatives in one more district with a total of 265 cooperatives in 42 districts. The membership with this bank has soared by 21 percent in the first eight months of the current fiscal year as compared to the corresponding period of the previous fiscal year reaching a total of 208,780 members. With this, about 1,043,000 people have been reaping the benefit from its programs. Wholesale lending this bank has approved during the first eight months of the current fiscal year rose steeply by 66 percent as compared to the same period of the previous fiscal year reaching Rs. 1.55 billion. The loan amount sanctioned during the first eight months of the previous fiscal year was Rs. 818.9 million which rose by 130 percent during the same period of the current fiscal year reaching Rs. 1.9 billion. Information on service extended districts, affiliated organizations and Credit and Investment status of the Bank is given in Table No. 8(i) below:

Table 8 (i): Small Farmers Development Bank's Credit and Investment Status

(In Rs. 100,000)

Description				First eight months progress	
	2008/09	2009/10	2010/11	2010/11	2011/12
District Number	39	40	41	41	42
Institution Number	224	234	251	243	268
Group Number	22313	24412	28423	26625	29982
Membership number	140962	159767	189899	172494	208780
Net Domestic Source in Rs.	12816	19021	29929	23451	35239
Approved Loan in Rs.	10760	10804	15427	8185	18981
Credit investment in Rs.	6349	9558	18709	9339	15500
Loan Recovery in Rs.	13276	5924	11095	6271	9963
Amount on investment in Rs.	7527	11161	18775	14228	24312

Source: Small Farmers Development Bank

8.27. With the objective of substituting imported meat products by promoting meat-oriented livestock business and generating income for poor and small farmers, the Bank has started meat-oriented livestock credit program with a total credit of Rs 1.05 billion from the Government of Nepal including Rs. 1 billion in FY 2010/11 and Rs. 50 million in the first eight months of the current fiscal year. A total of 15,950 families of small farmer affiliated with 178 cooperatives working in 37 districts are engaged in livestock business securing a total loan of Rs. 959.8 million. Through this loan, 55,509 she goats, 10,261 pigs, 4,429 buffalo calf, 6,597 s/he buffaloes were purchased. Of the credit demand for Rs. 1.50 billion, for the above said business Bank has already approved loan of Rs. 1.32 billion during this period.

8.28. Self-employment Credit Program has been implemented by securing credit of Rs. 90 million from Youth and Small Entrepreneur Self-Employment Fund in FY 2010/11 with the objective of creating employment opportunities through the promotion of micro-enterprise business by providing capital required for implementation of self-employment oriented businesses for unemployed and marginalized

small farmers. Self-employment opportunities have been created through credit flow of Rs. 90.5 million to 627 small farmer families affiliated with 47 cooperatives in the first eight months of the current fiscal year 2011/12.

- 8.29. A total of 5,926 units of livestock valued worth Rs. 13,275,926 were insured in FY 2010/11 from livestock insurance program operated with the grant assistance of the Government of Nepal while 10,702 units of livestock worth Rs. 16,520,000 have been insured in the first eight months of the current fiscal year. During this period, livestock insurance premium of Rs. 80,040,000 received from the government of Nepal has been passed on to the concerned organizations. In the current fiscal year, 40 training/seminar programs have been conducted through the grant assistance of the government of Nepal for the upgradation of small farmer cooperatives through which a total of 1196 persons including 422 women and 774 men have benefited.
- 8.30. Small Farmer Institutional (replication) Program which was started in the FY 2007/08 with the grant assistance of the government of Nepal has been extended to additional 75 VDCs in the current fiscal year. Work is underway on “the bank restructuring and expansion of microfinance” in additional 9 districts, and for expansion of microfinance in additional 9 mountain and hill districts under the Rural Financial Sector Development Cluster Program-II with the assistance of the Asian Development Bank.

Nepal Agriculture Research Council (NARC)

- 8.31. In consideration of food security and food sovereignty, NARC has given continuity to the Agriculture Perspective Plan targeted programs like crops, horticulture, industrial and exportable crops, livestock and research along with foundation seed production and genetic resource conservation. A total of 3446 activities under 633 projects related to multiple (multi-sector) technological researches on crops, horticulture, livestock, fishery and aquaculture, farmers’ participatory external research, management and strengthening of agricultural research, foundation seed and goods productions, are being carried out in the current fiscal year 2011/12. Yellow blast disease resistant BL 3665 and BL 3503 varieties of wheat have been recommended for irrigated land in the hills. Success has been achieved in producing disease free plants from seed technology for the remedy of spotty disease on cardamom.

Hybrid variety of tomato seeds totalling 23.1 Kg has been produced in coordination with the private sector. Likewise, 31 units of baby goats from Boer variety of goat have been produced from its F1 Generation. In the first eight months of the current fiscal year, 49,000 units of pre-basic potato seed, 54,484 units of seedlings, 462 of piglets, 38 cow/buffalo calves, 251 young sheep, 29,215 poultry chicks, 3,382,574 fingerlings, 1,721 bottles of mushroom seed, 4,000 packets of Rhizobium culture, and 51 kg of onion seed are produced under the foundation seed and production program.

Status of Imports and Exports of Agro- Products

- 8.32. Exports of food items, live animals, tobacco and beverages according to Standard International Trade Classification (SITC) group had increased by 17.2 percent with a total worth of Rs. 10.5 billion in the first eight months of FY 2010/11 as compared to the corresponding period of its previous year. Export of such items during the corresponding period the current fiscal year is estimated to total Rs. 10.12 billion only with a decline of 3.58 percent as compared to the previous fiscal year. Food items and live animals worth Rs 14.54 billion and tobacco and beverages worth Rs 1.7 million were exported in the fiscal year 2010/11. Likewise, food items and live animals worth Rs 29.27 billion and tobacco and beverages worth Rs 2.17 billion were imported in FY 2010/11. In the first eight months of the previous FY 2010/11, food items, live animals, tobacco and beverages worth Rs. 20.49 billion were imported while imports of such commodities has increased by 30.38 percent and reached Rs 26.71 billion in the same period of current fiscal year. Likewise, in the first eight months of the previous fiscal year 2011/12, beverages worth Rs. 1.42 billion were imported while Rs. 1.83 billion has increased in the imports of such item in the same period of the current fiscal year. During the review period, on agro-products (food, live animals, tobacco and beverages) side, last year's trade deficit of this group rose by 66 percent reaching Rs. 16.59 billion.

Cooperative Sector

- 8.33. The Interim Constitution of Nepal, 2006 has adopted the policy to develop Nepalese economy through public, private and cooperative sectors. The state has recognized cooperative sector as one of the three pillars of national development. Organizational structure has already been developed from the primary level to national and international

levels for the development, extension and promotion of cooperatives in Nepal. Attraction towards cooperatives is growing as financial service, production, processing, marketing, health, education; transportation, communication, electricity, housing, tourism and insurance have started conducting entrepreneurial and business transactions base on the cooperative modality. Attraction towards cooperatives can easily be corroborated by the fact that, by mid-January of the current fiscal year, the number of cooperative grew by 156 percent, membership by 175 percent, capital by 2000 percent and investment by more than 5000 percent as compared to the statistics of FY 2006/07. Moreover, cooperative institutions mobilized saving worth Rs. 19.51 billion in FY 2006/2007, which has recorded a booming growth of 540 percent reaching a total of 124.0 billion by mid-January of the current fiscal year.

Table 8 (j) Cooperatives and their membership, capital, investment, and saving trend

FY	Institution Nos.	Member Nos.	Total share Capital '000 Rs.	Total Saving '000 Rs.	Total Investment '000 Rs.
2006/07	9,720	1,259,747	1,045,563	195,17,517	2,414,747
2007/08	12,646	1,843,759	8,959,172	29,308,434	30,024,625
2008/09	19,724	2,138,348	,8482,476	45,676,944	52,660,117
2009/10	22,646	2,963,114	20,196,274	121,831,359	10,545,357
2010/11	23,301	3,141,581	20,225,139	117,295,228	116,835,814
2011/12*	24,928	3,472,674	21,959,189	124,923,084	132,915,440

*Note: * Until Mid-January, 2012*

Source: Department of Cooperatives

8.34. The number of members associated with cooperatives has reached more than 3,472,000 by mid-January 2012, of which women member comprise more than 46 percent. Likewise, the number of registered cooperative institutions has reached 24,900 by mid-January 2012, and of this, more than 2,500 cooperatives are solely operated by women groups. This statistics clearly makes evident of the contribution development of cooperatives has made on women empowerment. Cooperatives have provided direct employment to 75,000 people with an estimated 500,000 individuals indirectly employed. It is not difficult

to estimate that these cooperatives have been making notable contribution for the promotion of business enterprises, and agricultural production from village level to the cities due to huge savings mobilization of more than Rs. 124 billion with capital investment of Rs. 132 billion in this sector. The net share capital of these institutions has reached close to Rs. 22 billion. Beside these primary institutions, cooperative movement in Nepal has outreached from central to district levels like National Cooperative Association Ltd – 1, National Cooperative Bank Ltd – Cooperatives focused on a particular subject – 14, District Cooperative Associations – 66 and a specific objective focused District Cooperative Association – 157, have been registered and are in operation.

- 8.35. Cooperatives getting engaged in business by utilizing their own limited resource, means, and skill are considered an important social economic process. Cooperative, in addition to various business activities, operates social and cultural activities in order to meet economic and social needs of all its members. People involved in this sector can make notable contribution towards alleviating poverty of the country by engaging themselves in income generating and employment oriented activities. The trend of cooperatives to engage themselves in business sectors like savings and credit, dairy, fair-price shops, tea, coffee, vegetables and fruits, agriculture, honey, sugarcane, tangerine, herbal, health, tourism and communication has continued to grow. The description of total number of cooperative institutions operating with various objectives is provided in Table No. 8(k) below. The Table shows that the saving and credit cooperatives has its share of 46 percent in the total number of cooperatives, while the cooperatives engaged in agriculture and cooperatives related to agro-product businesses are also close to savings and cooperatives.

Table 8 (k): Description of Active Cooperatives until mid-January 2012

(In Rs. Thousand)

Nature of Business	Institution No.	Member		Share Capital Rs.	Deposit Rs.	Investment Rs.
		Male	Female			
Saving and Credit	11392	893868	808597	15963420	10105444 4	96208467
Multipurpose	4105	567590	523859	4525624	21788163	32817403
Agriculture	4561	191173	177018	464027	1304846	2936022

Dairy	1778	74377	25196	115564	137687	169130
Consumer	1417	32022	18217	177856	80297	68636
Electricity	334	39629	9613	38223	18742	15866
Vegetables and Fruits	184	6367	6364	17788	64213	57841
Tea	100	3550	1388	65557	7036	10875
Coffee	77	2462	1345	13446	1103	2220
Herbs	92	1969	1267	16917	641	473
Bee Keeping	54	1068	860	1574	1480	343
Communication	74	4215	2262	56546	18432	14057
Health	72	3404	3574	215571	119328	110341
Sugarcane	20	113	394	75	N/A	N/A
Others	668	36555	34358	287001	326672	503766
Total	24928	1858362	1614312	21959189	124923084	132915440

Source: Department of Cooperatives

8.36. Database of cooperatives established and operating across the country are being published at district and department levels, while work on development of software for documentation of cooperatives and the department's webpage has been completed. Capital grant of up to 50 percent cost of machinery equipment is provided to encourage agro-business cooperative enterprises. In last three years, a grant sum of Rs. 27 million has been provided on government-cooperative partnership to establish 92 agro-based industries. Large financial cooperative institutions are being monitored in cooperation of Nepal Rastra Bank and of the target to monitor 50 such institutions in the current fiscal year, monitoring of 37 such institutions has been completed in the first eight months of the fiscal year. Similarly, of the target set to monitor 4,910 cooperative institutions at district level in the current fiscal year, monitoring of 2,750 such institutions has been completed in the first eight months of this year. Likewise, of the target set to issue registration certificates to 2,000 such institutions in the current fiscal year, 1,350 institutions have secured their registration. Orientation is provided to 345 farmers and other groups for their corporatization in the second trimester of the current fiscal year as against the target of providing such orientation to 436 such groups in current fiscal year 2011/12. Of the annual target set to impart various trainings to 8,000 individuals in the current fiscal year, 5,600 such individuals have received trainings during the review period.

8.37. Five Cooperative Training and Division Offices under the Department

of Cooperatives have been conducting trainings like cooperative awakening, basic cooperative management, basic cooperative accounting, pre-cooperative education, and cooperative awareness. In the previous fiscal year 2010/11, 2875 cooperative operators were provided with various training, while 2,100 cooperative operators and workers have been provided with such trainings against the target of training 3,000 in the current fiscal year 2011/12.

Land Reform

- 8.38. In the process of delivering computerized land administration services through the Land Revenue Offices, 40 such offices have been providing computerized land ownership certificates. Land Revenue Offices of Dillibazar and Lalitpur have been declared as model offices and both have been carrying out their entire works like maintenance of records, distribution of land ownership certificates etc through computers since June 2011. Likewise, Survey Office, Lalitpur has been delivering its services to the public through computerized system while its office at Dillibazar is in process to deliver its services through computerized system.
- 8.39. District level land-use map has been developed of all 75 districts of Nepal. The National Land-Use Policy-2012 that was prepared after having thorough discussion among various agencies has been endorsed. The draft on land-use classification manual has been developed in order to enhance productivity by classifying lands on the basis of their use.

Box 8 (b): Land-Use Policy 2012

Of the total Nepal's land area, 27 percent is arable, forest covers 39.6 percent, pastures occupy 12 percent, 17.2 percent is covered by snow and rocks and the rest 2.6 percent is covered by water. Due to absence of land-use policy for the proper management of these lands, unplanned residential area and urbanization have continued to grow while the arable land is gradually diminishing. Similarly, the trend to occupy and leaving it barren has also increased while registration and encroachment of government and public lands by squatters have grown in the same way. Likewise, uncontrolled fragmentation of land that led to the decline of agricultural production and productivity consequently providing threat to food security. The National Land-Use Policy 2012

has been enforced as it became imperative to formulate and implement proper policy to get rid of these problems.

Special Features of Land-Use Policy

- Land has been classified into 7 categories on the basis of its use.
 1. Agriculture Area
 2. Residential Area
 3. Commercial Area
 4. Industrial Area
 5. Forest Area
 6. Public Area
 7. Other Areas as specified based on necessity
- A Land-Use Council has been formed at the Centre on Chairmanship of Honourable Vice-Chairman of National Planning Commission comprising Secretary of concerned Ministries and Land-use experts for implementation of the Policy
- Establish a permanent Department of Land-Use Management by permanently restructuring the existing National Land-Use Project under the Ministry of Land Reform Management so as to regularize monitoring and facilitating implementation of land use plan, and to develop basic infrastructure for preparing land use plans to bring the Policy into implementation. The Department will draw the human resource from Agriculture, Irrigation, Forestry, Environment, Housing, Urban Planning, Survey, and Land Management.
- A district level Land-Use Implementation Committee has been established under the Chairmanship of the District Development Committee (DDC) Chair with the representation of various office heads of the districts. Likewise, municipality and village level Land Use Implementation Committees have been established with the representation of office heads of the concerned villages and municipalities.
- Necessary statutory provisions will be developed within two years in order to bring policy into implementation.
- Monitoring and evaluation provisions and risks have also been incorporated in the policy.
- Policy will be reviewed and revised every ten years.
- Government of Nepal, and Ministry of Land Reform and Management have made the provision for the power for removal of road blocks if some problems or difficulties arise while

implementing the policy.

- The definition, basis and standard set for specifying areas, details on organization structure and sectoral authority at central, district and local levels are provided in the annexes of the policy.

- 8.40. Of the freed bonded labourer (*Mukta Kamaiyas*) families waiting resettlement, 287 such families have been provided with Rs. 150,000 to each family to procure land, and 1,733 freed land tiller (*Haliya*) families have been distributed identity cards by the fiscal year 2011/12. Under the Bonded Labour and *Haliya* Resettlement Program, 6 entrepreneurship development training and pre-cooperative education training to 7 groups have been imparted, while works on loan investment, skill development and capacity enhancement are being carried out under the income generation and employment promotion program.
- 8.41. A minister level Implementation Committee has been established for implementation of the High-level Commission prepared Recommendation Report on scientific land reform. The sub-committee under this Committee has prepared Draft Implementation Work Plan along with short-term, mid-term and long-term programs and submitted to the Committee. A Squatter Problem Solving Commission has been established at the Centre on 6 December 2011 to remedy the squatter problem, which has started working from 31 January 2012. In addition to this, District Committees have been established in 25 districts.

Forest and Soil Conservation

- 8.42. Works are underway in the Forestry and Soil Conservation Sector in line with principles of poverty alleviation, sustainable management and utilization, maintaining 40 percent of land under forestry, and conservation of bio-diversity and environmental protection. For this, participatory oriented, environment friendly, promoting, facilitating and regulatory, and decentralized working modalities have been adopted to uplift the poor, *Dalits*, and deprived class of people. Ministry of Forests and Soil Conservation has been carrying out functions including maintaining environmental awareness and cleanliness through conservation and use of forest resources, promotion of forest-based industries, extension of herbal farming, soil conservation and watershed

management, wildlife conservation, studies and researches on flora and fauna and so on.

- 8.43. Forest management works are being carried out with the multiple objectives of 1) maintaining ecological balance through the management of forests, vegetation, watershed, bio-diversity conservation and protected areas; 2) ensure sustainable growth in the supply of forest products by ensuring access and rights of the poor and oppressed communities on forest and empower them socially and economically; 3) encourage promotion of forestry-based industry and entrepreneurship and develop domestic market and promote export thereby creating employment opportunities; 4) increase income level of ultra poor, *Dalits*, indigenous communities, ethnics (*Janajatis*), *Madhesis* (Tarai Dwellers), oppressed, handicapped and other backward people in the communities thereby supporting equitable development while contributing to poverty reduction initiatives through the judicious distribution system of forest products.
- 8.44. Works are being carried out in overall forest management sector with strategies like; conserving and protecting bio-diversity and genetic source including forest, vegetation, insects and wild-lives, enhancing local peoples' participation in the land and watershed conservation with a focus on *Shiwalik* region, conducting scientific management on government managed forest, conducting tests on scientific management of partnership forest by forming local people's group in appropriate areas, making timber available as raw materials to the timber industries; giving emphasis on the expansion of eco-tourism by ensuring the proper management of forests, wildlife and plants of those leasehold forests to be handed over to the agencies, organizations and entrepreneurs, strengthening forest and plant research, monitoring and evaluation and information and data flow systems, enhancing livelihood opportunities for the members of below-the poverty line and deprived families through expansion of leasehold forestry, expanding community, leasehold and partnership forestry and enhancing participation and access especially of ultra poor, women and *Dalits* to these forests, utilizing high value Non-Timber Forest Products (NTFP) appropriately through their sustainable management and promoting exports of NTFP through the promotion of private sector investment. The statistics on forest resource of Nepal is given in Table no. 8. (I).

Table 8 (l): Forest Resource Data

SN	Description	Area	Percent (%)
1	Forest Area	4.27 Million Ha	29
2	Shrub Area	1.56 Million Ha	10.5
3	Total Stem Volume	388 Million Cubic Meter	—
4	Sal Species in total stem Volume	-	28
5	Total Bio-Mass	4,29 Million Ton	—
6	Average Stem Volume	178 Cubic Meter Per Ha	—
7	Average Number of Trees	408 Per Ha.	—

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

8.45. In Nepal, 9 national parks, 4 wildlife reserves and 3 conservation areas have been declared and are in operation for the protection of bio-diversity and ecology. Nepal's National Parks occupy 10,288 Sq. Km of land area while wildlife reserves cover 2,304 Sq. Km, and Protected Areas cover 11,327 Sq. Km. Buffer zones have been declared in 11 such areas within these national parks and protected areas. The area of such buffer zone totals 5,079.67 Sq. Km.

8.46. The increasing trend in the numbers of User Committees of leasehold and partnership forest users groups, their respective groups, and household beneficiaries is still continued till the first eight months of the current fiscal year (See Table No. 8 (m). During the first eight months of this fiscal year, there has been notable growth in the number of districts having partnership forestry and such forest groups. These numbers have increased almost by twofold.

Table 8 (m): Comparative Achievements in the Forestry Sector

(Till first eight months of the Current Fiscal Year)

Description	2009/10	2010/11	2011/12
Community Forest			
Number of Community Forest	14,686	15,256	15,353
User Groups	1,233,012	1,350,655	1,378,555
Area of Handedover Community Forest (Ha)	1,661,482	1,782,550	1,816,867
Number of Benifited Households			
Leasehold Forest			
Number of Leasehold Forest	3439	4080	4721
Groups	16168.72	19990.63	23196.64

Description	2009/10	2010/11	2011/12
Area of Handedover Leasehold Forest (Ha)			
Number of Benefited households from Leasehold Forest			
Partnership Forest			
Model Programs Conducted	Bara,	Bara, Parsa,	Bara(3),Parsa(2)
Districts	Parsa,	Rautahat,	Rautahat(3),
Number of Partnership Forest	Rautahat	Sarlahi	Mahottari(3),
User Groups	and	and	Sarlahi(1),
Area of Partnership Forest (Ha)	Sarlahi	Mahottari	Kapilbastu(2),
Number of Benefited Households	4	9	Naawalparasi (1),
Number of Beneficiaries	8,675	22,730	Kailali (1)
		244,386	17
			43,445
			363,030
			2,979,125

Source: Ministry of Forest and Soil Conservation

- 8.47. Forest Encroachment Control Strategy, 2011 has been put into practice from this year upon its approval. Restoration of forests in Murtiya of Sarlahi has begun after freeing the encroached forest in that area as per the Strategy. A team been formed to prepare Draft the Armed Forest Guards Bill has started working on it. A policy for not providing the forest land to squatters has been adopted.
- 8.48. Awareness raising program on controlling the forest fires is being carried out by preparing a video on the subject on initiation of the Department of Forests and with the help of the World Wildlife Fund (WWF). Likewise, a mechanism has been prepared and brought into operation for collecting information on forest fire with support of ICIMOD. With this, forest fire is believed to be minimized since this mechanism helps to provide information on the exact location of fire on time helping to take necessary steps without delay.
- 8.49. During the current fiscal year, a total of 1,700 squatter families, who were residing by encroaching 166 *Bighas* of forest land have now been removed from those areas. Among such encroached settlements removed were, 125 squatter homes constructed by encroaching 10 *Bigha* of forest area in Karaiya VDC of Bara, 75 families residing on 6 *Bighas* at Urlabari of Morang, 150 families on 150 *Bighas* in Laljhadi of Kanchanpur district.

- 8.50. In the process of curbing illegal smuggling of forest products, 1959 Cft. of such smuggled timber has been confiscated from various districts in this fiscal year and actions are taken against the perpetrators involved in such illegal activities. Similarly, 8,834 Kg of red sandalwood has been confiscated from Dhading and Sindhupalchowk districts and a case has been filed for legal actions against those perpetrators. Likewise, litigation process is underway against 5 persons who were arrested with 2 units of musk deer navel.
- 8.51. In process of implementation of the Immediate Relief Program 2011, a total of 29,794 Cft. of timber and 172 quintals of firewood were distributed to the service recipients through community and national forest of various districts. Likewise, 695.50 quintals of firewood was availed for cremation purpose in Kathmandu. During the first eight months of the current fiscal year, 27 people have died and 29 injured from the attacks of wild animals. Compensation totalling Rs. 3,600,000 has been provided to dependents of 24 people deceased in the incident and Rs. 794,000 to injured ones.

9. INDUSTRY SECTOR

9. Industry Sector

Industry

- 9.1. Industry sector plays crucial role in overall economic development of the country. Industrial policies and programs are focused on improving the investment environment thereby attracting investments both of domestic private sector and foreign as well, enhancing industrial production and productivity, creating more employment opportunities, substituting imports by increasing export oriented industries and improving country's balance of payment situation by promoting export and reducing trade deficit. An Investment Board has been established under the chairmanship of honourable Prime Minister with objectives of delivering prompt and easy services so as to attract big investors of industrial and other sectors. The fiscal year 2012/13 has been declared "The Investment Year". However, the target of industrial growth as set by the periodic plans could not be achieved due to the prolonged political instability in the country, energy crisis and problems encountered occasionally in the industry sector.
- 9.2. Some tangible works have been performed towards policy improvement in the fiscal year 2011/12. The Draft Amendment on Foreign Investment and Technology Transfer Policy has been prepared. Formulation of Industrial Enterprise Act in line with Industrial Policy, 2010 is in final stage. Ministry of Industry has remained active as a Secretariat of Nepal Business Forum which provides platform for dialogues on industry, trade and economic related problems and issues.
- 9.3. **Industrial Infrastructure Development Program:** Works for the establishment of Special Economic Zone (SEZ) in 10 different places of the country are being carried out with objectives of creating employment opportunities, attracting both domestic and foreign investments, reducing trade deficit through export promotion and import substitution. The physical infrastructure construction work in Bhairahawa under SEZ establishment program will be completed within this fiscal year, while land development and construction of boundary wall are underway at Simara of Bara district. Feasibility study on SEZ establishment program will be completed in Biratnagar, Kapilbastu and Jumla in the current fiscal year. Likewise, feasibility studies at Panchkhal, Gorkha, Siraha, Dhanusha and Rautahat have already been initiated.

- 9.4. Construction works on access road linking quarries and the industries, power transmission lines and sub-ways are being carried out in already established cement industries and those in the process of establishment. During the current fiscal year, on electricity transmission side, Tulsipur-Kapurkot and Matatirtha-Malta 33 kV transmission lines, along with Mirchaiya-Katari, Lamahi-Ghorahi, Kusum-Hapure, 132 kV transmission line projects are ongoing. On road infrastructure side, Cement Industry Access Road Project in Udayapur, Dang, Makwanpur, Lalitpur, Kapilbastu, Arghakhanchi and Dhading are undergoing.

Micro-Enterprise Development Program

- 9.5. Government of Nepal (GoN) has been implementing the Micro-Enterprise Development Program (MEDP) started in 1998 under the technical and financial support of the United Nations Development Program (UNDP) with the objective of alleviating poverty through micro enterprises. Beginning the fiscal year 2009/10, GoN has internalized this and made it one of its regular programs, under which five-year strategic work plans are being prepared with a target of implementing those from FY 2012/13. A total of 53,111 micro entrepreneurs have been prepared by FY 2010/11 through the programs operating in 38 districts in the past. Of this number, women shared the majority with 68 percent (men 32), while *Dalits* shared 22 percent, indigenous people and *Janajatis* 35 percent, and others 42 percent. Under this program, a total of 1,796 micro-entrepreneurs have been prepared till the first eight months of the current fiscal year.

Status of Group-wise Industrial Productions and Industrial Indices

- 9.6. Industrial output is expected to rise in FY 2011/12 in comparison to the previous fiscal year 2010/11. Production of the most of the food items, beverages, tobacco products, shoes and timber and timber products is expected to increase. On the food group, production of noodles is estimated to rise by 2,142 MT in the current fiscal year 2011/12. Likewise, juice (and squash) production is estimated to increase by 1,979,000 litres, sugar by 9,533 MT and tea by 816 MT. On the beverage group, production of soft drinks is estimated to rise by 309,000 litres, beer production by 77,000 litres and liquor production by 256,000 litres. Similarly, on the tobacco group, production of cigarettes, shoes among the processed leather group, plastic goods, cement, iron goods and strawboard on wood and wood-based products

are expected to rise.

- 9.7. The overall Index of major industrial productions rose by 2.8 percent and reaching 105.42 in the current fiscal year 2011/12 as compared to the previous fiscal year. Among the major industrial productions, this fiscal year witnessed growth in the indices of industrial products like soybean oil, rice, animal feeds, sugar, liquors, soft drinks, cigarettes, jute products, plywood, lube-oil, paints, medicines, cement, galvanized pipes, aluminium goods, electric wires and cables. While, the current fiscal year saw some declines in industrial indices of products like vegetable ghee, mustard oil, biscuits, noodles, processed tea, threads, cotton fabrics, woollen carpets, processed leathers, papers and paper products, rosin, plastic goods, domestic metal goods.

Foreign Investment

- 9.8. With a view to creating investment climate for nation's industrial development, Bilateral Investment Promotion and Protection Agreement (BIPPA) and a new Agreement on Double Taxation Avoidance Agreement (DTAA) for promoting Indian investment have been reached between Nepal and India. Likewise, preparations are underway for reaching BIPPA with other 6 countries. In a process of formulating investment friendly policy for enhancing foreign investment in the industrial sector, a policy on new Foreign Investment and Technology Transfer is in approval stage.

**Table 9 (a): Licensed Industries for Foreign Investments
(Until FY 2010/11)**

(In Million Rs.)

Types of Industry	Nos.	Net Project Cost	Net Fixed Capital	Foreign Investment	Employment Generation Nos.
Production Oriented	712	51611.2	4035.5.5	25595.9	78409
Service Oriented	650	25955.4	21220.2	12974.7	32127
Tourism	561	20413.5	19157.4	8400.3	24862
Construction	42	3605.3	2683.1	2762.8	3016
Energy Oriented	47	40759.2	40381.0	14518.8	7947
Agro-based	60	1674.6	1095.6	893.2	3497
Mining	36	5162.6	4223.6	2904.2	5574
Total	2108	152181.8	129116.4	68049.9	155432

Source: Department of Industry

- 9.9. By the end of FY 2010/11, a total of 2,108 industries from 70 countries have received approval for foreign investment employing 155,432 individuals of which, 33.8 percent are production oriented industries, 30.8 percent are service industries and 26.6 percent are tourism industries. Of the total individuals employed by these industries, 50.4 percent are in production industries, 20.7 percent in service and 16 percent in tourism industry.

Table 9 (b): Licensed Industries for Foreign Investments by Project Cost
(By the end of FY 2010/11)

(In million Rs.)

Industry Types	Nos.	Net Project Cost	Net Fixed Capital	Foreign Investment	Employment Generation (Nos.)
Large Industry	185	115318.2	104128.4	47401.2	42841
Medium Industry	248	18083.3	12686.9	8321.2	31455
Small Industry	1675	18780.3	12301.1	12327.5	81136
Total	2108	152181.8	129116.4	68049.9	155432

Source: Department of Industry

- 9.10. Among the industries approved for investment by the end of FY 2010/11 on project cost basis 8.8 percent are large industries, 11.8 percent medium, and 79.4 percent are small. Share of these industries in total employment created are 27.6 percent, 20.2 percent and 52.2 percent respectively.

Table 9 (c): Industries Approved for Foreign Investment by the end of FY 2010/11

(In Million Rs.)

Industry Types	Nos.	Net Project Cost	Net Fixed Capital	Employment Generated (Nos.)
Production Oriented	2148	150681.6	106853.0	250406
Service Oriented	1251	78918.3	55039.8	84032
Tourism	794	36832.8	32620.1	32922
Construction	38	5729.0	5419.0	2542
Energy Oriented	81	128184.2	122849.1	12341
Agro-based	205	11266.0	9536.6	26553
Mining	35	3579.8	3174.8	4017
Total	4552	415191.7	335492.4	412813

Source: Department of Industry

- 9.11. Until the end of the fiscal year 2010/11, a total of 4,552 industries of

different nature were granted permission to operate in Nepal. Among those permitted industries, 2,148 (47.2 percent) are related to production oriented industries, 1,251 (27.5 percent) to service industries and 794 (17.4 percent) to tourism industries. The total project cost of those permitted industries is Rs. 415.19 billion generating employment for 412,813 people.

Table 9 (d): Industries permitted for foreign investment in FY 2009/10 and FY 2010/11

(In million Rs.)

Industry types	Number		Net Project Cost		Net Fixed Capital		Foreign Investment		Employment Generated (Nos.)	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Industrial Production	37	39	375.2	6269.0	342.1	5135.5	260.5	6135.9	1994	3312
Service	72	88	97.6	1020.9	76.0	783.3	90.6	918.8	3205	3555
Tourism	50	47	103.5	1205.3	92.9	1103.0	71.8	1184.3	1537	1570
Construction	1	1	2.0	150.0	1.6	120.0	2.0	150.0	36	90
Energy	5	6	996.1	2018.0	976.5	1738.0	474.7	1227.0	493	577
Agro-based	2	23	1.0	473.4	9.0	393.0	1.0	367.1	69	1337
Mining	4	5	10.0	113.6	8.8	102.6	9.4	67.6	514	446
Total	171	209	1585.4	11250.2	1498.8	9375.4	910.0	10050.7	7848	10887

Source: Department of Industry

9.12. A total of 209 foreign investment industries received permission in FY 2010/11 against the figure of 171 in FY 2009/10. As per the statistics for these two fiscal years, agriculture, services, tourism and industrial production sector have attracted foreign investment. Fiscal year 2010/11 witnessed notable growth in net foreign investment as compared to its previous fiscal year. These industries have generated employment for 10,887 individuals in FY 2010/11 alone.

Table 9 (e): Industries Approved in FY 2010/11 for Foreign Investment

(In million Rs.)

Industry Type	Nos.	Net Project Cost	Net Fixed Capital	Employment Generated (Nos.)
Production	68	7432.7	5481.5	4282
Service Oriented	81	11798.5	2315.1	3016
Tourism	48	2750.1	2595.0	1796

Industry Type	Nos.	Net Project Cost	Net Fixed Capital	Employment Generated (Nos.)
Construction	1	45.0	40.0	33
Energy	19	67753.1	66968.1	3387
Agro-based	21	536.6	425.4	787
Mining	4	99.6	88.1	426
Total	242	90415.6	77913.2	13727

Source: Department of Industry

9.13. Of the total 242 licensed industries for foreign investment in FY 2010/11, 81 were related to service industry, 68 to production, 48 to tourism, 21 to agro-based, 19 to energy, 4 to mining and 1 to construction industry. These industries have created employment for 13,727 individuals with total project investment of Rs. 90.42 billion.

Table 9 (f): Industries Approved for Foreign Investment by Project Costs (FY 2010/11)

(In million Rs.)

Industry Types	Nos.	Net Project Cost	Net Fixed Capital	Employment Generated (Nos.)
Large Industry	37	84917.4	74185.1	5368
Medium Industry	48	4037.8	2635.8	2983
Small Industry	157	1460.4	1092.3	5376
Total	242	90415.6	77913.2	13727

Source: Department of Industry

9.14. Of the total 242 industries granted permission for operation in the previous fiscal year 2010/11 on the basis of their project costs, 37 belonged to large industry, 48 to medium and 157 belonging to small industries. Likewise, of the total industries permitted to operate in this fiscal year, 93.9 percent of the project cost was invested on large industries, 4.5 percent on medium and 1.6 percent on small industries.

Table 9 (g): Industries Approved for Foreign Investments In the first eight months of the current fiscal year 2011/12

(In million Rs.)

Industry types	Nos.	Net Project Cost	Net Fixed Capital	Foreign Investment	Employment Generated(Nos.)
Industrial Production	22	2087.4	1743.0	519.7	1078
Service	65	1819.9	1573.1	1705.7	2599

Industry types	Nos.	Net Project Cost	Net Fixed Capital	Foreign Investment	Employment Generated(Nos.)
Oriented					
Tourism	27	340.2	286.8	324.9	803
Energy	3	2909.5	2832.5	2889.5	340
Agro-based	8	88.2	76.2	82.2	264
Mining	6	131.7	101.7	117.7	470
Construction	0	0	0	0	0
Total	131	7376.9	6613.3	5639.7	5554

Source: Department of Industry

- 9.15. In the first eight months of the current fiscal year 2011/12, a total of 131 industries have been registered for operation creating 5,554 employment opportunities. Expected shares of foreign investment in energy oriented, production oriented and service oriented industries in terms of their total project costs are 39.4 percent, 28.3 percent and 24.7 percent respectively. A total of 1,045 trademarks were registered during this period.
- 9.16. Of the countries to operate industries with foreign investment in Nepal, India has the highest number with 501 industries followed by China with 401 and USA with 174 industries. The number of industries approved for foreign investment is growing comparatively in recent years than in the previous years, and the number of employment generated by these industries has been growing as well. It is clear that the increased foreign investment in such industries will play positive role in the overall industrial development of the country.

Capacity Utilization of Some Industries

- 9.17. Analyzing the capacity utilization of production of some selected industries; utilization of total production capacity of some industries in FY 2010/11 is found increased marginally as compared to the previous fiscal year. Capacity utilization of cement industries has increased by 4 percent with 56 percent of total production capacity as compared to the previous year while that of leather industries have increased by 2 percent reaching 74 percent. Likewise, capacity utilization of sugar and jute industries increased marginally by 1 percent, while that of beer and matches industries remained unchanged. These industries utilized 32 percent, 67 percent, 92 percent, 80 percent and 58 percent of their respective capacities.

Current Status of Industrial Estates

- 9.18. Industrial Estates have been established with the objective of supporting industrial development by making physical infrastructures and facilities available to establish, operate and promote industrial institutions. Industrial Estate Management Limited has remained active in carrying out tasks such as conducting feasibility studies, carrying out development and promotional activities, providing consultation services in order to operate industries established in industrial estates in profitable manner, supporting and encouraging the industries established under the private sector, public participation or cooperatives. Currently, 11 industrial estates are in operation including Balaju, Hetauda, Patan, Nepalgunj, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Dhankuta and Gajendranarayan Singh. In an effort to extend industrial estates, initiatives are taken for the establishment of new industrial estates at Bardaghat, Sunwal and Butwal and other suitable places of Rupandehi and Nawalparasi districts by selecting locations feasible for such establishments.
- 9.19. Until the first eight months of the current fiscal year 2011/12, a total of 3,857 Ropanis (approximately 193 Ha) of land occupied by 11 industrial estates within the country has been leased out to various industries. Industrial Estates Management Limited has invested Rs. 299.7 million in industrial estates during the review period of the current fiscal year while private sector industries has invested a sum of Rs. 18.52 billion during the same period of the current fiscal year. A total of 471 industries are in operation while 51 such industries were closed during the first eight months of the current fiscal year 2011/12. During the same period, 88 industries are in their construction phases in the industrial estates.

Cottage and Small-Scale Industries

- 9.20. For the promotion and development of cottage and small-scale industries, demand driven programs along with skill development, entrepreneurship development, technical counselling, credit flow and information dissemination works are being conducted in an integrated manner for the upliftment of physically challenged, and the people belonging to backward classes, *Dalits*, *Janajatis*, conflict affected, and women. Preparations for on-line service are underway in cottage and small scale industries offices with a view to provide prompt, efficient,

transparent and quality information to the people following the concept of E-Governance. With accession to World Trade Organization, programs are in operation in the coordination with umbrella organizations in the private sector to enable the country to compete at the international level through extension and promotion of cottage and small scale industries by establishing a Cottage and Small-Scale Industry Development Fund. Objective of this fund is to provide institutional support on technology, services, capacity development, market access, and other infrastructures.

- 9.21. In the fiscal year 2010/11, a total of 14,658 cottage and small scale industries were registered while 6,050 such industries have been registered by mid-March of FY 2011/12. The total capital investment in industries registered in FY 2010/11 had reached Rs. 14.75 billion. Of the industries registered in the same fiscal year, the number of private firms was 202,983 partnership firms 12,570, and private limited firms 13,020. Under the Entrepreneurship Development Program (Program for Preparing Entrepreneurs and Employment Generation), 2,693 entrepreneurs were prepared in FY 2010/11 while 2,331 persons have already received such trainings by the first eight months of the current fiscal year. Likewise, various training programs were conducted to provide trainings to 2,684 entrepreneurs in FY 2010/11. A total of 1,501 persons have already participated in such training programs in the first eight months of the current fiscal year. During the same period, training programs have been conducted in Dhanusha, Nawalparasi and Dang Districts to generate skilled manpower for bricks production, whereas such trainings were conducted in Kathmandu and Lalitpur districts for generating skilled manpower in the iron grill construction area. Programs on market extension, entrepreneur's interaction, industrial goods and technologies exhibition were held in Dhankuta, Dolakha, Nuwakot, Tanahu, Pyuthan and Doti districts. Of the cottage and small-scale industries registered till first eight months of the current fiscal year 2011/12, the number of private firms is 5,982, private limited firms 689 and partnership firms 379. A capital of Rs. 9.61 billion has been invested in these industries.
- 9.22. A total of 1,196 business entrepreneurs received trainings in different areas in FY 2010/11 through the Cottage and Small-Scale Industries Training Centre established for developing entrepreneurship by providing skill development and skill enhancement training to

entrepreneurs interested to run cottage and small scale industries, while 976 interested entrepreneurs received such training during the first eight months of the current fiscal year.

- 9.23. In the fiscal year 2010/11, of the total companies registered with Office of the Company Registrar private limited companies were 10,323, public limited 57, and 84 non-profit sharing companies, while these figures stood at 6,867 for private companies, 21 for public limited companies and 36 for non-profit sharing companies in the first eight months of the current fiscal year.
- 9.24. Industrial Enterprise Development Academy established with the objectives of conducting Training of Trainers (ToT) for extending assistance on human resource development of organizations involved in the development of business enterprises quality management, feasibility study and providing consultation services. Till the first eight months of the current FY 2011/12, three service centres have been established, and a total of 123 individuals received training on entrepreneurship development, and 61 received business management training.

Mines and Geology

- 9.25. As a result of exploratory studies conducted for establishing cement industries pursuant to the regional development concept of the Government of Nepal, a total of about 1 billion tons of limestone deposits have been discovered in various parts of the country. Of this total volume, about 320 million tons is proven, 100 million tons are semi-proven, and 740 million tons is feasible. Likewise, 300 million cubic meter of natural gas in Kathmandu valley; coal in Dang, Rolpa, and Palpa; and gold mines in Rolpa, Baitadi and Darchula have been discovered. While a total of 550 million cubic meter of construction materials (Boulders, Gravel and Sand) deposits have been discovered in various districts. An agreement has been signed with private investors for exploration and extraction of minerals for establishment of limestone-based cement industries in Narapani Chundhunga of Arghakhanchi, Diyarigad (Baitadi), Chuladhunga and Ghyampathumka (Udayapur), Nigale (Dhankuta), Haretaar and Kholme (Udayapur), Kajeri (Salyan), Chaukune (Surkhet), Gandhari limestone (Dang) and iron based industries of Thosey (Ramechhap). Likewise, efforts are being made for the establishment of copper based industries in Chitwan, Tanahu, Dadeldhura and gold mine based industries in Rolpa

district while about 5,000 tons of coal is being produced from the operational coal industries in Dang, Salyan, Rolpa and Palpa districts.

- 9.26. A total of about 497 licenses for mine exploration and 80 licenses for minerals extraction have been issued to private investors engaged in small and medium sized quick return yielding mine industries and operating mine related works like limestone, magnesite, chalk, quartzite, marble, gemstone and coal. Contribution of mines sector to the Gross Domestic Product (GDP) remains at 0.49 percent. Currently, there are 21 seismic centres across Nepal from where earthquake related information is being disseminated.

Quality and Standards

- 9.27. In the current fiscal year 2011/12, Nepal Quality Standardization Council has set 12 national quality standards. Likewise it has determined scientific measurement service fees and monitored gas cylinders. An understanding has been reached under the concept of Public-Private Partnership with Nepal Handicraft Federation to establish a lab to test the purity of silver with a view to provide support to the export based trade promotion. Process for acquiring accreditation for Chemical, Good, Microbiology, and Metrology Labs under the Bureau of Quality and Standards from National Accreditation Board for Laboratories (NABL) India is in progress. Memorandum of Understanding (MoU) has been reached with Nepal Pashmina Association for conducting quality tests of pashmina.
- 9.28. Promotion of trade and industry is expected as a result of the formulation of National Quality Standards in the fiscal year 2010/11. About 900 National Quality Standards have been designed so far. With the implementation of National Quality Standard, 56 products have been provided with the National Standard (NS) Certification thereby ensuring consumers on quality of products they use. Management systems of Nepalese industrial institutions have been issued with Certifications for promoting quality management system. Test laboratory facility and calibration services are provided on cement, iron rods, garments, plastic pipes, and chemical and food commodities.

Commerce and Supplies

- 9.29. The main objective of Nepal to accede the World Trade Organization (WTO) was to provide positive contribution to national economy by

increasing export of goods and services and integrating national economy with international market thereby providing easy access of organization's member nations to the market. Likewise, the another objective of getting affiliated to this Organization was to make the national economy strong and competent through rapid industrialization and high economic growth by enhancing competency thereby importing foreign investment, capital and technology. In the process of acceding WTO, Nepal committed to 2 policies, 26 Acts, and 7 regulations/bylaws, be a party to four International Conventions, and develops three institutional mechanisms. In this process, 13 Acts and 2 Regulations have been formulated while three Conventions have been endorsed, and three enquiry mechanisms have been set up. In this context, processes and provisions regarding taxes, custom duties and foreign investments have been made trade-friendly with time-contextual improvements.

- 9.30. Nepal presented concept paper on making the Aid for Trade program effective by participating in the third review meeting on Aid for Trade held in Geneva, Switzerland. The meeting had discussions on how to make the Aid for Trade program effective; improve trade environment and coordinate with private sector to enhance trade capacity, resolve issues being faced on regional trade unification and enhance trade promotion of weaker nations through South-South Cooperation.
- 9.31. Nepal attended the first Trade Policy Review meeting held in the Secretariat of WTO in Geneva after almost eight years of joining WTO, as a requirement for the least developed countries for conducting such review. Two papers were presented on the occasion, one by Nepal and another by the WTO Secretariat, and detailed consultations were held.

Box 9 (a): Trade Policy Review

Background

The main objective of Trade Policy Review (TPR) is to help its member states to abide by the policies committed under the multilateral trade system and making national statutory and policy related provisions transparent and follow and adopt other commitments. These would not only help to make the trade policies and practices of its member states more transparent and understandable, but also carryout studies on the effects of implementation of multilateral trade system. The time and topic for review and revision on trade

policies of its member states would be determined on the basis of their share volume on world trade. On that basis, members have been categorized in three groups. The first group comprises the countries having large shares in the world trade such as European Union, United States of America, Japan, Canada, etc. There has been mandatory provision for these countries to have their policy reviewed every two years. The second group comprise 16 countries other than that of the first group such as Hong Kong, Singapore, Switzerland, Malaysia, etc. There has been mandatory provision for these countries to carryout policy review every four years. In the third group, underdeveloped countries with transitional economies like Nepal, Eastern Europe, south Asia and other African countries. These countries are required to review their trade policies every six years but with some flexibility in their review period.

The Scope

Studies and analyses are carried out on affiliation of member states with subject matters incorporated by multilateral trade system including transparency mainly on trade related policies under the Trade Policy Review (TPR), non-discriminatory practices with trade partners, support for trade liberalization, trade related policy stability and presumption standard, nature of protection, identifying whether custom duties are used as the only means of trade, restrictions applied on service trade sector, resolving of disputes etc. In the process of TPR, policy statement has to be prepared incorporating steps adopted or taken by concerned member states on trade policies. This should further incorporate matters like major objectives of trade policies, future work plan, existing trend and problems faced by member states in international markets. The concerned member states have to implement recommendations or suggestions for improvements mentioned in such reports while Trade Policy Review Body (TPRB) will carry out its monitoring and evaluation. Every member state has to report the TPRB on major improvements and changes made in connection with the trade policies and practices on a regular basis.

Major Efforts made for Expansion of Trade

- 9.32. Finalization of draft on Anti-Dumping and Countervailing Act is in process after consultations with stakeholders, while works like enhancing and promoting tea and herb production by sharing the cost with local stakeholders, price promotion, and marketing are in progress. A proposal has been prepared in coordination with International Trade Centre (ITC) and Nepal Pashmina Association on a two-year project for

its promotion. While, working procedure, 2009 on re-exportable goods and commodities imported from third countries, has been revised and adopted. A group of representatives representing the private sector had participated in Nepal Investment Symposium that was organized in Berlin of Germany with the objective of expanding investment and trade.

- 9.33. Process has started for securing International Location Code (UN/LOCODE) after having registered in United Nations Economic Commission for Europe (UNECE) under the United Nations so that dry ports that are in operation in Nepal will be recognized internationally which would ultimately facilitate trade. Project selection process is underway after offering proposal to private sectors to operate various projects in areas identified by Nepal Trade Integration Strategy, 2010, for its implementation.
- 9.34. Under Nepal Business Forum, Export Promotion and Trade Facilitation Work Performance Group, works like reducing time period in imports-exports, modernizing custom points for imports-exports and applying risk management and facilitating trade by reducing the paper works and other processes causing tardiness in export of goods and commodities. Likewise, a report has been prepared on promotion of herbs and herb products and export growth while registration for collective trademarks of Pashmina through Trade and Export Promotion Centre is underway.

Box 9 (b): Some Programs Implemented Under the Nepal Trade Integrated Strategy (NTIS, 2010) in current fiscal year

- Nursery for 400,000 plants being managed through Cardamom Development Centre at Fikkal under the Improved Cardamom Seeds Production Program.
- Modern Dryer Distribution Program for drying cardamom is in operation in Terhathum and Sankhuwasawa on cost sharing arrangement with the private sector.
- Improved Ginger Seed (Rhizome) is being distributed in Bhojpur, Dhankuta, Udayapur, Jhapa, Sunsari, Morang, Siraha and Dolakha through Agriculture Entrepreneurship Centre by sharing the cost with local entrepreneurs.
- Works have been initiated through Federation of Nepalese Chambers of Commerce and Industries to establish Herb

Collection and Business Centre in Surkhet for herb promotion on private sector's cost sharing.

- Works on the registration of collective trademarks of Nepali tea and coffee in the international market are being done through Trade and Export Promotion Centre.
- Quality improvement related works of Bureau of Quality and Standards, Food Technology and Quality Control Department, and Department of Botany are being carried out for conducting laboratory tests of exportable goods.
- A Comprehensive International Trade Fair and Handicraft Trade Fair for the promotion of handicraft exports were organized in Kathmandu.

On the Supply Side

- 9.35. Supply Policy, 2012 has been announced with the objectives of making arrangements for the supply of essential goods and services of good quality in a simple, easy and regular manner to the consumers at right prices while ensuring their rights and interests and using such goods and services fearlessly.

Box 9 (c): Supplies Policy, 2012

Objectives:

- Make the public, private and cooperative sectors competitive by encouraging the public, private and cooperatives sectors for easy, smooth and regular supply of quality goods and services.
- Protect consumers' rights and interests.
- Maintain the quality of goods and services to be supplied, and establish actual cost price-based consumer pricing system.
- Make necessary arrangements to ensure national food security.
- Develop an integrated supply system for facilitating and providing relief to the low income and ultra poor of the remote area people lacking easy access to essential goods and services.
- Curb black marketing and artificial shortages of goods and services.

- Control non-competitive activities on goods and services.

In order to achieve aforementioned objectives, market will be managed by establishing a Consumer Protection and Supply Management Department and expanding its services thereby regulating the market for consumer protection, promotion of competition, and execution of market protection laws. Likewise, arrangements will be made to carry out regular monitoring of markets in the participation and coordination of organizations and cooperative associations engaged in the protection of consumer's rights and benefits to deter unhealthy competition thereby promoting the market dignity. Similarly, for this, a Department of Commerce and Supply Management will be established and an arrangement for Protection Officers will be made in 20 districts.

Major initiatives taken for Strengthening of Supply Management

- 9.36. Hotel and Restaurant Monitoring Manual, 2011 has come into implementation while drafts on institutions' standards guideline, price regulation policies, consumers' rights curriculum in secondary level textbooks, and Draft Bill on Imports and Exports have been prepared.
- 9.37. A Three- Year Strategic Plan, 2011, of the Department of Commerce is in implementation. During this period, the Department has carried out market monitoring of 614 traders, while 5 Commerce Offices under the Department have carried out such monitoring of 1,466 traders of which action against 45 were taken, whereas cases have been filed against three contravening traders.
- 9.38. As per the target set to transport 40,008 quintals of salt under the Goitre Control Program in the current fiscal year, a total of 19,547 quintals has been transported till Mid-March of FY 2011/12. Similarly, Nepal Food Corporation has transported 6,568 MT of food grains in the first eight months of the current fiscal year against the target set to transport 15,000 MT to the remote districts of Nepal in the current fiscal year 2011/12.
- 9.39. National Food Security Warehouse has set the target to maintain 25,000 MT of food stock in current fiscal year of which 15,053 MT food stock has already been maintained by mid-March of the current fiscal year.

Likewise, the corporation is in the process of procuring more food grains this year and therefore the target set for this fiscal year is expected to meet by the end of this fiscal year while 6,815 MT of food stock has been maintained at SAARC Food Security Store.

Tourism

- 9.40. Homes stay Operations Manual, 2011 is put into practice with the objective of fetching the income to rural areas that is generated through tourism. Tourism Operation Manual, 2011 has been implemented to encourage employees on internal tourism whereas Airport Inspection Manual, 2011 has been approved.
- 9.41. Analyzing the number of tourists visited Nepal, their growth rates and the length of stay, the number of tourists visiting Nepal during the period (January 2011 to January 2012) has increased by 22.1 percent. The number of tourists increased from 602,867 to 736,215 tourists as compared to its figure during the period between January 2010 and January 2011. The average length of stay per tourist during the review period (2011-12) has been 13.12 days against the figure of 12.67 days during the succeeding review period (2010/11).

Box 9 (d): Nepal Tourism Year (NTY), 2011

In the process of observing the Year 2011 as Nepal Tourism Year (NTY), NTY was incorporated in all tourism related activities throughout the year with high priority. During the year, publicity on Nepal was carried out in national and international forums. As an initiative, publicities were carried out through internationally through the media like Cable News Network (CNN) and British Broadcasting Corporation (BBC). Likewise, conferences on Pacific Asia Tourism Association (PATA), International Hotel and Restaurant (IH&RA) and annual meetings of Union of Asian Alpine Association (UAAA) and Union of International Alpine Association (UIAA) were organized in Nepal. Tourism was promoted throughout the year by organizing various events like fairs, celebrations, and festivals due to the reestablishment of World Tourism Sector and promoting the tourism friendly environment inside the country, it has witnessed 22.1 percent growth in the tourists' arrival during this period. Thus, NTY, 2011 has been successful in re-establishing itself as a tourist destination in the world organizing various programs of international importance and international publicities.

- 9.42. Similarly, of the total number of tourists visiting Nepal between the periods of January 2011 and January 2012, 53.7 percent came for tours and travels, 11.7 percent for trekking and mountaineering, 8.7 percent on religious trip, 4.1 percent for recreation 2.4 percent for trade and business, 3.3 percent on official visits, 1.5 percent for meetings/seminars, 0.3 percent for rafting, 4.1 percent with other purposes and 9.5 percent with unspecified purposes.
- 9.43. Among the five countries with largest number of tourists arrivals during this period, 20 percent were from India, 8.4 percent from China, 8.1 percent from Sri Lanka (including tourists on a one-day visit to Lumbini), 5.7 percent from USA, and 5 percent from United Kingdom. For the same period in the previous fiscal year, 20.1 percent tourists came from India, 7.7 percent from China, 7.6 percent (including tourists on a one-day visit to Lumbini) from Sri Lanka, 6 percent from USA, and 5.8 percent from UK.
- 9.44. Nepal Tourism and Hotel Management Academy established in the government sector has been conducting academic programs on Travel and Tourism Management, a three-year bachelor program in Hotel Management since FY 2003/04, and Master of Hospitality Management since 2011 in affiliation with Tribhuvan University so as to contribute in producing high level and basic level human resources for the development of tourism sector. The Academy has been providing hotel management related trainings on food preparation, food and beverage service, house-keeping, front-office, travel/trekking/river guide, and canoeing. Similarly, it has imparted various mobile trainings on small hotel and lodge management, homestead management, agro-tourism to *Dalits*, *Janajatis*, physically challenged, and to 218 participants from 5 mountain districts including the Karnali zone. Rafting training under the adventurous tourism has been provided to 34 women.
- 9.45. In the tourism sector, a total of 2,216 skilled persons were produced including 201 through academic courses, and 2,015 persons through training programs in FY 2010/11, while 240 skilled human resources was generated from academic courses and 1,232 from training programs totalling 1,472 more skilled human resource added to the total by mid-April, 2012. The total number of human resource produced so far by the Academy stands at 32,000. Likewise, Taragaun Development Committee has provided homestead training to 240 individuals of various VDCs across the country by mid-April, 2012.

**Box 9 (e): Nepal Tourism Vision, 2020 and Inaugural of Visit
Lumbini Year, 2012**

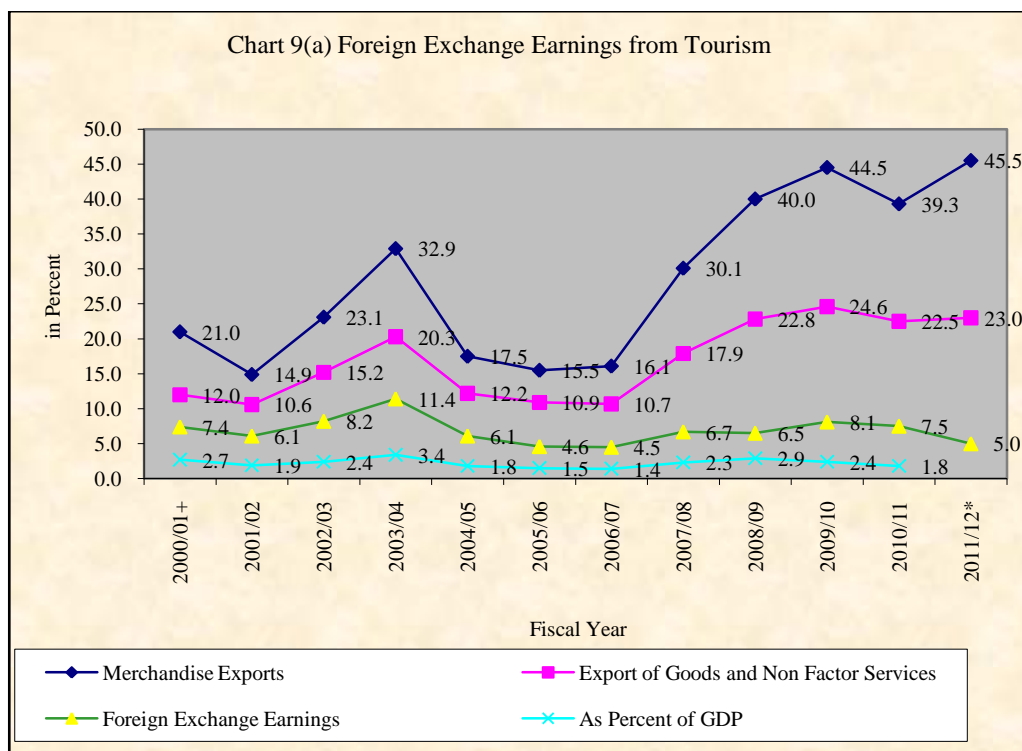
Nepal Tourism Vision, 2020 has been officially launched with its target of meeting 2 million tourists' arrival target by the year 2020. The Vision, announced with its objectives of improving people's economic conditions and establishing tourism sector as the backbone for the sustainable economic growth, has envisaged for conserving, developing, and promoting tourism heritage sites in order to make Nepal as a safe, attractive and an important tourist destination. In the process of actualizing this Vision, the years from 2013 to 2020 have been declared as the Tourism Campaign Years by covering various tourist destinations. According to this, Tourism Years have been earmarked as follows: Tourism Year, 2013 in Sisne-Jaljala-Dhorpatan and Karnali, Tourism Year, 2014 in Bideha-Mithila and Salhes, Tourism Year, 2015 in Birat-Mechi-Hill, Tourism Year, 2016 in Ruru-Resunga-Pokhara-Annapurna-Manaslu Tourism Year, 2017 in Simraun-Kathmandu-Langtang, Tourism Year, 2018 in Arun-Sagarmatha, Tourism Year, 2019 in Chisapani-Khaptad-Ramaroshan, and Tourism Year, 2020 for Domestic Tourism and Civil Aviation Year.

Visit Lumbini Year, 2012 was formally inaugurated as per the decision to celebrate this year as Visit Lumbini Year, 2012. Various programs have been launched under this campaign with the objectives of making Lumbini, the birth place of Lord Gautam Budhha, known to the rest of the world and make 500,000 tourists visit this religious site.

- 9.46. The number of mountaineering expedition teams arriving Nepal was 269 between January 2010 and January 2011, which declined slightly to 259 between January 2011 and January 2012. However, the number of mountaineers has increased by little. The amount of royalty earned during this period rose by Rs. 159 million reaching Rs. 232.5 million as compared to the royalty earned during January 2010 to January 2011.
- 9.47. During the period from January 2010 to January 2011, the number of classified star hotels registered with tourism industry stood at 103 while this figure went up to 106 between January 2011 and January 2012. The number of tourist class hotels, lodges, and resorts except star hotels that stood at 686 during January 2010 to January 2011 went up to 721 by January 2012. The number of beds in star hotels has increased by 198 to that of previous fiscal year reaching a total of 9,323 beds in current fiscal year while the number of beds in tourist class hotels, lodges and

resorts other than the star hotels have increased by 1,240 to that of previous fiscal year reaching to a total of 21,457 in current fiscal year.

- 9.48. Foreign exchange earnings during FY 2010/11 grew by Rs. 494 million reaching Rs. 28.63 billion as compared to its previous fiscal year. In the first eight months of the current FY 2011/12, foreign exchange amounting Rs 24.61 billion was earned. This amount is 45.5 percent of foreign exchange earned from the total commodity exports, 23 percent of foreign exchange earned from the total service exports and 5 percent of the total foreign exchange earned during the period.



Box 9 (f): Declaration of Tourism Areas

A total of 18 tourism areas have been declared in this fiscal year 2011/12 encompassing all 75 districts of Nepal with a view to materialize the country's tourism potentials and identify, develop, and promote tourism resources in a balanced way. Among these tourism areas are: 1) Mechi Hill Tourism Area (Taplejung-Panchthar-Ilam), 2) Birat Tourism Area (Sunsari-Morang-Jhapa), 3) Arun Tourism Area (Shankhuwasabha, Terhathum, Bhojpur, Dhankuta), 4)

Salahes Tourism Sector (Udayapur, Siraha, Saptari), 5) Sagarmatha Tourism Sector (Solukhumbu, Okhaldhunga, Khotang, Ramechhap), 6) Bideha-Mithila Tourism Sector (Sindhuli-Sarlahi-Mahottari-Dhanusha), 7) Langtang-Gaurishankar Tourism Sector (Rasuwa, Dhading, Nuwakot, Sindhupalchowk, Dolakha), 8) Kathmandu Tourism Area (Kathmandu, Lalitpur, Bhaktapur, Kavre), 9) Simraun Tourism Area (Chitwan, Makwanpur, Bara, Parsa, Rautahat), 10) Annapurna-Manaslu Tourism Sector (Gorkha, Lamjung, Manang, Mustang), 11) Pokhara Tourism Sector (Tanahu, Syangja, Kaski, Parbat), 12) Lumbini Tourism Area (Nawalparasi, Rupandehi, Kapilbastu), 13) Ruru-Resunga Tourism Sector (Gulmi-Arghakhachi, Palpa), 14) Sisne-Jaljala-Dhorpatan Tourism Area (Baglung, Myagdi, Pyuthan, Rolpa, Rukum, Salyan), 15) Bheri-Kakrebhihar Tourism Area (Jajarkot, Dailekh, Surkhet), 16) Rara-Karnali Tourism Sector (Dolpa, Mugu, Humla, Jumla, Kalikot), 17) Chisapani-Thakurdwara Tourism Area (Dang, Banke, Bardiya, Kailali, Kanchanpur), and 18) Khaptad-Ramaroshan Tourism Area (Bajura, Achham, Bajhang, Doti, Darchula, Baitadi, Dadeldhura).

9.49. Tourists are being attracted by publicizing touristic attractions of Nepal through internationally renowned TV channels such as CNN and BBC for the promotion and marketing of international tourism. Nepal Tourism Board with private sector's participation has attended tourism fair held in India, China, Bangladesh, UK, Germany, Belgium, Netherlands, Spain, Italy, Singapore, Thailand, and France and organized B2B Session (Interaction program with Nepali and Foreign Tour Operators) and Media Briefing with a view to promote tourism in Nepal. Likewise, promotional activities were carried out such as organizing various international conferences like annual meetings of Asia Pacific Travel Association, Union of International Alpine Association (UIAA) and Union of Asian Alpine Association (UAAA), World Conference of International Hotel and Restaurant Association (IH&RA). Similarly, for the promotion of domestic tourism, various awareness raising related TV and radio programs are being developed and transmitted through national television channels, movie theatres, and FM Radios. On the aviation sports side, the number of licensed paragliding stood at 16 by mid-March 2012 while one agency has been licensed for ultra-light and 2 for sky diving during the same period of the current fiscal year.

Table 9 (h): Targets and Achievement of Ministry of Culture, Tourism and Civil Aviation

SN	Description	Status as of January 2011	Target up to January 2012	Progress as of January 2012*
1	Tourist Arrival	602887	1000000	736215
2	Tourist's Length of Stay	12.67	13	13.12
3	Earnings from Tourism (In Million Rs.)	23,428.7		28,633.0
4	Earning Per Tourist (Rs.)	38862.14		38892.17
5	Per Tourist Per Day Expenses	3067.26		3112.43
6	Exchange Rate Per US Dollar (Rs.)	71.00		78.00
7	Per Tourist Per Day Expenses (in US Dollar)	43.2	63	39.90
8	GDP (In Million Rs)	1,346,816.0		1,558,174.0
9	Contribution to GDP (in Rs.)	1.8	3	1.8
10	Direct Employment (In Thousand)	110	120	120
11	Inflow of regular international Flights (In No.)	27	29	29

**Preliminary Estimate*

Challenges and Solutions

- 9.50. There is a need to formulate a National Quality Standardization Policy by incorporating functions, duties, and rights of goods and service providers, distribution agencies and entities playing the roles of consumers and quality controllers.
- 9.51. For the industrial development of the country, there is an urgent need to deliver services with required physical infrastructures from a single point. Likewise, arrangements have to be made to make full use of established industrial estates and to repair and maintain roads, drainage, electricity, water distribution system, buildings and warehouses like infrastructures of industrial estates in operation as they are very old and in dilapidated conditions.
- 9.52. Arrangements have to be made for leasing out industrial estate's buildings, using warehouses as per nature of their productions and

requirements on their own, handing over buildings and sheds to the concerned industries by valuating them and investing thus earned amount in the establishment of other new industrial estates.

- 9.53. Remote districts where foods and salt are being transported have to be reviewed on time contextual basis. Likewise, repair and maintenance of dilapidated food grain and salt warehouses and construction of new warehouses is called for.
- 9.54. In order to have smooth, regular and efficient supply of petroleum products, private sector needs to be encouraged to get involved in this sector. The capacity of fuel storage tank has to be raised so as to meet the demand for oil for at least one month.
- 9.55. Tourism industry has not been able to grow extensively due to lack of factors like adequate investment in the tourism sector, management of physical infrastructure, conservation and development of touristic destinations, means to make tourism business attractive, peace and security arrangement as desired, and skill and talents to entice tourists. Not only that new touristic destinations could be identified, developed and promoted, but also the benefits derived from this sector could not reach the rural communities by extending this sector to the rural areas. For this, aspects like tourist destinations and products diversification, raising the level of qualitative tourists' arrival and alike factors should be emphasized. Mainly, serious attention needs to be paid for the development of tourism products and marketing necessary for the tourism sector.

10. PHYSICAL INFRASTRUCTURE

10. Physical Infrastructure

Physical Planning and Works

Urban Area Development and Market Centre Study Program

- 10.1. This program was carried out with the objective of developing physical infrastructure in the urban areas of the country, carrying out land development programs in participation of local government bodies, private sector and the government of Nepal, reducing encroachment on productive land and conducting related studies and providing housing loans (land development and housing revolving fund) so as to provide seed money for the operation of land development program. In FY 2010/11, 288 activities were carried out including construction of 261 different communities/*Dalit*, *Janajati* targeted hostels, orphanage home, old-age home, indigenous museums, and 6 market centres were been constructed in 64 districts under this program as stipulated by the physical development plan. Activities also included construction of Mahendra Narayan Nidhi Cultural Centre and formulation of physical development plans of 5 market centres during the same period. By the first eight months of the current fiscal year, a total of 261 programs, including implementation of physical development of 22 market centres, infrastructure development of 61 markets, construction of regional/district level 4 meeting halls, construction of building of Mahendra Narayan Nidhi Mithila Cultural Centre (continued), preparation of comprehensive project report on major basic infrastructure by preparing physical development plan of 8 market centres are in operation.

Rural Development through Small Town Market Development

- 10.2. This program is in operation with the multiple objectives of enhancing interrelationship among villages and towns by developing urban infrastructure in small towns so that necessary infrastructure for the future municipalities could be created; reducing the migratory trend to urban areas with increased rural infrastructures; and alleviating poverty through market development for locally produced goods and commodities. A total of 109 programs were implemented under this program including development of 99 various infrastructures of small towns and markets; operation of the guided land development program

in Nepalgunj and Doti; , formulation of physical development plan for 5 small towns and plan development for guided land development in Ilam and Parbat districts. In this current FY 2011/12, works are in progress for the implementation of a total of 74 programs including development of infrastructure for 63 small towns according to the various study reports, implementation of land development program on 5 places as directed and preparation of DPR by formulating Master Plan and physical infrastructure development plan for 6 small towns.

Integrated Action-oriented Plan

- 10.3. The Plan aims at formulating periodic plans in direct involvement of municipalities by involving maximum number of local people in the urban development plan formulation exercise for organized development of municipalities; preparing digital base maps and formulating infrastructure development plans for non-municipal district headquarters. In FY 2010/11, works such as formulation of physical development plans for Town Development Committees in Kanchanpur-Belaury, Dhadingbeshi-Dhading, Salyantar-Dhading, Palpa-Rampur, Bardiya-Nyaulapur, Humla-Simikot and Bardiya-Bansgadhi; feasibility study for conducting land pooling program in 5 municipalities including Bhairahawa, Butwal, Janakpur, Lekhnath and Mechinagar; preparation of digital urban- base urban maps of 2 municipalities and preparation of DPR of Pakali and Pokharia have been completed. While FY 2011-12 has targeted to implement 25 programs including preparation of digital urban based map of 3 municipalities, preparation of periodic plans of 7 municipalities and formulation of physical development plans of 5 Town Development Committees.

Special Physical and infrastructure Sector Development Projects

- 10.4. This project has been implemented aiming at carrying out construction, improvement maintenance and preparation of master plans of various cultural and religious places of national and local importance in line with the concept of sustainable development. Under this project, formulation of master plan of 8 different places, development construction, repair and maintenance works on 412 places as per the concept of sustainable development and on 37 structures of special importance were carried out by mobilizing local people's participation In FY 2010-11. Similarly, the current fiscal year 2011/12 targets to implement a total of 269 programs including physical infrastructure

development works at master plan guided 39 places as per the concept of sustainable development; construction, repair and maintenance works of physical infrastructure at 257 special locations with the local peoples' participation; preparation of master plan based on the concept of sustainable development by preparing base-map of 5 places and formulation of master plan as per the concept of sustainable development.

Intensive Urban Development Program

- 10.5. This program has been implemented with the objective of executing planned urbanization and environmental improvement by carrying out physical infrastructure development works in major cities of the country. Under this program, various works were carried out such as infrastructure development and environmental improvement in 26 major cities; implementation of periodic plans for 18 municipalities, implementation of small infrastructure development program for 2 poverty mapping indicated municipalities; implementation of infrastructure development program on 5 large urban corridors under Building New-Nepal Program. Likewise, the project carried out feasibility study for infrastructure development of mid-hill people's highways and 10 cities lying on the periphery of north-south corridors; long-term development plan of 2 cities touching Kathmandu-Terai Fast Track and mid-hill people's highway that are under construction and DPR of major infrastructures. Likewise, Programs such as observing International World Habitat Day, operating healthy city, eco-city related programs and installing awareness oriented rainwater harvesting and refilling technologies were carried out during the same period. During the current fiscal year 2011/12, a total of 148 sub-programs/activities are being conducted under this program including preparation of periodic plans of 25 municipalities, infrastructure development as per physical development work, continuation of infrastructure development programs in 6 large urban corridors (Duhabi-Inaruwa-Itahari-Dharan, Panchkhal-Dhulikhel-Banepa-Panauti, Pokhara-Lekhnath-Dulegauda, Surkhet-Dashrathpur-Chhinchu, Attariya-Dhangadi, Kapilbastu-Siddharthanagar-Butwal), Preparation of DPR for major infrastructure of 10 cities lying on the periphery of mid-hill people's highway and north-south corridor, infrastructure development of 2 cities, procurement of land in 2 places, development of eco-city, healthy city and installation of rain water harvesting technology.

Urban and Environmental Improvement Project and Medium-Town Integrated Urban Environmental Improvement Project

- 10.6. In the second phase of Urban and Environmental Improvement Project, the Medium Towns Integrated Urban Environmental Improvement Project is in operation in Biratnagar, Birgunj, Butwal municipalities and Kavre valley (for integrated drinking water project) since last FY 2010/11. Under this project, municipalities will have construction of drainage and processing centre, waste management and various sanitation-cleanliness/community development works.

Outer Ring Road Development Project

- 10.7. Preparation of DPR for this project that started from the fiscal year 2003-04 is gradually advancing. Socio-environmental Impact Assessment report has been submitted to Ministry of Environment for its approval. This project has not been able to achieve success largely due to ambiguity in policy, disagreement of land owners and lack of political commitment. However, continuity is given to preparation of DPR in this fiscal year.

Building Code, Government Buildings Construction

- 10.8. This program is in operation with target of developing implementing the building code; carryout construction works of government buildings; collect records of government buildings so that conditions of those already constructed buildings can be known; and identify alternative construction materials and construct earthquake resilient buildings. In FY 2010/11, constructions of 8 different government buildings were completed while constructions of 19 new government buildings were started. Likewise, continuity was given to the *Ashram* construction of Krishna Prasad Bhattarai at Bandegaun, Lalitpur while building reinforcement works of three Government/Community buildings were started Surkhet, Aacham and Rupendehi. Similarly, trainings based on Building Code for safer and durable building construction and e-bidding were imparted to technicians, construction entrepreneurs, and masons from various organizations. In addition to this, improvisation work on Building Code was also initiated. A total of 82 programs are in operation aimed at completing the construction of 6 building of those 19 buildings remained incomplete in the fiscal year 2010/12. Similarly, the other targets of the program are to commence

the construction work on 5 new buildings, give continuity to the construction of Krishna Prasad Bhattarai *Ashram*, amend the Building Code, prepare Digital Inventory of government buildings, provide trainings to construction entrepreneurs and masons on the construction of safer and durable buildings on the basis of Building Code and observe National Earthquake Safety Day.

Biratnagar Ring Road Project

- 10.9. The main objective of this project is to develop a 41 Km Ring Road in Biratnagar with about 182 meter on both sides of Ring Road to be developed as planned and well-managed city area under a pilot urban development concept. The project has been planned due to the city's growing population and rapid growth of settlements at the city centre and around its adjoining VDCs as well. Such a growth in terms of population and settlement has piled up pressure on pedestrians and vehicular traffic to look for a solution to the congestion problem. As a part of the solution, the Ring Road has been planned through the acquisition of land required for such construction. In FY 2010/11, DPRs on the construction of 15 km long Ring Road was prepared. Similarly DPR preparation of the 2nd section (15km) and 3rd section (11km) was started. Likewise, track opening of 32 km has been completed. Up to the first eight month of current fiscal year, final draft report for the DPR of 2nd sector (15 km) has been obtained; similarly track is completed, while its upgradation is underway.

Model Integrated Settlement Development (Terai-Madesh-Hill-Mountain) Program under Building New Nepal Campaign

- 10.10. The primary objectives of this program are to: carryout integrated infrastructure development of district headquarters of non-municipal districts; develop infrastructure as per the concept of model VDCs/ village; integrated infrastructure development through intense settlement development program by integrating the scattered settlements in appropriate locations; and to distribute low cost homes to economically poor people of the society specially to *Dalits* and tribes on the verge of extinct, such as (Raute, Kusunda, Chepang, Surel, Badi, Gandarva). In FY 2010/11, some of the implemented programs were: Integrated Intense Settlement Program in 7 districts of which studies were completed; pilot village study report implementation in three places; and implementation of infrastructure program as per model

VDC projects at 12 locations. Continuity was given to Thawang Pilot Settlement Development Program of Rolpa district and the program for carrying out integrated infrastructure development works at 13 district headquarters in non-municipal districts. Under Janata Awas (People's Housing) Program, a total of 1247 units of houses were built in Shiraha, Saptari, and Kapilbastu districts for *Dalit* and Muslim community while 2558 units were at various phases of construction. Under the Integrated Intense Settlement Program, construction in Kalikot has completed while construction in five districts (Humla, Pyuthan, Myagdi, Nuwakot, and Acharam) is underway in the current fiscal year 2011/12. Feasibility Study on Integrated Intense Settlement Program has been started.

- 10.11. Of the 2,558 housing units that was started under *Janata ko Awas* (people's housing) program in previous fiscal years, construction of 1,641 such units have been completed with continuation of construction of rest of the houses. Of 799 housing units that were targeted for construction this year, construction of 92 such units have been started while selection of beneficiaries are being carried out after conducting survey of the rest of the houses. Likewise, with a view to manage the squatter settlement problem in Kathmandu, procurement of 5 Ropani, 9 Ana and 2 Paisa of land (5 Ropani, 8 Ana in the previous fiscal year) has been done inside the project area of Ichangunarayan Land Development Program, Kathmandu.

Nepal-India Boarder Integrated Check Post Development Project

- 10.12. With an objective of further improving and strengthening the existing trade, commerce and economic relationships among people of two countries that exists since long time, construction of well planned and managed Integrated Border Check Posts along Nepal-India border are underway at four locations on full grant assistance of the Government of India.

Urban Governance Capacity and Development Program

- 10.13. This program has been launched in the current fiscal year 2011/12 for a period of five years on loan assistance of the World Bank. The program aims at improving the service delivery mechanism of participating municipalities (Mechinagar, Itahari, Dhankuta, Lekhnath, Tansen and Baglung) through the sustainable management of basic services and priorities by encompassing long-term goals of poverty alleviation, national urban policy interim plans.

Infrastructure Development

10.14. Programs and projects under this program are being implemented with a view to increase local peoples' access to social services, economic opportunities and resources through the development of physical and social infrastructures and enhance their economic and social status through their active participation in such projects and programs. The program achievements are as follows:

Rural Access Improvement and Decentralization Project

10.15. This project is in operation under the World Bank's assistance in 28 districts for suspension bridges and in 30 districts for roads with objectives of making local roads operable throughout the year, carrying out repair and maintenance of rural roads and improving social infrastructure and transport facilities. Progresses made during the review periods (first eight months of the current and the past fiscal year) are as follows:

Table 10 (a): Progress of Rural Access Improvement and Decentralization Project

SN	Programs	Unit	2010/11	2011/12*
1.	All Season Road	Km	64	114
2.	Suspension Bridge	No.	20	23
3.	Seasonal Road	Km	12	10

** First Eight Month*

Source: Ministry of Local Development

Rural Reconstruction and Rehabilitation Program

10.16. This program is in operation with the objectives of providing market access to rural people by developing local infrastructures and enhancing their social, economic and employment opportunities thereby improving their livelihoods. The progresses made during the FY 2010/11 and review period of the current fiscal year are as follows:

Table 10 (b): Progress of Rural Reconstruction and Rehabilitation Program

SN	Program	Unit	2010/11	2011/12
1.	Road Construction	Km	750	107
2.	Drinking Water	No.	93	73
3.	Suspension Bridge	No.	93	25
4.	Motorable Bridge	No.	-	15

** First Eight Month*

Source: Ministry of Local Development

District Roads Support Program

10.17. This program was initiated under the assistance of the Governments of Nepal and Switzerland in 2002. Its main objective is to construct and upgrade local infrastructure thereby developing local roads infrastructure. Progresses made in FY 2010/11 and review period of FY 2011/12 are as follows:

Table 10 (c): Progress of District Roads Support Program

SN	Program	Unit	2010/11	2011/12
1.	Road Construction	Km	21.5	22
2.	Regular Road maintenance	Km	307	110
3.	Road rehabilitation	Km	85	15
4.	Periodic road repair and maintenance	Km	225	-

** First Eight Month*

Source: Ministry of Local Development

Rural Community Infrastructure Development Program

10.18. This program is in operation in 21 districts for the construction and improvement of community infrastructures. Its main objective is to enhance self-reliance capacity of rural poor thereby bringing improvement in their food security situation. Construction of rural roads and some small income generating activities are being carried out through this program. Of the target set to build 74 km roads in the fiscal year 2010/11, 71.5 km rural roads was already constructed while 110 VDCs of 21 districts were selected to operate rural roads and income generating projects during the review period of the current fiscal year 2011/12. Likewise, design and estimate works are being carried out subsequent to the project selection process.

Decentralized Rural Infrastructure and Livelihood Improvement Project

10.19. This project is in operation since the fiscal year 2005/06 with objectives of developing economic and social rural infrastructures in 18 districts; expanding transport networks and carrying out rural employment activities; and enhancing institutional capacity at the local level. Progresses made during the FY 2010/11 and review period of the current FY 2011/12 are as follows:

Table 10 (d): Progress of Decentralized Rural Infrastructure and Livelihood Improvement

SN	Program	Unit	2010/11	2011/12
1.	Road Construction	Km	100	22
2.	Road Re-establishment and upgrading	Km	50	12
3.	Successive Construction of Suspension Bridge	No.	28	-

** First Eight Month*

Source: Ministry of Local Development

Rural Access Program, Phase-II

10.20. This program is in operation in 7 districts of Bhojpur, Sankhuwasabha, Khotang, Achham, Doti, Tehrathum and Dailekh with the objective of raising living standards of rural poor through rural transport and infrastructure development. A total of 121 km road was constructed in FY 2010/11 and 25 km road during the review period of this FY 2011/12.

Suspension Bridge, Region-wise and Local Level Roads Bridge Program

10.21. This program is in operation covering all 75 districts of Nepal. The program intends to bring improvement in rural access through construction and extensive repair and maintenance works of suspension bridges on the main and local roads. On the suspension bridge sector, a total of 225 suspension bridges were constructed, feasibility study and detailed design works of 32 such bridges were completed during the FY 2010/11. Similarly, regular maintenance of 1,984 bridges, extensive maintenance work on 144 bridges and procurement of 213,000 meters steel ropes were accomplished. During the first eight months of current fiscal year 2011/12, survey design for 21 bridges, tender agreement for 56 bridges, foundation and concreting of 60 bridges, stretching and installation of iron ropes on 74 bridges have been completed while construction of 50 incomplete suspension bridges has been accomplished on merit basis.

Local level Road, Bridge and Community Access Improvement Program

10.22. This program is on operation since 2011 in all 75 districts of Nepal. The objective of this program is to provide support in achieving the goals of poverty alleviation initiatives through construction of bridges required

to ensure regular transport operations on local roads. The bridge construction work is underway in 44 districts. In the fiscal year 2010/11, constructions of 8 carried on bridge projects were completed, while 37 bridges are under construction on merit basis. In the first eight month of current fiscal year, super structure, DPR, Substructure and Contract related works on 67 bridges are underway, while 70 bridges in total are under construction.

Local Transport Infrastructure Sector-wise Program

10.23. This program is in operation with the objectives of constructing rural agriculture roads and constructing as well as maintaining rural tracks and mule tracks so as to enhance economic activities of the private sector by assisting production and marketing in agriculturally important pocket areas as envisaged by the Agriculture Perspective Plan. The program has been named as 'Local Transport Infrastructure Sector-wise Program' since 2009/10. The progress made by the project during FY 2010/11 and until the review period of 2011/12 is as follows.

Table 10 (e): Progress of Local Transport Infrastructure Sector-wise program

SN	Program	Unit	2010/11	2011/12
1.	Road Survey	Km	480	140
2.	Earthen Road Construction	Km	932	200
3.	Road Repair and Maintenance	Km	1102	340
4.	Black-topped Road	Km	26	-
5.	Cause-ways and Bridge Construction	No	360	50
6.	Gravelled Road	Km	225	150

** First Eight Month*

Source: Ministry of Local Development

Rural Drinking Water and Sanitation Project

10.24. This program is in operation with its target to access drinking water facility to the entire population and sanitation facility to 40 percent of the total population. Under this program, gravity drinking water, tube-well installation, rain water harvesting, latrine construction and environmental sanitation activities are being performed. In addition, local bodies have also been provided with working guidelines to carryout awareness raising programs in line with Water Supply Sanitation and Hygiene (WASH) concept. In FY 2010/11, a total of 110

carried on and new gravity drinking water projects were completed, similarly, 2-rain water harvesting programs, installation of 3 deep tube-wells, and installation of 131 shallow tube-wells were completed. Programs have been formulated and implemented as per the target to complete 150 successive and new gravity drinking water projects by the review period of the current fiscal year 2011/12.

Rural Water Resources Management Project

10.25. This program is in operation in (Humla, Dailekh, Kailali, Doti, Achham, Bajura, **Bhajhang, Darchula**, Baitadi and Dadeldhura) districts of Far-West and Mid-West regions with objectives of improving environmental condition and living standards of people through the sustainable drinking water and sanitation management. In FY 2010/11, a total of 111,000 people had benefitted from drinking water and sanitation, irrigation and micro hydroelectricity schemes, while 22,260 people have benefitted from drinking water, sanitation, irrigation and micro hydroelectricity schemes by the 2nd trimester of the current FY 2011/12.

Western Nepal Rural Drinking Water and Sanitation Project

10.26. This project was started in FY 2008/09 in Tanahu, Syangja, Parbat, Baglung, Myagdi, Kapilvastu, Rupandehi and Nawalparasi and Pyuthan districts. Main objectives of this project are to enhance drinking water and sanitation facilities in its 6 operational hilly districts and minimize arsenic level in 3 Terai districts. Progresses made by the project during the FY 2010/11 and until the review period of the current FY 2011/12 are as follows:

Table 10 (f): Progress of Western Nepal Rural Drinking Water and Sanitation Project

SN	Program	Unit	Benefited Number	
			2010/11	2011/12*
1.	New Gravity Drinking water and sanitation program	Person	21,693	95,357
2.	Sanitation and Health Program	Person	2,85,640	95,357
3.	Arsenic Reduction Program	Person	1,734	2,540
4.	Capacity Enhancement, Environment Protection and Income Generation Program	Person	41,121	12,337

* First Eight Month

Source: Ministry of Local Development

Local Infrastructure Development for Livelihood Improvement Program

- 10.27. This program is in operation in Achham, Dailekh, Jajarkot, Kalikot, Dolakha, Okhaldhunga, Khotang, and Ramechhap districts aimed to bring improvements in the food security situation of rural farmers of the said districts. Constructions of 83 small irrigation channels were completed in the previous fiscal year 2010/11 so as to raise people's living standard, their income source and boost up cash crops production in food deficit areas through this program. A total of 27 irrigation projects have been completed during the first eight month of current FY 2011/12.

Small Irrigation and Infrastructure Development Program

- 10.28. Small Irrigation, River Training, Micro-Hydro, Waste Management, Residential Buildings, Urban Development and Social Infrastructure Development Programs lie under this Program. As per the provisions set forth by National Water Resource Policy, 2003 and Local Infrastructure Development Policy, 2004, local bodies are operating small irrigation projects with command area of less than 25 hectares in hilly region and 200 hectors in Terai region handed over to them. In the fiscal year 2010/11 construction works of 450 carried over and new irrigation projects were completed, while in the first eight months of the current fiscal year, machinery and equipment have been procured with 600 small irrigation projects in construction phases.

Community Managed Irrigation Project

- 10.29. Community Managed Irrigation Project, in operation in Kanchanpur, Kailali, Dang, Kapilbastu, Doti, Salyan, Rukum, Rolpa, Puthan, Bajhang, Jumla and Mugu districts, has its objective to make poor, deprived, and other backward communities self-reliant on food production through their increased access to irrigation facility in the above mentioned districts by extending its irrigation facility to additional 17,000 Ha of Land. During the first eight months of the current fiscal year, trainings have been provided to 24 individuals with the procurement of machinery tools and consultation service.

People's Participation based Development Program (Program Area-75 Districts)

- 10.30. This program targets to create employment opportunity at local levels by carrying out participatory based employment oriented development

activities for the construction of infrastructures that are identified as per the local demands and degree of their urgency. Programs are being implemented every fiscal year in line with the guidelines prepared by the Ministry. In the first eight months of the current fiscal year, a total of 352 projects have been selected for which Rs. 200 Million has been earmarked from the total fiscal budget allocated for the Ministry of Local Development.

Special Program on Karnali and its Vicinity

- 10.31. This program is in operation since FY 2011/12 in Jumla, Humla, Mughu, Kalikot, Dolpa, Darchula, Bajhang, Bajura, Achham and Jajarkot. The program objectives are to: develop transport infrastructure so as to raise the living standard and alleviate poverty of people of Karnali and its vicinities; modernize local agriculture system; create employment opportunity by developing skills and technology at the local level. In the first eight months of the current fiscal year 2011/12, every concerned District Development Committee has been provided power of attorney with Rs. 15 million to run special programs in Karnali and its vicinities.

Special Program for Backward Terai-Madhesh

- 10.32. This program has been executed targeting poor and backward settlements and communities of 19 districts of Jhapa, Morang, Sunsari, Saptari, Siraha, Dhanusa, Mahottari, Sarlahi, Bara, Parsa, Rautahat, Nawalparasi, Rupandehi, Kapilbastu, Dang, Banke, Bardiya, Kailali, Kanchanpur that lie behind in terms of Human Development Index of Terai-Madhesh.

Table 10 (g): Progress towards Infrastructure Development

Activities	FY 2010/11	FY 2011/12*
Earthen Road (Km)	1261	541
Road Repair and Maintenance (Km)	1015	475
Blacktopping (km)	26	113
Bridge Construction (On-going)	8	3
Causeway and Culvert Construction (Nos.)	360	50
Suspension Bridge Construction (No.)	225	69
Completed Drinking Water Project (No.)	311	140

** First Eight Month*

Source: Ministry of Local Development

Local-self Governance and Community Development Program (LGCDP)

10.33. Local-self Governance and Community Development Program is one the major development programs led by Ministry of Local Development, in operation since 2008 under the joint support of donor agencies. This program is implemented through local bodies, community based and non-government organizations in all District Development Committees, Municipalities and Village Development Committees. The main objective of this program is to provide support to poverty alleviation initiatives by enhancing access to public goods and services with local and inclusive based priorities. Under LGCDP, policy has been adopted in such a way that, among the 35 percent of the total capital grants to be provided to the local bodies, 10 percent of such amount should be allocated for women, 10 percent for children and the rest 15 percent for the backward/made backward class. Training on social and environmental protection has been imparted to a total of 948 individuals including Energy and Environment Units of all DDCs and Municipalities which has supported to the environment friendly development management at local level. Likewise, training has been provided to 150 employees for program operation by establishing District Poverty Monitoring and Analysis System (DPMAS) in all 75 DDCs. During the fiscal year 2010/11, a total of 13,207 infrastructures have been constructed through this program's support. From these infrastructures, 3,401 Km of road has been maintained, 214 Km of road gravelled, 236 culverts and 217 classrooms constructed. Likewise, 9,832 hectares of land has received irrigation facility and more than 89,900 families have benefited from such infrastructures.

Energy

10.34. The traditional sources of energy hold majority in the energy demand and its consumption in Nepal. Though Nepal has huge water resource with high energy potentials, energy crisis in Nepal is ever increasing due to its failure in attaining notable success in hydro-electricity generation. Table 10 (b) has shown the sources of energy and their consumption.

Table 10 (h): Energy Consumption Status

Sources of Energy	2006/07	2007/08	2008/09	2009/10	2010/11
Traditional	7854	8015	8185	8342	8500
Firewood	6999	7149	7301	7467	7606
Livestock Residue	337	337	344	324	331
Cow Dung/	518	529	540	551	563
Commercial	1031	1038	1139	1464	1580
Coal	144	193	182	286	293
Petroleum Products	709	655	775	965	1058
Electricity	178	190	182	213	229
Renewable	59	59	64	70	75
Total	8944	9112	9388	9876	10155

Source: Ministry of Energy

- 10.35. The energy consumption in FY 2010/11 rose by 2.8 percent to 10,155 Tons of Oil Equivalent (ToE) as compared to its preceding fiscal year 2009/2010. During the first eight months of the current fiscal year 2011/12, this consumption equalled to 8,203 ToE, which is higher by 24.8 percent as compared to the corresponding period of previous fiscal year 2010/11.
- 10.36. The ratios of traditional, commercial, and renewable energy consumptions that stood at 83.7 percent, 15.6 percent and 0.7 percent respectively in FY 2010/11 have did not change much with 86.5 percent, 12.8 percent and 0.7 percent respectively in the first eight months of the current fiscal year 2011/12. It shows, heavy reliance of Nepalese economy over traditional energy sources has remained unchanged.
- 10.37. Of the traditional energy consumption, the share of firewood was 74.9 percent, agriculture residues 3.3 percent and livestock residues 5.5 percent in the fiscal year 2010/11. While, in the first eight months of the current fiscal year 2011/12, estimated ratios of this energy have been 77.3 percent, 3.5 percent and 5.7 percent respectively. In the fiscal year 2010/11, of the commercial energy consumption, contribution of petroleum products was 10.4 percent, coal 2.9 percent and electricity 2.3 percent while share of petroleum products was 8.1 percent and that of coal and electricity were 2.4 percent and 2.2 percent respectively.

Coal

- 10.38. In the fiscal year 2010/11, consumption of coal rose by 2.3 percent to 293 ToI as compared to its preceding fiscal year. The consumption of coal has increased by 24.2 percent reaching 195 ToI in the first eight months of the current fiscal year 2011/12 as compared to same period of the previous fiscal year.

Electricity

- 10.39. Minor changes were made in Statutory and policy provisions of EIA/IEE in fiscal years 2010/11 and 2011/12 for carrying out environmental feasibility studies after securing survey license for electricity production, transmission and distribution. It has made study works comparatively easier and less time consuming. Besides, for the solution of energy crisis in the country, purchase rate of energy has been raised by 20 percent on power produced by hydroelectric projects of up to 25 MW capacities. This is believed to encourage electricity production and have positive impact on the Nepalese economy.
- 10.40. In the current fiscal year, structural improvements have been made in Nepal Electricity Authority (NEA) based on activities towards strengthening its professional competence. Such improvement would help NEA deliver prompt and reliable service to its customers.
- 10.41. In FY 2010/11, a total of 131 large hydropower projects under NEA were in operation including 1 middle-Marshyangdi Hydropower Project, 2 projects under the Company Act including Upper Tamakoshi, and 400 KV Dhalkebar-Vithamod transmission line, 4 on power generation construction projects, 9 projects on production, operation and maintenance, one project on transmission and systems operation, 32 on grid development, 11 on engineering services, 92 on distribution and customer service (others, incomplete including irrigation projects) and one on finance.
- 10.42. Of the target set to complete feasibility study on the proposed Nalsyaugad, Andhikhola, Tamor and Dudkhoshi hydropower projects in FY 2010/11, about 80 percent of work has been completed on Nalsyaugad and Andhikhola hydropower projects while only 25 percent work accomplished on the proposed Tamor hydropower project.
- 10.43. Of the target set to construct physical infrastructure (including road, bridge, building and major civil construction works) of Tamakoshi

Hydropower Project in FY 2010/11, construction of building was fully completed with the completion of 50 percent road and bridge construction works, but only 30 percent of civil construction work completed.

- 10.44. Under the transmission line projects, construction works on Khimti-Dhalkebar (90 percent), Hetauda-Bharatpur (25 percent), Kabeli corridor (25 percent), Pathlaiya Sub-Station (50 percent) and Syangja Sub-Station (50 percent) were accomplished in FY 2010/11.
- 10.45. Under the distribution line project, about 200,000 households have been provided services after having construction of 300 km of 33 KV transmission lines and 100 Km of 11 KV such transmission lines in FY 2010/11.
- 10.46. A total of 179 projects are in operation in the current FY 2011/12 including 15 NEA's study projects, 2 ready for implementation, 16 on-going projects, 43 projects under transmission line extension projects of 132 KV and other voltage categories, 106 distribution line projects, and 7 other projects.
- 10.47. Preliminary study works have been completed on proposed Budigandaki, Uttarganga, Nalsyaugad, Tamor, Kaligandaki, hydropower projects in the first eight months of the current fiscal year 2011/12. Likewise, license related works have been completed for Dudkoshi, Nisthipanaha, Gaudikhola and Khadakkot hydropower projects.
- 10.48. Various physical infrastructure construction works on Tamakoshi, Chameliya, Rahughat and Upper Trishuli hydroelectric projects have been completed in the first eight months of the current fiscal year 2011/12.
- 10.49. During the first eight months of the current fiscal year 2011/12, sub-station construction work (50 percent) and various other civil construction works (62 percent) on transmission line projects have been completed while 25 percent of civil and distribution line construction projects have been completed.
- 10.50. Descriptions on electricity demand, consumption, generation, and other physical infrastructures based on returns/achievements of NEA operated programs is given in Table 10 (c) below:

Table 10(i): Electricity Demand, Consumption, and Physical Infrastructure

SN	Descriptions/Details	Fiscal Year		
		2009/10	2010/11	2011/12
1	Production (MW)	689.36	697.85	705.57
2	Transmission Line (Km)	1,972.62	1,917.62	1,987.36
3	Customer Number	16,70,610	18,54,275	20,53,259
4	Distribution Line (Km)	82,871.24	89,108.86	95,815.98
5	Available Power (GWH)	3,130.77	3,858.37	2,476.
6	High Demand (MW)	885.00	946.10	1,026.00

Source: Nepal Electricity Authority (NEA)

- 10.51. In the fiscal year 2010/11, energy supply totalled 3,858.37 Giga Watt Hours (GWH) including hydroelectricity 222.08 GWH, Thermal energy 3.40 GWH, purchase from the private sector in Nepal 138.84 GWH, and imported from India 694.05 GWH. Of this total, 2,734.74 GWH was consumed domestically, and 29.59 GWH was exported to India. Energy supply availability for FY 2011/12 is estimated at 2,476.4 GWH comprising 2,103.63 GWH hydroelectricity, thermal energy 0.395 GWH, and import from India 372.37 GWH.
- 10.52. From sector-wise usage of electrical energy perspective, industry sector consumed 37.7 percent, household sector 42.54 percent, commercial sector 7.62 percent, non-commercial sector export 3.99 percent, and miscellaneous sector consumed 8.14 percent electricity in FY 2010/11. In FY 2011/12, industry sector is estimated to consume 37.4 percent, household sector 42.8 percent, commerce sector 7.7 percent, and miscellaneous sector 12.1 percent.
- 10.53. The number of electricity consumers has been rising every year. Number of consumers that totalled 1,854,275 by the end of the fiscal year 2010/11 rose by 10.73 percent reaching to a total of 2,053,259 by mid-January 2012.

Petroleum (POL) Products

- 10.54. Despite ever growing consumption of POL as an important source of energy, its supply could not be made easily accessible to all. Amid policy and institutional efforts on making supply and distribution of POL products accessible to all by effectively putting its distribution system in order has been a real challenge. Comparative description of petroleum products is given in Table 10 (d):

Table 10 (j): Consumption of Petroleum Products

Description	Fiscal Year				
	2006/07	2007/08	2008/09	2009/10	2010/11
Petrol	101911	100842	124169	162274	187640
Diesel	306687	302706	466468	612505	655127
Kerosene	197849	155215	70089	55788	49494
Light Diesel Oil (LDO)	-	-	-	-	-
Furnace Oil (FO)	4557	-	-	-	-
Aviation Fuel(ATF)	63777	68938	68965	82631	101314
LP Gas-(in MT)	93562	96837	115813	141171	159286
Mineral Turpentine Oil	-	-	-	-	-
Others	-	-	-	-	-
Total	768,343	724,538	845,504	1,054,369	1,152,861

Source : Nepal Oil Corporation

- 10.55. Consumption of POL products in FY 2010/11 totalled 93,575 Kilo litre (KL) with an increase of 8.9 percent, while consumption of LP gas totalled 159,286 Metric Ton (MT) with an increase of 12.9 percent. Consumption of POL products and LP gas during first eight months of FY 2010/11 were 631,951 KL and 100,558 MT respectively, while consumption of these two items increased by 2.2 percent and 3.0 percent totalling 645,876 KL and 113,693 MT respectively during in the corresponding period of FY 2011/12.
- 10.56. Diesel, kerosene, petrol, and aviation fuel occupy major share of POL products consumed. Shares of diesel, kerosene, petrol, and aviation fuel excluding LP gas in FY 2010/11 stood at 65.9 percent, 5.0 percent, 18.9 percent, and 10.2 percent respectively. Observation of the consumption ratio of first eight months of the current fiscal year 2011/12 shows shares of diesel, kerosene, petrol, and aviation fuel as 63.8 percent, 20.2 percent, 4.4 percent, and 11.6 percent respectively.
- 10.57. Nepal Oil Corporation has been making distribution of POL products in such a manner by making it easily accessible across the country by importing and storing it. Homework is underway for laying a pipeline between Indian Oil Corporation at Raxaul (India) and fuel depot of Nepal Oil Corporation at Amlekhganj (Nepal) for smooth supply of fuel.
- 10.58. Nepal Oil Corporation has been carrying out various activities in pursuance of policies inter alia: maintain the stock of POL products by

enhancing storage capacity to meet the demand for at least a month; set equal prices of diesel and kerosene for maintaining the purity of diesel and combating the practice of mixing and misusing the VAT exempt kerosene in it; allow the productive industrial sector or hotel to make bulk purchase of POL products for industrial or commercial use directly from Nepal Oil Corporation if they wish so; establish the right to import crude oil through incorporation of such provision in the renewed Supply Agreement with Indian Oil Corporation; and carry out the task import and sale furnace oil, light diesel oil, lubes, bitumen etc.

- 10.59. To make up the gap of absence of any legislative provision relating to import, transport, storage, and sale of PL products in Nepal, Ministry of Commerce and Supplies has prepared a Draft Bill on the subject. Besides, a “Quality control and Assurance Manual on Aviation Fuel” has been prepared by incorporating ICAO and IATA standards and applied in order to additionally regulate the practice of import and sale of aviation fuel being carried out by the Corporation. Similarly, a Guideline on Distribution and Safety of LP Gas Cylinder, 2012, has been prepared and in process of its adoption.
- 10.60. The Corporation has recruited additional staffs having technical and professional qualifications by restructuring the existing organizational set up to enable itself to compete with the private sector in the coming days, and for adopting the modern management techniques. Additionally, an Agreement has been signed with Alternative Energy Promotion Centre (AEPCC) for establishment of a quality control laboratory for quality inspection of bio-diesel. The Corporation, which has been carrying out aviation fuel business, has also received international standard “Certificate of Supplier Approval” from the Civil Aviation Authority of Nepal (CAAN) of the Government of Nepal to continue conducting aviation fuel business.
- 10.61. Consultation is underway with experts, and Indian Oil Corporation for initiating the POL products pipeline laying work. Also, the Corporation is carrying out works on storage capacity enhancement and depot repair and maintenance with its own resource and means.

Environment

- 10.62. The Ministry of Environment has been carrying out the tasks of protecting environment; awareness rising, and maintaining environment related coordination at national and international levels. In the process,

the Ministry has initiated the process for establishment of a Department of Environment for effective implementation of Environmental Protection Act and related policies. Besides, in view of the effect of climate change, establishment of a “Himalayan Climate Studies Centre” is in process.

- 10.63. In addition to expansion of Hydrological and Meteorological services, efforts on bringing qualitative improvement is underway for which Installation of a mechanism is in process with rapid installations of Automatic Weather Stations and through the use of the most modern techniques for enabling efficient collection and dissemination of information to the public.
- 10.64. Ministerial level Conference on Climate Change with participation of Ministers for Environment of Mountain Countries was held on 5 and 6 April 2012 in Kathmandu. A number Forums and Workshops including Asia Pacific DNA Forum, CDM Workshop and CDM Standardized Baseline Workshop have also been conducted in this fiscal year.
- 10.65. A Technical Committee formed under the Ministry of Environment has been carrying out monitoring activities aimed at putting excavation, extraction, collection and export of stone boulders, stones, chips and sand in proper order and making environment friendly.
- 10.66. Initiation has been taken for receipt of grant for Climate Adaption Program from the Least Developed Countries Fund with preparation and submission of two project proposals worth US\$12 million. Likewise, a project is underway with technical and financial assistance from UNIDO and GEF for the disposal for ever-lasting pesticides. Work on safe disposal of date expired pesticides is being carried out with the assistance of GIZ.
- 10.67. Work, as per international commitment, has begun on conducting Environmental system-based Climate Adaption Program. Additionally, monitoring of air quality monitoring stations of Kathmandu valley has been started with repair and maintenance of all six stations.

Environmental Management Program under the Ministry of Local Development

- 10.68. With realization that environment and development are complementary to each other, programs and activities like: Public Private Partnership, Waste Management , Environmental Strengthening at the Local Level

program are in operation for carrying out development activities while maintaining environmental balance. Following are the programs in this area:

Public Private Partnership for Urban Environmental Improvement (PPPUE):

- 10.69. PPPUE program is being carried out in 12 Municipalities with UNDP assistance. In FY 2010/11, the program carried out three urban cleaning and sanitation activities; two waste management; and two renewable energy programs. Additionally, capacities of 951 people were enhanced through training, orientation, and workshops/seminars. In the first eight months of the current fiscal year, policy and working modalities have been prepared for starting the national PPPUE project; technical assistance extended to four municipalities; and construction of compost chamber is started in Biratnagar Sub-Metropolis.

Solid Waste Management Technical Support Centre

- 10.70. This program is in operation since FY 1999/2000 with objectives of raising people's awareness for the sustainable solid waste management and encouraging communities, private and non-government sectors for mobilizing waste as a resource. Solid Waste Management Act, 2011 has been endorsed by Legislative Parliament and enacted from **Ashad 1, 2068**. During the first eight months of the current fiscal year, MoU has been done for DPR with the Company selected to operate the project under the PPP concept. Preparation of Strategic Plan and Action Plan, for 15 municipalities in the cooperation of UN-HABITAT to provide technical support for managing the solid wastes through these municipalities, has been completed. Likewise, capacity enhancement training was imparted to the staffs of 29 municipalities; training programs were conducted along with the development of tele-advertisement to raise peoples' awareness by delivering informative messages; and 5 interaction workshops were conducted for the enactment of Solid Waste Management Act, 2011.

Program on Strengthening Environmental Management at the Local Level:

- 10.71. This program is in operation in Biratnagar sub-metropolis, Dhankutta, Dharan, Itahari, Inaruwa, Damak, Bhadrapur, Mechinagar, Ilam

municipalities of eastern region along with Panchthar, Ilam, Jhapa, Dhankuta, Sunsari, and Morang districts. In FY 2010/11, establishment of water sample collection centres in 4 DDCs, unadulterated production program in 6 industries, professional health security and environmental management programs in 4 industries, trainings on pollution control and environmental regulation, professional health safety, 25 training episodes on environmental plan formulation and management and environment and solid waste management were conducted for 25 times. In addition to this, environment section in 1 municipality and environment sub-committees in 1 municipality and 2 VDCs were established. Likewise, 12 open defecation free zone promotion programs and 6 environment friendly village extension programs were implemented during the same period. During the first eight months of the current fiscal year, Environmental Officers were imparted 3 trainings on pollution control and environmental regulation. Likewise, distribution of pollution control certificates and unadulterated production programs for 41 industries; training programs on professional health security for 9 industries were carried out during the same period. Similarly, 5 integrated environmental sanitation promotion program at community level, school environment promotion program at 11 schools, 2 open defecation free zone promotion program and environment friendly village extension programs are in operation.

Alternative Energy

- 10.72. Alternative Energy Promotion Centre (AEPC) has been established with the objectives of sustainably developing alternative/renewable energy technology in Nepal and supplying it to the rural sector; bringing improvements in the livelihoods of specially the rural citizens by operating various small industries and enterprises based on alternative energy technology, alleviating poverty and conserving the environment. To achieve these objectives, the Centre has been involved in extending necessary assistance and consultation to the government on formulation of policies on alternative energy technology and planning, setting up short term and long term policies, implementing programs through coordination with various energy related organizations, and quality control, monitoring and evaluation works.
- 10.73. The formulation of Acts on renewable energy, for the import substitution of energy and maintain sustainable environment through extensive expansion and development of renewable energy in Nepal, is

underway. Likewise, a master plan for 20 years on renewable energy is being formulated for the sustainable development of this sector.

10.74. A Bill related to Alternative Energy Promotion Centre (AEPC) for carrying out the Centre's activities as per the new Act like, improving people's living standard by providing their access to renewable energy through researches, development and extension of this source of energy so that it can be used in a sustainable manner; protecting environment through optimum utilization of this energy and promoting, developing and extending it by reducing people's dependence over the traditional sources of energy.

10.75. The major achievements of AEPC in FY 2010/11 and till the first eight months of the current fiscal year 2011/12 are as follows:

Table 10(k): Status of Alternative Energy/Bio-Gas in Nepal

SN	Activities	Progress in FY 2010/11	Progress in First 8 Months of FY 2011/12
1	Solar Dryer/Cooker distribution (Nos.)	272	27
2	Bio-Gas Plants Installed (Nos.)	-	3081
3	Improved (iron) Cooking Stoves Installed	8,000	1392
4	Improved (clay) Cooking Stoves Installed	81,137	42486
5	Home Solar Energy System Installed (Nos.)	57059	27868
6	Improved Water Mills Installed (Nos.)	353	510
7	Micro Hydro Electricity Production (Kilowatt)	4392	1619.7
8	Research Related with Alternative Energy (Nos)	15	-
9	Training Related with Bio-Gas Technology	13839	-
10	Micro Hydro Electricity Plant	2998	-
11	Solar Lamps	6308	5502
12	Solar Dryer/Cooker Installation (Nos.)	-	118
13	Institutional Solar system and Pump Installation (Nos.)	21	25

Source: Alternative Energy Promotion Centre

Issues in the Energy Sector

10.76. The loss on POL has continued to rise due to failure in adjusting selling price of these products with price rise in the international market. Likewise, there have been difficulties being faced in smooth supply of these products since the country has not been able to import required quantities due to inadequate cash flow.

10.77. The supply of petroleum products is hampered by frequent closures of

highways due to various reasons like agitation, strike, and *chakka jams*. At the same time, price of petroleum products could not be adjusted according to situation, due to which the volume of debt volume has swelled up as a result of procuring these essential products on credits to ensure uninterrupted supply.

- 10.78. Solar systems could not be installed as per demand due to dearth of subsidy to be made available for installation of home solar system. At the same time, most of the micro and mini hydro projects could not be completed on time due to the failure of communities of remote and extremely remote areas in garnering resources to complete the started projects. Besides, the cost for the installation of alternative energy technology is ever increasing while the prevailing grant policy has not been revised since last three years causing hindrance to installations.

11. TRANSPORT AND COMMUNICATION

11. Transport and Communication

Road Transport

- 11.1 Road transport projects are ongoing for connecting headquarters to the road expanding the subsidiary road networks. There is the need to upgrade the completed roads for converting into all weather roads on one hand while attention needs to be paid on repair and maintenance of these roads on the other.
- 11.2 By the end of previous fiscal year 2010/11, a total of 23,209 Km of road was constructed comprising 9,902 Km black topped; 5,670 Km gravelled; and 7,637 Km earthen (fair weather) roads. By mid-March of the current fiscal year, 15 Km road has been upgraded to black top, 45 Km to gravel, and 185 Km new construction has been carried out. Hence, the total road length of the country has reached 23,454 Km by this period. Likewise, regular and periodic maintenance work of the total 6,575 Km road was carried out by mid-March of the current fiscal year.

Table 11 (a): Road Networks in Nepal

(In Km)

S.N	Types	Fiscal Year			
		2010/11	2011/12	Till FY 2011/12*	
				Total	Share(Percent)
1.	Black Topped	9,902	15	9,917	42.28
2	Gravelled	5,670	45	5,715	24.37
3	Earthen (Fair-Weather)	7,637	185	7,822	33.35
Total		23,209	245	23,454	100

* Total by mid-March 2012

Source: Department of Roads

Transport Vehicles

- 11.3 The number of vehicles (registered) across the country between fiscal years 1989/90 and 2010/11 stood at 1,178,911. This number, during first eight months of the current fiscal year FY 2011/12 grew by 101,79 (8.6 percent) reaching a total of 1,280,690 vehicles in the country. In this way, by mid-March of FY 2011/12, the average ratio of vehicles per kilometre of road across the country is estimated to reach 55 from the previous year's 53.

Table 11(b): Number of Vehicles

Type of Vehicle	Fiscal Year		Total**	Growth percent First (8 months)
	1989/90 to 2010/11	2011/12		
Bus	24853	1016	25869	4.09
Minibus	10247	602	10849	5.87
Car/Jeep Van	121901	5403	17304	4.43
Tractor	64764	2512	67276	3.88
Motorcycle	883634	90305	973939	10.22
Tempo (3 Wheeler)	7384	6	7390	0.08
Microbus	2323	61	2384	2.63
Truck/Dozer/Crane	11104	152	11256	1.37
Pick Up	9768	1208	10976	12.37
Truck Tipper	36826	441	37267	1.20
Others	6107	73	6780	1.20
Total	1178911	101779	1280690	8.63

**Till mid-March of FY 2011/12*

Source: Department of Transport Management

Policy and Institutional Progress

- 11.4 Ministry of Labour and Transport Management in pursuance of making transport service robust, capable, and effective, has been performing tasks like curbing road accidents, ensuring payment of compensation to accident victims, making insurance arrangement, and providing smooth and easy transport facility to the people.
- 11.5 Following tasks have been completed in this fiscal year in pursuance of making the transport system effective: scientific adjustment and execution of transport fare on 419 routes; establishment of modern computerized vehicle Fitness Test Centre at Teku; establishment of a unit for effective monitoring to check undisciplined activities observed in the transport sector; computerization of driving licenses; monitoring of practical test for driving license through CC TV; ensuring strict adherence of third-party insurance system; and introduction of e-billing system to bring transparency in service delivery.
- 11.6 Road Repair and Maintenance Fund is created for repair and maintenance of roads on regular basis in pursuance to the National Transportation Policy and Periodic plans. Road Board is active in maintaining and repairing roads through appropriate mobilization of such fund, minimizing the road maintenance cost, and making repair and maintenance works transparent and effective.

- 11.7 The Road Board Nepal through the amount collected as fuel tax, vehicle registration fee, and tolls from road users and deposited in the Road Fund, is carrying out regular, periodic, and emergency maintenance works.
- 11.8 A process is initiated for providing conditional grant to the local bodies for repair and maintenance of local roads network based on the Principle of Devolution (of authority). Likewise, the allocated budget is disbursed directly to these entities.

Air Services

- 11.9 Civil Aviation Authority is carrying out its activities in this fiscal year as per “Construction of Infrastructure, Development and Operations Regulation, 2009” in the process of creating foundation for Public Private Partnership as development of civil aviation sector requiring huge financial investment would not be possible to carry out by itself alone. The new edition of ‘Aeronautical Information Publication’ has been published in the International Civil Aviation Organization (ICAO) modified new format. An ‘Investment Plan, Policy, Priorities and Modalities Report’ has been prepared in an effort to formulate investment policy for Civil Aviation by providing clear direction to the traditional investment modality. Efforts are being made to implement Performance Based Navigation System (PBN) by acknowledging the fact that Nepal also needs to import advanced technology in the Civil Aviation sector while keeping pace with global technological advancement.
- 11.10 Development of PBN based Airspace, Air route, and procedures ensure domestic and international flights and enhance flight security. As such, Civil Aviation Authority of Nepal has prepared PBN Implementation Plan for its gradual implementation. Likewise, coordination between neighbouring countries and ICAO is being maintained to develop PBN-based routes including the proposed Himalya-2 and existing international flights routes. In view of the night time being currently utilized, there is a need to encourage night flights at domestic and international airports. Also, there is an urgent need to give priority to higher seating capacity aircrafts for trunk route operations.
- 11.11 Continuity is provided with high priority accorded to enhancement and strengthening of flight safety and air safety under the future activities of the Authority. The Authority is orienting its thought towards doing

serious homework for carrying out organizational and structural reforms for uplifting its slipping Corporate Culture. Instruction is given to all Airport Heads to emphasize on non-aeronautical revenue to increase Authority's income.

- 11.12 Auditing of Air Traffic Safety was completed on May 5-14, 2009 under the Universal Aviation Security Audit Program (USOAP) responsible for close scrutiny of ICAO-member countries. Corrective Action Plan has been submitted to ICAO for the solution of findings of such auditing. Likewise, arrangements have been made to carry out works as per the Continuous Monitoring Approach of ICAO USOAP Audit.
- 11.13 Nepal has been actively participating in COSCAP-SA established to enhance aviation security in South Asia Region. Safety Audit works of air-craft companies has been given continuity with additional effectiveness. Likewise, SARAST, NAST, ARAST related works under COSCAP-SA are also continued. SMS Requirement has been formulated and implemented so as to make the aviation security enhancement works more effective through institutionalization. A total of 175 CC TV with the cameras of modern technology have been installed at TIA for it to make the security monitoring system more effective.
- 11.14 Additional parking bay has been constructed to reduce the narrowness of international aircraft parking facility at TIA. Parking space for 9 jet aircrafts is available now after this construction. Likewise, additional baggage trolleys have been arranged. Post security check Sterile Zone has been extended with addition of a 350-passenger capacity hall, and construction of Arrival Walkway is also completed. With this addition, capacity of the Sterile Zone is now 1150 passengers.
- 11.15 Grading and fencing works has been completed on 3,106 Ropanis (155.3 Ha.) of land acquisitioned in 1975 at Chhinne Danda of tourist hub of Pokhara for construction of a regional airport. Likewise, works such as Preliminary Engineering Survey, Layout Plan for the construction of airport have been completed. Contractor selection process for the partial earthen works for Runway Strip is underway in the current fiscal year. Acquisition of additional 400 ropanis (20 Ha.) of land will be necessary for construction of international airport.
- 11.16 Extension and upgrading of runway of Taplejung Airport is in the final stage. Likewise, Terminal and tower buildings are under construction at

Khani Danda and Thamkharka (Khotang) and Kangale Danda (Solu) airports. Extension and upgrading of runways at Dolpa (Jufal) and Rara (Mugu) are being carried out. Parallel Taxiway construction work at Biratnagar Airport has been completed to reduce Runway Occupancy time.

- 11.17 Airlines are operating regular air services at Tumlingtar Airport after completion of blacktopping of Apron the runway. Blacktopping of runway and Apron at Simikot Airport is in the final stage. Likewise, runway extension work at Surkhet Airport is ongoing subsequent to the acquisition of land for extension of 200 meter runway at this airport.

Rail and Water Transportation

- 11.18 Department of Railways has been established for identification, development, expansion and operation of railways transportation in Nepal. Accordingly, various projects like Railway construction project, Railway project under the Indian cooperation, Mechi-Mahakali electric railroad, Kathmandu Metro Transport Project are ongoing under this department. The Consultant appointed for conducting feasibility study of Metro Transport system in Kathmandu valley has already submitted the preliminary report, while the short listing of other Consulting has been completed. Execution of these projects is expected to facilitate public transport system and also create employment opportunities.
- 11.19 Despite the huge water resource of the country, the volume of water is dependent on run of the river system, due to which notable development of water transport system has not been possible in the country. Use of Ferries for transporting the people and goods is in practice on some major rivers like Kaligandaki, Koshi, Mahakali. Water rafting for touristic purposes is in practice on rivers like Bhotekoshi and Trishuli.

Information and Communication

- 11.20 11.19 The Ministry of Information and Communication has been playing important role in the management of information and communication vital for promoting citizen's education, providing people's access to communication and supporting country's economic growth. Among the services delivered through this Ministry, postal service, tele-communication service, printing service, press and electronic communication service and motion picture service are the major ones. Annual program and budget for the fiscal year 2011/12 has

been prepared and implemented through the above mentioned service delivering agencies which are the backbone of the information and communication sector. Such services are being delivered in line with commitments expressed at international forums and the objectives of bringing effectiveness in the flow of information as per the logic and spirit of federal democratic republic of Nepal, and extending information and communication services to the rural sector. Various institutional, structural, legal and policy strengthening programs were carried out in this sector.

- 11.21 11.20 Postal service is the oldest and mostly used service by the public, which has extended its institutional networks up to the remotest villages of Nepal. Besides delivery of letters and parcels, various other services like issuance of postage stamps, conducting Postal Saving Bank, Money Order Services, E-DV Form service, Express Mail Service and e-post service are rendered through the Department of Postal Services and the offices under it. Following is the number of offices under this Department.

Table 11 (c): Description of Postal Offices by Geographical Distribution

Postal Service	Mountain	Hill	Tarai	Total
Regional Postal Directorate (including four functioning as district post offices)	-	-	-	5
General Post Office	-	-	-	1
District Post Office	-	-	-	70
Ilaka (Area) Post Office	170	372	300	842
Additional Post Offices	492	1541	1041	3074
Tele-centres	-	-	-	401
Post offices operating the postal bank (authorized 117)	-	-	-	117
Post offices with Money Order Services	-	-	-	78

Source: Department of Postal Services

- 11.22 Four Postal Directorates under the Department of Postal Services, and Kathmandu General Post Office, have been providing services of District Post Offices as well. Central Money Order Office, Central Postage-Stamps Store, Postal Training Centre, and also the Philatelic Bureau of Kathmandu are the agencies under this Department. By mid-March, 2012, 401 multipurpose Tele-centres have been established in 73 District Post Offices and 372 Area Post Offices. Likewise, of the total 117 Postal Offices that were approved to run Postal Saving Bank, 68 such post offices are offering such services. Similarly, 75 District

Post Offices and 3 Area Post Offices have been availing money order service.

- 11.23 There have been both quantitative and qualitative improvements in telecommunication services together with rise in the number of telecommunication service providers and users due to availability of newer and most modern telecommunication facilities. All VDCs of Nepal has now access to telephone service. By mid-February 2012, the total number of telephone subscribers reached 15,616,904 with telephone density of 58.66 percent.
- 11.24 Service providers in the rural areas have been availing their services through 2614 PCOs. Nepal Telecommunication Authority has promoted Common Service Centers in five VDCs of Lamjung district under the PPP concept, which are in operation. Likewise, Tele-Centers have been established in 58 places in an initiative to establish such centres in rural Nepal.

Table 11 (d): Description of various telecommunication service users and service providers

Type of Service	Number of Customers
PSTN	623,898
WLL	224,151
GSM	12,994,167
CDMA	851,283
LMS	921,663
GMPCS	1,742
Total	15,616,904
PSTN + ISDN	19,520
Wireless Modem, Optical fiber Ethernet	31,636
Cable modem, Cable	17,108
ADSL	78,740
GPRS	3,868,575
CDMA IX	177,664
Total	4,193,243
Penetration	15.75%

Source: Ministry of information and communication

- 11.25 Nepal Telecom has been providing altogether 277 services including 3 basic telephone services, 2 GSM mobile services, 8 network service providers, 3 V-Sat service users, 46 internet service providers, 3 GMPCS, 2 Rural Telecom, 108 limited mobility, 3 international trunk telephones, 13 rural V-SAT users and 6 rural internet service providers.

Table 11 (e): Total number of distributed Telephones lines as per service providers

Service Provider	Number of Telephones (as of mid-March 2011)	Number of Telephones (as of mid-Feb. 2012)	Difference	Growth Percentage
Nepal Telecom	6,326,068	7,435,929	1,109,861	17.54
Spice Nepal Pvt. Ltd.	4,479,021	7,178,808	2,699,787	60.27
United Telecom Limited	538,833	604,568	65,735	12.19
STM Telecom Sanchar Pvt. Ltd.	5,185	5,336	151	2.91
Smart Telecom	91,496	250,926	159,457	174.32
Nepal Satellite	77,238	140,395	63,157	81.76
Others	1,742	1,742	0	-

Source: Ministry of information and communication

11.26 Department of Information, Gorakhpatra Corporation, Rastriya Samachar Samiti, and Press Council, are the agencies under the Ministry of Information and Communications, who have been disseminating information through print media. Gorkhapatra Corporation, under “Building a New Nepal Campaign”, has been publishing news and articles in 30 different national languages. Likewise, in the process of extending the working areas of the Corporation, a Bureau Office has been established in Butwal of Western Region.

11.27 A total of 6,181 newspapers have been registered by mid-March, 2012 in different districts of Nepal. The table below shows the number of newspapers by their frequencies and languages of publication.

Table 11 (f): Description of Newspapers by frequencies and Language

On Period Basis		On Language Basis			
Type	Number	Language	Number	Language	Number
Daily	494	Nepali	4,275	Bhojpuri	8
Bi-Weekly	35	English	457	Urdu	4
Weekly	2,346	Nepali/English	1,030	Tibetan	2
Fortnightly	431	Newari	43	Tharu	9
Monthly	1,841	Sanskrit	2	Limbu	2
Two-Monthly	321	Hindi	24	Doteli	2
Tri-Monthly	529	Maithili	27	Tamang	8
Quarterly	35	Rai	2	Others	286
Half-Yearly	70				
Annual	79				

Source: Ministry of information and communication

11.28 In pursuance of the target of Nepal Press Council to classify all the

regularly published newspapers across the country the Council has already approved the classification report for those who have filled up regularization forms. In addition to this, copying scanning and copying of publications for their safe archiving is continued. So far, 2,268,374 pages of newspapers have been scanned and copied in CDs by mid-March 2012. Likewise, Rastriya Samachar Samiti (RSS), in the process of diversifying its services, has started photo service with the arrangement of voice clip to provide support to FM service recipients.

- 11.29 Currently there are only 15 television channels in operation against 47 government- owned and private sector-owned channels licensed for transmission. Nepal Television has established and operated Rolpa Transmission Centre which has made the people of Rapti, Bheri, Dhawalagiri and Lumbini Districts to access the national transmission. Hetauda Transmission Centre destroyed during the conflict has restarted its transmission service upon renovation. Jaleshwar and Saryangkot transmissions have been strengthened. NTV-2 has extended its telecast period from 18 hours to 24 hours daily. Likewise, programs on 6 different national languages are being produced and televised through NTV-2. NTV Transmission covers 50 percent through terrestrial transmission by providing access to 72 percent of the population while NTV-2 coverage is 25 percent 40 percent respectively. Similarly, during the first eight months of the current fiscal year, the number of licensed Cable TV Operators has reached 721 with the addition of 23 such operators in this period.
- 11.30 During the fiscal year 2011/12, structural enhancement programs such as improving Ilam Transmission Centre to extend its transmission service, transmission extension of NTV plus at Namche Transmission Centre, installation of multi-channel transmitter at Singhadurbar in order to improve transmission signal of both the channels were conducted. From these structural enhancement programs, television viewers have received extra quality service through extension of NTV's transmission service.
- 11.31 The number of private sector-owned radio broadcasting companies has reached 400 in addition to the one and only government owned Radio broadcasting company, Radio Nepal. Of this, 341 broadcasting companies are now in operation. Radio Nepal has been broadcasting programs through SW, MW and FM while its coverage in terms of population is 86 percent with 70 percent geographical area coverage. Likewise, Radio Nepal's FM coverage is 40 percent by population and

30 percent by geographical area. Establishment of FM Relay Centers at various places so as to extend FM area coverage is underway. In the current fiscal year, establishment works of Relay Centers at Bhedetar of Dhankutta, Harre of Surkhet, Simbhanjyang of Surkhet, Bardibas and Khodpe of Baitadi districts are on the progress.

- 11.32 Department of Printing has been carrying out printing works like Nepal Gazettes, stickers for Foreign Employment Department, cash receipt of Kathmandu Metropolis, import-export receipt of Department of Customs, Budget Speech of Ministry of Finance and other documents.
- 11.33 Insurance scheme with a policy covering the film-shooting period has been implemented for workers of the motion-picture industry considering their security. In order to develop Nepal as a right and suitable destination for motion pictures business, site selection process for the construction of well-equipped movie studio is underway.

Problems and Challenges encountered in Information and Communication Sector

- 11.34 Telecommunication and motion-picture sectors are not able to grow qualitatively though their numbers have grown significantly. The financial liability of the national news media like Gorakhapatra, Nepal Television, and Radio Nepal has gone up owing to obligation towards the nation for publishing and airing news and programs in different languages. But, due to entry of private FMs, Televisions and print media in the race for share of the government programs and advertisements, national level transmission agencies have to compete with private companies while their capacity is not developed to the desired extent.
- 11.35 Expansion of national transmission and terrestrial transmission of NTV Plus remains a challenge due to the country's diverse geographical landscape.
- 11.36 Though the existing Policies, Acts and Rules require periodic revisions along the rapid technological advancement, progress in this regard has not been as desired.
- 11.37 11.37 News Agencies like Radio Nepal, Gorakhapatra Corporation, RSS and Nepal Television have their own individual stringer correspondents. Arrangement for a common stringer correspondent to work in a consolidated manner could not be made so that cost could be minimized.

12. GOOD GOVERNANCE, PEACE AND RECONSTRUCTION

12. Good Governance, Peace and Reconstruction

Good Governance

- 12.1. It is felt quite necessary to make service flow efficient, simple and accessible for raising the people's confidence on the government through establishment of citizen friendly governance system. For this, various tasks were carried out in FY 2010/11 including simplification of procedures, amendment of laws and rules, and impart training to civil servants engaged in public service provisions for enhancing their capacities. Efforts are on in this fiscal year for efficient flow of services to citizens through good governance system in place. Initiatives like Action Plan on Good Governance 2011, Immediate Action Plan 2011; Code of Conduct for Civil Servant Employees 2011; Hello Government Operation Manual 2012 issued by the Office of the Prime Minister and Council of Ministers (OPMCM) have played important roles on ascertaining the presence of good governance.
- 12.2. Ministry of General Administration through Nepal Administrative Staff College, and Employees Training Institution have imparted series of capacity building training to civil servants who are directly involved in instituting citizen friendly governance. Likewise, programs and activities carried out for making civil servants capable, professional, and persuasive like conduct complaint survey of civil servants, Incentive Partnership Program, preparation of Transfer Management Manual, scholarships program for civil servants' children, civil servants housing program, boarding school construction program.
- 12.3. For simplification of government functions, time-sought reforms and amendment in the prevailing laws and rules, and drafting of new laws to address contemporary needs was felt necessary to bring efficiency in tasks like addressing citizens' aspirations in the right perspective, ensuring equal access of all citizens to the government availed services-facilities and opportunities, and providing guarantee of social justice and safety/security. With all these in view, Ministry of Law, Justice, Constituent Assembly, and Parliamentary Affairs carried out scores of tasks including approval related work on 17 Draft Bills; 21 Rules and Formation Drafts; 102 international legal opinions, and Treaties/Agreements related works, and 24 miscellaneous legal opinion related works. It is expected that these works helped bring simplicity,

clarity, and transparency in legal procedures thereby facilitating performance of works in line with Rule of Law concept.

Local Good Governance

- 12.4. Ministry of Local Development has been actively involved in decentralization, devolution and local development related policy making and implementation; maintaining coordination among the local entities; and preparation of local development policy, plans and programs. In addition, it has been responsibly carrying out monitoring and evaluation; vital events registration; social security; inclusive development, and various local infrastructure development related activities. In order to effectively carry out the stated policy, in addition to 75 District Development Committees (DDC), 58 Municipalities, 3,915 Village Development Committees (VDC), Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR), various Commissions, Committees, Academies/Institutions, Projects and Programs are active in their respective fields.
- 12.5. Of the major legal, policy related, and institutional arrangements made in FY 2011/12, formation of local bodies operation and users committee, operation, and management directives, 2011; special program on Karnali and its vicinity implementation guidelines, 2011; and local disaster management plan preparation guidelines, 2011 are being implemented. Besides a 14 point directives was issued to VDC Secretaries to work in their designated VDC, as they were flocking in district headquarters by abandoning their VDC working posts on excuse of security threats. In order to make local entities operated programs result oriented monitoring indicators (9 DDCs, 12 Municipalities, and 12 VDCs) were approved and circulated for implementation. District Poverty Monitoring and Analysis System (DPMAS) is adopted in 75 districts; Vital Registration System Software has been developed and being piloted in four VDCs and one Municipality.

Peace and Reconstruction

- 12.6. Guarantee of safety and security is the prime duty of the State. In this respect, a number of activities are being carried out through the action plan on organized crime control under the special program of the Ministry of Home Affairs for bringing effectiveness on safety and security, end of impunity, and protection of human rights. Likewise,

various programs have been carried out in all 75 districts as per the disaster preparedness and mitigation plan.

- 12.7. Ministry of Peace and Reconstruction is responsible for restoration of peace by managing conflict; reconstruction of physical infrastructures damaged in conflict; providing relief to conflict victims and resettle them; reintegration and management of combatants in cantonments; and creating environment for peace. For this, the Ministry has been carrying out multifarious tasks like preparation, execution and management of immediate, medium-term and long-term policy, strategy, plans and programs. Besides, the Ministry has been carrying out peace related tasks like, conducting peace talks with concerned parties to arrive on agreement; prepare Draft Bill on Truth and Reconciliation Commission and, Commission on Disappeared people, and submit it to the Parliament for approval; relief and rehabilitation to conflict victims; reconstruction and rehabilitation of infrastructures damaged due to conflict; operation and management of the peace trust fund; demining of explosives; approval of action plan for implementation of UN Security Council Resolution Nos. 1326 and 1820, rehabilitation of conflict affected children, and their reintegration; formation of local level peace committees and their mobilization; establishment of local level peace committees for strengthening peace locally; operation of peace trust fund in post conflict situation etc.
- 12.8. In FY 2010/11 expenditure of Rs. 80.1 million was incurred under the Assistance to Peace Process Project. Compensation of Rs. 100,000 was paid through the project to each dependent of 338 persons dead in conflict. Likewise, financial assistance of 25,000 each was provided to 1,192 single women dependent of the common people dead in conflict. In addition to expenditure of Rs. 42.5 million in the project by mid-March 2012, vocational training, employment counselling, and small enterprises support service has been started by targeting 3,030 conflict victims of 12 districts. In this fiscal year, each of the 102 dependents of people dead in conflict received Rs. 100,000 compensation, and Rs. 25,000 each was provided to 200 single women dependents of common people dead in conflict. By mid-March 2012, a total of 13,978 dependents of conflict victims and 4,469 single dependent women of common people dead in conflict have received financial assistance from the project.
- 12.9. In fiscal year 2010/11, expenditure totalling Rs. 300,516,000 was

incurred on relief and rehabilitation under the Reconstruction and Rehabilitation Program. Under this program, 825 people for damaged personal property; 998 abducted people, 105 dependents of missing people, and 1,794 physically challenged people due to conflict received financial assistance. Likewise, subsistence allowance was provided to 26 families of martyrs, and 23 injured during the People's Agitation II of 2005/06, while scholarship to 26 children of the people injured was also provided. Additionally, dependents of 25 the dead after the Comprehensive Peace Accord and 121 orphans were availed financial assistance; skill-oriented training to 327 conflict victims, and 1,960 victims of Kapilvastu incident were provided with relief/financial assistance against destruction of their properties as the rules. Under this program, 903 people against damage of personal property, abducted 1,000 people, dependents of missing people 153, incapacitated/turned to physically challenged 1,320 people, 26 martyrs' families, subsistence allowance to 23 injured, scholarship to 28 children of injured in People's Agitation, 50 people injured in People's Agitation, 19 dependent of dead in post Peace Agreement incidents, and 242 orphans received financial assistance. During this period, the project also availed financial assistance to 8,936 dependents of the dead and wives of 999 missing persons.

- 12.10. On the reconstruction side, out of 5,560 physical structures damaged during the conflict, 2,506 projects have been completed by the end of fiscal year 2010/11. Of the targeted completion of 590 physical structures in FY 2010/11, 538 projects were completed. In the current fiscal year 2011/12, a total of 612 infrastructure projects are under reconstruction. So far, 97 projects have been completed by mid-March 2012.
- 12.11. The Peace Fund received Rs. 588.8 million as grant from the donor community and a total 1,756.3 million the Government of Nepal totalling Rs. 2,345.2 million. In all, the Fund has received Rs. 10,493.4 million by now. Of this total, cumulative release by fiscal year 2010/11 totalled Rs. 9512.1 million including Rs. 2,303.8 million released in that fiscal year. Expenditure from the fund in FY 2010/11 include distribution of sustenance allowance to combatants in cantonments, their medical treatments, cantonment access roads construction/repair, construction of police posts/offices, operation of the combatants adjustments and rehabilitation secretariat, collection of voters' list with

photographs from the Election Commission, capacity building of Ethnic/Indigenous People's Forum and of Local Peace Committees. The amount released by mid-March 2012 is Rs. 1,091.1 million from donors and Rs. 342.9 million from the Government of Nepal. Of this, Rs. 641.2 million has been released to various agencies/institutions.

- 12.12. In FY 2010/11, expenditure on local Peace Committees totalled Rs. 104,508,217.0. Likewise, expenditure incurred for the said purpose by mid-April 2012 of this fiscal year totalled Rs. 69,535,000.0. During this period, Local Peace Committees have been formed in 75 districts, while in 25 Municipalities and more than 1,700 VDCs have local entities level Peace Committees formed engaging themselves in the peace process.
- 12.13. Expenditure on cantonment management In FY 2010/11 totalled Rs. 1,169,080,000.0, expenditure incurred for same purpose by mid-March 2012 of this fiscal year totalled Rs. 1,106,129,000. Out of 19,602 combatants in different cantonments, 17,052 combatants were present in two rounds of classification where 3,126 chose for adjustment, 6 chose for rehabilitation, and the remaining all chose for voluntary retirement.
- 12.14. In this fiscal year, negotiations were held with different underground organizations, rebels, and other different groups totalling 30 and with consensus and agreements reached. Besides, reconstruction of 2,603 infrastructures damaged during conflict has been completed. All mines laid at 53 different locations during the conflict have been demined.
- 12.15. Detail of activities relating to financial assistance/relief carried by the Ministry of Peace and reconstruction in this fiscal year is given in the following Table.

Table 12 (a) : Progress of Activities Relating to Financial Assistance/Relief

S.N.	Conflict victim and Relief Type	Total number	Release of relief as of now	Remaining number
1.	Relief to dependents of dead person	17828	14080	3625
2.	Relief to dependents of missing persons	1514	1514	-
3.	Relief against damaged property	14438	8090	6348
4.	Financial aid to persons turned into physically challenged	6811	4275	2536
5.	Relief to abducted person	2985	2219	766

S.N.	Conflict victim and Relief Type	Total number	Release of relief as of now	Remaining number
6.	Injured in People's Agitation(50+ percent)	23	23	Continuity required
7.	Gratuity to Martyrs' families	26	26	Continuity required
8	Scholarships to injured in People's Agitation	28	28	Continuity required
9.	Relief to dependents of the dead after peace accord	110	44	66
10	Relief to injured in historical agitation	3984	3214	770
11.	Rehabilitation of children who lost their parents	348	348	
12.	Imprisonment or jail	1415	-	In process of guidelines preparation
13.	Internally displaced person	89171 (22863 families)	29000	60171

Source: Ministry of Peace and Reconstruction

13. SOCIAL SECTOR

13. Social Sector

Education

- 13.1. Ministry of education has been carrying out programs on pre primary education, school education, higher education, technical and vocational education, non-formal education, and overall management, policy formulation, program implementation, and monitoring related works through its various entities, autonomous institutions, and universities with the objective of providing access to equity-based education, expansion, and quality improvement. Similarly, Department of Education through its five Regional Education Directorates, 75 District Education Offices and through 1053 (units) local resource centres functioning as units below the district levels have been carrying out school education and overall management of programs related to it. Likewise, specialized tasks such as curriculum and textbook development, manpower involved in school and management of education, management of school education teachers, examination and evaluation related tasks, non-formal education tasks, technical and vocational education related works, technical education and vocational skills enhancement projects, works regarding management of Higher Secondary Education and different Departments of Ministry of Education, management of overall education sector, policies and programs planning and implementation are being carried out as well. Ministry of Education prepares guidelines and makes legal provisions for carrying out the above-mentioned tasks.

Box 13 (a) Education Indicators and Achievements (Percent)

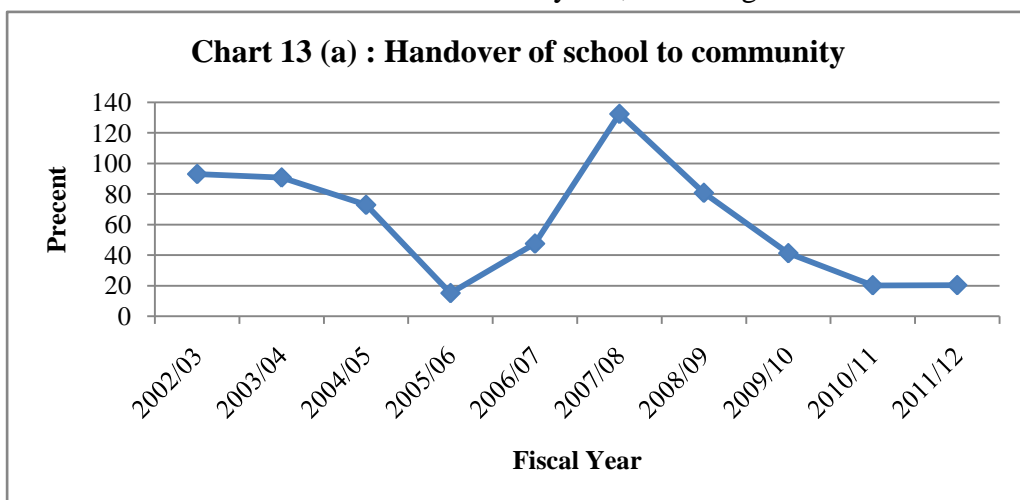
Indicators	Unit	Achievement				
		2007/08	2008/09	2009/10	2010/11	2011/12
Education Budget Share						
Gross National Product (GNP)	Percent	2.0	2.1	2.1	2.2	–
Gross Domestic Product (GDP)	Percent	3.5	3.6	3.6	4.5	4.34
Education Budget Share						
Basic Education	Percent	70.0	71.0	71.0	72.0	68.86
Secondary Education	Percent	9.0	9.0	9.0	9.0	16.89
Grade 1 Enrolment						
New enrolment with kindergarten experience	Percent	33.1	36.2	49.9	52.1	54.3
Total Enrolment	Percent	141.0	147.7	144.0	142.4	140.7

Net Enrolment Rate	Percent	78.0	81.0	86.4	89.0	90.7
Total Enrolment Rate (Directly visible)						
Kindergarten Education Development/Pre-Primary	Percent	60.2	63.4	66.2	70.0	72.9
Basic Education (1-8)	Percent	116.0	123.0	123.0	124.0	123.7
Secondary Education	Percent	36.0	40.0	44.7	46.2	49.4
Net Enrolment Rate						
Primary Education	Percent	89.1	91.9	93.7	94.5	95.1
Basic Education	Percent	71.0	73.0	83.2	86.0	86.6
Secondary Education	Percent	20.0	21.0	23.9	27.1	30.6
Teachers with Adequate Education and Training						
Basic Education	Percent	62.0	66.0	75.0	79.0	91.1
Secondary Education	Percent	74.0	77.0	85.0	88.0	90.1
Teacher with Necessary Certificates						
Basic Education	Percent	90.0	91.0	92.0	94.0	–
Secondary Education	Percent	90.0	91.0	92.0	94.0	–
Teacher/Student Ratio (Approved Teacher Posts of Community Schools and Teachers Working on Relief Teachers Grant System)						
Basic Education	Percent	44.0	43.0	44.0	46.0	44.0
Secondary Education	Percent	42.0	39.0	34.0	35.0	36.0
Repetition Rate						
Grade 1	Percent	29.5	28.3	26.5	22.6	21.3
Grade 8	Percent	13.0	11.0	7.0	6.6	6.0
Continuity through Cohort Method						
Grade 5	Percent	54.0	58.0	77.9	80.6	82.8
Grade 8	Percent	37.0	41.0	62.0	66.0	67.5
Coefficient of Efficiency						
Basic Education	Percent	0.5	0.5	60.8	65.0	66.5
Secondary Education	Percent	0.3	0.3	–	–	–
Learning Achievement						
Grade 5	percent	50.0	53.0	–	–	–
Grade 8	percent	44.0	46.0	–	–	–
Pass Rate						
School Leaving Certificate (SLC)	percent	62.0	68.0	64.3	55.5	47.16
Higher Secondary	percent	23.0	25.0	28.0	31.0	–
Literacy Rate						
Age group (15-24)	percent	73.0	75.0	78.0	80.0	–
Age Group (over 6 years)	percent	63.0	69.0	76**	78.0	60.9** *
Age Group (over 15 years)	percent	52.0	56.0	60**	62.0	56.5** *
Gender Parity Indicator (GPI) based Literacy (over 15 years)	percent	0.6	0.7	0.90**	0.9	0.62** *

Source: **N/P/A, EFA ***Three Years Plan/Department of Education/Ministry of Education

School Management

- 13.2. Management of schools is being handed over to the communities since fiscal year 2002/03 as per the policy of engaging stakeholder communities through devolution of school management and operation to local communities. In recent years, handing of schools to



communities has decreased due to several reasons like: communities' unwillingness to run schools; absence of elected representatives; and opposition of Teachers' Associations. Progress achieved on handing over schools to communities from FY 2002/03 to mid-March 2012 is as follows:

Table 13(a): Description of Schools Hand Over to Communities

Fiscal year	Target	Progress	Percentage
2002/03	100	93	93
2003/04	1000	907	90.7
2004/05	1500	1092	72.8
2005/06	1600	241	15.06
2006/07	2000	949	47.45
2007/08	2500	3308	132.32
2008/09	2500	2017	80.68
2009/10	4000	1647	41.18
2010/11	5400	1195	20.19
2011/12*	2500	507	20.28
Total		12745	

* First 8 Month

Source : Ministry of Education

Pre-primary Education and Child Development Program

- 13.3. Pre-primary Education and Child Development Program was initiated from FY 1999/2000 with a focus on 3-5 years age group of children pre-childhood stage's entire development, care and socialization with an objective of preparing them for primary education as well as class one enrolment, continuity of study, enhancing their capacity, the group of children from 3-4 age were targeted for pre-primary and preliminary child development program. Especially, as per the policy of targeting children of backward communities and expand communities and schools based 'Child Development Centres' a total of 28,772 such centre have already come into operation as of FY 2010/11, and in the current FY 2011/12, an additional 500 such Centers will start operating. In addition to Child Development Centers operated under the public investment, private educational institutions have also targeted such age group children and are conducting 2-3 years pre-primary education classes. 4,316 classes have also been completed by private educational institutions.
- 13.4. As per the target of making admission rate of children to such private and community based pre-primary classes and community development centre to 99 percent by 2015, detail of beneficiary children and their admission rate from FY 2009/10 to mid-March 2011/12 is as follows:

Table 13 (b): Primary Education Enrolment and Achievement made on 3-5 Years Group of Age Children

S.N.	Fiscal Year	Added Child Development Centers	Total Centers	Beneficiary Children	Early Childhood Development Rate	Experience of Child Development Centre among Children Enrolled in Grade 1
1.	2008/09	2000	26772	947278	66.02	49.9 %
2.	2010/11	2000	28772	1018543	72.9	54.3 %
3.	2011/12*	500	29272	10000		In distribution process

**First Eight Months*

Source: Ministry of Education

- 13.5. Children enrolled in grade I in the previous education calendar with experience Child Development Centre accounted for 52.1 percent,

which has increased to 54.3 percent in this calendar year with 55.3 percent girls. Progress achieved on community based Child Development Centers since the previous years is given in the following Table:

Table 13 (c): Progress of Community Based Child development Centers

Fiscal year	Target	Progress (Number of Centers)	Enrolment of Children at Ease	No. of Enrolled Children
2004/05	—	7023	39.4	512151
2005/06	6000	6000	69.9	922557
2006/07	3500	3500	41.4	553983
2007/08	3500	3500	60.2	823106
2008/09	4750	4750	63.4	881247
2009/10	2000	2000	66.2	947278
2010/11	2000	2000	72.9	1018543
2011/12*	500	In process of operation		

*First Eight Months

Source: Ministry of Education

13.6. As distribution of Child Development Centers to be added in education calendar 2011/12 is in process, distribution of Child Development Centers by Development Regions and enrolment status for pre-primary education of 3-5 age group belonging to *Dalits* and Ethnic groups of people is as follows:

Table 13(d): Detail of Child Development Centers by Development Region
(percent)

	Early Childhood Development/ Primary		Early Childhood Development/Primary Enrolment Rate					
	Total	Total	Dalit			Ethnic (Janajati)		
			Boys	Girls	Total	Boys	Girls	Total
Total	48.0	1018543	18.6	17.3	17.9	39.6	38.8	39.1
Eastern	48.8	192531	16.1	15.0	15.5	46.0	44.9	45.4
Central	48.2	327220	16.9	15.8	16.4	42.9	42.2	42.5
Kathmandu Val.	47.3	98686	51	52	52	42.2	41.0	41.6
Western	47.4	230282	20.1	18.8	19.4	41.6	41.1	41.4
Mid-Western	47.4	158821	19.1	18.0	18.5	34.6	33.8	34.2
Far-Western	48.2	109708	23.9	21.8	22.8	21.0	20.0	20.5

Note: Early Childhood Development/Pre-primary education aged 3-5 Children are enrolled in this center and schools at the rate of 48 percentages only.

Source: Ministry of Education

Scholarship Program

13.7. Various scholarships have been awarded to different levels of school education with the objective to encourage school enrolments, bring improvements in providing continuity and retention of enrolled students, and expansion of equitable access in school education. This program as per the scholarship criteria is selected by the school and amounts are annually availed to targeted students through District Education Offices. The details of scholarships provided from FY 2008/09 to 2011/12 are as below:

Table 13 (e): Detail of Scholarship awarded to School Students

(In '000 Rs.)

S.N.	Scholarship Category	2008/09		2009/10		2010/11		2011/12*	
		Target	Progress	Target	Progress	Target	Progress	Target	Progress
1.	Girls	828837	761939	1213870	1066799	2293744	2293744	2330680	1597217
2.	Handicapped 1-8	18267	17200	39943	35586	66635	62163	77348	77348
3.	Handicapped 9-10	—	—	35003	33746	4940	4494	6838	6838
4.	Specially targeted groups (22 Ethnic)	95000	61725	85927	86937	108046	104157	91124	44651
5.	Dalits (1-8)			1001508	984007	1142777	1100349	1306088	522435
6	Children of Martyrs	—	—	58	56	48	37	64	35
7	Capacity development of Kamlaris	—	—	2946	2946	6	5	—	—
8	Conflict Victims	—	—	758	758	5718	5718	6804	6804
9	Mountain Hostel Students	—	—	—	—	437	413	457	568
10	Feeder Hostel Students	—	—	—	—	400	400	400	400
11	Model Schools	—	—	—	—	148	148	222	222
12	Mountain Hostel Dwellers	—	—	—	—	280	220	140	140
13	Secondary Education	—	—	—	—	61198	58836	60000	60000
14	Near Extinction, Ultra-marginal (Siblings of freed bonded labourers, Haliyas etc.)	—	—	—	—	21012	13595	33904	10834
15	Higher Secondary School's Science Student	—	—	—	—	80	80	80	80

*First Eight Months

Source: Department of Education/Ministry of Education

Educational Human Resource Centre

- 13.8. Based on accepted policy guidelines on teachers' development and policies related to human resources development engaged in the education sector, Human Resource Centre and training centres under it organize various training programs for capacity enhancement of school teachers, educational management training to the employees of educational service and leadership as well as capacity development training to school principals. The existing 10-months certification training program for teachers, regular professional development has been prepared in new format and implemented from FY 2009/10. The detailed progress report of programs operated by Human Resource Centre is as follows:

Table 13 (f): Progress on Training Programs Conducted Under the Educational Human Resources Center

S.N.	Programs	Fiscal Year 2010/11		Fiscal year 2011/12*		Remarks
		Target	Progress	Target	Progress	
1.	Teacher Training for TPD/Principals Leadership capacity development	1429	1524	1276	1276	
2	One Month Training for Gaz-III	40	46	40	35	
3	Technical Assistant Educational Management Training	20	20	20	13	
4	Professional module Training for SE Teachers through Lead Resource Centre/ETC	5418	4870	4940	-	
5	TPD Module Training for Teachers of traditional schools – Monastery, Madarasa, Gurukul,	150	141	150	150	
6	Training for DOE nominated multilingual teachers at the ETC Resource Centre	150	159	-	-	
7	Training of 1.8 percent teachers yet to complete 10 months in-service training	1000	464	1000	-	
8	Service entry training to newly appointed officer level staff	-	63	-	38	

S.N.	Programs	Fiscal Year 2010/11		Fiscal year 2011/12*		Remarks
		Target	Progress	Target	Progress	
9	Training of Multiple class school teachers	50	46	-	-	
10	Training of resource teachers teaching students with special needs	100	77	100	-	
11	Basic ICT Training for Teachers	75	60	50	50	
12	3 months Training of Resource person/trainer/roster/ SI/US through development of professional development course by using online/offline method	20	20	225	150	
13	ToT on Peace, Human Right, and Civic Education	500	501	600	600	Both programs merged
14	ToT on Child-friendly teaching	1875	1796			
15	Training of head trainer on profession, business, and technology	15	26	222	-	
16	Leadership capacity development training to School principals	1150	765	-	-	
17	Leadership capacity development training to officials of professional organizations of teachers	225	204	-	-	
18	Ten day in-service training to basic education level teachers (Training-TPD)	86664	86664	66777	30000	
19	Gaz. II officers training	20	13	40	20	
20	Professional development training to fulfil TPD requirement to teachers teaching in multilingual students and teachers teaching Multilanguage at basic level	-	-	6360	3425	
21	30-day capacity development training to school principals (including institutional	-	-	725	-	

S.N.	Programs	Fiscal Year 2010/11		Fiscal year 2011/12*		Remarks
		Target	Progress	Target	Progress	
	schools)					
22	Concerned ETC to impart 10-day intensive capacity development training on profession, business and technology to teachers of 100 schools, teaching in grade six, who are on probationary period.	-	-	200	-	

**First Eight Months*

Source: Educational Human Resource Centre/Ministry of Education

Teachers Management

13.9. Teachers' Service Commission, set up with objectives of making recommendation for permanent appointment in teachers' vacant post of community schools through competitive examination system; recommend for teachers' promotion through internal practical tests; provide required teaching license to aspirant candidates, make recommendation of teacher's service-related terms and conditions to the government, has been performing its tasks as mandated. The Commission's progress details are presented here below:

Table 13 (g): Progress details on Teachers Management

SN	Tasks	Unit	Completed in FY 2009/10	FY 2010/11 (Trained)	2010/11 (Non- Trained)	2011/12*	
						Target	Progress
1.	Permanent Teaching License						
	Primary	Persons	16964	19769	22512	70000	189491 appeared in exams
	Lower Secondary	Persons	18139	54369	13760		
	Secondary	Persons	42281	10452	6513		
2.	Promotion By Performance Evaluation (75%)						
	Primary-II	Persons	459	382		Advertising	Preparation for Advertising
	Primary-I	Persons	119	78			
	Lower Secondary-II	Persons	161	113			
	Lower	Persons	92	41			

SN	Tasks	Unit	Completed in FY 2009/10	FY 2010/11 (Trained)	2010/11 (Non- Trained)	2011/12*	
						Target	Progress
	Secondary-I						
	Secondary-II	Persons	206	179			
	Secondary-I	Persons	38	66			
3.	Internal Competition for Promotion						
	Primary- II	Persons	124	221		Advertising	Preparation for Advertising
	Primary- I	Persons	26				
	Lower Secondary-II	Persons	30				
	Lower Secondary-I	Persons	07				
	Secondary I	Persons	34				
	Secondary II	Persons	-				
4.	Promotion through experience and performance evaluation (Advertised in FY 2010/11 and completed in FY 2011/12)						
	Primary- Second	Persons	30461				
	Primary- First	Persons	1476				
	Lower Secondary- Second	Persons	3273				
	Lower Secondary- First	Persons	5				
	Lower Secondary-First	Persons	852				
	Secondary Second	Persons	23				

**First Eight Months*

Source: Teachers' Service Commission/Ministry of Education

Curriculum and Textbook Development

13.10. Development of all school level curriculum and textbooks, writing and improvement works are performed by the Curriculum Development Centre. Besides, the Centre is also involved in the development and publication of textbook-relevant reference materials, subject-wise teachers' guidelines for guiding educational learning, evaluation guidelines, curriculum and textbook in mother languages. Tasks performed by the Centre are presented below:

Table 13 (h): Tasks performed by the Curriculum Development Centre

Fiscal Year 2010/11			Fiscal Year 2011/12*		
Program Name	Target	Progress	Program Name	Target %	Progress
Community School Skill Development Program No.: 20	Skill Development Program for 1351 Persons	Skill Developed of 1066 Persons	Lab established under Science, Math and Vocational Education Faculties	50	Procurement started after identification of materials
	Research: 1	1	Development, Printing and Distribution of 6 Textbooks in Mother Tongue	40	Writer Selected and Write-up in Progress
	Preparation of Materials	114	Gurukul Grad-IV Textbooks revised and developed	40	Writer Selected and Write-up in Progress
	Technical Support for Regular Monitoring	Schools-17	Textbooks in 4 subjects of Madarasa Grade -II revised and developed		Writer Selected and Write-up in Progress
			Development of Textbooks of Grades-IX and X of Monasteries	40	Taskforce is in write-up work
School Area Improvement Program No.: 31	Preparation and Development of various learning materials (54,052 Units)	Learning Materials Prepared (54,052 Units)	Curriculum Development from Grades IX-XII	30	Approval for Curriculum Format in Final Stage
	Study- 3 Subjects	Study-3 Subjects	Study on curriculum and learning materials on efficiency basis	30	Work commenced
	Technical Support-75 Schools	Technical Support-75 Schools	Textbooks in 7 subjects of Grade-VI translated in English	10	Work plan preparation is in progress
	Regular Monitoring	Monitoring Completed as targeted	-	-	-

* First Eight Months

Source: Curriculum and Textbook Development Centre/Ministry of Education

Education to Children of Martyrs and Conflict Victims

13.11. "Martyrs' Academy" established with the objective of providing access to school education to the children of martyrs, disappeared and injured

people who have been disabled in the past armed conflict. The Academy has been providing education with the following residential facilities:

Table 13 (i): Schools and Beneficiary Students

SN	School	Fiscal Year		
		2008/09	2009/10	2010/11
1	Shree Sahid Smriti Boarding School, Sunsari	99	239	234
2	Shree Sahid Smriti Boarding School, Jiri	101	182	200
3	Shree Sahid Smriti Boarding School, Kaski	147	208	218
4	Shree Sahid Smriti Boarding School, Dang	148	244	285
5	Shree Sahid Smriti Boarding School, Rajpur, Doti	140	185	169
Total		635	1058	1106

Source: Ministry of Education

Food Program for Education

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

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

Fiscal Year	Program	Target Rs.	Progress	Remarks
2009/10	Day Snacks Program, Girl Student	182000	160752	Provided on monthly basis
	Encouragement Program and Child	58700	39697	
	Health Care Program	31000	21944	
2010/11	Day Snacks Program, Girl Student	194000	157741	„
	Encouragement Program and Child	65352	56949	
	Health Care Program	29000	19162	
2011/12*	Day Snacks Program, Girl Student	194000	92737	„
	Encouragement Program and Child	62000	40197	
	Health Care Program	26000	16051	

**First Eight Months*

Source: Ministry of Education

13.13. Five districts of Karnali zone students studying from 0-5 class, total of 1,05,000 students are getting Rs 15 per day for under the ‘cash grant

program’ for day-Tiffin. Under the same program, every student studying in 14 districts – Sunsari, Saptari, Siraha, Sindhupalchowk, Rasuwa, Bara, Dhading, Nawalparasi, Kapilvastu, Dang, Bardia, Kailali, Pyuthan and Rolpa, is getting Rs 12 per day their schools for day Tiffin as per the set quota.

Technical and Vocational Training

13.14. Council of Technical Education and Vocational Training (CTEVT) was established with the objective of producing basic, medium and high level human resource in technical and vocational education, as well as produce skilled professionals in technical fields. Council has been conducting technical educational programs for SLC, Diploma and Certificate Levels on agriculture, engineering, health, development and management sectors. Likewise it also runs skill and job-oriented vocational training programs that are useful for livelihood and according to market’s necessity and demand. Such trainings include rural livestock health, bee keeping, vegetable farming, fruits nursery, cooking, baking, housekeeping, electrical wiring, plumbing, construction business, computer, radio and TV maintenance, photography and beautician etc. Through its constituent and affiliated private schools, the Council has been conducting 3 programs on health in technical SLC level, 7 on engineering, 2 on agriculture and 1 in office management. Similarly, in Certificate and Diploma level, the Council has 6 programs on engineering, 4 on health and medical science on agriculture and 1 on hotel management. These mentioned programs are conducted through 18 constituent schools and around 300 affiliated private schools. Beside it 44 community-based secondary schools are also conducting programs of technical education on agriculture, civil, electrical, computer, information and communication technology, livestock science and mechanics etc. The program details conducted by the council have been listed below:

Table 13 (k): Description of CTEVT Conducted Training Programs

Training and Enrolment and Production	Unit	Enrolment/Production	FY 2009/10		FY 2010/11		FY 2011/12*	
			Target	Target	Target	Target	Target	Target
Technical SLC Level Regular Program	Person	Enrolment	12000	12922	12000	12783	13000	10315
	Person	Production			7840	7840	9245	8661
Diploma and Certificate	Person	Enrolment			25000	26503	27000	25990
	Person	Production			11000	11000	12138	14711

Training and Enrolment and Production Level	Unit	Enrolment/Production	FY 2009/10		FY 2010/11		FY 2011/12*	
			Target	Target	Target	Target	Target	Target
Private Sectors' Regular Program for Technical SLC Level	Person	Enrolment	11500	11760	-	-	7840	1982
	Person	Production			7000	5406	6058	6252
Private Sectors' Regular Programs for Diploma and Certificate Levels	Person	Enrolment			-	-	-	-
	Person	Production			5000	4725	-	-
Different types of regular enrolment and production programs for Technical SLC and Diploma/Certificate Levels in Annex Schools	Person	Enrolment	1270	1294	1584	1151	1340	1300
	Person	Production	1124	1001	1375	198 Technical SLC Products to be added	1069	334
Different types of regular training/enrolment/production programs on technical and vocational education (Annex) in community schools	Person	Enrolment	592	549	1200	1220	1000	-
	Person	Production	450	465	600	441	1200	-
Infrastructure development programs in 15 New Annexes Schools from Five Development Regions	School		Infrastructure Development	15	15	14	30	28

Training and Enrolment and Production	Unit	Enrolment/Production	FY 2009/10		FY 2010/11		FY 2011/12*	
			Target	Target	Target	Target	Target	Target
Short-Training Program for Skill Assessment	Person		-	-	1000	878	962	421
Conduct short-term vocational training program in various subjects	Person Week		6672	7441	6904	13241	3650	1212
Community Service								
Veterinary Service	No.		6150	4963	5700	6623	7250	3729
Human Service	No.		13650	8900	15450	17284	3800	7125
Health Camp	No.		1	2	2	2	10	7
Animal Camp	No.		-	1	-	-	-	-
Agriculture Service (Farmer)	No.		-	-	2150	6623	1650	486
Skill Assessment	Person		12322	16145	21200	30600	21600	27355
Award Scholarship to target group students for Diploma and Certificate Levels	Person		225	225	225	225	225	Scholarship being awarded
Award Scholarship to target group (Disadvantaged Group) students for Technical SLC	Person		150	150	150	150	150	Scholarship being awarded

* First Eight Months

Source: Ministry of Education

Non-formal Education and Open Schools

13.15. The non-formal Education Centre, with the objectives of providing basic education to the people of various age groups deprived of formal education due to some circumstances, and ensure basic literacy education to the illiterate elderly citizens has been conducting national literacy campaign, non-formal education (NFE) program, literacy program, women education II, alternative schools and open school programs. With the objective of promoting the community learning,

business oriented income generation programs are being carried out by jointly organizing groups of women from the Community Learning Centre and ultra poor women of backward communities. Details of programs operated through the centre are as below:

Table 13 (I): Programs in Operation under the Non-formal Education Program

SN	Program		2010/11		Target for 2011/12	Progress until Mid-March 2012	Remarks
			Target	Progress			
1	Literacy	Class	21029	20464	36000	24000	
		Person	612190	349963	1035150	144121	
	Skill Oriented Training	Class	1936	1936	2352	2352	
		Person	56610	56610	68770	68770	Participants Enrolment Details
2	35 Days Livestock Training	Class	-	-	6	6	
		Person	-	-	180	180	No. of Trainees after enrolment
3.	35 Days Training on Agriculture	Class	-	-	6	6	No. of Trainees after enrolment
		Person	-	-	180	180	
4.	35 Days on Health related Training	Class	-	-	6	6	
		Person	-	-	180	180	No. of Trainees after enrolment
5.	Adult Literacy	Class	3000	3000	3000	3000	„ „
		Person	60000	44567	60000	58760	

SN	Program		2010/11		Target for 2011/12	Progress until Mid-March 2012	Remarks
			Target	Progress			
6.	Female Education-II	Class	3000	3000	3000	3000	
		Person	60000	49865	60000	59321	Data being collected
7.	Primary Education Extension	Class	248	248	248	248	
8.	Non-Formal Technical Education	Class	611	611	611	611	
9.	Open School	No.	37	37	37	37	
10.	Income Generating Group	Group	5050	5050	5050	5050	
		Person	45450	45450	45450	45450	
11.	Skill Oriented Training	Person	120,000	120,000	68770	68770	Enrolment No.
12.	Saving and Credit Training	Person	10100	10100	10100	10100	
13.	Establishment of Community Study Centre	Centre	900	576	150	72	Centers will be established by the end of current FY
14.	Program Implementation Orientation	Region	5	5	5	5	
15.	Review and Feedback Workshop	Region	5	5	5	5	

Source: Non formal Education Centre/Ministry of Education

13.16. Beside the literacy program under implementation for elimination of illiteracy in 9 districts of Terathum, Solukhumbu, Rasuwa, Manang,

Mustang, Myagdi, Humla, Dolpa and Mugu, literacy programs are being implemented in 344 VDC and wards of 18 Municipalities with the aim of making the target group fully literate.

- 13.17. Open School Program is also in operation for those who have failed to complete formal secondary level education. In this program operated under the technical management of Educational Human Resource Development Centre, class 9-10 education can be completed in one year. In academic calendar of 2011, 85 Open Secondary School program in 75 districts are running with 10,600 students enrolled. In the similar way, in academic calendar 2010, a total of 1071 people participated in Open Schools operated with the target of reducing the 3 years curriculum to 2 years. Such Open School in academic calendar 2011, a total of 1154 beneficiaries are participating in the program.

School, Student and Teachers Ratio

- 13.18. In academic calendar 2011, 4,782,885 students in 33,881 primary schools, 1,812,680 students 13,791 in lower secondary schools, and 848,569 students in 8,233 in secondary level schools under the Ministry of Education are studying. Following are the numbers of primary, lower secondary and basic level schools by Ecological Regions.

Table 13 (m): Detail of Schools of Different Levels by Ecological Region

S.N.	Geographical Region	Total No. of Schools	Primary Level (Grade 1-5)	Lower secondary Level (Grade 6-8)	Basic Level (Grade 1 – 10)
1	Nepal	4,176	4,140	1,496	4,169
2	Mountain	17,339	17,201	6,369	17,288
3	Hills	2,213	2,080	1,592	2,094
4	Kath. valley	10,633	10,460	4,334	10,515
5	Terai	34,361	33,881	13,791	34,066

Source: Ministry of Education

- 13.19. School, Student, and Teacher ratio in Primary Level grades 1-5, Lower Secondary Level grades 6-8, Secondary Level grades 9-10, is as below:

Table 13 (n): School, Student and Teacher Ratio in Academic Calendar 2011

Ratio	Primary	Lower Secondary	Secondary
Student/School	141.2	131.4	103.1
Teacher/School	5.1	3.5	4.3
Student/Teacher	27.5	37.1	23.8
Student/Trained Teacher	29.7	48.0	27.4

Source: Department of Education/Ministry of Education

13.20. Region-wise detail of the government, community and private schools across the country is given below:

Table 13(o): Region-wise Detail of Different Types of Schools

Development Region	Government Run			Community Run			Private Run		
	Primary level	Lower Secondary level	Secondary level	Primary level	Lower Secondary level	Secondary level	Primary level	Lower Secondary level	Secondary level
Eastern Region	5461	1463	738	872	851	454	958	541	409
Central Region	6483	1839	950	1429	926	545	2115	1602	1447
Western Region	5895	1554	943	504	679	373	1131	777	574
Mid-Western Region	3681	842	427	1129	870	391	442	234	155
Far Western Region	2547	744	340	897	706	378	337	163	109

Source: Department of Education/Ministry of Education

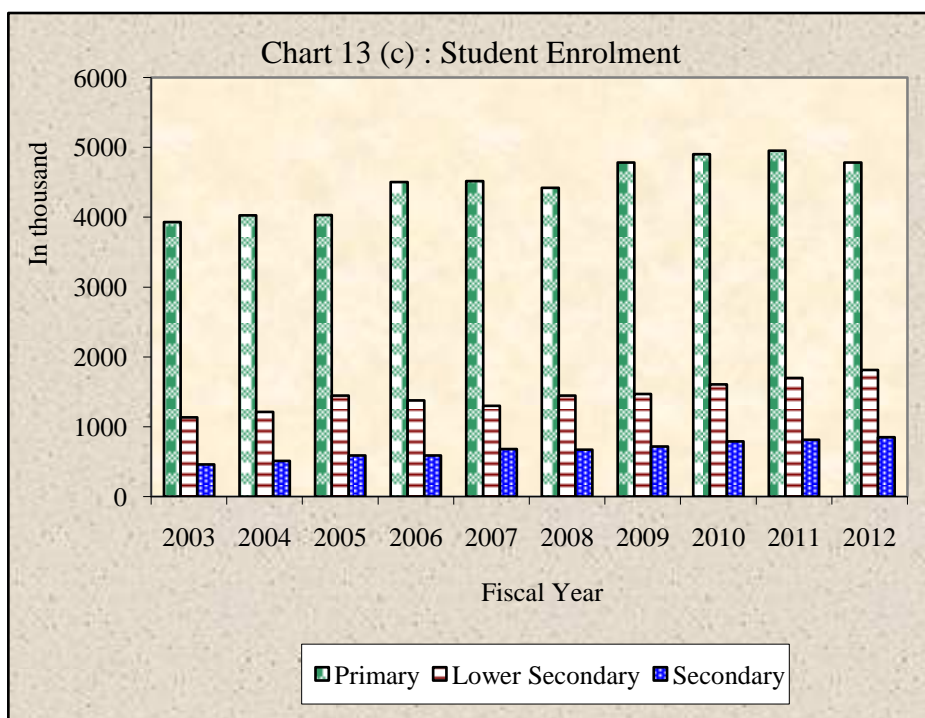
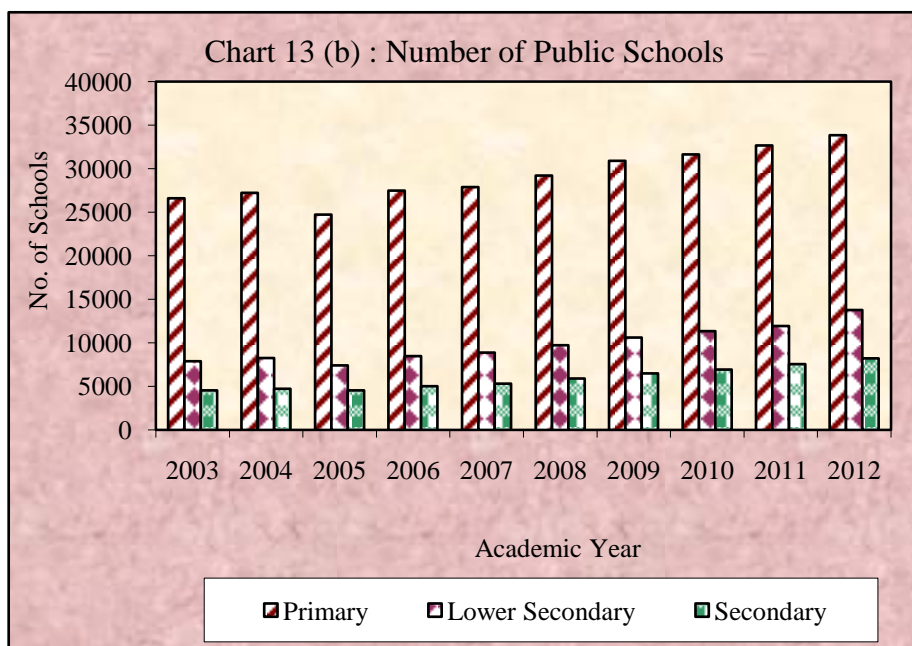
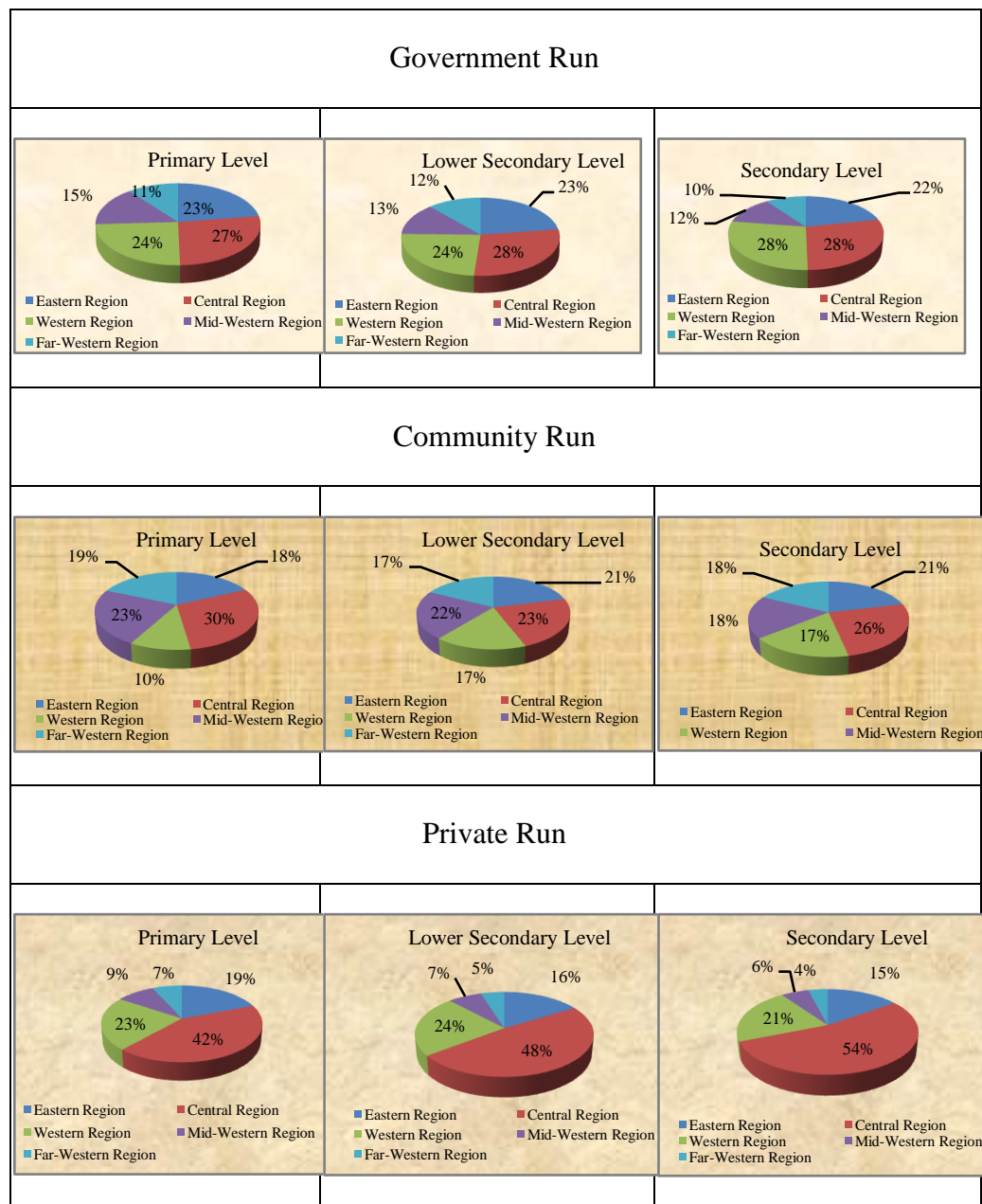


Chart 13 (d): Region wise Details of School (Government, Community and Private)



13.21. Likewise, Teacher/Student ratio in private, government and all government run (community) schools academic calendar 2011 by Development Region is given below:

Table 13 (p): Ratio of Student Per Teacher

Development Region	Total of Private/Government			Government Only (All Community Schools)		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
Nepal	27.6	37.1	23.8	40.3	60.0	36.2
Eastern	27.7	41.4	28.3	51.2	63.4	37.2
Mountain	23.7	32.7	23.5	69.5	80.6	40.4
Hills	21.8	38.4	29.7	47.3	52.9	32.6
Terai	34.0	46.0	28.2	48.9	75.3	45.0
Central	31.1	32.0	19.6	38.4	64.8	39.6
Mountain	20.8	35.6	23.5	46.5	76.9	36.8
Hills	22.3	35.1	21.8	41.0	61.8	37.8
Terai	55.6	57.0	34.1	35.4	66.9	43.7
Kathmandu Valley	18.8	18.4	12.3	30.3	53.3	34.6
Western	19.9	31.3	20.1	42.7	60.4	36.6
Mountain	4.6	8.0	5.3	41.5	63.9	42.9
Hills	16.5	29.5	19.9	42.9	61.4	35.4
Terai	28.9	36.0	21.0	43.2	55.0	34.9
Mid-Western	33.9	55.5	35.6	34.5	58.8	35.4
Mountain	24.4	38.5	24.2	31.9	53.9	34.1
Hills	38.8	61.0	42.6	42.8	71.2	41.2
Terai	31.2	54.8	32.8	19.9	40.6	25.9
Far-Western	27.5	40.5	31.6	21.4	39.1	25.0
Mountain	23.0	27.8	23.2	19.2	34.9	22.0
Hills	27.7	33.2	23.4	17.1	37.6	23.7
Terai	31.2	62.1	51.0	31.0	50.0	34.8

Source: Ministry of Education

Traditional Schools

13.22. In academic calendar 2011, different primary, lower secondary and secondary level traditional schools like Ashram/Gurukul, Monastery/Bihar, and Madrasa across the country totals 1,614. Details are given in table below:

Table 13 (q): Detail of Traditional Schools

Types of School	Primary	Lower-Secondary	Secondary
Monasteries/ Bihar	275	-	-
Madarsa	1197	-	-
Ashram /Gurukul	96	30	16
Total	1568	30	16

Source: Department of Education/Ministry of Education

Details on Teachers

13.23. In Academic Session 2011, a total of 173,714 teachers in grade 1-5 (private and community), 48,848 in grade 6-8 and 35675 in Secondary Level are working. The percentage of trained teachers from grade 1-8 in all types of schools is shown below:

Table 13 (r): Percentage of Trained Teachers in all Types of Schools

Description of Training	Primary			Lower Secondary			Secondary		
	Female Teacher	Male Teacher	Total	Female Teacher	Male Teacher	Total	Female Teacher	Male Teacher	Total
Full Training	79.9	81.4	80.7	63.9	63.5	63.6	77.5	76.7	77.0
Partial Training	8.2	10.8	9.7	15.0	12.4	13.1	9.2	11.2	10.4
Without Training	11.9	7.8	9.6	21.1	24.1	23.4	13.3	12.1	12.5

Source: Educational Information 2012, Ministry of Education

13.24. While analyzing the status of training of the secondary level teachers, out of 33,835 there are 28,780 trained for grades 9-10. The total number of teachers in secondary level community and private schools details are as follows:

Table 13 (s): Trained Secondary School Teachers of Private and Community Schools

Descriptions	Total Teacher	Female Teacher	Female Teacher (%)	Total Trained Teacher	Female Trained Teacher	Female Trained Teacher (%)
Total Teacher	35675	5867	16.4	28780	4921	17.1
Community	22825	2849	12.9	19038	2345	12.3
Private	12850	3018	23.5	9742	2591	26.6

Source: Education Information, 2011, Ministry of Education

13.25. Similarly, the detail of teachers (both male and female) of all levels of community schools with complete training, partial training, and without training is given in the following Table:

Table 13 (t): Training Status of Teacher of All Levels of Community Schools

Training Status (in percent)	Primary Level			Lower- Secondary Level			Secondary Level		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Trained	83.4	82.6	82.9	67.5	64.7	65.2	81.9	88.8	87.9
Partially Trained	10.7	12.6	11.9	17.1	12.7	13.5	12.6	7.7	8.3
Untrained	5.9	4.8	5.2	15.4	22.6	21.2	5.5	3.5	3.8

Source: Ministry of Education

Box 13 (b) Description of students appeared and passed out in SLC Examination

Details of students appeared annually and passed out in SLC Examination conducted by the Office of Controller of Examinations are given below:

Fiscal Year	Attendance	Regular			Exempted		
		Boys	Girls	Total	Boys	Girls	Total
2007/08	Appeared	184182	158450	342632	18883	27006	45860
	Pass out	132662	101940	234602	9302	12585	21887
	Percent	72.03	64.34	68.47	49.26	46.60	47.69
2008/09	Appeared	205281	179865	385146	17774	24131	41905
	Pass out	138716	108973	247689	5609	6618	12227
	Percent	67.57	60.59	64.31	31.56	27.43	29.18
2009/10	Appeared	210253	187506	397759	23894	32369	56263
	Pass out	124305	96461	220766	4431	5302	9733

	Percent	59.12	51.44	55.50	18.54	16.38	17.30
2010/11	Appeared	-	-	419019	-	-	76979
	Pass out	111391	86247	197638	-	-	10549
	Percent	-	-	47.16	-	-	13.70

Source: Ministry of Education

Higher Secondary Education Council

13.26. The Higher Secondary Education Council aims to produce students capable for specialized higher education and produce middle-level human resource. By the academic session 2011/12, the number of higher secondary schools affiliated with the council was 2,499 in community, 589 in private, 159 in +2, totalling 3,383. In the same academic session, 4,62,332 regular students are studying in community and institutional higher secondary comprising 332, 680 students in grade 11 and 129, 652 students in grade 12. Major programs under implementation through the Council and 8 offices under it are: scholarships to talented, poor, down-trodden, *Dalit* and backward community students from remote areas; set up Educational Welfare Fund; revise and develop new curriculum; promoting educational programs in remote areas; improve Higher Secondary School's physical and educational programs, integrated teaching skills training to teachers; 'special education assistance program' for increasing access to higher secondary education for visually impaired, deaf and poor listening capacity students, and various programs to increase access to community higher secondary education of ultra poor and backward *Madhesi* students etc.

Number of Affiliated Schools

13.27. Total number of affiliated community, private, +2 including campuses by Development Regions, by Academic Session of 2011/12 is presented below:

Table 13(u): Region-wise Details of Affiliated Higher Secondary Schools

Development Region	Geographic Region	2066					2067					2068				
		Community	Private	+2	Campus	Total	Community	Private	+2	Campus	Total	Community	Private	+2	Campus	Total
Eastern	Mountain	49	2	0	4	55	60	2	0	4	66	62	2	0	4	68
	Hills	173	9	3	4	189	231	10	3	4	248	254	10	3	4	271
	Terai	128	58	28	15	229	200	79	28	15	322	224	87	28	15	354
	Total	350	69	31	23	473	491	91	31	23	636	540	99	31	23	693
Central	Mountain	74	1	0	2	77	88	1	0	2	91	94	1	0	2	97
	Hills	284	186	81	47	598	331	203	81	47	662	373	219	81	48	721
	Terai	164	37	25	16	242	212	48	25	16	301	247	56	24	16	343

Development Region	Geographic Region	2066					2067					2068				
	Total	522	224	106	65	917	631	252	106	65	1054	714	276	105	66	1161
Western	Mountain	4	0	0	0	4	4	0	0	0	4	4	0	0	0	4
	Hills	344	58	7	22	431	430	70	7	22	529	478	82	7	20	587
	Terai	107	46	5	11	169	123	56	5	11	195	134	60	5	11	210
	Total	455	104	12	33	604	557	126	12	33	728	616	142	12	31	801
Mid-Western	Mountain	31	0	0	0	31	39	0	0	39	47	1	0	0	2	50
	Hills	123	3	0	3	129	153	3	0	159	172	7	0	0	3	182
	Terai	65	25	5	3	98	86	31	5	125	95	34	5	5	3	137
	Total	219	28	5	6	258	278	34	5	323	314	42	5	5	8	369
Far-Western	Mountain	54	0	0	1	55	69	0	0	70	75	0	0	0	1	76
	Hills	96	3	1	2	102	120	3	1	126	131	4	1	1	2	138
	Terai	76	18	5	4	103	97	24	5	130	109	26	5	5	5	145
	Total	226	21	6	7	260	286	27	6	326	315	30	6	6	8	359
	Total Total	1772	446	160	134	2512	2243	530	160	3067	2499	589	159	159	136	8383

Source: Higher Secondary Education council / Ministry of Education

Status of Students in Higher Secondary School

13.28. Detail of students who appeared and passed grades 11 and 12 examinations from Academic Session 2008 to 2011 is presented below:

Table 13 (v): Detail of Students Appeared and Passed Annual Examination

Year	Grade 11						Grade 12					
	Appeared			Passed			Appeared			Passed		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
2009	106157	99043	205200	46903	37228	84131	70644	62296	132940	36946	30383	67329
2010	132158	122613	254771	57240	44793	102033	94812	92005	186817	47803	39405	87208
2010	155989	142062	298051	65595	51433	117028	117093	112652	229715	55058	45788	100846
2012*	161984	141870	303854	64908	51508	115922	135087	128892	263979	67005	58518	125523

* Boys in Class II 40.47 percentages, girls by 35.96 averages is 38.15 percentage and boys in 12 classes 49.60 percentage and Girls by 45.40 percentages, average is 47.55 percentages pass out.

Source: Higher Secondary Education Council/Ministry of Education

Community Higher Secondary School and Arrangement of Teachers

13.29. By the end of academic year 2011/12, in the total for Community Higher Secondary schools that stood at 2,499, there is the need of 3 additional teachers for each school totalling 7,497 teachers. Likewise, with a need to add 1 teacher each for 170 higher secondary schools, and for 47 Higher Secondary Schools in Karnali a total of 414 additional teachers are needed. Besides, for schools with more than 200 schools also need one additional teacher each with a total need of 8,000

additional teachers within this fiscal year. Quality education in Higher Secondary Schools is possible only when above mentioned vacancies are fulfilled and additional teachers are recruited for those schools.

Scholarships in Higher Technical Education

- 13.30. Students who pass the entrance examination conducted by Ministry of Education are nominated and sent to various universities affiliated private medical colleges across the country in full scholarship for bachelor and master's level program in medicine and bachelor level in nursing. Detail of students selected for scholarship to study in national and foreign medical colleges is given below:

Table 13(w) Number of Students Nominated for Studies in Various Levels and Subjects

Subject	FY 2066/67	FY 2067/68	FY 2068/69	Country
MBBS	152	202	79	Nepal
BDS	18	10	57	Nepal
BMS	3	7	4	Nepal
BN	12	12	11	Nepal
BPH	4	4	8	Nepal
B Pharma	–	4	13	Nepal
Bsc Forest	–	4	2	Nepal
Bsc Nursing	2	4	5	Nepal
MBBS	21	8	3	Foreign
BDS	2	1	–	Foreign
PG Medicine	21	-	-	

Source: Ministry of Education

University Grants Commission (UGC)

- 13.31. The University Grant Commission (UGC) has been performing tasks, such as coordination among universities, distribution of government subsidy, recommendation to the Government of Nepal on setting up new universities and setting educational quality standard, etc. Under its regular works, the Commission has been performing quality improvement programs; while under developmental works, it has been setting, implementing and operating programs under the second Higher Education Project. Under quality improvement programs, the

Commission with certain modification of programs carried out in FY 2010/11, has been carrying out a number of programs in areas of: revision and refreshing curriculum, enhance teachers' skills and capacity, development and expansion of research culture, assistance program at master's level for disabled students and capacity enhancement programs of educational institutions in educational, academic and physical areas and operate quality improvement programs. In FY 2011/12, a total of 50 individuals were selected for refresher training, while 110 were selected for M. Phil and Ph. Ds on scholarships. Likewise, 80 for micro researches, 50 for workshop, symposium and conference operation and participation assistance, library improvement and physical facilities development assistance to 180 colleges and objective to conduct 42 researches. Similarly, with the assistance of World Bank second Higher Education Project works are being performed in 4 sectors: progress subsidy (motivation, works operation, and Additional Fund – (*Jodkosh*)- grant), student financial assistance program, higher secondary education improvement and systematic capacity enhancement in higher education.

13.32. By FY 2010/11, the number of campus under the Universities in the country, and students has been presented in the Table below:

Table 13 (x): Campuses under Different Universities and Number of Students

University	Campuses		Fiscal Year 2009/10			Fiscal Year 2010/11		
		Affiliated		Affiliated	Total		Affiliated	Total
Tribhuvan University	60	826	186880	183000	369880	159394	230066	389460
Kathmandu University	6	15	-	-	10100	3627	5655	9282
Purwanchal University	4	92	-	-	18154	732	17758	18490
Nepal Sanskrit University	12	9	2043	294	2337	3165	294	3459
Pokhara University	4	46	1173	15493	16666	788	12383	13171
Lumbini Bouddha University		-	-	-	-	17	-	17
B. P Koirala Academy of	1	-	-	-	-	1192	-	1192

University	Campuses		Fiscal Year 2009/10			Fiscal Year 2010/11		
		Affiliated		Affiliated	Total		Affiliated	Total
Health Sciences								
National Academy of Medical Sciences	1	-	-	-	-	203	-	203
Patan Medical Science Academy	1	-	-	-	-	60	-	60

Source: University Grant Commission

Universities

13.33. By fiscal year 2011/12, six universities namely, Tribhuvan University, Kathmandu University, Purwanchal University, Nepal Sanskrit University, Pokhara University and Lumbini University have been carrying various programs including teaching in various faculties of higher education, and conducting researches and studies. Likewise, the newly opened Universities namely Agriculture and Animal Sciences University, Mid western and Far-Western Universities are in process of starting operations.

Tribhuvan University

13.34. In the area of higher education Tribhuvan University (TU) has been producing middle and higher level human resource as per the need of the country. Human resource this university has produced are actively involved in various high level positions. The University is able to establish its identity in SAARC region and has reached to present position by institutionalizing and developing higher education. The University has taken 95 percent responsibilities of higher education in the country. As of FY 2010/11, the University has 5 technical study institutes (engineering, agriculture and Animal science, medical science, forestry, science and technology), 4 faculties (law, management, education, humanities and social science) and 4 research centres (economic development and administration, centre for Nepalese and Asian studies-CNAS, practical science and technology, education development and research). TU has 60 constituent campuses, 826 temporarily affiliated campuses where from Bachelor to Ph. D program

is being run. It has provided qualitative human resource through certificate level programs say in technical field like engineering, medicine, forestry etc as well as in other general field's of different subjects. The brief structure and achievements of major academic and educational programs operating under TU are mentioned below:

Table 13 (y): Highlight of Feature and Achievements TU Operated Major Academic, Educational Programs

Study Research-Exploration Program Indicator	Fiscal Year				
	2006/07	2007/08	2008/09	2009/10	2010/11
6.38. Campus					
1. TU Constituent Campus No.	60	60	60	60	60
2. Private Sector Affiliated Campus No.	420	561	616	732	826
Total Campus No.	480	621	676	792	886
B. Campus Attending Student					
1. No. Student studying at TU Constituent Campus	1,67,114	1,71,592	1,72,594	186880	159394
2. No. of Student studying at private sector affiliated Campuses	1,05,632	1,19,241	1,49,051	1,83,000	230066
Total No of Attending Students	2,72,746	290833	3,21,645	369880	389460
6.39. The number of students studying at constituent and private sector affiliated Campuses in percent					
(s) Studying at Constituent Campus	61.3	59.0	53.6	51.0	40.93
(v) Studying at Private Sector Campuses	38.7	41.0	46.4	49.0	59.07
D. Teacher Student Ratio	1:27.3	1:21.6	1:21.7	1:23.5	1:20.3
E. Human Resource-Teacher Staff					
(i) Teaching- Teachers No.	6,160	7,950	7,950	7,950	7,841
(ii) Administration, Technical and Utility Service					
(a) Administrative Staff	2,241	2241	2240	2240	2301
(b) Technical Staff	1914	1920	1920	1920	2098
(c) Utility and Service Staff	2,797	2912	2962	2962	3014
Total Number of Staff	6,952	7073	7122	7122	7413
F. Medical Treatment Service	4,59,830	4,79,607	5,23,012	4,94,569	4,40,234

Source: Tribhuwan University

Study/Teaching Program

13.35. Among different campuses running programs on certificate, bachelor, masters, M. Phil and Ph. D programs are under 5 technical institutes (engineering, agriculture and livestock science, medical, forestry, science and technology), 4 faculties (law, management, education, humanities and social science) other different area and subject levels include certificate, bachelor, master, M. Phil and doctorate. Its constituent and affiliated colleges according to development region are presented below:

Table No 13 (z): Region-Wise Distribution of Campuses run under TU

Development Region	Fiscal Year 2009/10		Fiscal Year 2010/11	
	Constituent Campus	Affiliated Campus	Constituent Campus	Affiliated Campus
Eastern	13	108	13	131
Central	28	369	28	403
Western	11	146	11	161
Mid-Western	5	55	5	69
Far Western	3	54	3	62
Total	60	732	60	826

Source: Tribhuvan University

13.36. Altogether there were 3,89,460 students studying in different campuses under the TU, of which 1,59,394 (40.93 %) were in constituent campuses, and 2,30,066 (59.07 %) in temporary affiliated colleges in FY 2010/11 under the TU. Additionally, total students including new admission and carryover for FY 2011/12 is estimated at 116,280. The detail description of students studying in FY 2010/11 and 2011/12 is given in Table below:

Table 13 (aa) Detail of General and Technical Students in Constituent Campuses

S.N.	Faculty	Fiscal Year 2009/10	Year 2010/11*
1	General	137975	96000
	Other levels	3804	4441
	Certificate	11590	8769
	Bachelor	73659	56391
	Master	48501	25823

S.N.	Faculty	Fiscal Year 2009/10	Year 2010/11*
	M. Phil	237	420
	Ph D	184	156
2	Technical	21419	20280
	Certificate	5134	4865
	Bachelor	12856	12646
	Master	3344	2610
	M. Phil		2
	Ph. D	85	157
Total		159394	116280

* Proposed or estimated

Source: Tribhuvan University

Per Student Expense

13.37. TU's expenses per student studying in 5 technical institutes and 4 faculties in various program areas is given below:

Table 13 (ab): Expenses per Student at TU

S.No.	Study Institute/Faculty	Fiscal Year		
		2008/09	2009/10	2010/11
1.	Engineering	94,790	1,13,750	1,34,625
2.	Agriculture and Animal Science	4,48,750	5,38,500	6,46,200
3.	Medical Science	4,88,750	5,86,500	8,18,700
4.	Forestry	1,34,400	1,61,280	1,30,000
5.	Science and Technology	29,470	35,365	57,365
6.	Law	37,765	45,320	54,385
7.	Management	5,845	7,010	11,530
8.	Education	6,780	8,140	15,125
9.	Humanities and Social Science	11,590	13,905	16,690

Source: Tribhuvan University

Student Production

13.38. Human Resource Production of different year in general and technical faculties detail is given below:

Table 13(ac): Details of Human Resource Produced by General and Technical Faculties of TU

S.N.	Faculty	Fiscal Year 2009/10	Fiscal Year 2010/11
1	General	50093	45235
	Law	313	246
	Management	15462	13060
	Education	16604	17437
	Humanities	17714	14492
2	Technical	18930	7661
	Engineering	13039	1635
	Agriculture and Animal Sciences	196	209
	Medicine	985	916
	Forestry	186	188
	Science and Technology	4524	4713
Grand Total		69023	52896

Source: Tribhuvan University

Curriculum and Library Development

13.39. TU has already improved and revised its curriculum for various levels as per the international standard and changed context. It has made bachelor level course into 4 and 5 years B.A-L.L.B. in law faculty. TU's Curriculum Development Centre, in a bid to bring improvement, has conducted orientation program on various subjects of Master level and compulsory English and Nepali subjects of Bachelor level. It has printed and distributed curriculums of management, law faculty and science and technology institutes. This centre performs equivalency processing and accredits degrees as well as scrutinizes examines students' certificates, who have passed from other national and foreign universities.

13.40. The Central Library of TU, located at Kirtipur, has served several national Masters, Doctorate and Post Doctorate researchers as well as foreign researchers, tourists' academic zeal providing them with references, e-library service, digitalization, microfilm bibliographic search and many more. It also, provides free access to various subjects and buy materials through internet with assistance of INASP, situated in Great Britain which runs PERI (Programming for the Enhancement of Research Information). It jointly works with SAARC's South Asian University library. The World Bank has been providing some technical

and physical facilities for strengthening the Central Library through the Second Higher Education Project.

Education Project II

13.41. With the objective of enhancing the quality and capacity of higher education and its relevance in a systematic process Second Higher Education Project's New Program Window TU is running a number of graduate programs with the assistance of World Bank. Such programs are: 8 semester's Bachelor in Transportation Engineering at Engineering Institute Pulchowk; 8 semester B.Sc. in Horticulture and Floriculture Management at Mahendraratna Multiple Campus, Ilam; 8 semester's Bachelor in Tea and Technology Management at Mechi Multiple Campus, Bhadrapur; 4 years B.Sc. in nutrition and Dietetics at Central Technical Campus, Dharan; 5 years B.A.-L.L.B at Nepal Law Campus Kathmandu; 4 semester's MBA at Management faculty, Kirtipur; 4 semester's M. Phil in Public Administration Central Department, Kathmandu. Including this additionally, TU has decided to provide autonomous status to Central Technical Campus, Dharan.

Educational Teaching and Exploration Program

13.42. As per objectives of the national education policy of preparing trained teachers for basic education i.e. grade 1-8, teachers without certificate of education on teaching or +2 holders, Faculty of Education has been conducting 1-year training upon preparation of curriculum and providing trained capable teachers. Likewise, time contextual 3-year B.Ed., 1- year B.Ed. and M.Ed. syllabus are developed, and at Master level Information and Communication Technology (ICT) is taught in a specialized way. Similarly, to enhance education quality and resolve problems related to teachers teaching at schools and enhance their capacity, open and distance learning B.Ed and M. Ed syllabus and self-learning materials are prepared and are in use. 'TU Human Rights Management Centre System' and 'TU Environment Law Centre Management System 2011' is prepared. Likewise, in order to resolve the problems regarding improvement of quality class educational learning at constituent and affiliated colleges, teachers are given opportunity to conduct micro researches. In the same way under Humanities and Social Science Faculty Strategic Studies, Buddhist studies, linguistics, political science, home science, mathematics, statistics, economics, fine art – sketching, music, sculpture making,

journalism and mass communication, psychology, rural development, population studies, sociology and anthropology, social service work, library and information science, logics, philosophy, conflict-peace studies are also taught. Central departments have been providing research work information of relevant agencies of M. Phil and Ph. D programs.

- 13.43. The Central Department of Physics has introduced Nuclear Physics M. Sc studies in Masters Level. Due to last year's incident of nuclear radiation contamination in Japan and other countries Nepal failure to predict what could be the impact of the Nuclear Radiation Contamination disaster of Japan over Nepal, so it is keen and considering to conduct study on these types of impacts in future. That is why the government is interested to promote nuclear physics study research innovation facilities. It, at the national level, has strived for development of national nuclear numerical radiation weather quality, and wind energy forecasting laboratory. In this FY 2011/12, 'laboratory development program' has been approved and to provide multi channel analyzer, radiation detectors, Geiger counter procurement is in process. Likewise lack of X-ray, MRI, CT scan machine operators and efforts to develop radiation sample monitoring and examination, food item preparing are underway. With the initiation of Ministry of Science and Technology Central Department has set a consultation program on preparing nuclear law and specific missions. Similarly, with the objective of preparing capable human resource in the journalism sector, TU has established Central Department of Journalism and Mass Communication, where Master level study is made available. TU teaching Air lab development program is already endorsed and is in action. In this lab air flash system drive program's audio visual component media laboratory, dissemination house and program production component accessories lab are constructed. This in an effective manner that will upgrade global air waves convection process of probable radiation effect and semantic noise and other media communications possible technological effects and acquaint with how to get protected from them. Korea International Co-operation Agency (KOICA) in engineering sector has established Information and Communication Technology –ICT centre at Pulchowk and 600 meter sq. area classroom, administrative-hall, rest-room, server-room, canteen with well facilities, generator-room, information-room, lab, meeting-hall, seminar-hall, and faculties-lab development 'ICT centre

implementation committee' has been formed and different works are undertaken.

- 13.44. For truffle antibiotic research and bio-technology development TU has selected bio technology area and started to research, invest and explore about it. In a short span of bio-technology research and exploration a super food 'black rice, with 4 percentage iron, and amino acid capable of preventing cancer, diabetes, and inflammatory diseases has been produced in Nepali soil and successfully tested. Last year, Nepal in Asia after China for the first time was able to research on truffle which is considered valuable on TU's modality jointly working with a Rolpa's Thawang local organization (Shree Ajambari People Cooperative Institute Ltd.) has been able to establish its first Research Centre. Through this initiative, exploration of antibiotic producing bacteria will be possible in Nepalese soil with patent right, and research on producing antibiotic powder first time through genetic engineering is in conducting.

Veterinary Service

- 13.45. FY 2011/12, Livestock Medical Treatment Hospital under the Institute of Agriculture and Animal Science of TU Rampur, Chitwan as in previous year, has been providing and performing treatment of animals from general to surgeries.

Problems and Challenges

- 13.46. Persistent political influence at Tribhuvan University in comparison to other universities, huge pressure of students, inefficient management, dominance of student politics and continuity of teaching staff have been major challenges.

Kathmandu University

- 13.47. This university established with the objective of providing quality education in the area of higher education, in addition to introducing new programs on technical education in fiscal years 2010/11 and 2011/12, has been producing quality human resources in the areas of medicine, arts, education, engineering, pharmacy, management, and environmental science. In FY 2010/11, there were 10,100 students in the university and colleges affiliated to it. Likewise, till FY 2010/11, a total of 11,206 students had passed examinations from different faculties and levels. The following Table shows the number of students

enrolled in and passed from the Kathmandu University, Dhulikhel:

Table 13 (ad): Student Enrollement and Production Status of KU

SN	Faculty	Level	Enrolled	Passed Out
1	Science	Bachelor	165	112
		Master	54	38
2	Engineering	Bachelor	254	130
		Master	36	4
3	Arts	Bachelor	220	151
		Master	33	28
4	Education	Bachelor	32	9
		Master	141	44
5	Management	Bachelor	406	216
		Master	119	116
6	Medical Science	Intermediate	40	-
		Bachelor	1144	678
		Master	206	187
Total Intermediate			40	-
Total Bachelor Level			2221	1296
Total Master Level			589	417
Grand Total			2810	1713

Note: Master Program includes, Master, M.Phil and Ph.D programs while Bachelor Program in Medical Science includes B.Sc Nursing, MBBS and BDS

Source: Kathmandu University

- 13.48. The University has availed education loan to 24 and partial scholarships to 52 first year undergraduate students. In monetary term, 25 to 50 percent tuition fee is equivalent Rs. 8.033 million in partial scholarship.

Contribution of the University and its Effect on Education and Economy

- 13.49. The University has been able to check the flow of overseas higher study-aspirant students as a result of quality education it offers, human resource it produces does not remain unemployed, it has been successful in getting 80 percent of the first time examination taking students passed, and lower per student cost are some of the achievements the university has made. Besides, quality higher education of the university makes students joining overseas academic institutions eligible for credit transfers thereby avoiding time wastage, and timely announcement of results exerts the pressure on other educational institutions are some other contributions and influence this

university has been able to make.

Problems and Challenges

13.50. Lack of resource is making it difficult for Kathmandu University to transform itself into a residential university, inadequacy of skilled human resource, inadequacy in research and development, higher government liability, dearth of proper water supply, and lack of resource to undertake construction works as per the master plan are major problems and challenges of the university.

Nepal Sanskrit University

13.51. Nepal Sanskrit University (NSU) was established with the aim of modernizing Sanskrit education, conserving and promoting Sanskrit literature and preserving the norms and values of Sanskrit language. In academic year 2009/10 through university's 13 constituent and 11 affiliated Bidhayapeeth and campuses 3,945 students were admitted in which courses on Uttar Madhyama (Ayurved) 214, and 25 in bachelor of Ayurved totalling 263 students at different level passed examinations. The number of students enrolled and produced by NSU's various faculties in constituent and affiliated Vidyapeeths and campuses are:

Table 13 (ae): Student Enrolment/Production Status of Nepal Sanskrit University

SN.	Faculty	Level	Fiscal Year 2010/11		Fiscal Year 2011/12	
			Enrolment	Production	Enrolment	Production
1	Sanskrit	Uttar Madhyama First/Second Year	1311	528	1213	564
		Uttar Madhyama (Science+Ayurved), I, II and III	95		132	
		Shastri I/ II/ III Year	631	474	747	469
		Acharya I/ II Year	231	117	393	168
		Ph.D.		385		489
2	Education	Sastri Students	388		642	489
3	Others	Karmakanda Training (Rituals) Training		334		
		Yoga Training	35		29	23
		Sanskrit Language Training	840		773	325
		Research	128		123	123

Source: Nepal Sanskrit University

13.52. Likewise, on scholarships, out of 1,370 scholarship quotas, 20 percent was for indigenous people, *Dalit and Janjati*, 33 percent for women and rest was for deserving candidates through open competition. Besides, this university plans to establish Yoga and Ayurved Teaching Hospital for higher education with focus on Ayurved Study Institute and Physical Infrastructures like different buildings of Vidyapeeths, hostel, quarters, and boundary walls.

Pokhara University

13.53. Pokhara University (PU) was established in 1997 with the vision of ensuring maximum participation of the private sector in university's operation. PU in the past has stressed on expansion of affiliated higher educational institutions, it has more programs in affiliated colleges compared to its own negligible programs in constituent ones. PU has now adopted the policy of gradually expanding its maximum programs in constituent colleges along with the affiliated ones. Its constituent college based educational programs are basically in Lekhnath municipality are in Khudi and Dhugepatan in Kaski. Under the PU's faculties of Management, Science and Technology, Humanities and Social Science, the number of constituent colleges is 4 and the number of affiliated colleges is 49. Among affiliated ones, 28 are in the Central Region, 14 in Western Region, 3 in Mid-Western Region and 4 in Far-Western Region. Under these colleges bachelor, master and M. Phil level studies are in operation. In academic year 2011, a total of 1,459 students were studying in constituent colleges while 18,770 were studying in the affiliated colleges, numbering 20,229 in total. In the same academic session 1,377 students are produced. University has conducted 52 educational programs under its constituent and affiliated colleges. In Academic Year 2011/12, the number of students studying in different levels of constituent and affiliated colleges is as follows:

Table 13 (af): Students at Constituent and Affiliated Universities

Subject	Bachelor		Master		M. Phil		Total	
	Constituent	Affiliated	Constituent	Affiliated	Constituent	Affiliated	Constituent	Affiliated
Science and Technology	737	6991	11	476	0	0	748	7467
Management	467	10259	157	941	0	0	624	11200
Humanities	58	0	29	65	0	38	87	103
Total	1262	17250	197	1482	0	38	1459	18770
Grand Total	18512		1679		38		20229	

Source: Information and Publication Section, Pokhara University

13.54. Under the scholarship program, regulations for constituent and affiliated colleges have been formulated for scholarship program. As per the regulation, constituent colleges have to provide scholarship to 20 percentages of the total students enrolled in constituent colleges, while the affiliated colleges have to do 5 percentage of the total students enrolled. In both cases, the scholarship is to be provided to students through national level competition under certain criteria. Of the total scholarship, 60 percentage is for open competition, while the rest 40 percentage is reserved under the concept of inclusiveness for *Dalit, Janjati*, remote area, physically challenged, injured in People's Movement and victims of the past armed conflict. In all scholarships, 50 percent is reserved for female students. In Academic Session 2011/12, 405 students in bachelor level and 27 in master level have received the scholarships. The details of scholarship distributed have been presented here below:

Table 13(ag) Scholarships offered by Constituent and Affiliated Campuses

<i>Faculty</i>	Bachelor				Master				Total Scholarship Awarded			
	2010/11		2011/12		2010/11		2011/12		2010/11		2011/12	
	Const tuent	Affiliated	Const tuent	Affiliated	Const tuent	Affiliated	Consti Tuent	Affiliated	Consti Tuent	Affiliated	Consti tuent	Affiliated
Science and Technology	44	93	45	119	0	14	2	6	44	107	47	125
Management	30	172	29	200	6	4	6	6	36	176	35	206
Humanities and Sociology	4	0	10	2	6	1	5	2	10	1	15	4
Total	78	265	84	321	12	19	13	14	90	284	97	335
Grand Total	343		405		31		27		374		432	

Source: Pokhara University

Human Resource at Work and Production

13.55. Nine individual officials are working in PU. The number of permanent, and contract teachers in various levels of PU's affiliated colleges is 131. PU has 112 permanent and on contract employees at various levels.

13.56. In the current fiscal year, PU produced 1,377 graduates in total comprising 619 in Science and Technology, 723 in Management, and 35 in Humanities. and Social Sciences Faculties. In the previous year, production of three faculties totalled was 1044.

Purbanchal University

13.57. Purbanchal University established on ‘access to all in higher education’ and multi-university concept is operating on public participation. Right from its establishment, this university has been putting effort on producing skilled human resource for 21st Century. It is running science and technology, management, arts, education, law and medicine programs, and in its professional education programs, 23,856 technical students are studying in its 3 constituent and more than 100 affiliated colleges. The detail of students who studied and graduated from this university in different FY is presented below:

Table 13 (ah): Student Enrolment/Production Status of PU

SN	Faculty	FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11	
		Enrollment	Pass	Enrollment	Pass	Enrollment	Pass	Enrollment	Pass
1	Humanities	1228	130	719	154	582	339	728	161
	Bachelor	929	99	583	116	463	241	413	98
	Master	299	31	136	38	119	98	315	63
2	Education	3013	286	2469	767	4507	1322	5955	696
	Bachelor	2825	270	3354	687	4344	1164	5184	614
	Master	188	16	115	80	136	158	771	82
3	Law	377	35	343	57	466	111	692	40
	Bachelor	252	21	219	40	289	70	351	22
	Master	125	14	124	17	177	41	341	18
4	Medical / Others	1659	157	2286	342	2570	891	9978	682
	Bachelor	1657	157	2286	342	2570	891	4143	306
	Master	-	-	-	-	-	-	5835	376
5	Management	4026	341	4078	459	4979	910	6579	538
	Bachelor	3264	320	3719	362	4531	710	5835	376
	Master	762	21	359	97	448	200	744	161
6	Science / Technology	4575	303	4646	476	5050	856	5759	734
	Bachelor	4399	254	4618	431	4944	772	5540	701
	Master	176	49	18	45	106	74	219	33
Total Bachelor		640	13328	14779	1978	17141	3848	21466	2117
Total Master		106	1550	762	277	1013	571	8225	733
Grand Total		746	14878	15541	2255	18154	4419	29691	2850

Source: Purbanchal University

13.58. In the area of scholarship poor, intelligent, Dalit, Janajati, Indigenous, women, physically challenged, and *Madeshi* students are receiving scholarship and get opportunity to study in technical and professional educational programs of university.

Problems and Challenges

- 13.59. Though Purbanchal University was the first University established with the objective of running in people's participation but participation was not forthcoming to the degree as aspired. Challenges and problems the university has been facing are as follows: Failure to receive enough budget from the concerned government agencies and University Grants Commission; failing to keep on bringing improvement with the student enrolment pressure; effect of over politicization in the education field due to volatile political situation of the country with stakeholders also getting embroiled in it; and failure to utilize the 805 bigah (approximately 503.1 Ha) government provided land start MBBS program in time.

Lumbini Buddhist University (LBU)

- 13.60. The University was established in the name of Lord Gautam Buddha in 2005 with its central office located in Lumbini. Set up for the conducting study and teaching of Buddhist philosophy, there are two officials and 4 employees in the university at present. Currently, 17 students have been studying Ph. D in Buddhist studies in this university.

BP Koirala Institute of Health Sciences (BPKIHS)

- 13.61. This Institute established in 1997 with the economic and technical assistance of the Government of India is based at Dharan, Sunsari, has been developed as a high level educational institution equivalent to University, producing medical Doctors and Nurses. A total of 1,192 students are studying in this institute.

National Academy of Medical Sciences (NAMS) (Bir Hospital)

- 13.62. The Academy was established in 2001 taking the existing Bir Hospital as a focal point to develop it as a high level educational institution at par with an university and produce capable medical doctors and nurses. Currently, 203 students are enrolled in the academy with 142 teachers and 13 employees are working here.

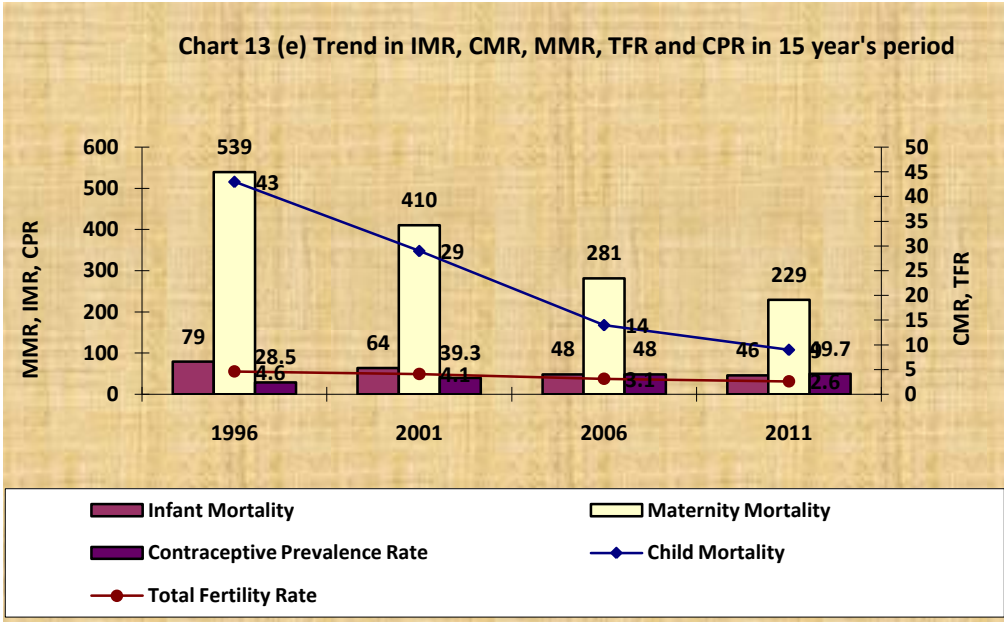
Patan Health Science Academy (PHSA)

- 13.63. The Academy was established in 2007 at the Patan Hospital to develop it as a high level educational institution equivalent to an University and

produce capable medical Doctors within the country and remain committed to health services of Nepali citizens. The Academy has started MBBS level study where 60 students and 85 professors engaged in teaching.

Health Sector

13.64. The Interim Constitution of Nepal, 2007 has internalized the global recognition of “Basic Health Services, Fundamental Right of Citizens”. Pursuant to this objective of availing easy access to qualitative health services to the people without discrimination, the Ministry of Health and Population as in the past has been conducting various priority programs towards contributing to poverty reduction and economic prosperity of the country by ensuring the inherent right of the people to have easy access to health services. Ministry and entities under it have been operating various priority sector programs which are operating from previous years and projects with the assistance of donors, including WHO, UNFPA, UNDP, UNICEF, World Bank, DFID, USAID, AusAID, GIZ, SDC, KfW, Netherlands, Norway, GAVI and Global Fund, etc.



13.65. Among the Millennium Development Goals (MDG) of the health sector of Nepal, significant progress has been achieved in infant and maternal mortality rates. In 1996 infant mortality rate was 43 per thousand births

it had dropped to 9 per thousand births in 2011. Likewise, 1996 maternal mortality rate was 539 per 100,000 births; it is now 229 per 100,000 births. With significant reductions in maternal death rates under the MDG 5, Nepal has received “Millennium Development Goal Achievement Award”. In child health sector, Nepal received "Motivational" international award for making progress towards achieving MDG 4. Similarly, in 2012 June ‘Global Leaders Council for Reproductive Health’ convention was held in Geneva where Nepal received ‘Resolve Award’ for making progress in reproductive health sector.

- 13.66. Similarly, based on the Constitution of the land, Acts, Rules, Periodic plans, Annual Plans are prepared in line with strategies and working guideline, and implemented through Ministry and its agencies. The policies that are being implemented and operated are mainly based on Interim Constitution of Nepal 2007, Health Policy 1991, Health Sector Perspective Plan II, Millennium Development Goals, Health Sector Reform Action Plan, Three Years Plan and different Acts and regulations in practice in the Health Sector..

Expansion of Health Service and Facilities

- 13.67. The details of health service beneficiaries who availed health services from various hospitals across the country in different fiscal years are as follows:

Table 13 (ai): Health Beneficiary Population by Development Region

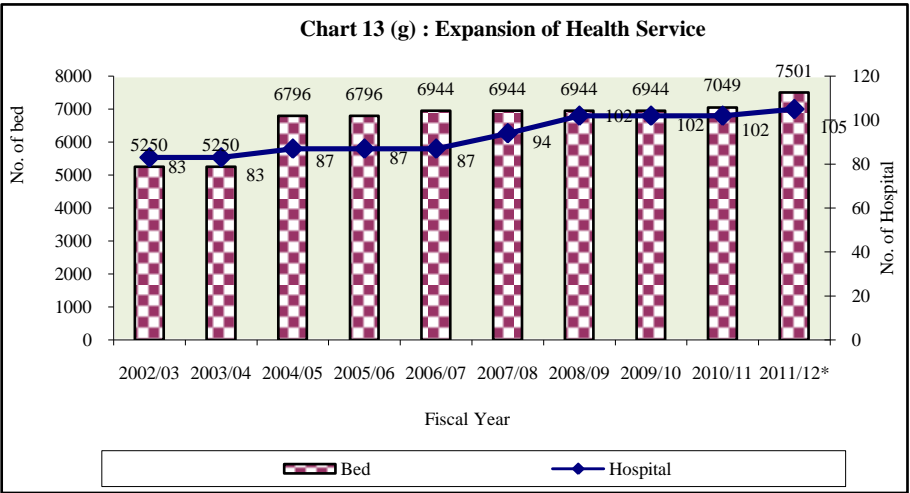
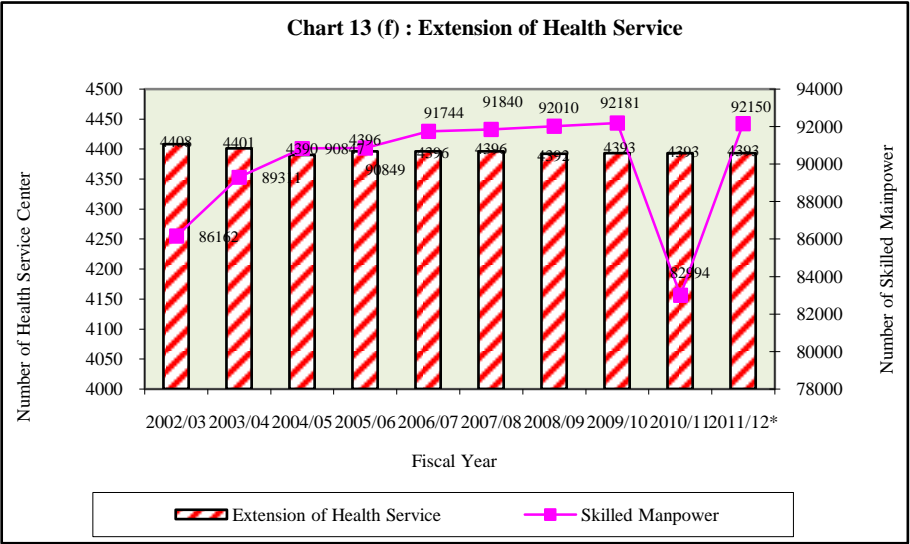
SN	Development Region	Fiscal Year 2009/10			Fiscal Year 2010/11			Year 2011/12*		
		Admit	OPD	Emergency	Admit	OPD	Emergency	Admit	OPD	Emergency
	National	386381	3066300	677480	394773	3169624	697144	254351	1846507	442531
1	Eastern	97419	636648	148298	90018	630363	142863	81386	430020	112172
2	Central	130088	1081715	270996	127489	1015953	251771	80848	687025	166531
3	Western	90504	766533	133020	102054	865956	163587	45376	360277	79848
4	Mid-Wetern	39435	342399	54802	43459	389822	56773	26479	215575	35646
5	Far -Western	28935	239005	70364	31753	267530	82150	20262	153610	48334

* First Eight Months

Source: Department of Health Services

- 13.68. In the first eight months of current FY 2011/12, 105 hospitals, 2,175 health posts, 293 Ayurvedic Hospitals and Dispensaries, 2592 Sub-Health Posts and 7 with 15 bed Rural Hospitals, and 21 of other types

totalling 4,393 health institutions are operating in the country. Similarly, a total of 92,150 human resources is engaged in health services of the country including 8,013 technical and non-technical staff, and approximately 63,326 Female Health Volunteers, and traditional mid-wives (*Sudeni*). Likewise, 466 beds have been added in currently running hospitals.



13.69. Health Service related major programs and their progress details are as follows:

Extended vaccination and vaccination against polio program

Box 13(c) Development Region wise Details of Number of Patients on Out Patient Service

SN	Country/Development Region Wise	FY 209/10	FY 2010/11	FY 2011/12
	Nepal/National	20,894,118 **	19,708,800 ***	13,237,225**
1	Eastern	4,885,948	4,640,003	2,991,108
2	Central	5,675,623	5,774,617	3,953,281
3	Western	4,685,339	3,981,678	2,976,000
4	Mid-Western	3,409,751	3,270,108	2,008,915
5	Far Western	2,237,457	2,042,394	1,307,921

* First Eight Months

** Excluded data of Parsa district and *** Excluded data of Parsa, Rupandehi and Lalitpur district

Source: Department of Health Service

13.70. In FY 2010/11, with the objective of reducing child mortality rate under the extended vaccination and vaccination program against polio, 92.7 percent children below 1 year of age received BCG vaccine, 95.7 percent received DPT and Hepatitis B (third dose) vaccine, 94.9 percent received polio (third dose) vaccine and 87.6 percent received measles vaccine. Likewise, 37.5 percent women received tetanus vaccine, whereas 'national polio vaccination campaign' was conducted in all 75 districts and vaccination program against Japanese encephalitis in 4 districts. Such vaccination program made the lives of approximately 360,000 children and 330,000 pregnant women safe. In this fiscal year 2011/12 also those programs have been getting continuity.

13.71. Under the nutrition program in FY 2010/11, School Health and Nutrition Project was piloted in two districts, while 71.9 percent was treated for anemia. The Diarrhea and Integrated Pediatric Program is in operation to all 75 districts from FY 2010/11. Of the total 310,269 (598 per 1,000) diarrhea patients admitted, 273,428 were treated with Oral rehydration liquid (*Jeevan Jal*); and zinc and 3,402 with the Saline. Likewise, under the same program 82.2 percentage children were reported for respiratory treatment; of them 99.5 percentage was treated with Cotrim and anti-biotic medicines at their homes. Under full

nutrition program in FY 2011/12, different programs were operated regularly as before because of which eight months progress report been encouraging. Under this program, 71 percent were vaccinated with BCG and 97.8 percent with *Jeevan Jal* and zinc as per the set target.

Table 13 (aj): Progress on Expanded Vaccination and National Polio Vaccination Program

SN		FY 2010/11		FY2011/12*	
		Progress	Percentage	Progress	Percentage
1	BCG Vaccine	637969	97.2	471335	71.5
2	DPT, Hépatites B (Third Dose)	627998	95.7	430244	65.3
3	Polio (Third Dose)	623359	94.9	432654	65.5
4	Vaccination against Measles	575158	87.6	418139	62.3
5	Vaccination against Tetanus	310285	37.5	203143	26.4
6	Treatment of Anemia	697102	71.9	431860	30.1
7	Registration of Dysentery Patients	310269		211567	
8	Zinc and Oral Rehydration Treatment (ORT)	273448	88.1	180533	97.8
9	Treatment of Respiratory Disease	763023	82.8	329475	41.7

**First Eight Months*

Source: Ministry of Health and Population

Family Planning, Safer Motherhood and Woman Health Volunteer Program

13.72. With the objective of bringing reproductive rate to the replacement level, and maternal mortality rate to 134 per 100,000 live births, reproduction health plan of 642,533 new individuals were provided with contraceptives and 62,600 individuals received permanent vasectomy and mini-lap sterilization services, making total number of family planning service users to 43.7 percent in FY 2010/11. Similarly, 48.4 percent received four pre-natal services under the 'Safer Motherhood Program'. Of the total 42.75 percent women, who received child birth service from the trained health professionals, 33.25 percent received safe child birth services at health centre. In very remote areas 55 complicated pregnant females received referral service and 97 percent received free child birth service and transport expenses.

Likewise, 50.5 percent received post-natal care. In different 20 districts '24 hour emergency delivery services' (CEOC) was conducted and pregnant females were served. Similarly, 800 ANM and 25 staff nurse were selected on contract basis for pre-natal services and in all 5 development regions through medical camps and regularly services provided from hospitals for cure uterus prolapsed services to women a total of 25,374 patients were screened and 12,243 underwent surgery. In the first eight months of the current FY 2011/12, a total of 13,470 potential prolapsed patients were screened and 4,272 performed surgery. Likewise, to motivate women health volunteers, Rs 10 thousands has been added to Women Health Volunteer Fund and made total amount to 70,000 so each woman health volunteer is now entitled to receive Rs 4,000 allowance at one time. Progress achieved under the Program is given below:

Table 13(ak): Progress Report on Reproductive Health Program

SN	Indicators	FY 2010/11		FY 2011/12*	
		Progress	Percentage	Progress	Percentage
1	New Family Planning Service Users (Contraceptive Users)	642533	—	427076	—
2	New Family Planning Service Users (Permanent Sterilization)	62600	—	39254	—
3	Total Family Planning Service Users	242519	43.7	466330	39.5
4	No. of Pre-Natal Service Users for Fourth Time	370563	48.4	260229	33.9
5	Maternity Service through trained Maternity Health Workers	326563	42.75	190028	24.7
6	Safer Maternity Service in Health Institutions	254321	33.25	194220	25.2
7	Out-reach Patient Service for Remote Area Maternity Services (Patients)	55	—	27	
8	Free Maternity Services Received Under Safe Motherhood Program	245439	97	174798	91.7

SN	Indicators	FY 2010/11		FY 2011/12*	
		Progress	Percentage	Progress	Percentage
9	Post-Natal Service	387201	50.5	279209	36.3
10	Round the Clock Emergency Maternity Service	24	—	26	—
11	Screening for Prolapses (Patients)	25374	—	18750	—
12	Surgery on Prolapses (Patients)	12243	—	5234	—

**First Eight Months*

Source: Ministry of Health and Population

Tuberculosis (TB) Program

13.73. Various programs like providing free medication to potential TB patients through DOTs technology after blood test, broadcasting awareness raising messages and providing training to health professionals for prevention were held In FY 2010/11. These programs will be continued in FY 2011/12. With such services, 15,469 new TB patients were identified and 90 percent of them were treated successfully.

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

13.74. As in FY 2010/11 programs such as control of epidemics, communicable diseases and parasites caused diseases malaria and black fever and management of diseases born by natural disasters and other different diseases will be given continuity. Surveillance of communicable diseases, elephantiasis, malaria, black fever and their control pesticides spraying and distribution of mosquito net, controlling rabies and providing necessary vaccine to snake bitten victims among them 65,000 were provided with ARV medicine and required vaccination services. Likewise, separate special programs were conducted for controlling dengue virus and preventing bird flu so as to stop their infections into human bodies. Among 633 patients of black fever registered, 501 were treated successfully and among 1, 60, 868 slide collection done for malaria, 1, 35,363 tested positive and among tested positive 3,239 and 2,977 received treatments. In this FY 2011/12, 65, 00,000 people were given medicine for controlling and preventing elephantiasis.

National Population Program

13.75. In FY 2010/11, a survey has been conducted among youths of 50 districts through programs like Population Management Program, District Population Information Centre, Friend Education Program targeting boys and girls in schools, and Information and Counseling Assistance to youngsters. Nepal Population Report has been updated in English and Nepali while a National Population Committee Secretariat has been brought into operation. Likewise, until mid-March of current FY 2011/12, Population Management Program has been extended to 25 additional districts, while ‘Nepal Demographic Health Survey 2011’ has been completed.

National Health Education, Information and Communication Program

13.76. Works, such as production of informative messages on health services and their dissemination through national media on environmental health, reproductive health, child health and vaccination service, impact of smoking, communicable and non-communicable diseases cause and their preventive measures etc. as in FY 2010/11 were given continuity in FY 2011/12 as well. Last year a TV program Jeewan Chakra (lifecycle), Hamro Swasthaya (our health) were produced and broadcasted for 60 times. Through audio/visual means for 15,360 times advertisements regarding health, notices, press release and messages were broadcasted. Similarly, for prevention and control of epidemiology from different medias health communication program was operated and ‘Ama’ (mother) program was re-televised and 11, 20,000 health materials were produced and distributed. For 500 times ‘community health promotion campaign’ was conducted and 2,050 school teachers were oriented and given training on various health topics.

Social Security Program

13.77. Pursuant to the concept of “Free Health Service to All”, the following programs are in operation: free distribution of 25 kinds of medicines from sub-health posts, 35 from health posts, and 40 from primary health centers and district hospitals; free treatment from district hospitals or health institutions having a capacity of 25 beds; free delivery service from all government health institutions, for protecting citizens from cardiac diseases, free heart and kidney treatment to children below 15

years of age and senior citizens above 75 years of age (from extinction facing groups) are operated. In FY 20010/11 around 187,308 individuals, including children, senior citizens and extinction-facing ethnicities, female volunteer health workers received free treatment from various government hospitals. Likewise, 4,67622 extreme poor and poor, 42,374 disables and 95,368 elderly citizens along with the women health volunteers have received the most essential free health services for 26,092 times. Likewise, 595 children below 15 years of age and 75 elderly citizens above 75 years received heart surgery free of cost. Nepal Netra Jyoti Sangh as in last years in FY 2011/12 also performed cataract operations on 6,000 individuals. In FY 2011/12 there is target of establishing an Eye Treatment Centre in 10 eye treatment lacking districts and distribute 1,50,000 power glasses to individuals above 50 years of age without any cost. The progress report of programs that were operated in 8 months period has been satisfactory:

Table 13 (al): Progress Details on Social Security Program

SN	Indicators	FY 2010/11	FY2011/12
1	Types of Medicines Distributed	25	25
2	Health Posts (Types)	35	35
3	Primary Health Center (Types)	42	42
4	Free Health Services to children, elderly, Near-to- Extinction Tribes, women health volunteers from Hospitals	1807308	1204872
5	Free Treatments for ultra-poor and poor	467622	311748
6	Free Treatment for Handicapped	42374	28249
7	Free Treatment for Elderly People	95368	63579
8	Free Treatment with Heart Surgery for Children under 15 years of age	595	397
9	Free Treatment with Heart Surgery for Elderly People above 75 years of age	75	63
10	Establishment of Eye Treatment Center (Districts)	10	8
11	Distribution of eye glasses at free of cost to people over 50 years of age	150000	150000

** First Eight Months*

Source: Ministry of Health and Population

National AIDS and Sexually Transmitted Disease (STD) Control Program

13.78. In order to raise awareness against HIV/AIDS and STD, the following programs have been continued as in the previous years: Use of various media (print and electronic); provide training to health professionals on related issues; observe HIV infected mother in order not to transmit HIV virus to her child; and provide Anti Retro Viral (ARV) treatment to AIDS patients with medication. Likewise, provision of free medication, extension of three community based CBPMTCT services, 4,200 ARV medication to infected and PMTCT program affiliated pregnant females and children below 15 years who under ARV treatment will be provided nutritional foods. Likewise, 99 training and orientation to different level health professionals were provided. From 113 ARV Centers medicine is distributed and DACC is formed in district public health office in order to run several programs to control HIV/AIDs. In this FY 2011/12 also previous year's program will be continued. By this year, intensive treatment program will also be provided to homosexuals, sex workers, injection drug users, migrants and the jail inmates on service contract of non-government organizations.

Human Resource Development and Research Studies

13.79. In the FY 2010/11 emergency service, safe maternity service, abortion service, family planning service, standard maintaining training and refreshment trainings where 5,243 health workers and 5,000 female health volunteer were offered basic training. At 2 places safe maternity service training's infrastructure development and at 2 places safe abortion service trainings have been extended. Research work has been carried out on free health program, safe motherhood program, dengue disease, bird flu, communicable disease, traditional medicine, insurance program, non-communicable diseases.

National Public Health Laboratory Program

13.80. In FY 2010/11, equipment were purchased for establishing and starting bacteriology lab service in 15 district/zonal hospitals and lab training was provided to 100 employees of pathology service. Blood transfusion service in 5 districts was also conducted. Until mid-March 2012, in all branches of labs, laboratory is constructed and operated, in 35 places monitoring and inspection of government health institutes labs was

performed. Inspection of private medical centers was also done. Thirty employees working in pathology services of health institutions were provided quality-related training.

Ayurvedic Health Service

- 13.81. In FY 2010/11, programs on treatment and consultation through Ayurvedic, Yunnan and Homeopathy methods of medical treatments are given continuity. With the objective to produce required capable manpower and develop skills in Ayurvedic sector, process of building National Ayurvedic Training and Research Center in Kirtipur is in progress. In this FY also, as in past herb collection, production and medicine formulation (kaasthaadi, rasaadi, tailaadi) performed from Singha Durbar Vaidyakhana, Ayurved Hospital, Nardevi. The department of ayurved is involved in setting up of ayurvedic institutions and has been regularly supplying necessary medicines and equipments to various ayurvedic Institutions as per the regular target. Likewise, from 291 ayurvedic Institutions and their 1,524 employees across the country, a total of 68,367 people including children 9, 29,600 clients have received health services. An ayurvedic code of conduct has been drafted and 6 ayurved health camps have been completed. Elderly citizens of all 75 districts have been provided free of cost Ayurvedic health services and at central level through Homeopathy and Yunnan methods health services are been provided. Employees have been provided with various training and orientation and at local level to make understand the importance of Ayurved, Ama Samuha, (mother groups and women health volunteers). In the same way in FY 2010/11, 145 received ayurved and several orientations and trainings on modern medicine, Panchakarma/yoga training provided to Kabiraj (Ayurvedic Health Professionals), ayurvedic service discussed with traditional health workers, Dharni, Jhakri, Lama, Amchi, free Ayurvedic camps conducted in one each of all 75 districts; a pilot herbal garden established at district level; Kati-snan, Basti and Yoga-related specialist camps conducted for back bone related and rectum-related problems; and in 45 districts free health maintenance and promotional pancha karma/rasayan/yoga related trainings were provided to senior citizens..

Health Details of Health Services Under the Tribhuvan University

- 13.82. Tribhuvan University in the area of study, research and exploration is also providing health service under TU Teaching Hospital, BP Koirala,

Eyes Studies Centre (eye hospital), Manamohan Cardiothoracic Vascular and Transplant Center, TU Ayurved Teaching Hospital has been providing medical treatment to complex and serious patients and conducting various educational programs, through contemporary rapid scientific technological machines and utilization of information and communications within the country. It also provides medical services in Kathmandu valley's south-western parts to all general public, university students, teachers, employees from TU Health Centre in Kirtipur which is under TU Central Management. This center also provides medical treatment to visiting foreign guests. In FY 2011/12, university's medical services are to be continued. Details of medical treatment offered from mentioned health institutions are provided in table 13.7.

Impact Analysis of Health Related Program

- 13.83. Due to the positive impacts of family planning, safer motherhood, child health nutrition, average longevity of population has improved; continuous improvement in observed in birth rate; there has been a decline in maternal and child death rates; improvement is visible in work efficiency and reduced medical expenditure in families has helped in raising GDP. Similarly, healthy human resource is the backbone of the economy when we internalize the value of present programs that are running in the health sector like family health, child health including essential health services availed regularly have definitely contributed directly or indirectly in the country's economic development. For the production of qualitative healthy manpower there is a need for developing different skill development programs as well as development of physical infrastructure which could make positive impact on improving the nation's economy. As per the social security program; children, disabled, senior citizens, marginalized population and dissemination of health services to remote areas and awareness programs have helped reducing general public's personal expenditure and made the State more accountable and responsible, finally leading to alleviation of poverty and progress in the economy. Likewise, the measures, policies and institutional provisions adopted in the health sector have brought positive achievements.

Problems and Challenges of Health sector

- 13.84. Discrimination of urban, rural and remote area health services delivery; improvement of newborn baby's health being expensive and a

challenging task; lack of the common people's access to health services accompanied by rise in various epidemic diseases; feeling of insecurity by health professional working in rural areas; rise in non-communicable diseases than communicable amid, dearth of resources are the major challenges of the health sector.

- 13.85. Lack of public health education, physical infrastructure in the health sector, quality medicines, tools and equipment, and proper management of human resource and absence of integrated monitoring and supervision of are persistent problems of the health sector. Lack of coordination among sectoral agencies in implementation of population programs, and unorganized migration; lack of uniformity in investments on sanitation, environment, health education, food and nutrition due to absence of multi-sector coordination are some other problems in this sector. Similarly, failure in making access to health services through integrated development of Ayurved and other alternative medicines are other problems.

Nepal Medical Council

- 13.86. Nepal Medical Council is an autonomous institution of health sector. Its scope of works includes registration of medical practitioners, who have acquired degree/diploma in medicine nationally and internationally; grant approval to new medical/dental colleges to be opened in the country; and grant students enrolment permission and setting minimum qualification. It takes action against laws and regulations non-abiding medical practitioners, medical/dental colleges. It also curbs illegal medical practices. Additionally, it conducts regular licensing examinations, investigations on medical profession-related complaints and petitions, and issues temporary license to foreign medical practitioners based on qualification.

Types of Registration and Process

Trial Registration	Temporary Registration	Permanent Registration	Experts Registration	Foreigner Registration
Registration in FY 2011/12 (Person)				
1,371	1,236	771	382	Unavailable
Registration Up to Date				
12,357	12,141 (Perm. and Temp.)		2382	Unavailable

- 13.87. By the fourth week of March 2012, The Council has issued Undergraduate Eligibility Certificates to 704 students out of 975,

foreign returnee students, and Post Graduate Eligibility Certificates to 204 persons.

Medical colleges and programs operated under the approval of Nepal Medical Council

13.88. Out of the Medical Colleges the Council has recognized, 21 medical colleges are in operation including 6 on MBBS, 2 on BDS, 4 on MBBS and PG, 3 on MBBS and BDS, 5 on MBBS/BDS/PG, and one on BDS and PG program.

Specialized Medical Practitioners Registered with Medical Council

13.89. A total of 2382 specialized medical practitioners are registered with the Council at the beginning of January, detail of which is given below:

Table 13(am): Detail of Medical Specialists Registered with Medical Council

S.N.	Subject	Male	Female	Total
1.	General Practice	97	29	126
2.	E.N.T	63	19	82
3.	Psychiatry	43	5	48
4.	Anesthesiology	101	37	138
5.	Radiology And Imaging	100	16	116
6.	Pediatrics	154	65	219
7.	Nephrology	5	3	8
8.	Master in Dental Surgery (MDS)	79	59	138
9.	T.B. and Respiratory	7	1	8
10.	Community Medicine/ Public Health	35	15	50
11.	Pharmacology	16	2	18
12.	Obs + Gynae	79	192	271
13.	M.S (General Surgery)	244	11	255
14.	Orthopedics	187	1	188
15.	Cardiology	72	5	77
16.	Ophthalmology	76	58	134
17.	Internal Medicine	231	20	251
18.	Clinical Pathology	42	44	86
19.	Dermatology + Venereology	46	27	73
20.	Neurology	14	3	17
21.	Gastroenterology	14	2	16

S.N.	Subject	Male	Female	Total
22.	Urology	17	0	17
23.	Surgical Oncology	14	0	14
24.	Forensic Medicine	6	0	6
25.	Microbiology	10	6	16
26.	Nuclear Medicine	5	0	5
27.	Physiology	2	1	3
28.	Family Medicine	1	0	1
29.	Anatomy	1	0	1
	Total	1761	621	2382

Source: Nepal Medical Council

Issues and Challenges

- 13.90. The rising trend of depending on others and buck passing on abiding laws and regulations among the regulatory and other concerned agencies; the growing practice among medical practitioners and medical institutions of resorting to exerting pressure, threatening, and creating environment of terror than abiding by the laws and regulations are major issues. The council, nonetheless, is moving ahead by fulfilling its duties and responsibilities.

Women, Children and Social Welfare Program

- 13.91. Programs on women, children, senior citizens, and physically challenged people are in operation in the spirit of Right to Equality, Rights of Women, and Children as well as Social Security and Social Wellbeing as the nation's responsibility as embedded in the Interim Constitution of Nepal, 1990 and commitments made at the international level. At the national level also, emphasis is given on enhancing the citizens' confidence and enabling them by protecting their rights and interests.
- 13.92. For empowerment of women in the current FY 2011/12 among the women interested to enter Nepal Administrative Service, 200 females have been trained through special preparation classes. Women Development Offices in all districts have been conducting workshops for women's holistic development. Services are provided to the victims of domestic violence and affected women through 15 District Service centers and 48 Community Service Centers pursuant to curbing domestic and other types of violence against women. Likewise, fund

has been provided to 8 rehabilitation centers for rehabilitating women who have been the victims of human trafficking.

- 13.93. In the process of making policy arrangement by targeting the women, National Work Plan 2011 against human trafficking; Care and Welfare of Trafficking Victims and 'National Minimal Standard 2011; and Rehabilitation Manual 2011 have been prepared. Amendment of discriminatory Laws with provision for covering sexual and gender minority community is in process. Similarly, a study is underway towards establishment of 'Fast Track Court' for quick hearing of women related petitions. Audio visual materials production, publication, broadcasting and distribution have been carried out for raising awareness against human trafficking, domestic violence and gender violence.

Arrangements for Senior Citizens

- 13.94. For proper care-giving, medical treatment and care taking of conflict affected senior citizens, works have been initiated to establish at least 1 senior citizen nursing home in each of the 5 Development Regions and Pushpalal Sarjak Ashram for honoring the Senior Citizens of National Talent and their security. This program will be continued in this FY 2011/12 as well. And, initiation for setting up 'Senior Citizens' Village' Program in 3 places have also been initiated. Similarly, 'Geriatric Care Giver Training' has been conducted in all 5 Development Regions. In order to enhance self-confidence and to elevate the level of social prestige of senior citizens, the facility availed by the State has been gradually raised. For this, a central level 'Senior Citizens Coordination Committee' is formed at the center while process is initiated for formation of while district level 'Senior Citizens Coordination Committees'.

Program for Disabled

- 13.95. Identifying the disabled people by providing skill oriented training, educational support, scholarships and community-based rehabilitation in all 75 districts started from FY 2009/10 has enhanced their skills/capacities thereby elevating their self-confidence. Community based rehabilitation program for disabled persons was carried out in Biratnagar, Pokhara, Nepalgunj, Kanchanpur and Bhaktapur covering all 5 Development Regions. The gradual increment in facilities in the

area of social security to the capacity of the State has raised the level of confidence of such physically challenged people while positive attitude towards such persons have been rising among families and the society. Considering the physical status of disability, necessary support equipment such as white stick and wheel chairs are distributed free of cost through subsidy recipient organizations of three development regions. Besides, Draft Disability Rights Operations Act, 2011 has been prepared to ensure the rights of disabled persons, and forwarded to the concerned agency for opinions.

Program on Child Rights

- 13.96. Constitutional, legal, policy level, and institutional level commitments and efforts are underway for protecting and ascertaining child rights, and for children's multi-faceted development. Pursuant to international commitment, preparation of Periodic Report 2010 on UN Child Rights Convention (CRC) 1989 has been completed. Additionally, preliminary Report on the Optional Protocol, 2000 on child trafficking, child prostitution and child porno photography has been prepared and submitted to the UN Committee on Child Rights. Likewise, preliminary Report on Optional Protocol to CRC-2000 against the use of children in the armed conflict has been prepared and submitted to the Council of Ministers for approval.
- 13.97. On legal and policy level, Conditions and Standards on Operating Children's Home (*Balgriha*), 2011, Child Rights (Promotion and Protection) Act, 2012, and National Child Protection Policy 2011 are in Draft preparation stages, while Emergency Child Rescue Fund (Operations) Rules, 2010 has been implemented. Terms and processes on allowing foreigners to adopt foster children- 2009, and Juvenile Justice Research and Case Proceeding Manual-2009 for public prosecutors has been prepared and implemented. Subsequent to mid-term evaluation, the 10-year Action Plan for Children has been revised and implemented.
- 13.98. In the area of institutional structure, Department of Women Development has been changed to Department of Women and Children. In addition, Woman Development Officer in all 75 districts have been designated Child Welfare Officers. Sustainable Government Empowerment Program has been extended to all 75 districts for protection and promotion of child rights. Likewise, Juvenile Justice

Coordination Committee has been constituted at the central level and Juvenile Justice Program are formed in 32 districts. South Asia Initiative to End Violence against Children (SAIEVAC) has been established and process to establish its permanent secretariat in Nepal is ongoing. Missing Children Search and Coordination Center is established, and is regularly functioning. In Kathmandu, a missing children search and coordination center has been established with facility of toll free telephone number 104. For taking immediate action by immediately addressing incidents of abuse of Rights of children, helpline telephone number 1098 has been expanded to 11 districts. Child Welfare Homes in Biratnagar, Saptari, Birgunj and Butwal are operating. A Child Day Care Centre has been set up inside Singha Durbar premise for babies of female civil servants.

- 13.99. Emergency Child Rescue Fund has been established at the central level with provision for its operation and only Child Reform Home's capacity has been upgraded. In Biratnagar, Kaski and Nepalgunj Child Reform Homes are under construction. An Additional Child Improvement Home is operating in Sarangkot of Kaski with its regular monitoring. Continuity will be given to Missing Children Search Coordination Center program by mid-March of FY 2011/12, there were 2,431 missing, 380 found without guardian (abandoned), and among 2,811 children in total 1,672 were rehabilitated to their own families, 24 are in protection of the children home, and 28 escaped. In order to ensure proper management and effectiveness in practice of allowing adoption of Nepali children to foreigners and make it more effective, 24 children were handed over to foreigners from different countries and more than Rs. 5.2 million revenue was collected from that process by mid-April of FY 2011/12.

Women Empowerment Program

- 13.100. Programs and activities like agency promotion, economic empowerment, and adolescent girl's development are in operation through programs like gender equity, women empowerment, and social mobilization for social inclusion, formation of the targeted deprived women and institutional development and basic and subjective training mediums under the Women Development Program. At the district-level, Woman Development Offices serving as 'focal agency' for gender equality have been significantly contributing to the cause of gender mainstreaming as per the process of decentralized development

through orientation, coordination and networking. As a result, it is felt that among network members there is increase in gender sensitivity. The indicators are also very positive in regard to the ratio of members in women-based organizations from the backward class, saving amount of women groups and in women's leadership capacity. Programs will be continued by means of institutional development by organizing groups of women scattered in the neighborhood, ward and VDC level through various groups, committee and forming of organizations. Likewise, for the professionalization of the financial activities of the target group based on local prospect of 'commodity-specific' expansion and access to facilities is prioritized. For the holistic development of girls who are deprived of schooling skills that are useful to life, information and counseling and integrated livelihood program's provision is made and operated. Process on preparing gender development report of some districts is underway which will highlight the overall condition of the district. Some major achievements of Woman Development Programs can be presented in the following table:

Table 13 (an): Major Achievements of Women Development Program

S.N.	Activities	Unit	Fiscal year	Fiscal Year	Remark
Spread					
1.	Program operating districts	no.	75	75	
2.	Program operating VDCs	no.	2,963	3,360	
3.	Program operation Municipalities	no.	37	37	
4.	Program operating Wards	no.	18,254	19,507	Including Municipalities
Institutional Development					
5.	Women Groups formed	no.	97240	107,958	
6..	Group participating women <i>Dalit</i> <i>Janajati</i> Others	person person person	5,54,264 90282 (16.29%) - 208809 (37.68%) 255173 (46.04)	653,083 106,369 (16.29) 219,952 (33.68%) 326,762 (50.03%)	
7.	Women Committees formed	no.	8,936	5,548	
8.	Women Organizations registered	no.	1,245	1,323	

S.N.	Activities	Unit	Fiscal year	Fiscal Year	Remark
9.	Ad Hoc Women Organization	no.	295	107	
Resource Mobilization					
10	Group Savings of women	Rs.	1,06,02,63,856	1,21,62,33,674	
11.	Total Invested	Rs.	99,96,42,676	1,41,93,44,031	
12	Operating Fund	Rs.	10,64,59,888	11,98,74,590	
12.1	Principal	Rs.	10,10,08,325	11,17,80,072	
12.2	Interest	Rs.	54,51,563	80,94,518	
13.	Still in investment	Rs.	7,49,05,646	-	

Source: Ministry of Women, Children and Social Welfare

Social Welfare

13.101. In order to provide contextual solution to the problems seen recently in Non-Governmental Organizations (NGOs) and lead them in an effective way, efforts initiated last year are given continuity towards amending the Social Welfare Act, 1992 to make it time contextual. Similarly, in FY 2010/11, the Council had approved approximately Rs. 6,021,698,923 for 1020 programs to be implemented through 937 NGOs and approximately Rs. 2,281,780,824 for programs to be run through 44 INGOs. Of this arrangement, the Council has sanctioned budget of Rs. 8,096,937,609 for 565 programs to be implemented through 521 NGOs while Rs. 8,757,266,989 has been sanctioned for programs to be implemented through 49 INGOs until mid March, 2012.

Challenges and Means for Solution

13.102. Major issues being confronted in this area are: the attitude of confining the areas of Women, Children, Senior Citizens and Disabled within the Social Welfare Sector has delimited empowerment and mainstreaming of women; dearth of budget for implementation of the above mentioned programs at the national level; and excessive growth of social organizations and institutions implemented programs. In addition to issue of coordination and cooperation among these entities, usefulness of additional programs, effectiveness, responsibility and accountability are other challenges in this sector. Inability to include and incorporate all targeted groups in the program implemented VDCs and Municipalities and use of traditional mentality for problem solving needs to end. In addition to mobilization of adequate means and resource in sensitive sectors, institutional reforms and capacity

enhancement would raise the self-esteem of the class of people left behind through their upliftment.

Social Security Program under the Ministry of Local Development

(Welfare Provision for Senior Citizens, Fragile, Disabled, and Near Extinction Tribes, and Single Women)

13.103. Monthly allowance as prescribed is being distributed to all citizens above the age of 70; and all citizens of above 60 belonging to: Dalit., people of Karnali zone, single women, widows (single), all groups belonging to indigenous /Janajatis nearing extinction (Kusunda, Bankariya, Raute, Sural, Hayu, Raji, Kisan, Lepcha, Meche, Kushbadiya) , and all single women under social welfare program. Besides, completely incapacitated and physically challenged people, 6,875 falling in quota of partial incapacity are also receiving allowances as prescribed. Based on encouraging results and feedback of piloted in 5 VDCs each Municipalities of 10 districts since FY 2010/11 aiming at making the distribution of social security allowance simple, easy and transparent by tying up the distribution with the banking system, it has been now extended to all VDCs with headquarters and 58 Municipalities of the country. Only Rautes among Janajatis were receiving allowance of Rs. 1,000 a month in the past whereas this arrangement has been extended to all Janajatis from FY 2011/12.

Table 13 (ao): The number of Targeted Social Security Allowance Recipients

S.N.	Description of the Target Group	Monthly Rate	Fiscal Year	
			2010/11	2011/12
1.	Senior Citizens	500	749214	783374
2.	Single Women	500	221926	536312
3.	Near to Extinction Indigenous/Ethnics (<i>Janajatis</i>)	500	19299	21289
4.	Fully Incapacitated Handicapped	1000	18252	19486
5	Partially Handicapped	300	6875	6875
6.	Single (widow) women below 60 years of age	500	-	294340
	Total		1015566	1661676

Source: Ministry of Local Development

Child Protection Grant Program

- 13.104. Two Children below 5 years of age group belonging to all households of Karnali and those of deprived *Dalit* households of other districts are receiving Rs. 200.00 a month grant from FY 2009/10 under the Child Protection Grant Program. The program has benefited 458,135 children in the current FY 2011/12. It is hoped that the rate of malnutrition among children will degrade from this program.

Drinking Water and Sewerage

Drinking Water and Sanitation: Rural and Small Town Drinking Water Program

- 13.105. Among district level programs carried on from FY 2010/11, 462 schemes of 65 drinking water and sanitation projects have been completed with 388,550 beneficiaries and 29 rural water schemes of 19 projects have been completed with 6,209 beneficiaries. On rain water harvesting, 8 projects have been completed benefiting 8,038 students; and under the Community Drinking Water Project 220 projects have been completed benefiting 228,001 people. In this way 621,425 benefited from completion of 719 schemes from 312 projects with basic drinking water services. On the initiation of the single environmental sanitation program and other stakeholders, 38,591 toilets were constructed under the Open Defecation Free Areas declaration campaign whereby 132 VDCs, 4 Municipalities and Kaski district were declared as Open Defecation Free Area. Likewise, Grant Agreement was signed with Asian Development Bank for implementation of the Second Small Town Drinking Water and Sanitation Project in 20 small towns with a target of providing quality water and sanitation services to 240,000 people. Accordingly, 7 projects are in construction phase and 12 projects ready for design and construction under same grants.
- 13.106. Of the drinking water projects under construction in 2011/12, with a target of providing potable drinking to all within next 5 years, 51 percent physical progress has been achieved by the first eight months of the current fiscal year. Likewise, 116 schemes of 15 projects have been completed under the Extensive Drinking Water Rehabilitation project benefiting 41,029 populations with basic drinking water service. In the area of drinking water quality improvement work is underway after procurement of pipes. Additional 6,222 people benefited from high and

medium level drinking water services from the Rain Water Harvest and Appropriate Technology project. Of the target of implementing drinking water, micro irrigation, and integrated rural sanitation programs in all districts of Seti and Mahakali, and Humla, Dailekh and Rolpa, 6 projects have already been completed. In the same process, 5,000 pilgrims from Pathibhara, and 2,346 people from the remaining 5 projects have benefited. To provide drinking water and sanitation services in urban oriented small towns in participation of local entities, 6,713 people have benefited with basic water supply facility with completion of 13 projects under the Small Town Drinking Water and Sanitation Sector Project. With the focus on National and Millennium Development Goals 7 projects under the Environmental Sanitation Project are in construction starting stage while 12 projects are in design and preparation stage. Likewise, under the program for drinking water supply in dry areas, preliminary study is underway in 16 VDCs while study is ongoing for implementation drinking water projects in 5 VDCs of Ramechhap. Besides, preliminary study is underway for pumping Sunkoshi water to 5 VDCs of Timal area of Kavre district, and tendering process is underway upon completion of study by covering 4000 households in 4 VDCs of Panchthar district.

Urban Drinking Water System

13.107.Completion of deep tube-wells construction by Nepal Drinking Water Supply Corporation in FY 2009/10 came into operation in FY 2010/11 through which extra 90,000 liters of water was produced benefiting 47,000 people of Bhadrapur, Biratnagar, Dharan, Rajbiraj, Janakpur, Kalaiya, Bharatpur, Butwal and Nepalgunj. Likewise, expansion of 20 inch pipeline from Mardi river source – Bindhyabasini (Pokhara) that started in FY 2008/09 was completed in July 2011 with additional supply of 25,000,000 liters of water a day benefiting 175,000 people. Of the target set for FY 2010/11, for augmentation of water supply system through sinking 18 additional deep tube wells in Bhadrapur, Biratnagar, Dharan, Lahan, Janakpur, Birgunj, Hetauda, Butwal, Nepalgunj, Dhangadhi and Banepa, target has been met except for Dharan and Banepa. Those tube wells have been brought into operation in FY 2011/12 with addition of 14,000,000 liters of water benefiting about 72,000 people. The Butwal Drinking Water Improvement Project started in FY 2009/10, got approval in 2011/12 for construction of its Second Phase with the target to complete within this year. This project

will add 10,000,000 liters of a day benefiting about 70,000 people. In this manner, about 1,510,000 people of 22 urban areas under the Corporation's territory will be benefited through additional supply of 129,705,000 liters of water per day by Mid-March, 2012.

Kathmandu Valley Drinking Water and Sanitation Project

13.108. Drinking water production, and distribution system improvement, management reform, and consultancy services under the Asian Development Bank credit assistance implemented Melamchi Drinking Water Project, sub-Project -2 were completed in the previous fiscal year. Upon completion of initial draft of the project under the ADB loan, based on areas identified for phase-wise investments and activities 43 packages were identified including 8 on construction, 21 on supply of goods, and 2 on consulting service were targeted between 2009 and 2013 under the loan No. 1820. Of these targets, 8 on construction, 19 on goods supply and one on consulting service have been completed. Pipe line extension works at Sundarimal, Balaju, Muldole, Bhaktapur, Balkumari, Kuleshor have been completed, and 3,000,000 liters of water a day has been added with replacement of 5 old tube-wells and rehabilitation, repair and maintenance of various tube well sites. Works are ongoing for construction of 15 additional deep-tube-wells and water purification centers along with construction of intake at Nakhu and pipeline extension. In the same manner, new water distribution system for Baneshwor, Minbhawan, Kusunti, Chabahil, Kalopul, Jorpati, and Gokarna areas is under preparation as part of demonstration, pilot project and cluster improvement program. Making available 14,000 meter spare pipes and fittings, 10 water tankers, 13 block water meters, 36 pumps and spares, 5 generators, tools and equipment, 4 sewerage collection and cleaning equipment, 15,000 household water meters, water leakage detecting equipment helping increase limited capacity of the institution are some achievements towards management reform works. Additionally, bids have been invited for supply of equipment at Mahankal Chaur upon completion of construction of central laboratory; Cleaning and operation of sewerage processing center at Kodkhu of Lalitpur and Sallaghari were cleaned and brought into operation; and construction of tube well water processing center at Koteshowr, Tanglaphat, Airport-Jadibuti area ongoing under the water quality improvement program while improvement and expansion of water processing centers at other 5 locations have been completed. Work has

begun on laying of 1,400 mm D.I pipes on 9.5 Km stretch between water processing center at Sundarijal and Mahankal Chaur with a target completing the project by July 2013 for fetching the Melamchi water to Kathmandu.

Kathmandu Valley Drinking Water Improvement Project

13.109. Contract process is already started subsequent to design, drawing, and estimate for preparing 11 different drinking water network distribution system improvement works in 3 large packages with a target to complete 75 percent of network laying within the ring road by 2016. Under the same program, about 7 km pipeline network replacing program's first package contract work has already started. Similarly, target is set for construction of 5 new water reservoirs of 68,000 cubic meter capacities at Arubari, Mahakalchaur, Basbari, Balaju, and Khumaltar area to be completed in 2016. In addition, target is set for completion of 28 Km stretch of 500 mm to 1,400 mm pipes between Mahakalchaur- Chabahil-Narayangopal chowk - Basbari, Balaju - Panipokhari, Chabahil - Gaushala - Puranobaneshor - Nayabaneshor-Kotaeshor - Maitighar, Anamnagar - Jawalakhel - Ekantakuna Ringroad main distribution system in same period.

Programs under the Rural Drinking Water and Sanitation Fund Development Board

13.110. For drinking water and sanitation program's sustainability and effective development the Board mobilizes the NGO sector while playing the role of a supporter and facilitator in the selection, implementation and operation of schemes of those organizations; and operating the completed schemes sustainably and effectively. Trainings imparted to enhance capacity of NGOs have helped towards gradual withdrawal of the government's involvement in implementation of schemes. The Board has been contributing towards capacity enhancement of communities through various measures such as: clarifying roles of different agencies based on approved rural drinking water and sanitation policy and action plan; involving the private and non government sectors for identification, planning, implementation, operation, repair and maintenance of schemes as well; and involve the communities in throughout the decision making processes. Besides, the Board also provides financial and technical support for implementation of schemes. It is mandatory for the communities to invest 2.5 percent of

the total investment cost and other local materials, and unskilled labour in project construction due to which beneficiary contribution has gone up to the extent of about 38 percentage of the project cost. By now, 183 Support Organizations (SOs) are involved in the Board supported programs and working with different groups. For the progress of NGOs, private sectors and their SOs and communities, the Board has imparted technical and institutional capacity development training to 8,370 people on various topics. The Board has also been playing an important role as a facilitator on giving decision-making opportunities to women, and implementation and operation of schemes by mobilizing NGS, private and community organizations engaged in water supply and sanitation sector.

Issues and Challenges in the Drinking Water Sector

- 13.111. Lack of technical and motivated human resource; shortage of resources and means for starting new projects, projects requiring rehabilitation, and completion and operation of 1,438 projects under construction; and shortage of budget for quality improvement are major challenges posed to the Department of Water Supply and Sewerage. Efforts are on for resolving the above mentioned issues and challenges include: formation of Coordination Committees from central to village levels for conducting motivational programs for mobilization of local resources; arrangement of a Project Coordinator for carrying out rehabilitation works; and collect demand for quality improvement, prepare a list of demand so collected, and propose budget for program implementation.
- 13.112. Uncertainty of Kathmandu Valley Drinking Water and Sanitation Project (Fund Board) Phase III, lack of budget for ninth batch of schemes; more than necessary time taken for selection and implementation of schemes due to more time consumed on implementation of provisions already agreed with the donor agency for execution of next phase of schemes; conflict on the water source; drying up of existing source of water making it necessary to explore new source of water; and delay in registration of drinking water and sanitation are some major issues.
- 13.113. Likewise, creation of obstruction by the people of the water source by presenting different types of demand at the time of starting construction work as per the approved program budget of the Fund; failure of the contractor to complete construction work as per the terms of

construction contract are other challenges. Therefore, there is a need to well inform the people that no person possesses right on natural source of water.

Youth and Sports

13.114.The Ministry of Youth and Sports, in addition to conducting studies, researches, surveys, and imparting training to youths, it has been actively participating in developing relationships at the national and international levels. With the support of organizations like Nepal Scout and National Sports Council, it has been organizing activities that help in producing qualified, disciplined and competitive youths who can contribute to development of the nation. Likewise, Ministry is vigorously involved in mobilizing youth power by appropriately developing healthy and energetic youths and preparing them to lead on economic, social and political fronts. Similarly, Ministry is giving continuity to activities along with preparation of new programs in changed context, which is given below.

National Youth Mobilization Program

13.115.The Ministry has been running programs in all 75 districts on 18 topics in accordance with National Youth Policy by selecting 165 institutions. Programs are running in prescribed areas through 75 District Development Committees by availing funds of Rs. 60,000 per program. Ministry had completed youth experiences exchange programs as per internal and bilateral Agreements. Additionally, a ‘Youth Council’ has been formed and ‘Youth Information Centers’ have brought into operation in every district for providing them with useful information. The detail progress report of the ‘youth mobilization program’ is as follows:

Table 13(ap): Detail of the Progress on Youth Mobilization Program

S.N.	Activities	Unit	Fiscal Year 2010/11		Fiscal Year 2011/12		Remarks
			Annual target	Achievement	Annual Target	Achievement	
(A)	Youth Mobilization						
1.	Formation of Youth Council and its operation	no.	1	-	1	-	
2.	Youth participatory programs in 18 areas						
	Center	no.	150	149	150	165 NGOs	
	District	no.	450	450	75	75	
3.	Study, Research, and Action Plan preparation for capacity enhancement	times	-	-	5	Consulting service ongoing	

S.N.	Activities	Unit	Fiscal Year 2010/11		Fiscal Year 2011/12		Remarks
			Annual target	Achievement	Annual Target	Achievement	
	of Youth Information Center, and improvisation of Youth Council Draft Bill						
4.	Program for preparation of profile of national and international organizations engaged in Youth Sector activities	times	-	-	1	Consulting service ongoing	
5.	International Day of Youth	times	1	1	1	1	
6.	Programs conducted under the bilateral Agreements Participation in Youth Exchange Festivals	person	35	30	100	100	
	Internal Youth Exchange program	person	40	40	26	26	
7.	Youth Contact Points Workshop	times	-	-	2	1	
8.	Youth Information Centers	districts	35	35	75	75	
(B) Youths Enabling and Capacity Development Program							
1.	Capacity development of political Youth Organizations	region	-	-	5	-	
2.	Training to skill oriented training	person	-	-	1000	-	
3.	Program on rewarding and supporting talented youths	times	-	-	1	-	
4.	Young generation communication program	times	1	1	1	1	
5.	Youth Literary Competition	times	1	1	1	-	
6.	Preparation of Youth responsive budgetary framework	times	1	1	1	-	
7.	O and M Survey of the Ministry	times	-	-	1	-	
8.	Young students National Conference Program	times	5	5	-	-	
9.	TV broadcast of Youth Awareness Program	times	1	1	-	-	
10.	Impact evaluation of participatory program	times	1	1	-	-	
11.	Formation of resource identification with youth participation	times	1	1	-	-	
12.	National Youth Action Policy preparation	times	1	1	--	-	

Source: Ministry of Youth and Sports

Sports and Extra-Curricular Activities

13.116. With the objective of producing qualified players right from the

schooling age, district, regional and central level athletics, volleyball and secondary school level football and cricket tournaments are organized for boys and girls. Additionally, arrangement is made for imparting training to school level sports teacher and provide sport equipment as well. Para-Olympic and special sports competitions are organized for persons with extra-ordinary quality; and sports persons demonstrating special talent are being honored. An awareness raising program against doping has been brought into operation with the assistance of UNESCO. The detail of progress of this program is as below:

Table 13(aq): Detail of Sports and Extra-Curricular Activities

S.N.	Activities	Unit	FY 2010/11		FY 2011/12		Remark
			Target	Progress	Target	Progress by 3 rd Trimester	
1.	Inter district President Running Shield (Athletics and Volleyball) Tournament	district	75	56	75	18	
2	Inter district (region-wide) Boys/Girl Students (Athletics and Volleyball) Tournament Region	5	5	5	5	In process of holding tournament	
2.1	Inter regional nation-wide program Boys/Girls (Athletics and Volleyball)	Region	2	2	2	"	
3	Sports Development Program/Competition						
3.1	Secondary School level boys/girls student (Football Cricket)	time	2	2	2	"	
3.2	Girl Students volleyball , Pokhara	location	-	-	1	"	
3.3	Para Sports Support Program	center	1	1	1	"	

S.N.	Activities	Unit	FY 2010/11		FY 2011/12		Remark
			Target	Progress	Target	Progress by 3 rd Trimester	
	(Para Olympic, blinds' cricket, impaired hearing cricket, and handicapped football						
3.4	Blinds/hearing impaired Cricket	center	1	1	1	"	
3.5	Special Olympic Program	center	1	1	1	"	
4	Sports Development and Training Program						
4.1	National Sports Talent Honor	center	1	-	1	"	
4.2	Ministry studies and participation in sports events	center	1	1	1	"	
4.3	Awareness against doping in sports	center	1	1	1	1	

Source: Ministry of Youth and Sports

National Sports Council

13.117. The Council has been carrying out construction, and repair and maintenance of physical infrastructures necessary for conducting sports events. Besides, the Council has also been organizing national and international sports competitions; making players participate in sports by imparting them with trainings; and by buying insurance, and availing life-long allowances to them. It also arranges facilities like insurance and lifetime allowances to players. The detail of progress report is presented below:

Table 13 (ar): Detail of Programs of National Sports Council

S.N.	Activities	Unit	FY 2010/11		FY 2011/12		Remark
			Target	Progress	Target	Progress	
1	Sixth National Sports Event	person	8000	-	8000	8000	
2	16 th Asian Athletic preparation and participation	person	141	159	-	No program in this year	
3	Sports Academy Operations	person	50	50	120	49	
4	Sports medicine and	no.	1	1	1	1	

S.N.	Activities	Unit	FY 2010/11		FY 2011/12		Remark
			Target	Progress	Target	Progress	
	research operation						
5	Sports activities publicity, extension and publication	no.	1	1	1	1	
6	Training, Seminar, Workshop, Team exchange	person	30	7	20	16	
7	Sportsperson live-long allowance	person	2	2	2	2	
8	Trainer mobilization and monitoring	person	70	1	150	150	
9	Sports activities for Regions	count	5	5	5	5	
10	Sports activities at the district level	count	75	75	75	75	
11	12 th South Asian Games Preparation	person	-	-	500	61	
12	Players treatment and emergency accident support	no.	-	-	10	5	
13	Sports activities for national organizations	count	-	-	64	64	
14	AFC Challenge Cup Football Tournament	time	-	-	1	1	
15	Sports College Establishment program	no.	-	-	1	1	
16	Organizing Indigenous people traditional sports	time	-	-	1	1	
17	Continue Stadium construction at Dhangadhi	no.	1	ongoing	1	1	
18	Stadium construction in Sunsari	no.	1	1	1	1	
19	Swimming pool construction in Nepalganj	no.	1	1	1	1	
20	Covered Hall construction I Kailali	no.	1	1	1	1	
21	Carry on covered hall construction in Jumla	no.	1	1	1	1	

S.N.	Activities	Unit	FY 2010/11		FY 2011/12		Remark
			Target	Progress	Target	Progress	
22	Cricket stadium construction at Mulpani	no.	1	1	1	ongoing	
23	Cricket stadium construction in Bharahawa	no.	1	1	1	ongoing	
24	Itahari stadium construction	no.	-	-	1	1	
25	Starting construction of 6 new projects	no.	-	-	6	2	
26	Incomplete covered hall construction	no.	-	-	12	11	
27	Covered hall construction and maintenance in Siraha	no.	-	-	1	1	
28	Athletic Tracks (sports field) construction	no.	--	-	78	74	

Source: National Sports Council/ Ministry of Youth and Sports

Impact of Program Implementation

13.118. Youth partnership programs that are organized at local and central level have helped in capacity building of youths; youths are benefiting from the flow of useful information resulting from capacity enhancement of district level Youth Information Centers; organizing programs for honoring the nationally eminent youth sports persons helping communicate positive message to other youths; potential of using the knowledge and information gained through domestic and international visits regionally and nationally for the development of country; and television broadcast of 'Young Generation in the Media' has been successful on attracting youths to such programs due to wide coverage of youth related materials in it. However, success could not be achieved to the extent desired on producing disciplined, healthy, and capable sports players by creating interest on sports and extra-curricular activities right from the school level, and attracting the physically challenged people by organizing Para and special sports events for them.

Challenges and Problems

13.119. Challenges being faced in this area are: dearth of resource for

construction and maintenance of physical infrastructures; inability on expanding the access to sports down to the village level; failure on freeing the sports sector from political activities; inability to professionalize the sports and players, lack of coordination with other agencies on youth related activities; inability in bringing youths belonging to all regions, castes and ethnicity under the program umbrella; and failure on educating the stakeholders about the youth program. Similarly, lack of structures for operating youth activities at local level; longer time taken for formation of the youth council; failure in resolving dispute at the Nepal Olympic Committee and inability; and failure in making participation in international sports competitions result-oriented are some other challenges. In addition, programs could not be effective to the extent desired due to lack of fund for construction and maintenance of infrastructures necessary for development of sports from the local to national level.

Culture

- 13.120. Policy has been adopted for introducing Nepal's physically present as well as non-physical religious and cultural heritages to the world. In addition to establishing a separate introduction and identity of the country, income generated from visits/sightseeing to physical and non-physical national heritages resulting from development of cultural tourism by undertaking conservation and promotion of such assets can contribute to economic development of the country, and also help in uplifting the economic level of the local people.
- 13.121. Conservation and development of different diverse castes, ethnicities, customs, languages, religions, arts, cultures, history and historical assets is necessary for conservation and promotion of physical heritages on one hand, while conservation, promotion and providing continuity to non-physical heritages is necessary on the other. Additionally, integrated development of religious places, and excavation and protection of archeological sites is also very much necessary. Similarly, there exists immense potentiality for economic development through exhibition of archeological artifacts; carrying out protection and conservation works of already extinct and near extinction objects of art belonging to various ethnicity and communities; disseminating knowledge and information to the people on importance of doing so; and by attracting tourists towards it. National cultural policy, 2010 was announced for overall institutional development of physical and non-

physical heritages. In addition, a “Council for non-Physical Heritages” has been formed, while legal framework and financial resource is being provided to fulfill the objective of conserving more than 92 languages/dialects and 103 castes scattered all over the country in the form of non-physical heritages thereby designing a Policy to that effect. In FY 2010/11 and 2011/12 works like cultural promotion, archeological site renovation and world heritage site conservation projects are progressing as targeted. It is expected that such works should help in enhancing harmony among the people of different castes and ethnicities and their self-esteem. Investment made on World Heritage Sites through annual program budget for the FY 2011/12, has given notable boost to tourists arrival. Similarly, conservation and promotion of Museums has also been able on creating interest of domestic as well as foreign tourists towards Museums.

Social Development Efforts being made through the Local Bodies under the Ministry of Local Development

13.122 The following programs are in operation with the objective of ensuring social security arrangement and supporting comfortable living for senior citizens, single women, *Dalits*, Indigenous communities nearing extinction, ethnics people (*Janajatis*), citizens with physical disability.

Vital Statistics Registration Program under the Ministry of Local Development

13.123 Personal incidents of birth, death, marriage, divorce and migration used to be registered and certified at local bodies (VDC and Municipality offices) through the office of Local Registration Officer. In case of Municipalities, beginning from FY 2010/11 onwards, Ward Secretaries have been designated as local Registration Officers, and registration work is being carried out accordingly. Asian development Bank (ADB) supported JFPR Capacity Building for the Promotion of Legal Identity among the Poor in Nepal program is in operation since FY 2010/11 in Ilam, Jhapa, Kathmandu, Lalitpur, Bhaktapur, Mustang, Palpa, Rupandehi, Dang and Kailali districts with the objective of systematic record keeping of personal events. Manual on personal incidents registration (including collection of circulations on personal incidents) 2010, is published and distributed in districts. As per the importance and necessity of Personal Incident Registration, Ministry has been

organizing various training programs to Local Registration Officers. Government of Nepal has been observing 1st Baisakh (April14/15) as Personal Incident Registration day. The personal incidents details as of mid-March 2011 and current FY 2011/12 mid- March is given below:

Table 13 (as): Detail of Personal Incidents Registration

S.N.	Personal Incident	Description	2010/11	Till Mid-March 2012 (reported from districts)
1	Birth Registration	Male	332556	109316
		Female	374160	125527
		Total	706686	234843
2	Death Registration	Male	37812	13097
		Female	59708	42369
		Total	97520	55466
3	Marriage		183436	73029
4	Divorce Registration		339	123
5	Migration Registration		86012	32179
	Out migration		139268	50813
	In migration		176921	59859
	Total Migration No.		316189	110672

Source: Ministry of Local Development

Inclusive Development Programs under Ministry of Local Development

13.124 With the concept of inclusive development Indigenous people (*Aadibasis*), and ethnicities (*Janajatis*), neglected and *Dalits*, *Madeshis*, Muslim, disadvantaged class and remote and special area,, women and children, monastery management and development program etc., programs like Decentralized Action Plans are in operation. Similarly, as development of nation is not possible in absence of development of women, provision of incorporation of women-friendly and gender equity programs in every project and programs has been made mandatory. Efforts are underway for policy-wide and institutional development for establishing the concerned District Development Committee as a contact point at the local level.

Program for Uplifting the Near Extinction Indigenous /*Janjatis* and *Chepang* Development Program

13.125 The objectives of this program are to socially, economically and culturally develop and promote indigenous groups, *Janjatis* and

Chepangs; contribute towards bringing them into the mainstream of national development; and promote and develop their customs and languages. Through this program in FY 2009/10, works on conserving 79 languages were completed, 346 students were provided with scholarships, 355 individuals received various trainings, and cultural heritages of 46 indigenous groups and *Janjatis* were conserved and promoted. Capacity building programs, 7 institutional management training programs, 34 awareness raising and empowerment symposiums, and 7 disabled uplifting programs were conducted in the first eight months of the current FY 2011/12. Similarly, Chepang development program is in operation in 6 districts.

Neglected, Oppressed and *Dalits* Empowerment Program

13.126 This program aims for holistic development of extremely socially and economically backward *dalit* community by bringing them into the mainstream of development. Under this program, 24 SLC examination topper (girls/boys) students of 2009 received intelligent student award, and FM radio stations in 5 development regions made 160 broadcasts of awareness program in the first eight months of the current FY 2011/12. Free medical camps were organized in *Dalit* settlements in Sindhuli, Arghakhachi, Gulmi, Nawalparasi, Banke and Pyuthan districts, where 700 people received health services. Scholarship was provided to 200 poor, but intelligent *Dalit* students. Educational materials were distributed 1000 students of 9 districts. Similarly, 60 *Dalit* youths received income generation and skill oriented training at 6 locations of different districts. In the first eight months of FY 2011/12, higher education scholarships were provided to 154 students, 3 health camps were organized, construction of 50 drinking schemes were completed, and 7 job oriented trainings were conducted.

Madhesi-Disadvantaged Class and Muslim Strengthening Program

13.127 With the objectives of uplifting *Madhesis*, Muslims, backward communities and minorities by formulating policies 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. Employment oriented and awareness program, reproductive health, health education, sanitation, language training, literacy and educational motivation programs were conducted for the targeted groups through District Development Committees in FY 2010/11. Similarly in FY

2011/12, several programs are under implementation after the concerned DDC approvals. Program like single women empowering program, and Magai language and Magai radio program are also being carried out.

National Dalit Commission

13.128 This Commission has been working for the protection of rights, entitlements and overall development of *Dalit* people. *Dalit* Commission has been making policies, conducting research on traditional skills of *Dalits*, collecting and analyzing records of landless *Dalits*, organizing social awareness and justice programs, coordinating and preparing *s Dalit* related programs and developing a Resource for statistics on *Dalits* since 2001. In FY 2010/11, Index on *Dalit* castes was updated, 5 orientation programs were conducted for making the service providers *Dalit-friendly*, *Dalit* Information Centre was strengthened and expanded, profile of inter-caste married couple was prepared coordination maintained with stakeholders for collecting factual data and status of Dalits in relation to National Census 2011, and awareness raising programs was also conducted. The first eight months of the current FY 2011/12, the Commission conducted one Human Resource Capacity building program, and held consultations and interactions with government and non-government agencies on issues of *Dalit-friendly* orientation and *Dalit* issues.

Remote and Special Area Development Program

13.129 This Remote Area Development Program is implemented basically to support the poverty alleviation initiatives in 22 northernmost border, and geographically remote economically backward. Under this program, 8 suspension bridges, 4 irrigation projects, 6 km mule tracks, 10 drinking water projects and 12 electricity projects were constructed in FY 2010/11. Three suspension bridge projects were completed, two electrification projects were completed and 16.5 km mule tracks were constructed till mid-March of current FY 2011/12.

Monastery Management and Development Program

13.130 This program is in operation to conserve, promote and expand the monasteries (Gumbas) and their valuable archaeological materials and public properties across the country. 42 Gumbas were renovated, Two Lama Desh Darshan program were organized, Gumba survey was

conducted in 8 districts and 10 technical study of ancient Gumbas were carried out under this program in FY 2010/11. In first eight months of current FY 2011/12, Gumba survey was conducted in 2 districts, Lama research/study visit was organized once, Dharmadaesana program once and cultural conservation program was performed once.

Human Resource and Institutional Development Program under the Ministry of Local Development

13.131 Following programs are in operation with major thrust to human resource management and development initiatives with realization that expected achievement in the area of development and construction can be achieved only through institutional capacity development of local bodies along with capacity development of human resource:

Local Development Training Academy

13.132 This Academy is carrying out programs with the objective of providing training, research, and consultancy services for the institutional capacity enhancement of local bodies. In FY 2010/11, academy provided VDC Operation and Management in-Service training to 236 people, good governance, accounts, office management training to 268, gender and social inclusion to 150, participatory planning, implementation, and monitoring and evaluation to 79, development management, women empowerment, and social mobilization to 61 people. Minimum Performance Criteria of fifteen DDCs and 16 Municipalities was measured. In the first eight months of current FY 2011/12, a 35-day VDC Operation and Management training was imparted to 154 VDC Secretaries; training on promotion of good governance, social inclusion, gender mainstreaming to 80, and Office Management and Financial Management and effective service related training to 92 participants.

14. PUBLIC ENTERPRISES AND PRIVATIZATION

14. Public Enterprises and Privatization

- 14.1. Public Enterprises (PEs), that have been established to shoulder social obligations, import new technology and meet capital and entrepreneurial demand of the private sector in the primary phase of national development, have crucial role to play in country's development. The performance reviews of physical and financial progress of fully Government owned or on majority shares of the Government run PEs are as follows:

Operating Income

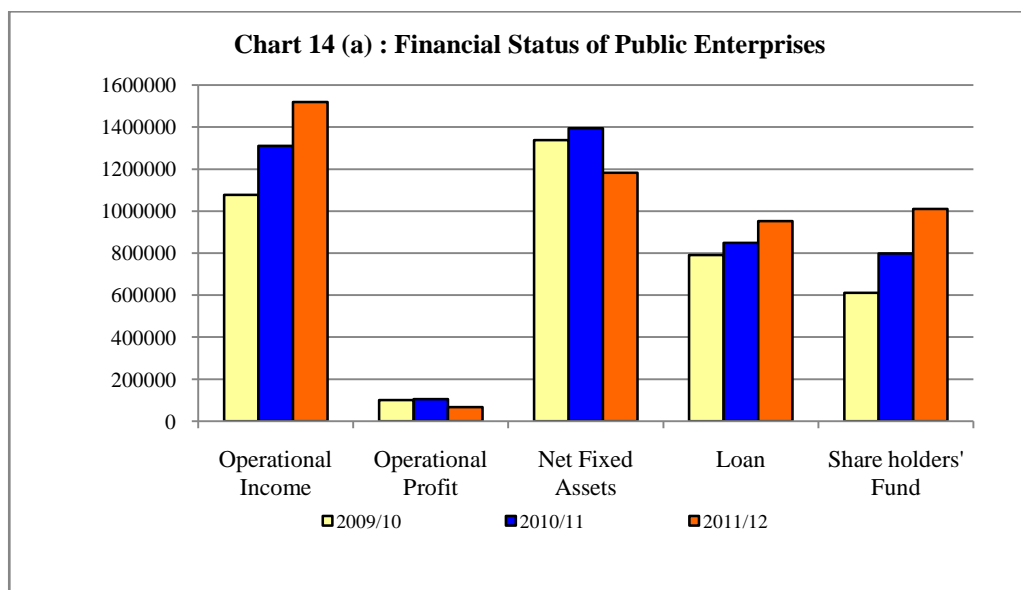
- 14.2. The net operating income of Government owned 37 PEs has grown by 15.93 percent reaching Rs. 151.85 billion in FY 2010/11 as against Rs. 130.98 billion in FY 2009/10.

Profit Loss Situation

- 14.3. In FY 2010/11, if 21 PEs have earned net profit and 14 PEs are operating at net loss. Among those, Nepal Engineering Consultancy Service Center Ltd and Hydropower Investment and Development Company Ltd did not have business transactions. The net profit of these 37 PEs, that stood at Rs. 10.56 billion in FY 2009/10, dropped to 6.38 billion in FY 2010/11. Main reason for such decline in gross profit is because Nepal Electricity Authority incurred a loss of Rs. 6.9 billion, and so did Nepal Oil Corporation recording a loss of is Rs. 5.11 billion.

Loan and Share Investment

- 14.4. By the fiscal year 2010/11, Government's share investment in government owned 37 PEs totalled Rs. 92.19 billion, whereas loan investment stood at Rs 95.16 billion. In its immediate preceding fiscal year, government's share investment amounted to Rs. 82.75 billion and loan investment Rs. 84.91 billion indicating rise in Government's share investment by 11.40 percent and loan investment by 12.07 percent.



Shareholder's Fund

- 14.5. The total shareholder's fund of 37 PEs amounted to Rs. 100.99 billion in FY 2010/11 which exceeded the previous year's figure by 26.37 percent. The rise in shareholder's fund of PEs in financial and public utility sectors has been the main reason for the growth in overall shareholder's fund.

Net Fixed Assets of Enterprises

- 14.6. The net fixed assets of 37 PEs that amounted to Rs. 139.36 billion in FY 2009/10 dropped to Rs. 118.27 billion in its succeeding FY 2010/11. Overall net fixed asset has slumped as compared to its previous fiscal year, as a result of decline in net fixed assets of service and public utility sector,

Government Investment and Dividend Receipt

- 14.7. Government of Nepal had received dividend worth Rs.4.81 billion in FY 2009/10, which increased in its following year with dividend to the Government totalling Rs. 5.5 billion. This is equal to 5.96 percent of the total investment of GoN. Though total dividend amount received by the Government has increased in comparison to the previous fiscal year, Nepal Telecom Ltd is the only contributor to such increase.

PE's Contribution to Revenue and GDP

- 14.8. The share of dividend received from 37 PEs was 2.75 percent of the Government's gross revenue collection of Rs. 199.82 billion in the fiscal year 2010/11. As dividend receipt, which accounts for 5.96 of the Government investment in 37 PEs is quite lower than the prevailing interest rate. The contribution of net operating income of PEs to GDP comes to about 11.09 percent of total revenue collection of Rs. 1,369.43 billion in the fiscal year 2010/11. Among the PEs, operating income of the business sector has made highest contribution (5.58 percent) to GDP while contribution of the social sector is the lowest with 0.09 percent. Loan flow from the government to PEs in FY 2010/11 has been 3.51 percent of the total Government expenditure of Rs. 295.0 billion and accounts for 9.57 percent of capital expenditure of Rs. 108 billion in the same fiscal year FY 2010/11.

Sector-wide Analysis

Manufacturing Sector

- 14.9. The operating income of 7 PEs running in this sector has grown by 1.74 percent to Rs. 4.81 billion as compared to that of its previous fiscal year. The operating incomes of Nepal Drugs Ltd, Hetauda Cement Industry and Nepal Orind Magnesite Ltd have dropped by 53.26 percent, 26.93 percent and 100 percent respectively as compared to that of previous fiscal year. On the contrary, operating incomes of Dairy Development Corporation and Udaypur Cement Industry Ltd has increased by 11.36 percent and 6.03 percent respectively during the same period. Though these industries saw growth in their total operating income, the PEs of this sector have incurred a total loss of Rs. 428.8 million. Among these PEs, Dairy Development Corporation made the highest profit of Rs. 85 million while Janakpur Cigarette Factory Ltd has suffered the highest loss of Rs. 218.1 million. Though Herbal Production and Processing Center Ltd incurred loss in the previous year, it has earned profit in the review period. The net fixed assets of these PEs is equivalent to Rs. 3.96 billion with a decrease of Rs. 475.9 million from that of previous year. The total outstanding debt of the industry sector that remained at 4.36 billion in the previous year totalled Rs. 4.05 billion with decrease of Rs. 304.5 million by the end of the review period. The shareholder's fund of this has shown negative balance of Rs. 1.89 billion. As compared to the previous fiscal year, the shareholders' fund showed additional negative balance of Rs. 64.4

million revealing the trend of declining progress in the entire industry sector. The number of employees in this sector in FY 2010/11 totalled 3,673, which was 3,877 in its previous year.

Trade Sector

- 14.10. Six PEs are in operation in this sector. From the outset, operating income of these PEs totalled Rs. 76.47 billion in FY 2010/11 with an increase of 25.5 percent as compared to its previous year due mainly to increased operating income of Nepal Oil Corporation (NOC). Overall, this sector has incurred a loss of Rs. 5.08 billion. Similarly, as a result of loss sustained by NOC, overall loss of this sector has increased with NOC's loss of Rs 5.11 billion in the current fiscal year. Such loss is due mainly to failure of the Government on adjusting the selling price of Petroleum Products (POL) along the price rise of these products in international market resulting in aggregate loss in this sector. The total outstanding debt of these enterprises, which stood Rs. 11.70 billion in the previous year, grew to Rs. 16.69 billion by the current fiscal year. NOC is the largest borrower from the government, whose outstanding debt stands at 16.52 billion whereas the Timber Corporation of Nepal Ltd has been the smallest borrower from the Government with outstanding debt of Rs. 57.7 million. So far, the Agriculture Inputs Company Ltd and National Seeds Company Ltd have not borrowed from GoN. The net fixed asset of 6PEs under this sector stood at Rs.2.09 billion, with Agriculture Inputs Company Ltd holding the highest share of Rs. 755 million while National Trading Ltd with the lowest figure of Rs. 25.4 million of the total assets. Though the shareholders' fund of Agriculture Inputs Company Ltd, National Seeds Company Ltd and The Timber Corporation of Nepal Ltd has remained positive, the overall shareholders' fund of this sector continued to remain negative by Rs. 11.79 billion with negative contribution of Rs. 12.71 billion of NOC. The number of employees working in PEs of this sector in FY 2010/11 was 2,204 which is lower by 213 as compared to its previous fiscal year.

Services Sector

- 14.11. The total operating income of 7 PEs under this sector has increased by 181.7 million reaching Rs. 8.28 billion in FY 2010/11 from 8.10 billion that of FY 2009/10. Nepal Airlines Corporation has the highest operating income of Rs. 5.30 billion followed by Nepal Civil Aviation

Authority with Rs. 2.57 billion. PEs in this sector with increase of 430 million has registered a net profit of Rs. 790 million as compared to the figure of Rs. 360 million in its previous fiscal year. The overall rise in net profit of this sector was mainly due to highest growth of Rs. 520.5 million achieved by Nepal Civil Aviation Authority as compared to FY 2009/10. All other PEs of this sector has earned net profit except the three namely, Nepal Engineering Consultancy Service Center Ltd, National Productivity and Economic Development Center Ltd and National Construction Company Ltd.

- 14.12. The net fixed asset of PEs in service sector stands at Rs. 10.49 billion. The total loan investment of GoN in this sector has reached Rs. 5.58 billion. Of this, Nepal Civil Aviation Authority has received highest amount of loan totalling Rs. 5.19 billion. During FY 2010/11, the shareholders' fund of service sector enterprises remained at Rs. 10.65 billion which was Rs. 9.65 billion in its preceding fiscal year. The number of employees working in PEs of this sector was 2,747 in FY 2009/10 while this number stood at 2,724 by the end of FY 2010/11 with slight decrease of 23 employees.

Social Sector

- 14.13. The total operating income of 5 PEs in the social sector totalled Rs. 1,285.3 million in FY 2009/10 which dropped by Rs. 5.3 million to Rs. 1,280.0 million in FY 2010/11. In this period, operating incomes of Gorkhapatra Sansthan and Nepal Television grew by 8.82 percent and 4.92 percent respectively as compared to its previous fiscal year while those of Janak Education Materials Center Ltd, Cultural Corporation and Rural Housing Company Ltd slumped by 2.07 percent, 51.51 percent and 46.43 percent respectively. These enterprises incurred net loss totalling Rs. 152.2 million in FY 2009/10, which however, has declined to Rs. 97.8 million in FY 2010/11. The net loss of Nepal Television has dropped significantly from 82.7 million in FY 2009/10 to Rs. 45.3 million by FY 2010/11. Gorkhapatra Sansthan and Rural Housing Company Ltd have earned profits while the remaining 3 such PEs sustained loss. The net fixed assets of all PEs in this sector by FY 2010/11 stood at Rs. 916.7 million, with a decrease of Rs. 69.8 million from Rs. 986.5 million in FY 2009/10. The outstanding debt of PEs in this sector remained at Rs. 224.3 million in FY 2010/11. Of all 5 PEs of this sector, Cultural Corporation is the only borrower from the Government. The shareholder's fund of all PEs that amounted to Rs.

1,149.9 million in 2009/10 reached Rs. 1,156.1 million in FY 2010/11 with an increase of Rs. 6.2 million between these two periods. The shareholder's fund of all PEs remained positive except that of Cultural Corporation with a negative figure of Rs. 23.5 million. In FY 2009/10, the number of employees in all PEs of this sector was 2,037 while this figure rose by 23 in FY 2010/11 reaching the total to 2,060.

Public Utility Sector

14.14. Nepal Electricity Authority, Nepal Water Supply Corporation and Nepal Telecom Company are the 3 PEs in this sector. The net operating income of PEs in this sector stood at Rs. 44.63 billion with the increase of 5.04 percent in such income in FY 2010/11 as compared to its previous fiscal year. Among these PEs, Nepal Telecom registered highest operating income of Rs. 26.41 billion while Nepal Water Supply Corporation recorded the lowest income of Rs. 271.8 million. While analyzing the overall net profit of PEs in this sector, the net profit that stood at Rs. 6.61 billion in FY 2009/10, dropped to Rs. 6 billion in FY 2010/11 with a decline of 9.22 percent. Nepal Electricity Authority (NEA) has sustained the loss of Rs. 6.09 billion while that of Nepal Water Supply Corporation was Rs. 33.2 million. Nepal Telecom which generated a profit of Rs. 12.12 billion has pulled up this sector to the profit pool. The net fixed assets of this sector that stood at Rs. 119.09 billion in FY 2009/10 came down to Rs. 99.07 billion by the end of FY 2010/11 with decrease of Rs. 20.01 billion. The shareholders' fund of all PEs in this sector has remained positive with Rs. 81.42 billion. The outstanding debt of PEs under this sector totals Rs. 63.6 billion and to this amount, NEA shares Rs. 62.63 billion while the share of Nepal Water Supply Corporation is Rs. 964.3 million.

Financial Sector

14.15. Nine corporations are operating in this sector. The total operating income earned by these enterprises rose from last year's figure of Rs. 13,450.4 million with growth record of 21.8 percent reaching Rs. 16,384.1 million this year. Among the 9 PEs of this sector, 5 of them have witnessed positive growth in their respective operating incomes while others namely Nepal Industrial Development Corporation, Deposit and Credit Guarantee Corporation Ltd, Nepal Stock Exchange Ltd, and Rastriya Beema Sansthan (on non-life insurance) have shown declining trend in their net operating incomes. Among the PEs having

positive growth in net operating income, Rastriya Beema Sansthan (on life insurance) recorded the highest growth of 81.53 percent and Deposit and Credit Guarantee Corporation Ltd., has witnessed the highest negative growth of 52.83 percent among all loss bearing enterprises. While analyzing the total net profit/loss situation of this sector, the net profit that stood at Rs. 4,767.7 million last year reached Rs. 5,490.7 million with an increase of 15.16 percent. Rastriya Banijya Bank has earned a profit of 1,759.3 million and Agriculture Development Bank earned Rs. 2,365.5 million whereas Nepal Awas Finance Ltd has been the lowest profit making enterprise among all PEs of this sector registering a profit of Rs 31.7 million in 2010/11 as against its last year's profit of Rs. 13.8 million. Such growth in its income is attributed to the rise in its transactions with real estate business among others. The other liabilities and deposits of PEs under this sector, that amounted to Rs. 103.77 billion in the previous FY 2009/10, has reached Rs. 135.78 billion this year. The outstanding debt which was Rs. 6,339.7 million in previous year has increased to Rs. 7,462.7 million this year. Of this total amount, the share of Rastriya Banijya is Rs. 4,812.8 million and that of Agriculture Development Bank is Rs. 2,543.7 million. The credit and investment flow of PEs under the financial sector that amounted to Rs. 64.69 billion in FY 2009/10 grew to Rs. 107.32 billion this year. The credit and investment of Agriculture Development Bank has increased in FY 2010/11 as compared to its previous fiscal year while that of Rastriya Banijya Bank has also increased significantly during this period. During FY 2010/11, the net fixed asset of PEs under this sector reached Rs. 1,743.1 million from Rs. 1,708.7 million in FY 2009/10 with the growth of 2.01 percent. Similarly, the shareholders' fund of PEs under this sector stood at Rs. 21,444.9 million in this fiscal year. The shareholders' fund of Rastriya Banijya Bank that remained negative by Rs. 10,056.4 million in FY 2009/10 recorded some improvement in the following year by containing this figure to Rs. 8,205.3 million. Rastriya Banijya Bank has been showing gradual improvements in its shareholders' fund after the Bank entered into Management Contract under the World Bank Assisted Financial Sector Reform Program in 2003.

Management Leadership

- 14.16. Two types of human resource are working in PEs, namely, Top Level Management and the Functioning Staff. Management of these PEs

recruits functional level human resource to operate and facilitate company's managerial tasks while Government of Nepal appoints Executive Chairman, Managing Director at top level management. Beginning from FY 2011/12, the Government of Nepal has adopted the policy of recruiting Chair person, Members and Managing Director through Public Enterprises Direction Board.

Human Resource Management

14.17. Based on the factual information for FY 2010/11, the number of employees recruited at the functioning level totalled at 32,383. This number stood at 33,526 in its previous fiscal year. Almost all public enterprises have the problem of overstaffing. The analysis based on per employee contribution to the net operating profit of these enterprises, only the service sector, the financial sector and the public utility sector showed positive figures.

Status of Auditing

14.18. All PEs are required to conduct their audits annually within the stipulated time frame. But of the 37 PEs, only 21 enterprises have their accounts audited until FY 2010/11 while 8 of them have their audits until 2009/10 and 2 of them have completed their audits only up to FY 2007/08. The audit of Udaypur Cement Factory has not been conducted after FY 2000/01 whereas audit of Rastriya Beema Sansthan has been completed till FY 2002/03.

Policy related Board of Directors of Public Enterprises

14.19. In order to make improvements in operation and management and thereby meeting the targeted goals, Government of Nepal has adopted the policy of appointing the members of board of in PEs from among competent entrepreneurs and professionals. This policy has been followed in most of the PEs. However, number of such board of directors in some PEs is guided by their Acts/Rules under which they are established. Hence, some of the PE's have more than 5 members in their board.

Discrepancies in Government Share and Loan Investments

14.20. With regard to the government of Nepal's share and loan investment on Public Enterprises (PEs), discrepancies found between the Statement of

Accounts submitted by the concerned PEs and those prepared by the Comptroller Auditor's General Office since last few years are yet to be reconciled. Such persistent discrepancies will add to the complexity in the accounting process and fail to give clear picture of actual financial position of PEs. The discrepancies in details provided by PEs and CAG are presented in table (14 a) and table (14 b) below:

Table 14 (a): Discrepancies in Government Accounting of Share Investment in Public Enterprises

S.N.	Name of the Public Enterprise	Amount in 100 thousand		
		As shown by the PE	As shown by CAG	Difference
	Industry			
1	Dairy Development Corporation	2,865	2,864	1
2	Nepal Herbs Production and Processing Co. Ltd	275	396	(121)
3	Hetauda Cement Industry Ltd.	9,007	9,006	1
4	Janakpur Cigarette Factory Ltd	408	408	-
5	Nepal Drugs Ltd	748	747	1
6	Udayapur Cement Factory Ltd	36,481	36,481	-
7	Nepal Orind Magnesite Ltd	3,750	3,750	-
	Total	53,534	53,652	(118)
	Trade			-
8	Agriculture Tools Co. Ltd	4,143	4,143	-
9	National Seeds Co. Ltd	1,185	1,100	85
10	National Trading Ltd	1,693	1,693	-
11	Nepal Food Corporation	9,905	9,992	(87)
12	Nepal Oil Corporation	951	2,908	(1,957)
13	The Timber Corporation of Nepal	155	154	1
	Total	18,032	19,990	(1,958)
	Service			-
14	Nepal Industrial Development Corporation	1,214	1,214	-
15	National Construction Company Nepal Ltd	621	620	1
16	Nepal Transport and Warehouse Management Co. Ltd	122	122	-
17	Nepal Engineering Consultancy Service Center Ltd	72	37	35
18	Nepal Airlines Corporation	1,623	3,792	(2,169)
19	Nepal Productivity and Economic Development Center Ltd	19	19	-
20	Civil Aviation Authority of Nepal	117,354	128,234	(10,880)
	Total	121,025	134,038	(13,013)

Source: Corporation Coordination Division, Ministry of Finance

Table 14 (b): Discrepancies in Accounting of Government Lending to Public Enterprises

S.N.	Name of the Public Enterprise	Amount in 100 thousand		
		As shown by the PE	As Shown by CAG	Difference
	Industry			
1	Dairy Development Corporation	-	-	-
2	Nepal Herbs Production and Processing Co. Ltd	609	608	1
3	Hetauda Cement Industry Ltd.	1,300	1,300	-
4	Janakpur Cigarette Factory Ltd	1,856	2,600	(744)
5	Nepal Drugs Ltd	2,318	2,317	1
6	Udayapur Cement Factory Ltd	17,250	22,099	(4,849)
7	Nepal Orind Magnesite Ltd	10,625	3,807	6,818
	Total	33,958	32,731	1,227
	Trade			-
8	Agriculture Tools Co. Ltd	-	-	-
9	National Seeds Co. Ltd	-	-	-
10	National Trading Ltd	1,000	1,000	-
11	Nepal Food Corporation	-	42	(42)
12	Nepal Oil Corporation Ltd	104,910	104,910	-
13	The Timber Corporation of Nepal	547	577	(30)
	Total	106,457	106,529	(72)
	Service			-
14	Nepal Industrial Development Corporation	-	-	-
15	National Construction Company Nepal Ltd	-	10	(10)
16	Nepal Transport and Warehouse Management Co. Ltd.	364	364	-
17	Nepal Engineering Consultancy Service Center Ltd	-	-	-
18	Nepal Airlines Corporation	3,693	3,469	224
19	Nepal Productivity and Economic Development Center Ltd	-	-	-
20	Civil Aviation Authority of Nepal	16,288	51,923	(35,635)
	Total	20,345	55,766	(35,421)

Source: Corporation Coordination Division, Ministry of Finance

Unfunded Liabilities

14.21. All PEs have high payment liabilities that they owe to their both on-the-job and retired employees on various headings such as gratuity, pensions medical treatments, insurance and accrued leaves. As such, most of the PEs fund do not cover these liabilities and other potential liabilities, due to which unfunded liabilities of these enterprises have continued to rise. The unfunded liabilities of PEs stood at Rs. 29.38 billion in FY 2009/10 which, however, has come down to Rs. 24.30 billion in FY 2010/11.

Operation Plan

- 14.22. Most of the PEs have not been able to formulate and implement their plans in line with their respective visions, strategies and work policies by defining objectives, tasks/performances, results, quantities and means of verification clearly. Majority of them not only lack operational plans, but also their mid-term and long-term improvement plans are missing and those institutions which have these plans are also with weaker implementing situation.

Legal Provisions for the establishment of Institutions

- 14.23. PEs have been established under 5 different Acts. 23 institutions have been established under the Company Act, 2 under the Corporation Act, 7 under Special Acts for Concerned Corporations, 2 under Information Act, and 3 under Bank and Financial Institution Acts. The nature of operation of various types of institutions is different since they are established under various Acts for the production and distribution of goods and services. By-laws of such institutions that are formulated for their individual service operation are different as they are done on the basis of Acts under which they are established. As a result, there is no uniformity in their bylaws. Likewise, the appointment process, the services and facilities to be provided by the government to the human resource engaged in these PEs are also not uniform. Hence, Public Corporations Direction Board has been formed with a view to bring improvements in PEs, uniformity in their policies and for effective monitoring as stipulated in the public speech on income and expenditure of the FY 2010/11.

Collective Bargaining and Trade Union Management

- 14.24. Trade Unions in PEs have been found to be engaged more on raising issues of increasing facilities of employees rather than concentrating on improving management system for effective performance of their tasks. Likewise, terms and conditions for services and amenities of employees are found to have accorded high priorities than policies, strategies and work plans that are essential for institutional development. None of the PEs have been able to hold elections for authorized Trade Union so far.

Coordination

- 14.25. Both the intra and inter-institutional coordination in PEs are found to be very weak. Intra-institutional coordination between management and operation and inter-institutional coordination are lacking.
- 14.26. Arrangements have been made for the Public Enterprises Direction Board to carry out coordination and monitoring works as it is difficult for having effective coordination and monitoring of diverse nature of PEs only through the Corporation Coordination Division of Ministry of Finance.

Privatization

- 14.27. Government of Nepal initiated the process of privatization, liquidation and termination of PEs in 1993 with the objectives of raising the private sector's productivity through their skills enhancement, ease the government's financial and administrative burden, increase the private sector participation, and ensure effective and efficient delivery of goods and services. By FY 200/11, the Government has divested 30 PEs through adoption of various modalities including the sale of businesses assets, partial disinvestment of shares, sale of current assets, leasing of buildings and land, management contract, liquidation, and termination, etc.
- 14.28. Monitoring of post privatization status of privatized institutions have not been carried out. Some Corporations have closed their shutters after their privatization and those in operation also have not been able to increase their investment and production resulting in reduction of employment opportunities. In this process, a task force was created, which has conducted studies on actual situation of PEs and has submitted its Reports on issues seen in the privatization with their possible time contextual solutions to improve government owned and privatized PEs.
- 14.29. In FY 2010/11, the government owned shares in Small Farmer Development Bank have been sold out to Small Farmer Cooperatives and the sales proceed has been deposited in the government's revenue account. With regard to capital restructuring process of Agriculture Development Bank, Government of Nepal has granted approval in principle to the Bank to implement capital restructuring plan in line with the objectives of its establishment and areas of interest. For this,

the Government has agreed to divest its 30 percent of its total 50.78 percent share to a strategic partner while holding the maximum of 21 percent ensure the Bank's vibrant presence in rural finance sector. Agriculture Development Bank Divestment Technical Sub-Committee has been formed to provide support to implement and for having implemented such decision and the sub- committee has already started its works.

- 14.30. Privatization process of none of the institutions has progressed in the fiscal year 2010/11. Of the privatized institutions, liquidation process of Agriculture Lime Industry (P) Ltd. has been completed and it has already been delisted from the record of Company Registrar's Office.

Challenges encountered in Privatization Program Implementation

Adjustment of Accounts

- 14.31. Concluding the process of privatization has been facing hurdles due to disputes arising from large discrepancies found between the valuation done on part of the Government, which is based on Information Memorandum with details of the quantity of assets, quality and status, and valuations prepared on behalf of the buyers. Such differences could not be settled as of today. Of such disputes yet to be settled include Balaju Textiles, Raghupati Jute Mill, Bhaktapur Brick Factory and Nepal Rosin and Turpentine etc.

Land Encroachment:

- 14.32. Privatization could not be concluded due to the failure of buyer to make use of the leased land because of encroachment. Raghupati Jute Mill and Nepal Tea Development Corporation are the examples of such issues.

Cases in litigation

- 14.33. Buyers of some privatized public enterprises have gone for litigation process showing disagreement on the amount they owe to the Government and as a result, realising the Government dues and closing the privatization process of such PEs have become difficult. Examples of such problems are Harishiddhi Brick and Tile Factory, Bhrikuti Paper Factory and Agricultural Tools Factory.

Difficulties in Management of Assets:

- 14.34. Assets of liquidated and terminated PEs could not be sold out. The assets of Hetauda Textile Industry could not be sold out even after six year of its liquidation. Similar situation exists in Nepal Drilling Company, Birganj Sugar Factory, and Agriculture Tools Factory.

Monitoring and Evaluation:

- 14.35. The actual situation of privatized PEs could not be assessed as monitoring of such privatized PEs could not carried out to assess whether these enterprises have been able to achieve the objectives of privatization. Hence, it is imperative to develop mechanism for carrying out regular monitoring and evaluation of such privatized PEs.
- 14.36. The government is made to bear huge financial liability for privatization process of PEs. In the later phase, the government has shouldered financial obligation for settling the liabilities of those divested and liquidated PEs. In this situation the government needs to bear greater financial burden of PEs under unaccomplished liquidation, termination or divestment process.
- 14.37. Generally, the liabilities of PEs have to be borne from their assets while the liabilities of that PEs established as a limited company are to be limited only on their shares invested. But the government is found to have been making huge investments on its minority shareholding companies like the Biratnagar Jute Mills.

15. TABLES

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Note:

- There are some additional tables, change in formats and statistical presentation of tables so it differs from previous years.
- Some statistics are round-up, so it may differ with total.
- Blanks or ... or – shown in tables refer not availability of statistics and negligible figure.
- Some statistics may differ with previous tables due to updated statistics of National Account Statistics.