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From the Desk ...✍

We are pleased to bring forward the 32nd edition of IIDS official newsletter, SAMBAD. During last six months, IIDS has been equally determined to move forward on its mission to establish itself as a leading think tank organization of Nepal. In this period, IIDS published its flagship publication "Nepal Economic Outlook 2011-12". IIDS intends to bring out Nepal Economic Outlook every year on a regular basis. The forthcoming publication "Nepal Economic Outlook 2012-13" will focus on investment climate and will try to figure out the existing problems that the country is facing to attract sufficient investment in various sectors. It is our firm belief that this publication will prove useful to policy makers, researchers and academicians as well as others who are interested on it. At the same time, it will also provide policy suggestions and recommendation to the government on how to make the investment friendly climate so as to speed up economic growth in the country.

In addition IIDS has already started publishing policy briefs on various crosscutting issues on a regular basis. Along with this, IIDS is planning to work on occasional papers on various socio-economic issues from this year.

IIDS has recently completed a number of studies, namely the Survey for Impact Evaluation of the Community Groundwater Irrigation Sector Project (CGISP) Institutional and Policy Related Research Gaps for Climate Resilient Farming Systems Intensification in Nepal, Business Expection and Investment Climate, Regional Level Public Perception Survey, and Business and Security Research. Currently, we are working on a three year project namely Tax Policy and Enterprises Development in South Asia with the Governance Institute Network International (GINI) of Pakistan funded by IDRC/ Canada, and Program to Promote Accountability in Nepal (PRAN) jointly with TMS.

Contents

Projects

IIDS recently completed study on Socioeconomic Survey for the Impact Evaluation of the Asian Development Bank (ADB) Community Groundwater Irrigation Sector Project (CGISP).

IIDS completed Business and Security Research in Nepal funded by Small Arms Survey, Geneva, Switzerland. The main objective of the study was to understand how and to what extent crime and violence affect the Nepali industrial sectors and industrial corridors.

IIDS recently completed the project entitled "Local Institutions, Markets and Policies for Climate Resilience Farming Systems Intensification in Nepal". The projected was supported by International Food Policy Research Institute (IFPRI), New Delhi, India.

IIDS completed the project on " Regional Dialogue Study: People Perception about country's current affairs " supported by The Asia Foundation (TAF/Nepal). The major objectives of the project were to seek the views of different groups of the society on peace process and constitution, State restructuring and federalism and regional dialogue Mechanism.

IIDS is currently working on a three year project entitled "Tax Policy and Enterprises Development in South Asia" with GINI (Governance Institutes Network International), Pakistan funded by IDRC/Canada. The Major objectives of the study are to evaluate the impacts of Tax deduction and concession, value added Tax and property Tax on Small and Medium Scale Enterprises Development in South Asia.

IIDS is working on a project "Program to Promote Accountability in Nepal" jointly with PRAN funded by World Bank.

IIDS is currently working on a project "Nepal Business Climate Perception survey" Jointly funded by the Asia Foundation, Nepal and IIDS.

Publication

IIDS recently published "NEPAL BUSINESS EXPECTION SURVEY 2011". Which is available online on IIDS website http://www.iids.org.np/IIDS_BES_study.pdf. Business Expectation Survey shows that the single biggest problem facing manufacturing sector is labour related. Infrastructure is the single biggest source of worry for those involved in agriculture, while availability of financing opportunities is the single biggest worry for Nepal's banking and financing sector. This report analyzes business environment and possible opportunities from the perspective of business community. Assessing the responses in the study, it seems that the government regulations and policies need to be more favourable towards businesses. Government bureaucracy should be such that it does not hinder the growth of businesses rather helps businesses to prosper.

Budhathoki, Nandakaji, 2012. "Economics of Fiscal Federalism". Policy brief, Issue No 4, IIDS.

Available online http://www.iids.org.np/iidspolicy4.pdf.

IIDS Staff Participations

Dr Bishnu Dev Pant, Executive Director of IIDS attended the Workshop on "Agriculture Policy Dialogue" jointly organized by NARC and IFPRI on 26 July 2012 in Kathmandu .

______Participated the Steering Committee Meeting of GINI to discuss the work plan of the project on 2 December 2012 . The meeting was held in Bangkok, Thailand.

________Attended the ILO workshop on '' Survey on Cross Border Migration and Trafficking of Adult and Children for Forced Labor" on 29 November 2012 in Kathmandu.

______participated in 12th Annual SANEI Conference from 11 to 12 December, 2012 held in Colombo.

Mr Shanker Aryal, Research Fellow of IIDS attended a workshop on “The End of Project Dissemination and Photo Exhibition" that was organized by USAID/Nepal Flood Recovery Program (NFRP) on 18 October, 2012 in Hotel Radisson, Kathmandu.

__________`attended the meeting on “NGO and Civil Society Consultation Mission and Outreach for the Civil Society Program of ADB’s 46th annual meeting” on 3 December 2012, held in ADB Resident Mission, Kathmandu.

___________Participated the Regional Symposium “Universalization of Social Security in Asia” organized by KES and SACEPS during on 3-4 October, 2012 in Hotel Himalaya Kathmandu.

Mr Madhu Maharjan and Miss Priyanka Malla, Economists from IIDS, attended the proposal writing workshop in Institute of Medicines (IOM) from 25 to 27 July, 2012 . This workshop was jointly organized by IOM and Tufts university, USA.

हार्दिक समवेदना

यस केन्द्रको प्रवन्ध परिषद् सदस्य डा राम प्रताप साहज्यूको पूजनिय पिता श्री शुभ नारायण साहको ८८ वर्षको उमेरमा मिति २०६९ मंसिर १८ मा असामयिक निधन भएको प्रति दुःख ब्यक्त गर्दै दिवगंत आत्माको चिर शान्तिका लागि प्रार्थना गर्दै शोक संतप्त परिवारप्रति हार्दिक समबेदना प्रकट गर्दछौ ।

भवदिय,

विष्णुदेव पन्त

कार्यकारी निर्देशक तथा सम्पूर्ण आई.आई.डी.एस. परिवार

Nepalese International Trade: problems and prospects

Mr. Nandakaji Budhathoki*

Pre-liberalization trade policy was guided by the inward looking import substitution strategies. Protection of domestic and state led enterprises was the main motive behind import substitution industrialization (ISI). Import and export licenses were required to those who involved in export and import business. High tariff and quota restriction were imposed. Trade reforms expedited only after the restoration of multiparty democracy in 1990 and Liberal trade policy was formed, which replaced the ISI. The new trade policy was adopted in 1992 aimed to promote internal and international trade, encourage private sector participation, diversifying trade in term of commodities and destination, promotes backward and forward linkages, expand employment oriented trade and reduce trade imbalances. Trade Policy 1992 removed any import taxes on raw materials, exemption of income tax on the export earnings, no licensing for trade and it has accepted the government's role as a catalyst and motivator and strongly advocated for the massive involvement of private sector.

Trade policy 2009 has the major objectives of creating conducive environment for the promotion of trade and business in order to make it competitive at international level, minimizing trade deficit by increasing exports of value added products through linkages between imports and exports, increasing income and employment opportunities by increasing competitiveness of trade in goods and services and using it as a means of poverty alleviation, and establishing interrelationship between internal and foreign trade, and develop them as complementary and supplementary to each other. Despite positive move of recent trade policy, there are a lot challenges ahead in the implementation sides, which can be overcome through the collective and collaborative effort of the government, private sectors, professionals, civil society and development partners.

Constraints/obstacles in Nepalese Trade

Nepalese foreign trade performance has been poor for the long times. Several factors are responsible for the dismal trade performance. Among of them, following are the major problems: Volatile export due to the limited market and limited product; High Transaction cost-land locked, behind the border measures; Poor incentives to acquire new technology; Weak infrastructure; Unfriendly investment climate; Rigid labor law; Transport and transaction delays and Unpredictable regulatory framework

Nepal's export trade concentrated on limited countries and commodities. Country wise and commodity wise diversification could not take place effectively. Due to the narrow export base and larger import oriented trade pattern, Nepal's trade deficit is surmounting gradually every year. Nepal's external trade is vulnerable to the external shock and policy changes of the importing countries.

Landlockedness is one of the major constraints of Nepal's foreign trade which hampers the Nepal's production base and eventually linked with growth of export and imports of technology and raw materials. Unavailability of own seaport, transportation cost are really high, hindering the development of commerce and markets, and contributing the regional disparities in economy and human development.

Growth performance is very weak in the recent years due to the sluggish export trade and stagnated investment as a result of unfriendly investment policy. Economic growth was accelerated for a few years after liberalization policy adopted in 1990, though it could not sustain for a long times due to the decade long Maoist insurgency. Private sectors and foreign investors hesitated to inject money into the economy because of security reasons.

Weak infrastructure, transport and transaction delays are another key issue that Nepal's trade sector is facing for the longtime. Sufficient and efficient infrastructure development is the key component, which enhances competitiveness in the internal and international markets through reducing cost of production. Better road networks, rail transportation, sea port and air transportation system will help to link the export and import destination within limited periods of time without any delays reduces cost of transaction and transportation. Observing the status of the others areas of infrastructures, Nepal is suffering from power shortages especially in the winter seasons; road networking system is not efficient, telecommunication system is not up to the marks. Nepal is lagging behind in infrastructure development as compared to south Asian counterparts. It is one of the reasons, which discourages foreign direct investment and private sectors investment into the economy.

According to Doing Business Nepal 2012, nine documents are required for export and import purpose, while on averages, south Asian countries need 8 documents for export purposes and OCED high income countries on average require four documents for exporting their commodities to aboard. While comparing the cost to export, it costs 1960 US $ in Nepal, 1590 US $ in South Asia and 1032 US $ per container in OCED countries. For export, it takes 19 days for inland transportation and handling and cost around 1100 US $ in Nepal.

Policy Suggestion

Growing trade deficit is one of the major barriers in the economic development of Nepal. Large import base and limited export base is a matter of concern to Nepal. Until and unless, addressing these issues of trade deficit, development of the Nepal's economy will be mere nightmare. NTIS (Nepal Trade Integration Strategy) study was conducted in 2010, mainly focused on promoting export trade, which is shrinking for longtime. Reaping benefits by diversifying export commodities and destination is essential to move forward in the path of economic development. The strategic report has identified priority order required for the development of Nepal's trade competitive capacity.

NTIS report has identified 19 commodities and services sectors and 10 potential markets of each commodity. Along with merchandise trade, Nepal needs to focus on services trade at the same time for accumulating capital in the form remittances. Emphasizing on services trade not only brings remittances into the economy but also utilize unemployed young manpower that exits in Nepal. According to World Bank, remittances contributed 21.8% of the total GDP of Nepal in 2009. According to three year interim plan (2010/11-2012/13), 2.5 million people of working age are unemployed and labor participation rate stands at 83.4%. Out of the total population, 30 percent are either unemployed or underemployed whereas 0.4 million people enter into the job market every year. To sustain current remittances earning in the long run, safe and systemized new employment destination should be identified, competitive and skilled labor have to be produced to meet the need of national and international labor demand. Labor diplomacy within economic diplomacy need to be applied for appointing competent and professional diplomats in the destinations countries who can mobilize NRN (non reliable Nepalese) in protecting and supporting migrants' workers.

NTIS (Nepal Trade integration strategies) 2010, identified hydro electricity as one of the potential sector for export trade. Nepal has huge hydropower potential, estimated in between 43GW and 83 GW. Currently, less than 1 percent of the total capacity has been utilized. If we can tap this hydropower potential and export to the peak load deficit countries such as India and Bangladesh, significant amount of revenue can be generated. Northern India has power deficit of 5500 mw and Bangladesh also has significant peak load deficit (NTIS, 2010). India has achieved tremendous progress in the recent years and expected to gain double digit growth rate in the coming years. By 2030, electricity demand in India is expected to rise by double and will reach 0.5 million mw from current 0.2 million, which is five times higher than Nepal's potential viable capacity. Harnessing hydropower potential and exporting to India, will help to reduce trade deficit with India.

Lengthy process of export and import documentations, unnecessary bureaucratic hassles reduces competitiveness in the international markets. Currently, Nepalese traders have to make custom clearance before shipping it to India, where the process is repeated for the conveyance of export materials to the third countries or imports from third countries. Economic diplomacy can play active roles in this front.

Moreover, effective trade policy based on ground reality has to be formed and implemented. Firstly, the remaining anti-export bias has to be reduced by adjusting tariffs away from their present cascading structure. Secondly, improvements in customs, duty drawback, trade facilitation, standards and quality, infrastructure and transport, and business support services will be crucial. Thirdly, regulatory reforms in labor markets and in specific sectors such as garments, carpets, agriculture to remove price or entry restrictions have to be addressed[1].

The enactment of Special Economic Zone (SEZs) concept is essential to meet the objective of Trade policy 2009 and industrial policy 2010. By offering tax concession, land, necessary facilities to the export promoter from one place without having any delays will boost the export trade and attract foreign direct investment in the potential areas of manufacturing sectors. Provisions of SEZs have been talking for long times in the budget speeches to enhance struggling exports and manufacturing sectors for the national interests. So, concrete efforts need to be made by keeping the differences of political parties' asides over political issues and collectively endorse SEZs act.

* Mr. Budhathoki is an economist at IIDS

[1] Nepal Development policy review, 2005, world bank.

Why Must We Peg?

- Priyanka Malla*

Nepalese currency (NPR) is currently pegged to the Indian currency (INR), where exchange rate between the two currencies is fixed at 1.00 INR to 1.60 NPR. There has been much debate on whether Nepal should be pegging its currency with India or do away with the pegging. Some economists believe that the peg policy has severely hampered the Nepalese monetary policy however the others believe pegging has thrived the trade between the two countries and without this peg there would be hyperinflation in Nepal.

Nepal is connected with India from three sides: west, south and the east, which is 1400 kilometers long border. In the east Nepal-India shares a mountainous boarder, separated with plains in south and by Mahakali River in the west. It is worthwhile to note that people of both countries can cross it from any point, despite the border checkpoints at several locations. Although there are 22 agreed transit and custom posts to enhance trade, illegal movement of goods from unspecified custom post is very common. This sensitive connection between Nepal and India is very important for Nepal especially because Nepal is highly dependent on India in terms of trade.

Nepal's heavy reliance on import rather then export has caused much problem in trade deficit. Trade deficit in the F.Y. 2010/11 stood at 24 percent of GDP compared to 15 percent in F.Y 2002/03. In the F.Y. 2010/11, 64 percent of the total export was exported to India alone while 54 percent of total goods were imported from India. In the same fiscal year the trade deficit with India was 54 percent. To turn this trade deficit into surplus Nepal will have to start exporting more compared to imports. Since this scenario is unlikely the fixed exchange rate between NPR and INR will prevent the possibilities of further currency shocks.

Pegging has thus facilitated trade between the two countries. In the presence of floating exchange rate the exchange rate would have to be determined on a daily basis depending on the supply and demand of the two currencies. This would create much hassle and cost for both the traders and consumers. Thus, many economists believe that pegging is beneficial to small countries where external trade forms a large part of their GDP.

Currency pegging is also viewed as an important tool for financial stability where countries during periods of political or economic uncertainty opt to peg its currencies with countries, which is more reliable and highly stable. EU member states: Bulgaria, Estonia and Lithuanian have not yet adopted the euro but their currencies are pegged to the single European currency.

In addition to facilitating trade fixed exchange rate between NPR and INR has also prevented capital flight. Had there been a floating exchange rate, there would be a rapid flow of money from Nepal to India. This is because of the booming Indian economy compared to sluggish Nepalese economy.

India is no doubt one of the booming economies of the world. International Monetary Fund (IMF) stated the world economy in the F.Y 2011/12 grew by 3.9 percent; the Indian economy in the same fiscal year grew by 7.2 percent. This figure alone says much about the "prosperous India". Nepal has been laggard in terms of economic growth. The political instability is a single most important factor that has contributed to this sluggish growth. For the past couple of years the growth rate on Nepal has averaged a mere 3 percent.

In absence of fixed exchange rate there would be a negative confidence effect for the Nepalese currency. Thus people would have less confidence on the Nepalese currency would prefer to hold the Indian currency instead. In addition to restoring currency confidence pegging has also helped in inducing greater policy discipline. These two combined effects have intern helped to maintain inflation. The central bank of Nepal still has not developed a strong monetary and fiscal policy than can curb inflation. Thus pegging by enhancing confidence can create greater demand for domestic currency. Higher demand for currency in turn reduced the velocity of circulation, which in turn reduces the interest rate. Thus pegging has helped Nepal to control inflation as well.

* Ms. Malla is an economist at IIDS

Learning from the Action Research Programs of IIDS

- **Mr Madhu Ram Maharjan***

As we aware that action research program can be undertaken by larger organizations or institutions, assisted or guided by professional researchers, with the aim of improving their strategies, practices and knowledge of the environments within which we practice. The designers and stakeholders, researchers work with others to propose a new course of action to help their community to improve its work practices. IIDS has been carried out different projects/programs since from the very beginning of more than two and half decades earlier, under action research in various districts for alleviating poverty, income up-liftment, women's empowerment and awareness raising of the downtrodden community. In the journey of executing such projects/programs in the past, the different types of learning or experiences captured based on institutional development, community action program, marginal women, self reliant development, and poverty alleviation program which is compiled as follows:

- Men's co-operation in women-focused programs is a must.
- A separate fund needs to be arranged for collection of Revolving Credit Fund (RCF) after handed over the program.
- It is imperative to have more and active participation from the community itself for the effective program implementation in the community.
- The program implementation is more effective when it is clearly express the messages of the program to the community members.
- The banking transaction by the community members should be clearly maintained in the ledgers so as to keep transparent (document the minutes and decisions).
- For the successful completion of the program, need to have more participation of community members especially in social welfare activities.
- The more community members participated in the infrastructure activities like making of culverts, agriculture road, school building and retaining wall etc, have higher chances of sustainability and timely completion of the projects.
- Participatory Rural Appraisal (PRA) tools are very useful in identifying target communities and prioritizing their issues.
- Target communities should be agent of their own socioeconomic empowerment.
- Backward communities are capable of improving their socioeconomic conditions, provided they are given the opportunity. This is also true in the case of women.
- Involving the local people directly in local community development work gives them a sense of belongingness, and as a result the program becomes more sustainable.
- The program targeted at empowerment, self reliant and poverty alleviation should be conducted at least for five years' of duration for gaining visible impacts.
- The program is to be conducted only after having assessed the needs.
- The program can be sustainable in the long run only when the backward community organized themselves to form their own institutions (cooperatives), and are made capable to run their own program activities for their socioeconomic development.
- The program should be focused on making the backward community self-reliant and capable of running their own development programs, and the program should be handed over to them after sometime, rather than making them always dependent on others.
- The program should focus on integrated approach so as to develop feelings of ownership that can provide immediate benefits; otherwise, such a program will

not seem attractive to the backward community.

- It is essential to develop a second tier leadership for institutional development.

- Small amount of even Rs. 5 to 10 saved at regular intervals can also result in a lot of capital formation at grass roots level. Similarly, even a small amount of Revolving Credit Fund (RCF) can benefit them immensely.

- Extremely poor and landless people have to be involved in activities such as small business that can give them immediate benefits.

- Even with little motivation and small amounts of grant from stakeholders, the community can build their own infrastructures such as small bridges, culverts, school buildings, community halls etc with their initiative.

- The distant monitoring is necessary for two or three years right after handed over the program, it would ensure sustainability of the program.

- Funds generated for operation and maintenance is important for the sustainability of the small infrastructure development activities in the community in long run.

- Passive community organization has to be left for three month's time period without giving any pressures that eventually help to activate their community organization in active state in later.

- Practice of optional saving twice a year during harvesting season such as at the time of rice and wheat harvesting helps to accumulate larger saving that creates the feeling of ownership as well as capital formation. It is the strong base for investment in any income generating activities to the community members.

- Construction of small scale infrastructure activities in their respective area makes the people aware to assess and develop more infrastructure activities. This helps not only in marketing sector but also broadening their linkages with businessman and easier to get sufficient price of their produce.

The aforementioned past learning/ experiences has broaden the knowledge for executing and replicating the upcoming grassroots level program for its effective implementation of projects/programs that is based on action research program.

*Mr Maharjan is a program officer at IIDS

Cycling as a culture in Kathmandu valley

*- Binod Shrestha **

Like many other capital cities around the world, Kathmandu is growing rapidly. Increase in population has increased the needs of people which in turn have caused various environmental problems. The ever increasing number of vehicles in Kathmandu have not only caused more environmental problems but also made commuting very difficult. During office hours, it takes hours to travel around the city. Traveling around Kathmandu in public transportation is a nightmare in terms of getting seats due to overcrowding. They are also untimely and undependable. On the other hand, taxi rides are an expensive affair.

With increasing automobiles in the city, there is increasing demand for fuel. Since Nepal does not have its own petroleum reserves, we depend on India for the supply of petroleum products. Kathmandu Valley suffers from frequent fuel shortage. The state owned Nepal Oil Corporation (NOC), which is the sole supplier of petroleum products in Nepal, has incurred billions of rupees in loss and counting. In order to balance that debt, the NOC has been increasing fuel prices with over 20 percent increase in petroleum prices in the last six months alone.

To tackle the twin problems of fuel shortage and traffic jam, the Kathmandu valley has to do what the Europeans have done in many metropolitan cities in: promote cycling. In addition to developing a cleaner metro-rail system in Kathmandu to lower the number of vehicles in its streets, it is imperative that Kathmandu metropolitan city promotes riding a bicycle as the best alternative to riding fuel consuming vehicles.

Riding a bicycle also has other benefits. In addition to zero-emissions, riding a bicycle also saves precious hours for each motorcycle or car riders resulting in a huge time savings of millions of hours for the entire valley. This is an achievable target since numerous studies have shown that the terrain, climate and the size of the three cities in the Kathmandu valley makes the valley a very attractive option for promoting bicycle as the most preferred traveling option. A resident in any of these three cities travel around 5-10 kilometers to their work on average. Therefore, choosing a bicycle over a motorbike, a car or a pollution emitting public transport helps make the environment a bit cleaner and save lives. According to Center for Science and Environment, approximately 1600 premature death occur every year due to air pollution in the valley.

In addition to its environmental benefits like clean air and social benefits like reduced deaths of infants, riding a bicycle also has health benefits for the rider due to the regular exercise it provides to its daily rider. For most people in the Kathmandu valley, making time for doing exercise to stay fit is often difficult. Riding a bike to and from work every day can provide enough exercise to stay fit. Cycling helps keep the body fit, reduces the chances of having heart diseases, and increases strength and stamina. It is well known that studies show cycling lowering the risk of high blood pressure, heart attack, stroke, diabetes, stress, and obesity. It also helps control depression related illnesses while increasing overall life expectancy.

If the Kathmandu valley wants to return to its clean and beautiful glory days, the valley has to invest in cleaner public transport such as metro-rail as well as foster a cycling culture in its residents. The latter starts with roads in the valley designed to accommodate bicycle riders along with other vehicles. There should be a coordinated effort to create cycling lanes in all the streets and avenues including the ring-road. If cities around the world that are much larger than the ones in Kathmandu valley can do it, there is no reason why the cities in our valley cannot implement these changes.

According to published rankings on most bicycle friendly cities, around 54 percent of all daily commuters in Amsterdam used bicycles in 2011. Tokyo, which is one of the crowded and largest cities on earth, was fourth with 41 percent while Paris was seventh with 39 percent and London was sixteenth with 31 percent of its daily commuters commuting in bicycles. If these huge cities overcame all obstacles to foster a culture of riding bicycles, so too can our cities in the Kathmandu valley. All we need is a genuine interest, effort, and, well, a pair of wheels.

*Mr Shrestha is a Statistician at IIDS

Table: 1 Direction Of Total Trade

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Share In Total Import(%)									
India	55.67	59.58	70.46	72	71.75	79.06	67.54	71.35	65.32
China	7.73	5.82	4.73	4.97	6.68	4.89	19.13	15.66	18.84
Other countries	36.6	34.6	24.81	23.03	21.57	16.04	13.33	12.99	15.84
Share In Total Export(%)									
India	50.3	63.13	57.43	63.47	73.07	73.62	69.17	64.71	66.13
China	0	0.03	0.07	0.24	0.09	1.96	1.86	0.68	0.82
Other countries	49.7	36.84	42.5	36.29	26.84	24.42	28.97	34.61	33.05
Share In Total Trade(%)									
India	53.58	60.9	66.37	69.38	72.15	77.48	67.94	69.81	65.4797
China	4.72	3.66	3.27	3.52	4.7	4.05	14.9	12.17	15.283
Other Countries	41.7	35.44	30.36	27.1	23.15	18.47	17.16	18.02	19.2374

Source: ADB, Key indicators for Asia and the pacific 2012

Table: 2 Socio econmic indicators

	2001	2002	2003	2004	2005	2006	2007
Life expectancy at birth, female(years)	62.8	63.6	64.5	65.3	66.2	66.9	67.6
Life expectancy at birth, male(years)	61.9	62.7	63.5	64.3	65.0	65.7	66.3
Labor participation rate, female (% of female population ages 15+)	84.5	84.3	84.1	83.8	83.6	83.3	83.1
Labor participation rate, male (% of male population ages 15+)	91.1	90.8	90.5	90.2	89.9	89.5	89.2
Adolescent fertility rate (births per 1,000 women ages 15-19)	121.7	119.9	116.6	113.3	110.0	106.7	103.4
Unemployment, female (% of female labor force)	10.7						
Unemployment, male (% of male labor force)	7.4						
Rural population growth (annual %)	2.0	1.9	1.9	1.8	1.7	1.6	1.6
Rural population (% of total population)	86.2	85.9	85.6	85.2	84.9	84.6	84.3
Urban population growth (annual %)	4.8	4.7	4.6	4.5	4.3	4.0	3.9
Public spending on education, total (% of government expenditure)	13.0	13.9	14.9	15.2	16.2	16.7	16.0
Public spending on education, total (% of GDP)	3.7	3.2	3.1	3.2	3.4	3.6	3.5
Literacy rate, adult female (% of females ages 15 and above)	34.8						
Literacy rate, adult male (% of males ages 15 and above)	62.7						
Literacy rate, adult total (% of people ages 15 and above)	48.6						
Mortality rate, under-5 (per 1,000)	78.9	75.1	71.6	68.0	64.6	61.5	58.4
Mortality rate, infant (per 1,000 live births)	59.3	56.9	54.5	52.4	50.1	48.2	46.1
Population growth (annual %)	2.3	2.2	2.2	2.1	2.0	2.0	1.9
Health expenditure, total (% of GDP)	5.0	5.7	5.4	6.2	5.9	5.6	6.0
GDP per capita (current US$)	240	237	242	272	298	326	362

Sources: world development Indicators 2012, world Bank * DHS, Nepal, 2011

Table : 3 Money and Banking

	Mid july								
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011(jan)**
Borrowing(Rs millions)	11650.9	13102.9	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	794328.3	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	384315.13	469160.8	515309.39
Non perfprming loan to gross loan(%)	28.68	22.7	18.79	13.86	10.56	6.08	5.53	2.39	3.16
Source: Nepal Rastra Bank									

Table: 4 Growth Rate

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Growth of output, Annual change(%)	5.4	0.1	3.9	4.7	3.5	3.4	3.4	6.1	4.5	4.8	3.9
Agriculture	5.5	3.1	3.3	4.8	3.5	1.8	1	5.8	3	2	4.5
Industry	4.1	0.9	3.1	1.4	3	4.5	3.9	1.7	-0.6	4	2.9
Services	4.5	-1.8	3.7	6.8	3.3	5.6	4.5	7.3	6	5.8	3.6
Gross Domestic Savings Rates(% of GDP)	11.7	9.5	8.6	11.7	11.6	9	9.8	9.8	9.4	7.4	6.7
Gross Domestic Investment Rates(% of GDP)	22.3	20.2	21.4	24.5	26.5	26.9	28.7	30.3	31.7	35	30.2
Inflation Rates(%)	2.4	2.9	4.8	4	4.5	8	6.4	7.7	12.6	9.6	9.6
Budget Balance(% of GDP)	-5.5	-5	-3.3	-2.9	-3.1	-3.8	-4.1	-4.1	-5	-3.5	-3.8
Current account Balance(% of GDP)	7.6	3.9	2.4	2.7	2	2.2	-0.1	2.9	4.2	-2.4	-0.9
Merchandise Export Growth Rates(%)	4.5	-19	5.1	13.8	11.5	2.2	1.1	8.2	-3.4	-7.3	9.5
Merchandise Import Growth Rates(%)	-0.3	-10.9	14.4	15.5	12.3	15.8	14.9	23.6	8.4	35.7	8.8
Source: Economic and Social Survey of Asia and The Pacific 2012, UNESCAP.											

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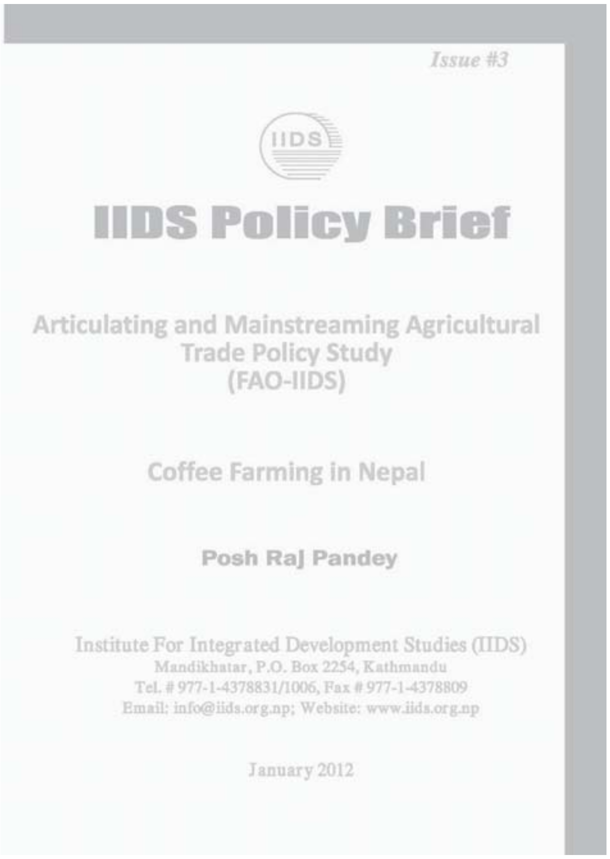

Issue #3

IIDS Policy Brief

Articulating and Mainstreaming Agricultural Trade Policy Study (FAO-IIDS)

Coffee Farming in Nepal

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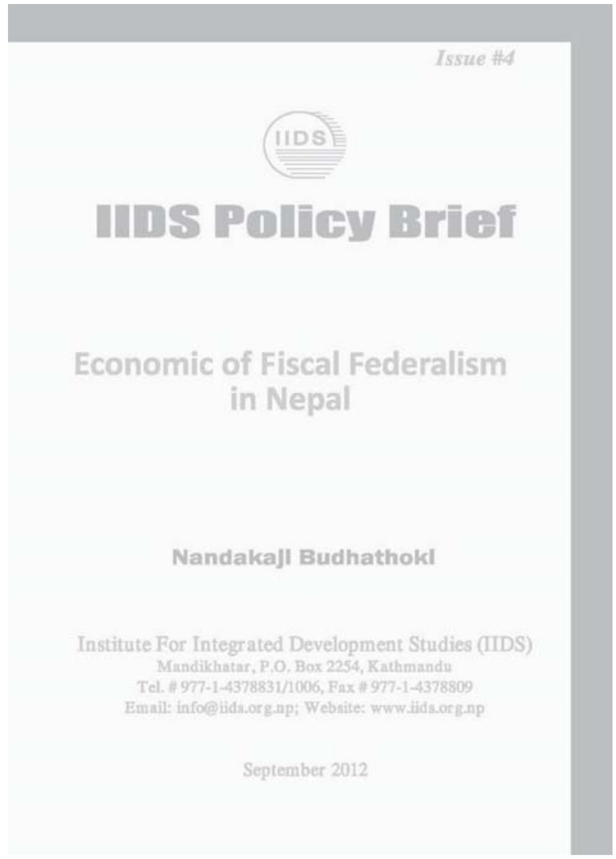

Issue #4

IIDS Policy Brief

Economic of Fiscal Federalism in Nepal

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