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We are pleased to bring forward the 31st edition of Sambah. During the last six months, lots of positive and significant changes have taken place in the country. There have also been a number of positive changes in IIDS during this period. IIDS has been slowly moving towards becoming a major think tank of Nepal, which was the principal mission when it was established some three decades ago. Lately, it has been conducting cross cutting policy oriented empirical research and offering policy suggestions to the government on major socio-economic issues.

In light of its mission, IIDS has recently conducted a study entitled “Nepal Economic Outlook 2011-12” which forecasts country’s economic growth rate, elucidates major issues affecting country’s economic growth and suggests policy recommendations. The study intends to inform policy makers on Nepal’s burning issues and suggest ways to transform Nepal from a least developed country to a prosperous one in future. A draft version of “Nepal Economic Outlook 2011-12” was launched officially on 25 June 2012 amid a function, which was attended by senior government officials, leading economists and media representatives. In future, IIDS will bring out Nepal Economic Outlook around June on a yearly basis.

IIDS has recently completed a study on “Strengthening Monitoring and Evaluation System in Nepal- a baseline survey”, for JICA as part of SMES II project. Besides this, IIDS has been working on various important projects with different organizations including Asian Development Bank, The World Bank, International Food Policy Research Institute and The Asia Foundation for the last one year. Recently, IIDS has also signed a three-year contract with the Governance Institutes Network International (GINI) to conduct a study on Tax Policy and Enterprise Development in South Asia with financial support from IDRC, Canada.

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Seminars

A workshop on "**Situational Assessment for the Preparation of Nepal Agriculture and Food Security Project (NAFSP)**" organized jointly by IIDS/IFPRI and funded by USAID was held in Hotel Del' Annapurna in Kathmandu on 16 May 2012. The purpose of this workshop was to get feedbacks and suggestions from the stakeholders. About 100 participants from various governmental and non-governmental organizations attended the workshop

Seminar on Nepal Economic Outlook 2011-12

The Institute for Integrated Development Studies (IIDS) launched its flagship publication "**Nepal Economic Outlook 2011-2012**" (Draft) amid a seminar that was held in Kathmandu on 26 June 2012. The report makes a number of policy recommendations for reforming the existing macroeconomic situation of the country. The seminar was attended by a large number of senior government officials including the Member of National Planning Commission, Finance Secretary, prominent economists and media representatives.

The study intends to inform policy makers on Nepal's burning issues and suggests ways to transform Nepal to a prosperous country in future.

Projects

IIDS along with the International Food Policy Research Institute (IFPRI) is about to complete a study on Nepal Food security and Livelihood Enhancement, funded by USAID and managed by World Bank.

IIDS and Total Management Services (TMS) are jointly working on a project 'The Program for Accountability in Nepal (PRAN)' funded by World Bank (2010-2013).

IIDS Just completed a Study on Business Expectation Survey (BES) of Nepal, funded by the Confederation of Nepalese Industries (CNI). The findings of the report will be disseminated in an open conference soon.

IIDS recently completed the study on Strengthening Monitoring and Evaluation system in Nepal II (SMES II) funded by JICA/IDCJ.

IIDS is conducting survey for Impact Evaluation of the Community Groundwater Irrigation Sector Project in Nepal funded by ADB/Manila.

IIDS recently signed a three year contract with Governance Institute Network International (GINI) to conduct study on Tax Policy and Small Enterprises Development in South Asia funded by IDRC, Canada.

IIDS is conducting perception Survey on Regional Dialogue funded by The Asia Foundation, Nepal.

IIDS Staff Participations

Dr Bishnu Dev Pant, Executive Director of IIDS attended the "13th Annual GDN Conference". which was held in Budapest, Hungary from 16 to 18 June, 2012. Dr Pant made a presentation on "Issues on Urban Governance in Nepal, with Special Reference to Kathmandu Metropolitan".

Dr Aruna Palikhe, Senior Economist participated in the workshop on "Agriculture, food Security and Nutrition in Nepal: Taking Stock and Defining Priorities" on 21-22 march, 2012 in Kathmandu organized by John Hopkins Bloomberg School of Public Health.

_____ participated in a Public-Private Dialogue (PPD) on "Analytical Study on export of Tea and Lentils from Nepal" on 17 April in Hotel del' Annapurna Kathmandu organized by SAWTEE.

_____ participated in a Public-Private Dialogue (PPD) on Nepal-China Trade on 26 April

2012 in Hotel Himalayan, Lalitpur organized by SAWTEE.

Mr Manbar Singh Khadka and Mr Nandakaji Budhathoki, Economists, attended the four weeks Refresher course in Public Economics for South Asian Region organized by National Institute of Public Finance and Policy (NIPFP), New India from May 14 to June 8, 2012. A paper entitled “Issues of Fiscal Federalism in Nepal” presented by Mr Nandakaji Budhathoki, IIDS economist, was awarded second prize among 24 papers presented

by university teachers and researchers from south Asia.

IIDS Staff Movements

Mr. Binod Shrestha joined IIDS as a Statistician. Mr. Shrestha received M.S. in Statistics from Minnesota State University, Mankato, USA and B.S. in Actuarial Science from Minnesota State University Moorhead, Moorhead, USA. Before joining IIDS, he was an instructor of Mathematics at Minnesota State University, Mankato, USA.

Introduction

Agriculture is the mainstay of Nepal's economy however; agricultural output has been declining over the past several years. Agriculture is Nepal's major labor absorbing sector. It still serves as major sector for providing rural employment, producing the raw materials for the agro-industries, providing market for the industrial products, thereby contributing about one-third of the annual GDP of the country. Preliminary Nepal Living Standards Survey (NLSS) 2010/11 findings show that the population engaged in agriculture sector has decreased from 78 percent to 64 percent in the year 2009/10. Similarly, the GDP contribution of agriculture sector has declined from 38 to 33 percent. The decline in agricultural labor force is because of out-migration of most of the productive labor in search of jobs and opportunities. This is creating labor scarcity in the agriculture sector. If this trend continues, Nepal's agriculture sector will suffer immensely in coming years.

This paper sheds light upon Nepal's agricultural performance and food security scenario amid climate change over the past several decades. It reflects upon several important agricultural policies aimed toward boosting agricultural production and productivity and suggests way forward for the enhancement of agricultural sector in the country. The paper nevertheless shows Nepal's bleak agricultural scenario mainly due to lack of effective initiation and implementation of policies by the government.

Agricultural Performance

Despite receiving top priorities from the government the performance of agriculture sector has been disappointing. Table 1 shows the GDP growth rate of agriculture and non agriculture sector in different plan periods. The growth rate started declining after 90s and varies between 2.7 to 4.7 percent during different plan periods. The agricultural growth rate was lowest in the tenth plan period which showed some improvement in the interim plan 2007-10.

Table 1. GDP growth rate of Nepal in different plan period

Variable	Plan Period					
	Sixth (1980-85)	Seventh (1985-90)	Eight (1992-97)	Ninth (1997-2002)	Tenth (2002-07)	Interim plan (2007-10)
Agriculture	4.7	4.1	3	3.3	2.7	3.36
Non- Agriculture	4	5.5	6.3	39	3.8	5.13

Source: NPC, 1090, 1975, 1980, 1985, 1992, 1998, 2003, 2008, 2010 cited in Maharajan et al. 2010

Table 2 shows percentage contribution of agriculture and non-agriculture sector to annual GDP since 2001. The contribution of agriculture sector has been decreasing continuously since 2001.

Table 2. Percentage contribution of Agriculture and Non Agriculture Sector

Industries	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09R	2009/10R	2010/11P
Agriculture	36.15	36.92	36.03	35.45	34.71	33.09	32.07	32.12	32.1	34.6	35.3
Non Agriculture	63.85	63.09	63.98	64.55	65.29	66.91	67.93	67.88	67.91	66.97	64.7

Source: Economic Survey, 2010/11 P: Preliminary estimate R: Revised estimate

Production Trend

Agricultural production in Nepal is dominated by cereal crops. Rice, maize, wheat, millet and barely occupies nearly 75% of total cultivated area. Among these crops, rice is the most common crop which occupies 35% of total cultivated area. The production of wheat and maize is low but increasing very

slowly, where as rice production is high but its production trend has varied greatly over the years since 1990 to 2010. This fluctuation in rice production is due to unpredictability of the monsoon rain. Production of cereal crops is largely dependent on rainfall as only 27.7 percent of the total arable land is irrigated (World Bank, 2008).

Food Security Situation

Since early 1990s, the crop production has not been able to meet the growing food demand in the country. Nepal falls on 16th position in from below among the 31 nations reeling from food deficiency. According to the government statistics, out of total 75 districts 43 are still not producing enough food to meet minimum requirements, even when the edible total cereal grains production exceeded the net requirements (CBS, 2010). The core elements of food security are availability, accessibility and utilization of food (WFP, 2010). Poor agricultural performance and geographical structure limits the productivity and accessibility. Geographically, Terai is a food surplus region and is considered the granary of the country, whereas the hill and mountain regions generally experience food deficits. Food production also varies from east to west. Crop production is often very poor in the far-western and mid-western regions, due to the traditional cultivation practices, the terrain land field and monsoon. Therefore, not surprisingly these areas have the highest rates of food insecurity and hunger.

In 2010, for the first time in Nepal’s history, some Terai districts namely Sunsari, Saptari, Mahottari, Sarlahi, Rautahat, Siraha, Kailali and Dhanusha were unable to produce adequate food grains for themselves due to bad weather (MoAC, 2010). These districts used to produce the surplus amount of food in the past. Since the major food producing region itself is facing food deficit, it has the impact on food availability and food security throughout the country. Nepal imported 350,000 tons of food grains during fiscal year 2009/10. Its average food grains import for the past five years before 2009/10 was 250,000 tons a year.

According to the Agribusiness Promotion and Marketing Development Directorate, of the Department of Agriculture (DOA), the country was under food–grain deficit situation throughout 1990s. From 2000, the country started attaining food-grain self-sufficiency and maintained it until 2004/05. After 2005, country beginning suffering from food grain deficiency due to bad monsoon, except in the year 2007/08. It is thus evident that during the past ten years, there was food surplus in the country in seven out of ten years. The three year’s food shortage in remaining three years was mainly due to vagaries of weather conditions.

Food Distribution System

There are a number of actors trying to address food deficiency problem in Nepal. Nepal Food Corporation (NFC) is the main player which supplies food grains in the food deficit districts. Table 3 below shows the amount of food supplied by NFC. Although, the government has distributed food in the remote districts through the NFC, the corporation is unable to supply food to all food deficiency districts.

Table.3 Food Grain Distribution by Nepal Food Corporation

Fiscal Year	Allocation Ceiling	Quantity Received	Quantity available	Quantity Sold
2004/2005	64,400	48,048	63,549	5,586
2005/2006	65,200	48,441	56,311	47,647
2006/2007	80,320	73,884	79,926	73,370
2007/2008	71,100	109,753	116,303	92,409
2008/2009	75,000	111,728	137,098	121,418
2009/2010	185,000	175,140	192,996	152,969
2010/2011	177,900	173,521	213,929	162,280

Source: Nepal Food Corporation, 2011

There are also a number of other programs such as ‘Food for Work’ and ‘School Feeding’ as well as projects supported by WFP, which supply food to deficit districts, but the amount of food supplied is very low. The food distribution however seems to be extremely unreliable due to the high transportation cost especially in those districts which are not connected with road transport.

Agriculture in Nepal is labor intensive. The agricultural farms are still operated with the traditional methods and it still depends on rain water. There has been hardly any investment made either by government or by non- governmental agencies. Table 4 below shows the trend of budget allocations for agriculture and other sectors. It shows that in 2010/11 the government budget allocated for agriculture sector was about 2 percent of the total budget.

Table 4 Government's Agricultural Budget Allocation since 1999/2000 to 2010/11

Year	Estimated Expenditure	Estimated expenditure in Agriculture	Percent
1999/2000	77,238,226	3,015,713	3.9
2000/2001	91,621,335	3,501,040	3.8
2001/2002	99,792,219	4,018,455	4.02
2002/2003	96,124,796	2,285,176	2.37
2003/2004	102,400,000	2,355,916	2.3
2004/2005	111,689,900	2,682,819	2.4
2005/2006	126,885,100	3,807,995	3
2006/2007	143,912,300	3,955,231	2.75
2007/2008	168,995,600	5,824,568	3.45
2008/2009	236,015,897	5,908,113	2.5
2009/2010	285,930,000	8,064,437	2.82
2010/2011	337,900,000	10,225,403	3.03

Source: MoF/GON, Compilation of budget speeches different fiscal years

Food and Agricultural Policies

Food security entered the formal development agenda of the government of Nepal only in early 1980s following the world's attention to the food problem during the late 1970s (Maharjan, et al., 2010). However, due focus on food policy and planning was given only after the formulation and implementation of Agriculture Perspective Plan (APP) and the ninth plan. Before ninth plan, agriculture sector was given less importance. At that time Nepal used to be net exporter and had sufficient amount of domestic production. However since 1987/89 onwards, Nepal became net importer.

Even though sixth and seventh plans allocated nearly one-third of its total expenditure to agriculture and irrigation, budget allocated to those areas could not be fully utilized. After the establishment of multi-party government in 1991, a comprehensive set of reforms affecting all sectors of the economy including agriculture was initiated under the eighth five-year plan (1992–1997). The government adopted an open policy for foreign investment. The ninth plan (1997–2002) also emphasized investments in agriculture. Under the tenth plan, priorities were shifted to poverty reduction through agriculture development. However a landmark decision regarding food policy was made for the first time only after the adoption of APP in 1994/95. Government also documented a National Agriculture Policy in 2004, and a 2006 Agri- Business Promotion Policy in 2006.

The two major objectives of the APP were poverty alleviation and increased food security. Growth in agriculture was expected to achieve by increasing the factor productivity, transforming the subsistence based agriculture into commercial one by strengthening and diversifying the production pockets, reducing poverty by providing employment opportunities, promoting the involvement of private sectors in the development of agriculture, expanding opportunities for overall economic transformation by fulfilling the precondition of agricultural development, identifying immediate, short-term and long-term strategies for implementation and providing clear guidelines to prepare periodic plans and future program.

Constrains, Challenges and Recommendations

Development of agriculture sector is very important in a country like Nepal as more than two third of the population are engaged in agriculture and one third of the total GDP comes from this sector. It is vital for reducing poverty and also for improving the food security in the country. Agriculture policies

can be effective if they are implemented and followed through. There are numerous programs run by aid-agencies for more than a decade but the government is unable to solve the problem of food deficiency and nutrition program. There are a lot of challenges and issues that needs to be addressed.

The perpetual problem of low productivity of agriculture in Nepal needs to be changed if the country has to achieve self-sufficiency in agriculture. In order to increase agricultural productivity, inputs such as irrigation, chemical fertilizers and agriculture extension services are extremely important and will have to be made available as needed.

Similarly, Infrastructures development plays important roles in raising agricultural production and in reducing poverty in rural areas. The lack of physical access to the road network not only impact negatively on the delivery of agricultural inputs but also creates difficulties on the supply of food. Hence, there is an urgent need to invest for the development of rural infrastructure.

Even though the agriculture sector has been going downhill, it still contributes to more than one third of the GDP. It has a huge impact on economic growth and at the end to fight against poverty. Thus, commercialization of agriculture requires several factors which include policy support, capacity building, investment in research, human resources and infrastructural development and market information sharing.

Effective food distributions strategies should be developed. Existing food distributions mechanism is not sufficient enough to protect the poor people from unprecedented rise in food prices. Hence, there is an urgent need to review the present activities of NFC.

Climatic changes like increase in landslides in the hilly and mountain region, erratic monsoon rainfall and reoccurrence of flood are likely to have severe impact on agricultural production and food security in the country; therefore, finding cost effective, sustainable strategies for adapting to climate changes must remain a priority for the government.

Nepal Agricultural Research Council (NARC) is the principal agency undertaking research in Nepal. However, it has been widely commented that the system is not dynamic enough in responding to the emerging needs of the farmers and entrepreneurs operating under an increasingly competitive environment.

Increased investment to enhance research capability of the agricultural research institutions including that of agricultural universities are extremely important in order to be able to respond and redress the declining productivity and increasing food insecurity.

CONCLUSION

Nepal's agricultural production and productivity has lagged behind over the past several years, while other South Asian countries have made strides toward agricultural self sufficiency and reliance. There is the scarcity of agricultural laborers mainly due to migration of youths to foreign countries for better job opportunities. In one hand it has helped the country's economy through remittances, on the other hand it will not lead the nation in the path of sustainable economic development. Furthermore, manufacturing sector has not gained momentum and thus agricultural sector needs to be revamped in order to achieve a sustainable economic development and poverty alleviation in the nation. In order to attract youth in agricultural sector there is a need to create greater awareness about the importance of agriculture and is also suggested that it should be incorporated in the education sector of Nepal.

Despite many efforts, the government has time and again failed to successfully implement various plans and policies, primarily due to lack of political commitment and social accountability. Thus, these policies and programs needs to be reviewed and the government needs to use different methods to significantly strengthen its capacity.

* Dr Pant is Executive Director of IIDS

** Dr Palikhe, a former staff of IIDS, is presently associated with FNCCI.

Long standing practices of caste and ethnic discrimination, greater power privileges to the so called upper castes, centralization of authority in capital, uneven development and persistent mass poverty in some of the geographical regions for the longtime are some of the key factors behind the demand of federalism in Nepal. Under federal system, sovereignty of political powers is divided between the central and the state government. The centre and the states have their separate lists of functions, and therefore, must have separate power in terms of spending and taxing.

Fiscal federalism basically concerns with how expenditure and revenue allocation is made among different tiers of government. The main criterion of allocation of tasks is whether the particular tasks can be best discharged by the centre or by the states, and the allocation should be made accordingly. Functions of national importance are assigned to the central government, and of regional importance are assigned to the state government.

Major contentious issues in our case include the numbers of states, names of the states, carving the boundaries of the states, classification and management of natural resources, revenue sharing, resources allocation and reliable fiscal policy with regards to the proposed federal structures. Finding sustainable, efficient and equity based redistribution of resources that ensures and enhances welfare and prosperity among the sub- national units should be at the center of the present political discourse.

12 districts of Nepal contribute 94% of the total revenue collection, while the rest contribute only 6% of the total revenue. Kathmandu district alone contributes 42% of the total revenue. Therefore, redistribution of wealth from the wealthy to poor state will be a serious concern in the proposed federal structure. Disputes on natural resources allocation, such as oil revenue allocation in Nigeria or water conflict among the Indian states, are some of the likely problems.

People have different perception on resources sharing. Some advocate that revenue allocation should be made on the basis of principle of derivation. Where as others argue that central government needs to control the natural resources, and share the revenue with the provinces on equitable basis. Otherwise, wealthier states get richer and poor states remain poor.

Expenditure responsibilities should be assigned to the state or local governments because they are closer to the local people, and have the best knowledge of the grassroots scenario. Tax responsibilities should rest with the states and central government. Taxation should ensure equity, efficiency. Taxation of resources extending over the whole country, and which affects the economic life of the whole nation, should rest in the federal hands. Custom duties, corporate income tax, natural resource tax, excises duties should be imposed by the central government. Land tax, user charges, poll tax etc. should be assigned to the local or state government. Some taxes such as sales tax and income tax can be imposed by both the federal and state governments.

The centre is always financially stronger than the states because of the elastic sources of the revenue assigned to the central government. Any imbalances in the economy can be corrected by intergovernmental transfer from the central government to the state government. Transfers of resource to the states will be of three types: division of proceeds of certain tax, grants by the centers to the states and loans given by the center. In many cases, certain taxes levied and collected by the central government wholly and partially are distributed to the states. Such distribution should be based on

states contributions of taxes to the total revenue, needs of the states, population, social backwardness etc.

When taxation devices are insufficient to correct the imbalances between federal and state governments, grants are allotted on the basis of needs measured in terms of population, plans for welfare and development, and backwardness of the states. Central government should collect the natural resource revenues, and share with the provincial governments on the basis of population, equality of the states and principles of derivation (more revenue to the resource owned states).

Reviewing of composition of international fiscal federal practices is a subject of great concern for Nepal. A study shows that central governments of Switzerland and Canada collect 45% of the total revenue; United States of America by 54%; Belgium, India, Austria, Australia, Germany and Spain collect 60 - 75%. Whereas central governments of others federal countries like Argentina, Malaysia, Mexico, Nigeria and South Africa collect 80% of the total revenue. Central government expenditure is lowest in Belgium, Switzerland, Canada and Germany with 30-40% of the total spending. Central spending in Austria, Australia, Argentina, Brazil, India, Mexico, Nigeria, Spain, Russia and United State is around 45 to 60%. In the case of transfer, the central transfer in Switzerland, United states of America and Canada is around 13 to 26%, 23% in Russia, 30% in Malaysia, 44% in Germany and 46% in India and Australia. Nigeria, Mexico and South Africa transfer 87% of the total revenue to the local bodies.

Intellectuals and different political parties have proposed different models of state restructuring. Some give more priority to identity or ethnicity for carving the boundaries of the state; some take into account the economical issues, and others emphasizes on both identity and economic viability. They should also take into consideration the natural resources allocation, and whether the states are economically viable to generate their own resources to spend? The economic status of the people in those proposed states, numbers of people, area covered by the states should also be looked into. Is there any homogeneity in terms of ethnicity, culture and language? Election manifestos of three major political parties UCPN (Maoist), UML and Nepali Congress show that there exists much commonality in division of powers and distribution of jurisdictions. There is consensus on foreign policy, currency, national security, international trade, monetary policy and the central bank, large hydropower, mega projects, railways, airways, national highways, customs duty and other issues of national interest being controlled by the central government. Whereas issues like water, land, forest resources, education and health should be under the jurisdiction of provincial governments.

While carving the boundaries, both identity and economic viability should be taken into account to lessen the possible disputes in the future. Regarding the resource allocation and revenue sharing, we have to take lessons from other countries with federal system and apply the best practices suitable to our context.

* Mr Budhathoki is an economist at IIDS

Constraints to Nepal's Economic Growth and Development

- Mr. Manbar Singh Khadka*

Introduction

Despite having tremendous potentiality for growth and development, Nepal continues to remain as one of the least developed countries in the world. It has not been able to efficiently utilize its resources for rapid economic growth. Over the past decades, it has transformed from a net food exporting country to a net food importing one. The country's developmental aspirations have been deterred by a plethora of issues, such as political instability, poor industrial relations, and weak governance among others. It is therefore imperative for Nepal to have political stability, favorable trade environment, and efficient policies to achieve the targeted economic growth rate.

Historical data reveals that Nepal's economic growth rates were as high as six to nine percent in the 1980s (Acharya, 2012). Factors that led to high growth rates were (i) a favorable domestic terms of trade for agriculture vis-à-vis non-agriculture, (ii) an increase in capital formation to GDP ratio particularly by the private sector, and (iii) a lowering trade deficit to GDP ratio. But over the past several years, Nepal's economic growth has not gained momentum compared to other South Asian economies. While India and Bangladesh have achieved remarkable economic growth rates, Nepal's economic growth rate has stagnated at around 3-4 percent for the past several years (Table 1). South Asian economies like India and Bangladesh have posted impressive economic growth rates mainly due to trade liberalization, export-led industrialization, increased foreign direct investment and remittances. Due to trade liberalization, countries have been able to specialize in goods that they have comparative advantage. Such trade liberalization has not only broadened consumers' choices of goods but also contributed to economic welfare in the region.

Table 1: Real GDP (% change y-y)

South Asia	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11e	2011-12f
Afghanistan		8.2	14.2	3.4	22.5	8.6	
Bangladesh	6.6	6.4	6.2	5.7	5.5	5.9	
Bhutan	6.7	13.2	11.7	6.2	8.1	7.7	
India	9.5	9.7	9.2	6.7	7.4	8.5	
Maldives		18	7.2	6.3	3	3.4	3.7
Nepal	3.4	3.3	5.3	4.7	3	4	
Pakistan	5.8	6.8	4.1	1.9	3.7	3	
Sri Lanka		7.7	6.8	6	3.5	5.5	6

Source: South Asia Economic Update 2010

Hindrances to Economic Growth and Development

Nepal's developmental aspirations have been deterred by a plethora of issues. On political front, Nepal has been a fragile state for years. The country has transformed from a kingdom to republic in 2008, but major issues have not been resolved yet. Unfortunately, without issuing a new constitution, the Constituent Assembly has been dissolved on May 27, 2012. Nepal was set to implement a federal system with the issuance of new constitution. But, because of disputes among major political parties as to how many and on what basis are states to be carved, the constitution could not be issued on time and so the assembly was dissolved. Now fresh election for the Constituent Assembly has been slated for November 22, 2012. This has definitely weakened business confidence thereby affecting economic development and growth prospect of the country.

From time immemorial, Nepal’s economy has revolved around agriculture and yet the nation’s agricultural development is at a nascent stage. The agriculture sector is labor-intensive and is marred by low production and productivity. Furthermore, the country has not been able to fully embrace manufacturing sector as one of the major engines of economic growth. Foreign direct investment (FDI) in this regard has been very disappointing for a number of reasons. Weak governance and lack of transparency have foiled the environment for foreign investment. Inadequate infrastructures such as roads, electricity, water supplies, irrigation, transport and others have severely derailed the process of economic development. Poor industrial relations and labor market rigidities have debilitated the business confidence in the country (ADB et al., 2009). Though Nepal had opened the prospect for FDI with the Industrial Policy of 1986, FDI inflows in Nepal have remained far below than in Maldives and Bhutan (IPRAD, 2012).

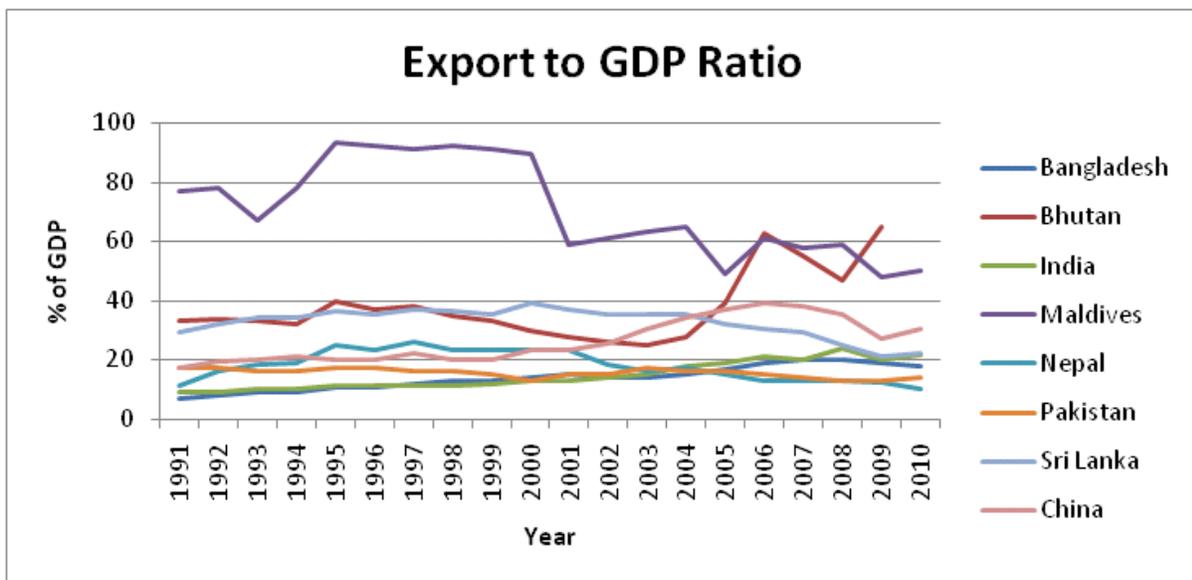
Like other developing countries, Nepal too has adopted trade liberalization policy under the aegis of the WTO (World Trade Organization), but the country’s exports have fared very poorly for a number of reasons. They are:

- Nepal’s bilateral trade negotiations are not effective enough to address the nation’s interests.
- Nepal has not been able to meet the international standards for its domestic production.
- Being a land-locked country, Nepal has to rely on Indian ports for its sea accessibility. This has resulted in increased cost of goods due to increased cost of transportation. Nepal’s nearest port is Kolkata port. The Nepalese goods become costlier due to transportation costs, making the export goods less competitive in the international market.
- Nepal lacks the much-needed entrepreneurship and management capabilities for the enhancement of business sector.

(Source: Nepal, C., n.d.)

Consequently, Nepal’s export to GDP ratio is the lowest among SAARC (South Asia Association for Regional Cooperation) countries. The country’s export to GDP ratio was relatively good from 1990-1997 but it started to decline afterwards. It was approximately 27 percent in 1997 but then by 2010, it has dropped to 10 percent (Figure 1). Other South Asian countries have higher export to GDP ratio than Nepal.

Figure 1: Export to GDP Ratio in SAARC Region and China



Source: World Bank

Tables 2 and 3 show Nepal's weak trade facilitation compared to other South Asian and OECD (Organization for Economic Cooperation and Development) countries. Being a landlocked country, Nepal has to rely on Indian ports for sea accessibility. This has increased the cost of goods due to higher cost of transportation. Nepalese goods become costlier due to transportation costs, making the export goods less competitive in the international market (Table 2). Similarly, Nepal requires more documents for import and export purposes than any other South Asian and OECD countries (Table 3). For instance, Nepal requires nine documents, while other South Asian countries require eight documents for import and export purposes. And, Nepal bears higher cost of import and export per container than any other South Asian and OECD countries (Table 3).

Table 2: Nepal's Trade Facilitation

	Nepal		India		Bangladesh	
	Days	Cost (US\$)	Days	Cost (US\$)	Days	Cost (US\$)
Exports						
Document preparation, technical control, customs clearance	18	589	10	370	17	410
Ports and terminal handling	4	275	3	175	5	420
Inland transport and handling	19	900	4	300	3	140
<i>Total</i>	41	1764	17	945	25	970
Imports						
Document preparation, technical control, customs clearance	19	600	12	510	23	590
Ports and terminal handling	4	275	6	200	4	585
Inland transport and handling	12	980	3	250	2	200
<i>Total</i>	35	1825	20	960	29	1375

Source: Doing Business, World Bank 2010

Table 3: Summary of procedures and documents for trading across borders in Nepal

Indicators	Nepal	South Asia	OCED High Income
Documents to export	9	8	4
Time to export	41	32	10
cost to export(US\$ per container)	1960	1590	1032
Documents to import	9	9	5
Time to Import(Days)	35	33	11
Cost to import (US \$ per container)	2095	1768	1085

Source: Doing Business in Nepal, World Bank 2012

For economic growth and development, a country needs to invest heavily on infrastructure, health care, education and such other amenities. And through efficient and fairer tax policy, the country can raise sufficient revenues for infrastructure development. But, Nepal has one of the lowest taxes to GDP ratio among South Asian countries (Table 4). It relies considerably on foreign aid and loans for infrastructure development. In light of growing financial instability in high income countries, Nepal can no longer rely on foreign aid for its development. It is high time that the country focus on resource mobilization by revising its existing tax policies and effectively implementing them.

Table 4: Tax to GDP ratio

South Asian Countries	Tax to GDP (%)
Pakistan	11
Sri Lanka	13
India	16
Bangladesh	12.6
Nepal	9.6

Source: World Bank, World Development Indicators

Nepal has low income tax revenues and is heavily dependent upon import-based revenues. The revenue collection is mainly through customs and excise duties, VAT (Value Added Tax), and income tax. The import related revenues comprise of 50 percent of the total tax revenues, and direct tax revenues account for only 20 percent of the total tax revenues (IMF, 2011). This tax structure will not yield a sustainable revenue growth in Nepal. This is mainly because Nepal is dependent upon import-based revenues, and imports have grown recently due to increased remittances. But with financial instability abroad, the foreign employment is likely to be affected. This will result in declining remittances, thus affecting domestic purchasing capacity and ultimately imports. Also trade liberalization will lower the import-based revenues. Secondly, there are tax exemptions on electricity, cooperatives, and agricultural sectors that have basically eroded tax bases.

Most importantly, Nepal's economic development has not gained momentum as targeted in planned periods, because resource allocation has not been done as per the sectoral priority. The GoN (Government of Nepal) launched TYP (Three Year Plan, 2010/11-2012/13) to 'create a prosperous, peaceful and just Nepal through transforming Nepal from a least developed country (LDC) into a developing nation within a two-decade period' (GoN, 2010). Table 5 depicts the targeted annual economic growth rate for agriculture and non-agriculture sector under Three Year Plan.

Table 5: Targeted Annual Economic Growth Rate under TYP

SN.	Indicators	Situation in FY2009/10	Three Year Plan's Targets
1	Economic growth rate (%)	4.4	5.5
	Agriculture sector growth rate (%)	3.3	3.9
	Non-agriculture sector growth rate (%)	5.1	6.4
2	Population living below poverty line (%)	25.4	21
3	Employment growth rate (%)	3.0	3.6

Source: Three Year Plan Approach Paper (2010/11 - 2012/13) Government of Nepal National Planning Commission August, 2010

But, agricultural sector has lagged behind in terms of resource allocation despite being given top priority in almost all planned periods. Under 8th plan, agriculture was given the first priority but in terms of resource allocation, it ranked second (Table 6). Resource allocation in areas such as transportation, communication, and electricity has been done as per the sectoral priority since the 10th plan. Social services had been given either 3rd or 4th priority however, the service sector has ranked top in terms of resource allocation (GoN, 2010).

Policy Recommendations

Table 6: Ranking by Sectoral priority and Resource Allocation

Plan	Agriculture	Transport & Communication	Energy	Social Services
8 th plan (1991/92-1995/96)				
Sectoral Priority	1 st	3 rd	2 nd	4 th
Resource Allocation	2 nd	4 th	3 rd	1 st
9 th plan (1996/97-2000/01)				
Sectoral Priority	1 st	5 th	2 nd	3 rd
Resource Allocation	2 nd	4 th	3 rd	1 st
10 th plan (2001/02-2005/06)				
Sectoral Priority	3 rd	3 rd	3 rd	4 th
Resource Allocation	4 th	3 rd	2 nd	1 st
11 th plan (2007/08-2009/10)				
Sectoral Priority	3 rd	3 rd	3 rd	4 th
Resource Allocation	4 th	3 rd	2 nd	1 st
12 th plan (2010/11-2012/13)				
Sectoral Priority	2 nd	4 th	4 th	4 th
Resource Allocation	4 th	2 nd	3 rd	1 st

Source: Various Plan Documents, National Planning Commission, 2010

Hence, in order to achieve the much needed economic growth and development, Nepal must focus on the following key aspects:

1. For facilitation of FDI, Nepal needs to create a business friendly environment. Without the creation of necessary environment to do businesses, foreign investment is unlikely to come by. Businesses flourish in countries where there are sound economic and financial policies and friendly environment for trade facilitation. In case of Nepal, foreign investment has been hindered mainly due to weak infrastructure, labor rigidities, political instability, and governance issues.
2. In order to enhance Nepal's export to GDP ratio, the home manufactured goods must meet certain technical standards to compete in international market. Nepalese industries must meet the 'state-of-art' requirement so that their products need not face trade barriers due to low technical standards. Also, there is a need to upgrade the SPS (Sanitary and Phytosanitary) requirements of agro-food exports from Nepal. In the absence of facilities to meet such SPS requirements, Nepal faces setback in its export sector.

3. Nepal faces setback in trade facilitation compared to its neighboring and other high income countries. It requires more documents and time, consequently increasing its cost to import and export goods. One solution to minimize the time and cost of import and export is to implement a single-window system¹. Singapore has a single-window trade system called “Trade Net” and South Korea has an internet based paperless trade system called “uTradeHub”. Such systems have significantly lowered the respective countries trade processing time and cost.
4. Hydroelectricity is one of the potential sectors for export trade in Nepal. The total hydro-electric potentiality of Nepal is approximately 83 GW. Out of 83 GW of hydroelectricity, 43GW is economically feasible. But less than a percent of the total capacity has been harnessed so far. As such, there is a great scope for the country to tap water resources for electricity generation and meet the energy requirements of its neighboring countries like India and Bangladesh.
5. Nepal holds immense potentiality for tourism development. In fact, tourism is one of the major sources of foreign income and contributes approximately 3 percent to the nation’s GDP. Situated in the lap of Himalayas, Nepal possesses eight out of ten tallest peaks in the world, including Mt. Everest. Nepal is the birthplace of Lord Gautam Buddha. It has several World Heritage sites such as Durbar Squares, Pashupatinath temple, among others. But much needs to be done for the promotion of tourism sector. Nepal needs to upgrade its infrastructure such as better roads to exotic and pristine destinations. It needs to overhaul the security situation so as to ensure safety for tourists. If such measures are taken into account, then tourism will further flourish and boost the country’s economy.
6. Raising revenues is one of the biggest challenges facing Nepal. If the country can revise its existing tax policies to increase the tax base and improve valuations and audits, then tax revenues will definitely increase. Nepal will no longer have to rely on foreign aid and loans for its infrastructure development. International Monetary Fund (IMF, 2011) illustrates the following potential gains for Nepal attainable from revised tax policies. Such changes are expected to increase tax revenues thereby limiting the country’s reliance on foreign loan and grants. If agricultural, electricity, and cooperatives are removed from tax exemptions, then revenue collection will increase substantially (Table 7, IMF, 2011).

Table 7: Nepal: Potential gains attainable from revised tax policies

Policy	Potential gain (% GDP)
Increase the income tax yield (from 12 to 18) by expanding the tax base and eliminating exemptions	1.5
Increase the VAT tax yield (from 35 to 40) by eliminating exemptions and improving tax administration through audits and enhanced collections	0.7
Offset custom duty reductions through increased excise rates or customs administration reforms, such as improved valuations and audits	+

Source: IMF, 2011.

¹ Single-window system allows all the parties involved in trade to lodge standardized information like certificates of origin, trade invoices, customs declarations, imports and exports permits and such other relevant documents at a single location or entity

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Mergers: Are they doing any good?

Mr. Mukesh Khanal*

A quick glance through the Nepali financial market makes it clear that there are three types of scenarios unfolding today in Nepal.

First, there are a few healthy and financially sound banks that wish to expand their core market area. So, they merge or acquire smaller regional or local banks, and expand their reach to a more regional and local level consumer base. Second, there are some financially distressed banks desperately in need of extra capital to survive. So, they agree to be merged with a stronger bank. Third, there are banks and financial institutions (BFIs) that are in distress but nobody willing to rescue them through merger or acquisition. The tragedy for these BFIs is that the Nepal Rastra Bank (NRB) liquidates them.

WHY MERGE

In the case of mergers, the BFIs have not made it very clear how the mergers will redefine the tolerance of risk. For example, if Vibor Bank—post merger with Bhajuratna—lends most of its funds to the underperforming real estate sector, the merger will yield no benefit because the new Vibor would not have increased its tolerance of risk. The reason why Vibor went through crisis, and had to merge, was because of lack of diversity in its portfolio. If the portfolio loan ratios remain the same, the merger is simply a sham to fool the market and the shareholders.

How much increase in risk tolerance will be achieved from mergers of various BFIs? That question needs to be asked by the shareholders, the financial market and the overseer of this whole process—the NRB. If the NRB feels that these mergers will not help create diverse portfolio and will not help reduce risk-taking behavior of these institutions, then the NRB is simply wasting its time. Mergers, in that event, will be like putting lipstick on a pig. Yes, the lipstick looks nice, but a pig is still a pig.

The NRB—including the governor Yubraj Khatiwada himself—has pushed the merger issue at the forefront while tackling the problems of recent liquidity crisis and failing Nepali BFIs. The belief is

that two existing institutions if merged will create a new “larger” institution that will experience lower costs due to economies of scope and scale, increase in market power, diversification, and reduced operational expenses. Thus, the perception is that this consolidation will accrue higher gains than the simple sum of gains from two separate institutions.

WRONG REASONS

The perceived gains arise out of the belief that the newer and larger organization is considered to be efficient in allocating resources—human and capital—to maximize the output gains. The same personnel and infrastructure can deliver different services and products. Thus, redundant operating costs will be minimized. Also the larger entity, with more resources now at disposal, can offer more products and services than before. In essence, the larger entity could take the best tools and methods from the pre merger entities to maximize efficiency and capabilities.

However, all the way back in 1998, US Federal Reserve’s Chairman Alan Greenspan suggested that these gains do not occur to the extent that is perceived. In 1997, Berger and Humphrey studied worldwide mergers and consolidations, and discovered that there was no conclusive evidence of such gains existing in real life. However, the larger point that Dr Khatiwada and NRB policymakers have overlooked in the Nepali merger discourse is that the probability of two failing institutions merging and succeeding is almost nil. What guarantee is there that the failing BFI’s weaknesses and inefficiencies will not destroy the strength and efficiency of the stronger BFI if these two merge?

Studies of mergers around the world actually answer the above question. There are evidences suggesting that the gains that mergers bring forth are overstated. For example, a 2008 research by Anthony Rezitis on the merger phenomenon in Greece discovered that the results of mergers were the opposite of what the merger supporters

were claiming. He discovered that—unlike what was claimed by supporters—economies of scale actually disappeared after mergers. Also, the supporters believed that the larger entity after merger would be more efficient. However, Rezitis discovered that technical inefficiency increased after merger, instead of decreasing. Researches from other countries also show similar evidences. Decline in economies of scale and technical efficiency cause a decline in the productivity of the merged institutions.

PORTFOLIO DIVERSIFICATION

As I understand, the reason why NRB policymakers have pushed mergers is because they feel the larger entity after merger will be more productive, will have more liquidity because of freeing up of some of the reserve requirements, will diversify the portfolio to reduce insolvency, and will bring stability to the institution. Simon Kwan explained in his 2002 research on mergers that the stability

helps in creating a favorable image of the BFI as a “safe institution” in the public’s eyes. This, then, helps in bringing more customers because as human nature goes, the majority of the public is “risk averse”.

However, I have not seen the merged BFIs in Nepal diversifying their portfolio. An incredible majority of their loan is still handed out to the unpredictable, and currently faltering, real estate in Nepal. This means that our BFIs continue to be unproductive and insolvent in the eyes of the market. Unless they diversify, they will not be stable. Unless they are stable, our public will not trust them and consider safe. And, as long as the public distrusts these BFIs, there will always be a liquidity crisis looming, and the financial market in Nepal always in danger of getting hurt.

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The concept, Action Research is a form of self-reflective enquiry undertaken by practitioner in order to understand the context from their work and to improve the justification and performance of their activities. It tends to be problem focused and aimed at improvement, but also from practitioners. Those concepts of action research program reveals that the overall action research activities would be done for societal change from backward to the developed stage. It should be action oriented, participatory, experimental and collaborative. A field-based practitioner is the key for source of information and problem solving ideas for undertaking research activities. The programs and the projects conducted so far under the Action Research Program of IDS/IIDS fits well to the general concept of Action Research.

With the realization of the aforementioned concept of action research in relation to IIDS' (the then IDS) objective of conducting action research programs with a view to identify solutions to the problems associated with improving the condition of the poorest and the disadvantaged in the country, IIDS conducted different types of action research programs directed towards poverty alleviation and social empowerment following the process of social mobilization. All the action research programs are implemented in line with the basic concept of the action research to find out the sensible solutions to the problems faced by the participating communities. Thus, the programs are action oriented, participatory, experimental and collaborative. The first program was started in 1985 from Jhadewa VDC of Palpa district with the view of making the poorest of the poor people self-reliant through self-help group endeavors. With the successful implementation of the program in Jhadewa, later on spread over in 15 districts, 3 Municipalities, and 144 VDCs of the country with different coverage and strategies.

As action research is a research to improve action, there has to be continuous mechanism of finding solutions to problems which emerge from systematic search, relationship among various variables, hypothesis testing, review or evaluation of the action and give continuous feedback to the program itself. The action team, working in the field apart from implementing the program was also collecting data and information for reports and further studies. However, these data and information were not been systematically catalogued, sorted and analyzed. So, with the view of institutionalizing and systematizing the process of action research (action, data collection, analysis, feedback for improvements of ARPs implementation, design and strategy development, and again action) an Action-Research Analysis and Documentation Unit (ADU) was also established in 1994. The aim of establishing the ADU was to provide feedback to action research programs and to provide inputs at the policy level. ADU had developed some conceptual framework and feedback model of action research programs.

After the establishment of ADU in 1994, an effort was made to redefine the action research of IIDS based on its experience. As defined, 'Action research is research which improves the action of the organization on the basis of experiences and data analysis generated by Action Research Program (ARP). Further, action research is a way of approaching of problems and identifying the solution through themselves by adopting four beliefs' as follows:

1. Solutions to problems are more effective and enduring when they contribute more to the solution of these problems than research done by others.
2. Research done by practitioners themselves on the problems contributes more to the

solutions of these problems than research done by others.

3. Research consists in analyzing problems, searching of solutions, and testing and evaluating the solutions. It consists of skills which can be learned and developed by is not the prerogative of experts.
4. Development of people's capabilities, for example through training, is basis to improvement in practice.

The main objective of the Action Research Program is to identify solutions to the problems associated with improving the conditions of the poorest and the disadvantaged in the country. The specific objectives that are to be addressed for tapping potentials of the rural poor to enhance their social and economic welfare, organizing the poor and enabling them in self sustaining development and improving socio-economic condition of the villagers without excessive dependence on external factors.

Adoption of Approach and Modality

Since from the beginning, the action research program of IIDS had initiated the program based on *Swabalamban* (self-reliant) approach with mobilizing community people. "People's Participation" and "Income Generation" are two concepts that are common to almost all the rural development efforts designed for and implemented in Nepal. The IIDS initiatives also emphasize the need for employment and income generation through participatory method. In a situation where employment or underemployment is the main cause of deprivation and social exploitation of the poor, income generating has to be the core of rural development activity. Similarly, the importance of the participatory method lies in the inherent emphasis, it puts on the poor not as the object or "the target" of intervention, but the subject and the lasting "institutional basis" for sustainable development. The local people of the program areas were helped to be inspired as the major actor for collecting and using the resources at the

local level. This concept basically supported in two areas:

- Provision of productive assets and/or management of working capital, and
- Building up of self-confidence.

As the poor or the underprivileged and under-provided sections of the Nepali society tend to spend and disproportionate share of their income on wasteful expenditures, socially and personally (e.g. mostly on alcohol). The interrelationships between caste and ethnic structures of the society and the magnitude and distribution of poverty in Nepal are also reflected in such behavior. In this context, it is necessary to address such problem and issues of poor people in holistic approach. By doing so, it initiates the process from grass roots and creates mechanism that continuously addresses the issue concerning the improvement of their livelihood in more sustainable way. The need for attitudinal change with regard to development and the role of the local people in ushering it in their villages that are relevant to their needs is also a well-recognized issue in rural development and poverty related programs. In this program, IIDS tries to look at attitudinal changes and confidence building as an integral part of the income generating activities. It requires favorable and receptive attitude, not only in the production but also in the consumption. This is how *Swabalmaban* (self-reliant) approach appears as a program intervention strategy for ARP of IIDS.

Based on the fact that the poor are not in a position to uplift their socio-economic condition as they usually lack working capital, skills, know-how and self-confidence approach of the action research program, the approach lays emphasis on motivation, organisation, and institutional support.

Motivation

The first step required to initiate the program is the selection of working areas, followed by posting of at least one Field Motivator for each Village Development Committee (VDC) which

falls under the program area. The Motivator is expected to be an integrated personality since the success or failure of the program largely depends on him. He should present himself as a model character not only in words but also in conduct. He also ought to demonstrate, through his attitude and behaviour that he works with and for the people.

Organisation

Upon completion of motivation, the Motivator encourages communities to form their own Income Generating Groups (IGGs). Affiliation to an IGG as members helps them to develop a sense of togetherness and ownership, leading to their self-confidence. The IGG becomes a medium for analysing individual members and groups' activities, planning, implementation and evaluation. Gradually, groups are federated into a village-level organisation, which is later legally registered as a co-operative society with the concerned Division Co-operative Office (DCO). The organisation thus formed eventually takes over the whole program. The members of the organisation meet regularly and can still ask the Motivator for his help. The latter gradually parts

with his clientele, leaving behind for them an organisation in operation.

Institutional support

Institutional support mainly refers to supplementary human, material and financial resources to be added by IIDS to already accumulated resources by IGGs. Revolving Credit Fund (RCF), incentive grant, and general and specific training are some examples of such assistance provided to enhance the capacity and will power of the poor, and make them available working capital for their productive activities. In the process of capacity building the members of a group/organisation themselves begin to develop linkages with other organisations and solicit their co-operation.

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सर्वाङ्गण विकास अध्ययन केन्द्र (IIDS) तथा गरिवी निवारण कोषको साभेदारीमा २०६१ साल फागुन १८ गते देखि कपिलवस्तु जिल्लाका दश गा.वि.स पूर्वी क्षेत्रमा पटना, पतरिया, फुलिका, लवनी र विठुवा पश्चिम क्षेत्रमा पत्थरदेईया, खुरुहुरिया, शिवानगर, पुरुषोत्तमपुर तथा भिल्मीमा गरिवी निवारण कार्यक्रम संचालन हुदै आएको छ । हाल सम्म १६३ वटा सामुदायिक संस्था प्रवर्धन भै सकेका छन् भने २६४६ महिला १०२२ पुरुष गरि ३६६८ जना सदस्यहरू सामुदायिक संस्थामा आवद्ध भै सकेका छन् । हालसम्म गरिवी निवारण कोषबाट घुम्तिकोषका लागी रु ४,१५,१०,३७८ व्याज संकलन रु ५८,८२,८३९, सदस्य वचत रु. ३७,७५,८५२ गरि जम्मा रु ५,११,६९,०६८ सामुदायिक संस्थाहरूको पूर्जा भैसकेको छ ।

कार्यक्रम संचालित गा.वि.स.मा प्रवर्धन गरिएको सामुदायिक संस्था मध्येबाट १० वटै गा.वि.स.मा सामुदायिक संस्थाहरूको संजाल (नेटवर्क) गठन भै सकेका छन् । दिगो विकास तथा कानुनी मान्यताका लागी सहकारी ऐन, २०४८ अर्न्तगत १० गा.वि.स मध्ये ८ गा.वि.स.मा डिभिजन सहकारी कार्यलय तौलिहवामा बहुउद्देशीय कार्य गर्न विभिन्न नामका सामुदायिक कृषि सहकारी संस्था लि. दर्ता गरिएको छ । जसमा शेयर सदस्यहरू ११४७ जना रहेका छन् । भने बाँकी २ वटा गा.वि.स.मा पनि दर्ताका लागी तयारी भै रहेको छ ।

आ.व.०६८/०६९ को यस संस्था र ग.नि.कोषको सम्झौता अनुसार १० गा.वि.स.का लागी ७ जना सामाजिक परिचालक व्यवस्था भएको छ । कार्यक्रमको दिगोपना, बर्हिगमन, संस्थागत विकास, पूँजि परिचालन, व्यवसाय विकास, भौतिक पूर्वाधार विकास, पकेट एरिया विकास, पारदर्शिता, कार्यक्रममा सहजता जस्ता कार्यहरूलाई ध्यानमा राखि हाल स्थापना भएका सहकारी संस्थाहरूमा सामाजिक परिचालकलाई नै व्यवस्थापक राख्ने र कार्यक्रम समाप्ती पश्चात् पनि जागिरको सुरक्षा हुने नीती अवलम्बन गरिएको छ । यसरी सामाजिक परिचालक पनि सहकारी संस्थाको व्यवस्थापक पनि भै काम गर्ने संख्या ६ जना रहेको छ । यसका अलावा कार्यक्रम सञ्चालित गा.वि.स.मा थप जनशक्ति “स्थानिय स्रोत व्यक्ति” (L.R.P) १३ जना नियुक्ति भैसकेका छन् । जसलाई कार्यक्रम संचालित गा.वि.स.मा प्रवर्धन गरिएको सहकारी संस्था/नेटवर्कले नियुक्ति गरि परिचालन गरेको छ । उनिहरूको तलवको लागी आर्थिक स्रोत सामुदायिक संस्थामा रहेको घुम्तिकोष तथा वचत कोष परिचालन गरी प्राप्त हुने व्याजबाट त्रैमासिक/अर्धवार्षिक/वार्षिक रुपमा एकमुष्ट निश्चित प्रतिशतका दरले सहकारी संस्था/नेटवर्कको खातामा जम्मा गरी नियुक्ति पत्रको आधारमा मासिक रुपमा तलव खुवाउने व्यवस्था गरिएको छ भने यसरी रु १५०० देखि ३५०० सम्म तलव दिई १३ जना एल.आर.पि. परिचालित छन् । जसमा पटना-२, पतरीया-१, फुलिका-१, लवनी -२, विठुवा-१,पत्थरदेईया-१,खुरुहुरिया-२ शिवानगर-१,पुरुषोत्तमपुर-१ र भिल्मी -१ जना रहेका छन् । संस्थागत विकास तथा कार्यक्रमको तारतम्यअनुसार थप गदै लैजाने सोच राखिएको छ ।

हाल कपिलवस्तु जिल्लामा कार्यक्रम संयोजक-१, कार्यक्रम सुपरभाईजर-२, सामाजिक परिचालक-८, एल.आर.पि .- १३ गरि जम्मा २४ जना जनशक्ति कार्यक्रमका लागी परिचालित छन् । त्यसैगरी १० वटै गा.वि.स.मा अफिस व्यवस्थापन गरिएको छ भने खुरुहुरिया गा.वि.स मा कम्प्युटर तथा फोटोकपी मेसिन राखिएको छ । यस आ.व २०६९/०७०मा ४ वटा सहकारी संस्थामा कम्प्युटर राख्ने योजना रहेको छ । कम्प्युटर राखे पश्चात् सामाजिक परिचालक /एल.आर.पी. हरू कम्प्युटरमा दक्ष भै कार्यक्रममा सहजता आउने विश्वास

गरिएको छ । यस आ.व २०६९/०७० मा २ वटा गा.वि.स.मा संचालित कार्यक्रमको ५ वर्षे भिजन प्लान बनाउने योजना समेत रहेको छ ।

एल.आर.पि. राखे पश्यात कार्यक्रममा आएका सहजताहरू:-

- ०१) सा.प.को कार्यक्रममा लोड कम भएको ।
- ०२) समयमा प्रतिवेदन प्राप्त हुने ।
- ०३) हिसाव किताव व्यवस्थित हुदै आएको ।
- ०४) पारदर्शितामा ध्यान केन्द्रित ।
- ०५) हिसाव किताव हिनामिना हुने सम्भावना कमि ।
- ०६) स्थानिय रोजगारीको अवसर ।
- ०७) कार्यक्रमबाट वर्हिगमनका लागी सहजता ।
- ०८) अनुगमन/मुल्याङ्गनमा प्रभावकारीता ।
- ०९) समन्वय सर्म्पकमा सहयोग हुने ।
- १०) पकेट क्षेत्र विकासमा सहयोग हुने ।
- ११) घुम्तिकोष तथा वचत परिचालनमा सहयोग ।
- १२) संस्थागत विकासमा सहयोग

यसका अतिरिक्त एल.आर.पि. राख्ने सिकाई नवलपरासी जिल्लाको अनुभवलाई अनुशरण गर्दै यस जिल्लामा कार्यान्वयन गरिएको छ । काम गर्ने टिम ठुलो हुदाँ काम गर्ने जोस जागर समेत वृद्धि हुने रहेछ । छलफलमा समेत विभिन्न किसिमका विचारहरू आउने गर्दछन जस्ले गर्दा यस जिल्लाको गरिवी निवारण कार्यक्रम दिगो संस्थागत विकास भै गरिवी निवारण गर्नमा ठोस मद्दत पुगेको छ । हाम्रा यी थप प्रयासहरू अझ सफलता प्राप्त हुने छ भन्ने आशा राख्दछु ।

धन्यवाद !

* श्री हेमराज पोख्रेल कपिलवस्तु स्थित आई.आई.डी.एस र गरिवी निवारण कोषद्वारा सञ्चालिन कार्यक्रमका कार्यक्रम संयोजक हुनुहुन्छ ।

Fact Sheet

Table 1: Direction of Foreign Trade (Share in Total Trade)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
India	55.6	59.5	70.4	72	71.7	79.1	67.5	71.5	65.4	59.8
China	7.7	5.8	4.7	5	6.8	4.8	19.1	15.6	18.8	27.8
Other countries	36.7	34.7	24.9	23	21.5	16.1	13.4	12.9	15.8	12.4
Share In Total Export (%)										
India	50.3	63.15	57.13	63.46	73.11	73.6	69.24	64.72	66.18	65.9
China	0	0.05	0.07	0.24	0.09	1.96	1.86	0.68	0.82	1.63
Other countries	49.7	36.8	42.8	36.3	26.8	24.44	28.9	34.6	33	32.47
Share In Total Import (%)										
India	53.5	60.9	66.6	69.38	72.2	77.55	67.9	69.8	65.4	60.7
China	4.72	3.66	3.27	3.52	4.7	4.05	14.9	12.2	15.4	23.3
Other Countries	41.78	35.44	30.13	27.1	23.1	18.4	17.2	18	19.2	16

Source: Asian Development Bank

Table 2: Foreign Direct Investment

	Foreign Direct Investment(Millions of US\$)									
FY	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
FDI(US \$ millions)	0.4	0	5.9	14.7	4.1	2.4	6.6	5.7	0.9	38.9
	Remittances (% of GDP)									
Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Remittances (% of GDP)	10.7	10.3	11	10.9	11.1	14.9	13.8	17.4	21.8	

Source: Asian Development Bank, World Bank

Table 3: Socio Economic indicators

Socio economic indicators											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Life expectancy at birth, female(years)	62.0	62.9	63.7	64.4	65.1	65.8	66.4	66.9	67.4	67.8	
Life expectancy at birth, male(years)	61.3	62.0	62.7	63.4	64.1	64.7	65.2	65.6	66.0	66.4	
Labor participation rate, female (% of female population ages 15+)	59.9	60.7	60.8	61.0	61.3	61.7	62.1	62.6	63.2	63.3	
Labor participation rate, male (% of male population ages 15+)	81.4	81.1	81.0	80.9	80.7	80.6	80.5	80.3	80.1	80.3	
Adolescent fertility rate (births per 1,000 women ages 15-19)	121.5	119.1	116.7	114.1	111.3	108.4	105.6	102.8	98.5	91.0	
Unemployment, female (% of female labor force)		10.7									
Unemployment, male (% of male labor force)		7.4									
Rural population growth (annual %)	1.7	1.7	1.6	1.6	1.5	1.4	1.3	1.3	1.2	1.2	
Rural population (% of total population)	86.6	86.1	85.6	85.2	84.7	84.2	83.7	83.2	82.8	82.3	
Urban population growth (annual %)	6.1	5.8	5.6	5.4	5.2	5.1	4.9	4.7	4.6	4.5	
Public spending on education, total (% of government expenditure)	13.2	13.0	13.9	14.8					19.0	19.4	
Public spending on education, total (% of GDP)	2.9	3.7	3.3	3.1					3.7	4.6	
Literacy rate, adult female (% of females ages 15 and above)		34.8								46.8	
Literacy rate, adult male (% of males ages 15 and above)		62.7								72.0	
Literacy rate, adult total (% of people ages 15 and above)		48.6								59.1	
Mortality rate, under-5 (per 1,000)	85.4					62.2	58.3	54.7	51.4	48.2	
Mortality rate, infant (per 1,000 live births)	62.9					48.1	45.6	43.1	40.8	38.6	
Population growth (annual %)	2.4	2.3	2.2	2.2	2.1	2.0	2.0	1.9	1.8	1.8	1.8
Health expenditure, total (% of GDP)	5.0	5.0	5.7	5.4	6.2	5.9	5.6	6.0	6.0	5.8	

Source: World Bank

Table 4: Growth rate

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Inflation, consumer prices (annual %)	2.6	3	5.7	2.8	6.8	7.5	6	10.9	11.6	10.5 ^a	9.6 ^a
GDP per capita (current US\$)	223	236	242	272	298	326	363	436	439	525	625 ^b
GDP growth (annual %)	4.8	0.1	3.9	4.6	3.4	3.3	3.4	6.1	4.4	4.5	3.8 ^a
Growth of output, Annual change(%)	5.4	0.1	3.9	4.7	3.5	3.4	3.4	6.1	4.4	4.6	
Agriculture	5.5	3.1	3.3	4.8	3.5	1.9	1	5.8	3	1.3	
Industry	4.1	0.9	3.1	1.4	3	4.4	4	1.6	-1.4	3.3	
Services	4.5	-1.8	3.7	6.8	3.3	5.6	4.5	7.3	6	6	

Source: ADB, Key indicators for Asia and the Pacific 2011, Annual Budget MOF^a, CBS^b

Table 5: Money and Banking

	Mid July								
	2003	2004	2005	2006	2007	2008	2009	2010	2011(jan)
Borrowing(Rs millions)	11650.9	13103	16217.6	21830.3	26703.7	31391.5	35387.8	38047.1	58302
Deposits(Rs millions)	228736.4	258742	284115.2	327925.3	391152.6	508905.7	674584.3	794328	799127.7
Deposit/GDP(%)	41.42	43.56	42.82	44.53	46.91	51.91	58.71	46.88	46.6
Credit/GDP(%)	25.3	26.09	27.78	27.3	32.22	36.9	41.47	34.71	37.91
Total Gross Loan(RS million)	111904	127065	148366.4	194360.8	229363.91	306638.36	384315.1	469161	515309.39
Non performing loan to gross loan(%)	28.68	22.7	18.79	13.86	10.56	6.08	5.53	2.39	3.16

Source: Economic Survey, 2011

Table 6: Banking and Financial Institute

	Mid July 2008	Mid July 2009	Mid July 2010	Mid April 2011
Banks and Financial Institutions				
Commercial Banks	25	26	27	31
Development Banks	58	63	71	87
Finance Companies	78	77	79	79
Microfinance Institutions	12	15	18	21
NRB Licensed Cooperatives(Limited Banking Transaction)	16	16	15	16
NRB licensed NGOs(Dealing in Micro finance)	46	45	45	45
Insurance Companies	25	25	25	25
Employees Provident Fund	1	1	1	1
Citizens Investment Trust	1	1	1	1
Postal Savings Banks	1	1	1	1
Branches of Postal savings Banks	117	117	117	117

Source: Economic Survey 2010/11 and Banking and Financial statistics of Mid-July 2011, No-57

Glimpses of Seminar on Nepal Economic Outlook, 2011-2012



Panelist on "Nepal Economic Outlook, 2011-12", Seminar



Dr. Bhekh Bahadur Thapa, Founder Member, IIDS addressing the Seminar



Former E D, IIDS, Shankar Krishna Malla, Former VC, NPC Dr. Jagadish Chandra Pokhrel & Founder Member Dr. Prakash Chandra Lohani in Seminar (Left to Right)



Mr. Janak Raj Shah Hon'ble Member, National Planning Commission (NPC) addressing the Seminar



Dr. Bishnu Dev Pant
Executive Director, IIDS
Delivering the Welcome Speech



Prof. Bishwamber Pyakurel, commenting on "Nepal Economic Outlook 2011-12"

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The Himalayan Times 2012-06-25

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कान्तिपुर: २०६९ असार १२, मंगलवार

सन् २०१५ सम्म वृद्धिदर औसत ६ प्रतिशत- साधारण खर्च बढ्दा ऋणात्मक असर:
सर्वाङ्गीण विकास अध्ययन केन्द्र

कारोबार: २०६९ असार १२, मंगलवार

आगामी ३ वर्ष आर्थिक वृद्धिदर ५.५ प्रतिशत: सर्वाङ्गीण विकास अध्ययन केन्द्र

अभियान: २०६९ असार १३, बुधवार

सम्पादकीय: कमजोर आर्थिक वृद्धि

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