

**Implementation of the Brussels Programme of Action
for the LDCs for the Decade 2001 – 2010**

**Progress Report
Nepal**

**His Majesty's Government of Nepal
National Planning Commission
Singh Durbar, Kathmandu**

January 2005

Table of Contents

I. Introduction	1
II. Implementation of the Brussels Programme of Action in Nepal	1
Commitment 1: Fostering a people-centred policy framework	1
Commitment 2: Good governance at National and International Levels	3
Commitment 3: Building human and institutional capacity	4
Commitment 4: Building productive capacities to make globalisation work for LDCS	7
Commitment 5: Enhancing the role of trade in development	9
Commitment 6: Reducing vulnerability and protecting the environment	9
Commitment 7: Mobilising Financial Resources	10
III. Challenges in the Implementation of the Brussels Programme of Action and Way Forward	11

Abbreviations

APP	Agriculture Perspective Plan
BOOT	Build Operate Own and Transfer
BOT	Build Operate and Transfer
BPOA	Brussels Program of Action
CIAA	Commission for the Investigation of Abuse of Authority
DDC	District Development Committee
DWS	Drinking Water Supply
EFA	Education for All
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MLD	Ministry of Local Development
MOAC	Ministry of Agriculture and Cooperatives
MOES	Ministry of Education and Sports
MOF	Ministry of Finance
MOH	Ministry of Health
MOHP	Ministry of Health and Population
MPPW	Ministry of Physical Planning and Works
MTEF	Medium Term Expenditure Framework
NDF	Nepal Development Forum
NDHS	Nepal Demographic Health Survey
NLSS	Nepal Living Standards Surveys
NA	Not Available
NPC	National Planning Commission
NTFPs	Non-Timber Forest Products
PRSP	Poverty Reduction Strategy Paper
SDA	Sustainable Development Agenda
SLTHP	Second Long Term Health Plan
SMC	School Management Committee
UNDP	United Nations Development Program
UNCT	United Nations Country Team
VAT	Value Added Tax
VDC	Village Development Committees

I. Introduction

The Brussels Programme of Action (BPOA) for the Least Developed Countries (LDCs) for the decade 2001 – 2010 is an outcome of the Brussels Declaration in May 2001. Its basic objective is to achieve substantial progress in meeting the Millennium Development Goals (MDGs) of halving poverty by 2015 and promoting sustainable development in the LDCs. The priority issues of the BPOA are: poverty reduction, gender equality, employment generation, governance, capacity building, and special problems faced by landlocked and small island developing countries, and the conflict affected LDCs. The BPOA contains 30 international development goals, including MDGs. Result orientation is its key underlying principle, and it is designed as a framework of partnership between LDCs and their development partners.

As per the BPOA, Nepal has constituted a high level National Forum to monitor and guide its implementation. The National Planning Commission (NPC) Member responsible for Macro Economic Sector is the chair of the forum, and it draws representatives from Government ministries, civil society, academia and non-governmental organizations. The NPC Member has also been designated as the National Focal Point. As a signatory of the Brussels Declaration, Nepal is committed to meeting the goals of the Declaration. Efforts have been made to integrate the BPOA in the 10th plan PRSP/(2002 – 07) – the country's main plan and policy document.

The progress report is prepared by constituting a task team consisting of key ministries including Ministry of Finance (MOF), Ministry of Local Development (MLD), Ministry of Education and Sports (MOES), Ministry of Health and Population (MOHP), Ministry of Physical Planning and Works (MPPW), Prime Minister's Office and UNDP. The Joint Secretary, Macro-Division of the NPC Secretariat, led the team. The concerned NPC member provided overall guidance.

Preparation of the report confronts some challenges. First is related with the difficulty of monitoring the goals and targets of BPOA, as not all of them are specific. Second is the poor data coverage in the country; and the third the collection of entire set of information from the sectoral ministries is time taking.

The report contains three sections. Following this introductory section, the second section outlines in brief the recent policy initiatives of the government for achieving the goals, and their status and progress. The third section highlights challenges in the implementation of the BPOA, and way forward.

II Implementation of the Brussels Programme of Action in Nepal

Commitment 1: Fostering a People-centred Policy Framework

Attaining an annual GDP growth rate of at least 7 percent, increasing investment to GDP ratio to 25 percent annually, and halving the proportion of people living in extreme poverty and hunger by 2015 are the major goals and targets under the commitment 1. For achieving those goals, Nepal has adopted policies and measures. With an overarching goal of poverty reduction, Nepal prepared and implemented its 10th periodic plan (2002 – 07), which is also the Poverty Reduction Strategy Paper (PRSP). PRSP aims to reduce the absolute poverty from 38 per cent in 2001 to 30 percent by the end of the plan.

The PRSP is based on four strategic pillars: (i) high, sustainable and broad-based economic growth; (ii) social sector development (iii) target programmes and local development and (iv) good governance. In implementing the four-pillar strategy, the Plan also stresses strategic cross-cutting approaches with regard to: (i) redefining the role of state more as a facilitator; (ii) promoting private sector development; (iii) supporting greater social diversity in the structure of governance at all levels; and (iv) accelerating decentralisation process. To enhance the PRSP implementation, the government has been preparing annually a three-year Business Plan with broader perspective, a three-year Medium Term Expenditure Framework (MTEF) with detailed actions and project specific allocations, an Annual Program for budget implementation and an Immediate Action Plan covering priority policy and actions to be addressed with high emphasis in the annual program. For Macro Economic Stability, the PRSP incorporates macroeconomic framework which emphasizes on (i) maintaining fiscal discipline, (ii) ensuring efficient use of public resources, and (iii) sustaining monetary and external stability. To increase pro-poor investment, prioritization of projects and programs has been enforced since the implementation of the plan.

To achieve high and broad-based economic growth, PRSP emphasizes on Agriculture including agro industries, tourism, infrastructure (irrigation, road, power and communication) and exports. In agriculture the APP (Agriculture Perspective Plan, 1995 – 2015) is embraced, and for non-agriculture sector, focus is

on reducing the role of state in economic activities by enhancing facilitation and creating an environment more conducive to the private sector development.

Social sector programs (health, education and drinking water) have been duely emphasized under Pillar II. Investment in the sector is considerably increased to direct the program in the rural areas. PRSP recognises also the participatory and inclusive development, and strongly advocates for social inclusion. Under its third pillar, more than 32 programmes are implemented targeting disadvantaged groups of population, including women. Positive discrimination in the public sector opportunities, scholarships for poor, girls, and scheduled casts, priority to conflict affected people in supplying labour to foreign market, loans to needy poor to join foreign labour market, emphasis of involvement of women in the consumer committees in development works are some examples

Nepal has continued the reform measures that started in the mid of the 1980s. In the last three years, HMG has implemented further financial reforms, improved public expenditure management, strengthened anti-corruption institutions, and improved financial sector regulatory framework. Financial sector reform has been undertaken to improve the performance of loss making public financial institutions. Other major recent initiatives include (a) governance reform program, (b) decentralization and transfer of local level activities in basic education, basic health, agriculture extension, drinking water, and rural infrastructure to local bodies and the community level management committees (c) Strengthening of monitoring and evaluation system and establishment of poverty monitoring mechanism and (d) Privatisation of public enterprises

Considering the prevailing conflict situation in the country, the 10th Plan/PRSP envisioned the target of GDP growth of 6.2 percent under normal condition and 4.3 percent if conflict is not resolved. However, Nepal is finding difficulty in achieving even the lower growth target if conflict is not resolved, soon. Recovering from negative growth status in the base year when the conflict had taken hike, the average growth rate during the first three years of the plan was about 3 percent with a decline to 2.3. percent in 2005 (Table1). Agriculture growth remained 3.1 percent, close to average growth in the last 5 years and 0.9 percent above population growth. It fluctuated above 2.5 percent despite the conflict. Non-agriculture growth remained still dampened to 3 percent, almost half the previous medium term growth level and varied between 3.5 percent in 2002/03 to 1.6 percent in 2004/05. However, average of investment to GDP ratio was 26.0 percent in the past three years of the Plan exceeding the BPOA target. Private sector investments remained the dominant factor, contributing more than three fourths of investment in sustaining the level of investments in the economy. Macro economic indicators are at satisfactory level and domestic borrowing and fiscal deficit remained under control. Average domestic borrowing, fiscal deficit (on cash basis) and current account surplus (including grants received which was about 3.6 % of GDP) during first three years of the plan remained 2.0 percent, 2.7 percent and 3.6 percent of GDP, respectively. Likewise, average annual inflation (CPI) was 4.5 percent. However, ICOR (incremental capital output ratio) has increased due to inadequate catch up by growth to the increase in investment.

Poverty reduced from 42 percent in 1995/96 to 31 percent in 2003/04 – between the 8 years of two Nepal Living Standards Surveys (NLSS).

The decrease in poverty was higher in urban areas but the incidence was still higher in the poorer and deprived areas – the mid and far-west Nepal. The income inequality measured by Gini coefficient increased from 0.34 in 1995/96 to 0.41 in 2003/04.

Table 1: Status/Trends of Indicators under Commitment 1

Goal / Target	2001/02	2004/05
Goal-1: Attain a GDP Growth Rate of at least 7 per cent per annum		
1. Real GDP (Rs billion at 1994/95 price at factor cost)	279.2	295.8
2. GDP growth rate	-0.3	2.3
Goal 2: Increase the ratio of investment to GDP to 25 per cent per annum		
3. Investment to GDP ratio (%)	23.2	25.7
Goal 3: Make substantial progress toward halving the proportion of people living in extreme poverty by 2015 (MDG 1, T-1)		
4. % of population below \$1/day (PPP)	37.7 ^a	24.1
5. Poverty gap ratio	9.7 ^a	7.5
6. Share of poorest quintile in national consumption	7.6 ^a	6.2
Goal 4: Make substantial progress towards halving the proportion of people from hunger by 2015 (MDG 1, T-2)		
7. % of population below minimum level of dietary energy consumption	47 ^b	NA

Note: NA indicates Not Available. Source Economic Survey, CBS (2004), Nepal Living Standards Survey (NLSS); Human Development and MDG Report (Global and Nepal) and MOF (2006), a=1996 data: b=1997 data

The major contributory factor for significant reduction in poverty despite conflict is the increased remittance. It is estimated that the per capita remittances in real terms at 1995/96 price increased from Rs. 674 in 1995/96 to Rs. 1723 in 2003/04, a growth of 19 percent per annum. The other factors are growth in cash crops, increased urbanisation with more private expenditure in housing construction, and increase in real wages.

Although Nepal is on the track of the poverty reduction goals under commitment 1, the conflict prevailing in the country since mid 1990s has posed serious constraint in attaining the growth target (7%) of the BPOA.

Commitment 2: Good Governance at National and International Levels

Emphasizing Good governance as the fourth pillar of the PRSP, various efforts have been made to uphold the rule of law, improve service delivery, and efficiently utilise the limited public resources. The constitution of Nepal stipulates non-discrimination and equality as fundamental rights.

Emphasis is laid in making the government sector accountable, efficient and inclusive and is pursued through civil service reform, decentralization (including fiscal devolution) and corruption control. Right sizing bureaucracy, devolutions and strengthening institutional capacity to combat corruption are underway. 7344 Government staffs positions have been eliminated as of July 2005. An affirmative policy action has been adopted to increase representation of women, Dalit (scheduled cast), Janajati (indigenous people) and disabled populations in civil service, political, economic and social sphere.

In the area of human resources management, a computerized personnel database of civil servants has been developed and internet-based personnel information system operationalised. Performance-based management system is being piloted in three ministries: Ministry of Agriculture and Cooperatives (MOAC), Ministry of Education and Sports (MOES) and Ministry of Health and Population (MOHP), which are core service delivery ministries. A permanent body has been established to review salary structure and pay policy of civil servants and salary increases has been tied to consumer price index. A contributory pension scheme has been introduced to make the pension system sustainable. A comprehensive Civil Service Act Second Amendment Ordinance has been promulgated in July 2005 by addressing various governance reform programs.

Nepal has made good efforts in the area of decentralization with the enactment of Local Self-Governance Act 1999, and its Regulations 2000. Full-scale devolution policy has been designed compatible to the Act. Devolution in key sectors agriculture and livestock extension, primary health care, basic education, and infrastructure development has already been started in all 75 districts. Accordingly, management responsibility of number of village agriculture extension activities, sub-health posts, and primary schools are being handed over to local communities Building on the experience, the government has piloted from 2005/6 "full" devolution at 14 districts. Under this, all the district level activities and district development offices of the government including the resources are being handed over to district public office -DDC (district development committee)

With a set of anti-corruption acts (Corruption Prevention Act 2002, Commission for the Investigation of Abuse of Authority (CIAA) Act Second Amendment 2002, Impeachment Act 2002, Act to regulate financing of political party, 2002) in place, the country has an impressive legal framework to combat corruption. Further, new laws on anti-money laundering are proposed and are in the process of drafting. But enforcement and compliance with the laws still remains weak due to inadequate technical strength.

Apart from the above, some other policy measures taken are as follows:

- (i) Establishment of National Human Right Commission.
- (ii) Promoting industrial peace, healthy and safe working environment to labourers and eliminating child labour.
- (iii) Establishment of peace secretariat to assist in the resolution of armed conflict and the ongoing insurgency.
- (iv) Amendment of national country code on women's right to property and a conditioned right to abortion.
- (v) Identification of 59 indigenous/ethnic people, and enactment of Indigenous and Ethnic Peoples' Development National Academy Act 2001 to set up a separate academy with the objective of bringing ethnic and indigenous people to the mainstream of development.

- (vi) Setting up of National Dalit (scheduled cast) Commission for Dalit's uplifting. A work on preparing Dalits' Rights Preservation Bill is underway. Programs targeted at the upliftment Dalit has been implemented through Dalit Development Board.

Despite various reform initiatives, owing to the recent conflict situation, their successful implementation is a major challenge. Decentralization process received a setback due to the long absence of elected representatives from village to central level since July 2002. The ongoing insurgency has had its toll on the electoral process. The government has now nominated figures in all DDCs. As a step towards reinstating elected bodies, municipal election is being held in February 2006. Results of some recent initiatives and reforms mainly on social inclusion can be evaluated at a later date.

Commitment 3: Building Human and Institutional Capacity

The BPOA contains 18 quantifiable goals and 63 targets. They address access of people to nutrition, health, drinking water and sanitation, education and their social integration. The second and third pillars of the PRSP address the concerns of the third commitment of BPOA. While the second pillar focuses on the social sector development including human development in general, the third pillar of the PRSP seeks a commitment to reduce disparity by caste, ethnicity and gender in the implementation of all the pillars and also implements more than 32 targeted programmes as stated earlier.

Health

National Health Policy was adopted since 1991. A 20 year (1997 - 2017) Second Long Term Health Plan (SLTHP) is also under implementation. Based on SLTHP and MDG, The major strategies and policies under 10th Plan include: (i) extension of public health services to provide services to the poor and backward communities; (ii) Emphasize preventive measures ; (iii) management and decentralization of the health sector; (iv) provision and curative measures (v) partnership between government, non-government and private sector to provide health services, and (vi) Control /eradication of specific disease like HIV/Aids, Malaria, Tuberculosis.

Nepal Health Sector Programme has been implemented to address the strategies with specific emphasis on (i) providing safety nets to the poor, under-privileged and socially excluded, (ii) developing alternative health financing scheme, and (iii) providing quality health care services. As part of sector reform, the government has initiated management transfer of health facilities to local bodies, a total of 1303 sub health posts (out of 3129), 244 health posts (out of 697) and 96 primary health care centres (out of 186) have been devolved by 2004/5. As a pilot effort, management of one district hospital has been contracted out to NGOs under public-private partnership initiative. Community health insurance has also been piloted in some areas.

Table 2A: Status/Trends of Selected Health Related Goals and Indicators under Commitment 3

Goal / Target	2001/2	2004/5
Goal-5: Make accessible reproductive health to all as soon as possible and no later than 2015		
8. % of births attended by skilled health personnel	11	2.2
9. % of women reporting 4 or more antenatal visits	37.9	44.1
Goal-6: Make available ... safe, effective, affordable and acceptable family planning and contraceptive methods		
10. Contraceptive use (modern method) by current married women	35.4	NA
11. Contraceptive prevalence rate – any method (%)	38.9	41.7
Goal-10: Reduce infant mortality rate below 35 per 1,000 live births by 2015 (MDG 4, T-5)		
29. Infant mortality rate (IMR)	64	61
30. % of 1 year children immunised against measles	71	85
31. % of 1 year children immunised against TB	84.5	NA
32. % of 1 year children immunised against DPT3	72.1	79
Goal-11: Reduce under 5 mortality rate below 45 per 1,000 live births by 2015 (MDG 4, T-5)		
33. Under five mortality rate	91	82
Goal-12: Reduce maternal mortality rate by three quarters of the current rate by 2015 (MDG 5, T-6)		
34. Maternal mortality rate	415	NA
Goal-13: Reduce undernourished people by half, by 2015		
• (see indicator 7)		
Goal-14: Reduce by half, by 2015, the % of people who are unable to reach safe drinking water (MDG 7, T 10)		
35. % Population with sustainable access to improved sources	73	81

Source: NPC/UNCT (2005), Nepal MDG Progress Report 2005; MOH, New ERA and ORC Macro (2002), NDHS 2001.

Despite improvement in many of the health related indicators as shown in Table 2A and 2B, the results in BPOA targets has remained mixed. There is need for the intensification of the efforts on HIV/Aids, preventive health measures and improving the maternal health in Nepal.

Education

The major strategies and policies include: (i) promotion of universal primary education and emphasis on pre-primary and primary enrolments. (ii) increase literacy by expanding non-formal education, (iii) emphasize public participation for the overall management of school in line with decentralization, (iv) increase technical and skilled human resource, (v) increase secondary level access to those completing primary school, (vi) enhance the quality of education at all levels, (vii) adopt the principle of cost recovery in higher education, (viii) conduct additional programmes for the enhanced access of education to Dalit (oppressed people), and backward communities, and (ix) mobilize youth in community development.

Nepal is making additional efforts for providing access to primary education for all 5-9 year old children under its "Education for All" (EFA) programme (2001-15), based on the Dakar Conference. Universal primary education is aimed at achieving through decentralized planning and management of school education and other innovative measures.

In the spirit of the Decentralization (Local Self Governance Act, 1999) School Management Committee (SMC) at local level is entrusted to planning and monitoring of school activities through school improvement plan. SMC has the authority to allocate and use resources and hire and manage teachers. The role of government has been gradually shifted from a direct implementer to that of a facilitator by providing block grant based on the School Improvement Plan, Village and District Education Plans, and monitoring results of quality and access to education. In order to enhance the quality of education, steps like teaching license system, mandatory women teachers in preschool, at least one women teacher in primary level, and school operation grant manual for a cost sharing in secondary education have been introduced to enhance quality and reduce government financial liability in education.

In order to enhance the access to education to the disadvantaged groups of population, scholarship is provided to girls, and children from deprived communities; and NGOs and support organisations are encouraged to run literacy programmes. Scholarship budget to cover deprived groups, girls and remote

Table 2B: Status/Trends of Selected Health Related Goals and Indicators under Commitment 3

Goal / Target	2001/2	2004/5
Goal-15: Reducing HIV infection rates in persons 15-24 years by 2005 in all countries, and by 25% in the most affected countries (MDG 7, T 10)		
36. % HIV prevalence among 15-49 years of age (%)	0.29	0.5
39. Percentage of population aged 15-24 with correct knowledge of HIV/AIDS more antenatal visits	NA	NA
Goal-17: Halving malnutrition among pregnant women and preschool children in LDCs by 2015		
40. Prevalence of underweight children under 5 years	48.0	NA
41. Prevalence of under height children under 5 years	51	NA
Goal-18: Reduce substantially infection rates from malaria, TB and other killer diseases; reduce TB deaths & prevalence of diseases by 50% and reduce burden of disease associated with malaria by 50% by 2010(MDG 6, T8)		
42. Prevalence rate associated with malaria (no. of cases per 100,000 population at risk)	65	78
43. Proportion of population in malaria risk areas using effective malaria prevention measures	6.9	11.4
44 a. Prevalence rate associated with TB	310	280
44b. Death rates associated with TB	23	NA
45a. Proportion of TB cases detected	69	71
45b. Proportion of TB cases cured under DOTS	89	88
Goal-19: Promoting child health and survival and reducing disparities between and within developed and developing countries...		
46. Child orphaned by AIDS	NA	NA
47. Proportion of population with access to improved sanitation (MDG 7, T10)	30	39
Goal-21: Promoting breast feeding as a child survival strategy		
48. % of children under 6 months who are exclusively breastfed	66	NA
49. % of children (6-9 months) breastfed with complementary food	66	NA
50. % of children (20-23 months) still breast feeding	92	NA

Source: NPC/UNCT (2005), Nepal MDG Progress Report 2005; MOH, New ERA and ORC Macro (2002), NDHS 2001.

areas has been increased almost ten fold over the last three years and all the girls completing high school from 24 remote districts has been provided full scholarship to pursue their education at 11th and 12th level. The government has recently launched an enrolment campaign (School Welcome Program) targeting out-of-school children, focusing on the poor and disadvantaged, as a means to extend the coverage of primary education. Policy of recruiting female teachers and nutrition programmes has also supported the enrolment increase. Moreover, government has increased social sector allocation in successive annual budgets. In FY 2003/2004, 33 % of total budget was allocated in social sector and 19% in education.

Under the decentralised management, in total 2,091 primary schools (around 9 %) have been handed over to School Management Committees at local level including 591 schools transferred in FY 2004/05. Moreover, over the years, student enrolment in primary education has steadily increased; disadvantaged children's access to primary education has improved; and primary cycle completion rate has risen. There is also a significant increase in the number of trained and certified teachers.

Despite considerable progress in the education, there are challenges as to how to address the quality and equity. The quality of education in public schools is generally poorer than that of private schools and access to private school is beyond the reach of poor. This further creates disparity between rich and poor. In order to address this issue there is a need for increasing resource allocation to education. Successful implementation of the recently initiated school management transfer program would help enhance education quality in public schools.

Disruption of education of displaced children is another major issue as a substantial number of students have been displaced from the conflict-hit areas.

Drinking Water and Sanitation

The overall strategy in the water supply and sanitation sector is to increase sustainable access to safe drinking water supply and sanitation facilities to both rural and urban areas. It will improve health, lessen drudgery, and save time (mostly of mothers). Moreover, it has many indirect effects such as increase in literacy rate of the women, improved child well being, etc. The Tenth Plan's target is to make basic drinking water services available to 85% (from 72%) of the population. In implementing the strategy, the plan has envisaged a number of policy emphasis including: (i) cost recovery in the operation of drinking water supply (DWS) projects, (ii) participation of consumers' group in rural DWS projects, (iii) implementation of rural DWS projects through consumers' committees or NGOs while ensuring conservation of local resources, (iv) priority to make DWS projects affordable to consumers committees based on simple and appropriate technology, (v) priority to reconstruction and on-going rural DWS projects, (vi) development and conservation of natural water storage, (vii) embracing sanitation as an integral component of drinking water project, (viii) improvement of water quality, (ix) involvement of private sector in the development and management of water supply system in urban areas, and (x) hand over of the projects and their monitoring and evaluation by the government to local bodies/communities.

In the last 3 years, considerable progress has been made including the policy shifts. Water Supply and Sanitation Policy, 1998 has been revised. The policy has clarified the roles of sector agencies and incorporated the demand driven and participatory approach (the matching grand Fund Board approach) to service delivery.

Tenth Plan targets for water supply are likely to be achieved, if the conflict situation does not deteriorate to impact implementation adversely. However, the sanitation targets are not likely to be achieved given the current rate of resource investment.

Table 3: Status/Trends of Selected Drinking Water Related Goal and Indicator under Commitment 3

Goal / Target	2001/ 2	2004/ 5
Goal-14: Reduce by half, by 2015, the % of people who are unable to reach safe drinking water (MDG 7, T 10)		
% Population with sustainable access to improved sources	73	81 ^a

a= data 2003/4

Source: NPC/UNCT (2005), Nepal MDG Progress Report 2005

Social integration

Nepal is a country with diversity both in natural and socio-economic features. Different races, castes and indigenous population live in three different ecological regions -Mountain, Hills and Tarai. Social inclusion of women, low castes, and disadvantaged indigenous groups is poor. This discriminates between the citizens in terms of access to resources and services. People in mountain are poorer, and those of mid- and far west-development regions further poorer. The society is still marred with feudal characteristics because

of low level of literacy and deep-rooted traditions. This has been one of the cause of rising conflict in the country since 1996. Thus, social cohesion and integration is a burning issue in Nepal.

Inclusions are emphasized in all pillar activities. PRSP has also added the pillar of targeted programmes with various support activities and affirmative actions as mentioned earlier. Investments in pro poor and pro gender projects have increased over the years with the adoption of prioritisation approach. However, the progress speed is inadequate due to the resource constraints. Moreover, there is need for better identification and targeting of the programmes to reach to more needy.

Commitment 4: Building Productive Capacities to Make Globalisation Work for LDCs

Transportation and Communication

Improving and modernising means of transportation and increasing communication networks to integrate rural area is necessary for enhancing productive capacity to alleviate poverty. HMG has policy of developing, constructing and expanding road networks for improving connectivity by promoting also the public private partnership. Using appropriate technology and managing environment have also been emphasized.

Table 4: Status/Trends of Selected Transport and Communication Related Goals and Indicators under Commitment 4

Goal / Target	2001/2	2004/5
Goal-22: Increasing road networks in LDCs to the current level of other developing countries & urban road capacities, including sewerage and other related facilities by 2010		
Total road network (km.)	15905	17217
Air passengers carried (number)	1879	2562
Goal-27: Increasing average telephone density to 5 main lines per 100 inhabitants and internet connection to 10 users per 100 inhabitants by the year 2010 (MDG 8, T – 8)		
Telephones lines per 100 population	1	3
Estimated number of internet users (in thousand)	45	120

MOF (2005) Economic Survey 2004/05; NPC (2002), Tenth Plan;

NPC/UNCT (2005). Nepal MDG Progress Report 2005.

HMG has prepared and implemented policies to involve consumer groups and community based organisations in selection, preparation and implementation of the development projects in rural infrastructure. Private sector involvement is also encouraged with the provision of Build Operate and Transfer (BOT) and Build Operate Own and Transfer (BOOT). Likewise, private sector involvement is promoted also in the maintenance of national and local road networks by establishing Road Board, which comprises majority of the members from non-government sector. In line with decentralization local road activities of the Department of Roads is shifted under the jurisdiction of local authorities.

54 districts (out of 75 in the country) have prepared district road master plan. Moreover, 20-year road sector master plan is being prepared in the country. Groundwork for developing Nepal as a transit point between India and China has been initiated. HMG has given highest priority in linking district headquarters by road network and in this connection 70 out of 75 district head quarters are to be connected by road by the mid 2007. Likewise, road network is to be extended to improve connectivity. The number of additional districts connected with road is expected to be 6 by 2006 as against the target of 10 by 2007 and road expansion between 2003-5 has been 3317 km (638 km strategic road and 2679 km rural roads).

HMG has embraced information and communication as pivotal to the development of the country. Enhancing participation of private sector, effective development of broadcasting services and flow of information and capacity enhancement of postal services are some major policies of the government. HMG has fixed targets of extending 40 lines telephone service to every 1000 population, and extending telephones services in 4000 Village Development Committees (VDC) of the country by 2007.

IT policy 2000 has been revised with focus on cyber regulation, e-governance and e-commerce. The telecommunications Policy 2004 of HMG has been made people-centred and service-oriented. In recent years, privatisation of government owned Nepal Telecom is in process. With multiple efforts, there has been significant improvement in the telecommunication within a short period. Telephone lines are more than tripled, VDCs accessed by telephone lines has increased by 30 percent between 2002-5. Three private sector organizations have entered in the business and mobile service has also expanded by more than 200 thousand within the period.

Both in transportation and communication, meeting the BOPA target is grossly inadequate due to low base and dampened potential progress in extending the coverage in the recent years. As to the telephones, it is still urban. There are as large as 50 people per telephone line (Table 4). Insurgent's attack to the physical property such as telecommunication tower has often prohibited communication services in rural parts of the country. Similarly, the construction of road is also disturbed. The road construction at present is being done mostly either through community involvement at local level or through security support under the concept of 'development and security'.

Technology and Enterprise Development

Tenth Plan has the objective of carrying out research and development works on appropriate technology for rural development while at the same time exploring new technology suitable for sustainable and overall development of the country. Mobilization of private sector and import of appropriate foreign technology to contribute to the socio-economic development of the country has been emphasized.

New Industrial Policy has been drafted, and entrepreneurship development trainings have been conducted. The government and umbrella organizations of the private sector are jointly revising labour laws. Promoting training institutes and capacity building of the apex bodies of the business organizations are also being undertaken.

Alternative Energy

The objective of the sub-sector under the 10th plan is to develop and expand alternative energy as a contributor to rural development, alleviating poverty and reducing dependency on imported energy. As most of the rural people are deprived of electricity it needs a huge investment to connect rural sector and supply power from the national grid, and therefore development of alternative energy, which requires less investment will be pragmatic approach to improve the rural life faster.

Major strategies and policies of the sub-sector include: (i) promotion and expansion of micro hydropower, solar power, wind power and improved ovens in the rural areas; (ii) expansion and development of alternative energy to uplift the life standard of rural people; (iii) use alternate energy in the development of IT in rural areas; (iv) establishment of rural energy fund for the sustainable development of rural energy and conducting necessary research on alternative energy. Among others, the 10th Plan targets for providing electricity services to 12 percent of the rural people from alternative energy sources, and supply electricity in 1000 VDCs.

Electricity Expansion

The 10th plan has also provided strategies and policies for the electricity development. Comprehensive approach on developing and managing hydroelectricity in the context of national development, developing power with joint investments, and expanding rural electrification are some of the major policies. A twenty-five year National Water Plan (2002 – 27) has been developed with a wholistic approach of developing hydropower, irrigation and other relate components in an integrated manner. As per the plan, 54% of the population is to be served by electricity by 2010

Agriculture and Agro Industries

Agriculture Perspective Plan (APP) implemented by the government since 1997 remains the core of the agricultural growth strategy. APP envisages diversification and commercialisation of agriculture by speeding, in the output front, cereal production in the Tarai and the production of fruits, high value crops including Non-Timber Forest Products (NTFPs), and livestock products in the hills and mountain regions of the country. These are to be achieved by managing four key inputs namely need-based research and extension, eased fertilizer supply, controlled year-round irrigation, linkage of potential production pockets to market by developing rural agricultural roads and the expansion of rural electrification.

Review of the APP implementation, and the design of new action plan have been completed by MOAC. The basic objective of the review was to reorient the agricultural sector towards commercial agriculture. Policies in agricultural sector also need some additional reforms to address issues raised by WTO and SAFTA membership.

PRSP has emphasized to intensify the implementation of APP. Accordingly, it has given highest priority to agricultural and rural development with emphasis on progressive private sector involvement in input and output marketing, strategic and coordinated provision of public infrastructure and services, partnership with private providers including NGOs, and devolution of rural services.

Some important activities ongoing in the sector are as follows:

- Focus research and extension towards agriculture commercialization and diversification;
- Mobilization of private sector and NGOs as partner service providers on a contract basis;
- Monitoring, quality control and regulation of inputs supplied by private sector;
- Transfer of extension services to local bodies and veterinary services to private sector;
- Conversion of agricultural farms/stations into resource centres;
- Promotion of cooperative and contract farming;
- Development of market centres;
- Integration of rural roads, irrigation and micro-irrigation for agricultural intensification;
- Mainstreaming women and disadvantaged groups in farmer group formation in developing enterprises;
- Supplying food in food deficit remote districts to maintain food security;

In spite of the policy initiatives, agriculture diversification and commercialisation needs to be widened as it has concentrated in limited pockets. There is need for expanding production and bringing efficiency in the marketing of high value crops, off season vegetables, livestock products (meat, milk and eggs) and fruits.

Commitment 5: Enhancing the Role of Trade in Development

About 20% of Nepalese export is related to agriculture and the country has large potential of expanding it. Recognising the role of trade in economic development, the government moved for liberal and market oriented trade policy since the mid-1980s. Trade policy reform marked a fundamental departure from the earlier restrictive approach. As a result, there has been gradual increase in Nepal's international trade, and change in the structure of the trade. The PRSP aims at mainstreaming trade with poverty reduction initiatives. Transit point development between India and China through Nepal is a recent initiative being promoted by the country at present. Policy towards developing appropriate route and related services is under way.

Nepal has become the full-fledged member of WTO on 23 April 2004. Nepal is also a member of two regional trading arrangements: SAFTA and BIMST-EC. This would help integrate the Nepalese trade at the regional and global level. However, challenge is to prepare herself to be able to take the advantage specifically by increasing quality production and by preparing infrastructure for meeting certification standards. Nepal has recently reduced tariff on various commodities supporting the principles of SAFTA and BIMST-EC. The average tariff has been brought down to 8% from about 12% in 2001.

Although the expiry of the multi-fibre agreement has affected the Nepalese garment entrepreneurs, the provision of duty free and quota free (to 97%) access for the 32 LDCs in the developed countries' market concluded in the 6th Ministerial Conference at Hong Kong recently has opened up opportunities for export. However, the country has to develop both supply side arrangement and transit framework to take full advantage of it.

Commitment 6: Reducing Vulnerability and Protecting the Environment

Nepal prepared a 15-year sustainable development agenda (SDA) in May 2003. It aims to guide and influence national level planning and policies up to 2017. As aimed in the SDA, the equity between generations requires keeping natural capital intact. In Nepal, the area of effective forest has decreased to 29 percent and there is more than 10 percent land as bush land, which were once forest. HMG is committed to recover it through promotional programs. HMG has emphasized community and leasehold forestry under APP as one of the strategy. There has been successful implementation of community forestry, and partial success in the leasehold forestry. This is expected to ameliorate the process of deforestation and also help in poverty alleviation. Community forestry of Nepal is considered as one of the successful world model.

HMG has developed different policies and adopted various measures in order to protect and promote the environment. Chief among them include preparation of National Environmental Policy and implementation of environmental impact assessment guidelines. In the field of disaster, National Strategy for Disaster Management is also being prepared, and disaster preparedness and mitigation programmes are under implementation. Likewise, water induced disaster management has been given priority in the National Water Plan (2002-27)

Besides, Government is emphasizing rural infrastructure development including transportation and communication, and other superstructures such as schools and health facilities, which will further build the capacity of the people to fight against risks, and will also reduce vulnerability.

However, for the last decade the problem of flooding and inundation has been increasing in the Tarai districts of the country due to deforestation in the porous Bhabar Zone. The problem is further aggravated by dam constructions without adequate mitigation measures. Some problems are of multi-country consequence.

Commitment 7: Mobilising Financial Resources

There is critical role of external financial resources in achieving the goals of the BPOA. Achievements on three financial goals are inadequate and status by target category is mixed. Nepal MDGs Needs Assessment Study estimated a total resource requirement of US\$ 16 billion, with a financing gap of US \$ 7.6 billion for the next decade 2005 - 15. This necessitates scaling up of the external support level by more than 50 percent if the MDG goals are to be met as targeted. The evaluation of MDG status and Supportive environment by Nepal MDG Progress Report, 2005 has been given in Table 5.

Three Goals under Commitment 7

Goal 28: Donor countries providing more than 0.20 percent of their GNP as ODA to LDCs: Continue to do so and increase their efforts (MDG 8, T-13)

Goal 29: Other donor countries, which have met the 0.15 percent target: Undertake to reach 0.20% expeditiously.

Goal 30: All other donor countries, which have committed themselves to the 0.15 % target: Reaffirm their commitment and undertake either to achieve the target in next 5 years or to make best efforts to accelerate their endeavours to reach the target.

Table 5: Nepal's Progress towards MDGs Status and Supportive Environment

Goals	Will the Goal Be Reached ?	Status of Supportive Environment#
1. Eradicate extreme poverty and hunger	Likely	Fair
2. Achieve universal primary education	Unlikely	Strong
3. Promote gender equality and empower women	Potentially	Fair
4. Reduce child mortality	Likely	Strong
5. Improve maternal health	Potentially	Weak but improving
6. Combat HIV/AIDS, malaria and other diseases	Unlikely	Weak but improving
7. Ensure environmental sustainability	Likely	Fair

* The probability of the attainment of goals is categorized into: likely, potentially, unlikely and lack of data.

The status of supportive environment is categorized into: strong, fair, weak but improving and weak.

Source: Nepal MDGs – Progress Report 2005, HMG/UNDP/N, Kathmandu.

Domestic Resource Mobilisation

Domestic saving/GDP ratio and revenue/GDP ratio of Nepal remained between 12 to 13 percent in the last three years of the 10th plan. This indicates low level of domestic resource mobilisation. In recent years, the effort of domestic resource mobilization has been further constrained by the sluggish growth, low use of natural resources and weak domestic corporate sector due to high NPA (non performing assets). HMGN has made some interventions for the mobilisation of domestic resources:

- Programmes for the qualitative improvement in the performance of revenue administration are continued.
- Service delivery improvements and rate adjustments have been made in the taxes including excise duty, income tax, customs and Value Added Tax (VAT).
- Basic social services and rural infrastructure are devolved to local level to enhance the mobilization of local resources
- The process of enactment of Micro Credit Policy is underway. Similarly, the drafting of Micro Finance Act is under way.
- The restructuring of Nepal Bank Limited and Rastriya Banijya Bank and reengineering of Nepal Rastra Bank have been continuing. Similarly, restructuring of Rural Development banks has been in progress.
- Legal arrangements are being made for the creation of regulatory authority for Employee's Provident Fund, Citizen's Investment Trust, Postal Saving Bank and other agencies to be engaged in the trusteeship of pension funds.

- ❑ Institutional mechanism is strengthened to take action against wilful defaulters for marinating bank discipline.
- ❑ Public Procurement Ordinance has been designed to make public procurement system more effective, economic, competitive and transparent. This will also help enhance people's participation in development.

Aid and Its Effectiveness

Importance of managing foreign aid appropriately is obvious in a country like Nepal where more than 60 percent of development expenditure is financed through external source and about 12 percent of government revenue goes for external debt servicing. A Foreign Aid Policy was prepared in 2002. An ADB TA was implemented during 2004-5 for institutional strengthening of debt management. A draft policy is also prepared for systematic management of public debt.

Foreign loan in Nepal is increasing over the years while the ratio of outstanding loan to GDP has been maintained around 50 percent over the last decade. The outstanding foreign loan increased from Rs 220 billion in 2001/2 to Rs 236 billion in 2004/5 with a growth of 2.4 percent a year in nominal term. The ratio of net outstanding loan to GDP was 52 percent in 2001/02 and 45 percent in 2004/5, a cause of the decline being also the fall in development expenditure due to conflict. Country like Nepal which was trying to maintain it's discipline in foreign debt should be encouraged by providing additional incentive to join the Heavily Indebted Poor Countries Initiative of IDA and IMF.

Experience reveals that there is significant scope for improving foreign aid utilization in the country. HMGN has taken up following initiatives:

- Development and implementation of Foreign Aid Policy 2002 with the objective of ensuring the compatibility and convergence of foreign aided development activities with nationally determined priorities;
- Improving the quality, effectiveness and efficiency of foreign aid operations and enhancing its contribution to poverty reduction through prioritisation of pro-poor projects.
- Enhanced development partnership between Nepal and donor institutions. HMG has been utilising the Nepal Development Forum (NDF) as a platform for open dialogue with development partners.
- Economic reforms through various measures.
- Periodic review of public expenditure to undertake procedural reform measures and enhance the spending capacity of the government.
- Prioritisation of projects and programs to facilitate donor harmonisation for aid effectiveness and coordination.
- Reduction of projects to bring it to a manageable level.

Foreign Direct Investment (FDI)

Economic reform measures with open and liberal policy adopted by the government have prepared ground for foreign investment in Nepal. A separate industrial policy and Acts are in operation. By 2004/05, about 860 FDI projects are active with total fixed capital investment of more than Rs 74 billion. In this, the share of foreign investment is about Rs 26 billion. Employment contribution by the industries is estimated to be 98,361. FDI has been increasing in the recent years. During 2002-5, FDI worth Rs. 5.4 billion is added contributing to about 11 thousand employments. Speeding FDI in the country requires conflict resolution and establishment of lasting peace.

III. Challenges in the Implementation of the Brussels Programme of Action and Way Forward

The pay off of the policy reforms adopted since the mid 1980s was high till the 1990s when the per capita income grew by 2.6 percent. However, with the start of the new millennium, the growth rate has been depressed and turned even into negative in 2001/02 due to conflict emerging in the country. Although the growth rate has started recovering from 2003, it is marginally above the population growth rate. Moreover, the pace of implementation of the policy reforms has been slow due to political instability and hindrance in spatial accessibility. The country has the following challenges in the implementation of its BPOA.

- (i) Increasing growth rate in the economy so as to restore it to the level of 1990s and then catch up with the growth in neighbouring countries..
- (ii) Making growth rate pro-poor. This can happen when there is improvement in rural connectivity, increase in agricultural production and productivity and expansion of agro-based industries, which have wider base to support the rural economy. However, because of impeded effective service delivery in the rural parts of the country due to conflict, making growth pro-poor has been a great challenge.
- (iii) Reestablishment and strengthening the local level public institutions in order to improve the governance and service delivery. This challenge calls for restoring peace as soon as possible.
- (iv) Increase investment in developing remote areas by adopting inclusive approaches to embrace the disadvantaged groups of population in the mainstream of development. This would need to focus on regional planning and local potential utilization.
- (v) Face with external conditions which has been more challenging compared to past caused by globalisation from WTO, SFTA and BMSTEC and the winding down of the Multi-fibre arrangement causing to the loss of market share in key exports such as garments. Nepal should prompt to take advantage of tariff and quota free (97%) arrangements agreed in WTO Hong Kong Ministerial and at the same time prepare herself to take advantage of trade promotion and developing Nepal as transit point between two large neighbouring countries.
- (vi) Enhance foreign assistance utilization and development expenditure, which are declining from deteriorated working environment due to conflict in the country. The conflict should be resolved, as soon as possible. In the mean time, the interim strategy should focus on areas which are least affected by conflicts by reorienting the investment approach. Investment in commercial agriculture, community managed development activities, rural infrastructure development through community participation, social sector development to improve human capital, targeted programs with inclusive approach, maintenance and upgrading of urban infrastructure, and training programs to outgoing labours to increase remittance income through better foreign job opportunities could be some priority areas.

References

1. Economic Survey 2004, Ministry of Finance, HMG
2. Nepal Living Standards Survey (NLSS) (2001, 2004), CBS;
3. Human Development Reports 2004 and 2005, UNDP
4. Nepal Human development Report 2004, UNDP
5. Nepal Millennium Development Goals: Progress Report 2005, UNDP/ NPC
6. Ten Plan (2002-7), National Planning Commission, Nepal
7. Report on the Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, May 2001, United Nations
8. Tenth Plan PRSP Progress Report, 2004/5 (Draft) Dec 2005, NPC
9. Nepal Demographic Health Survey and Health Survey, 2002, MOH, New ERA and ORC Macro
10. Various Sector Reports form International and National Agencies