

# The Sixteenth Plan

(Fiscal Year 2024/25 – 2028/29)



Government of Nepal  
**National Planning Commission**  
Singha Durbar, Kathmandu

**Unofficial Translation**

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**Prime Minister**

### **Message**

The Sixteenth Plan has been formulated in time in order to provide guidelines for the economic, social and environmental aspects of development of the nation. Following the establishment of federal republic system, the political leadership has been focused on the issues of economic development and prosperity. With active involvement of three tiers of government, economic, social and infrastructure development activities have been growing even at the grassroot level. Professional efficiency and entrepreneurship of the private sector is on the rise.

Despite limited resources, endeavors made in the course of the last 67 years of planned development have resulted in significant achievements in economic, social and infrastructure development sectors. However, looking at the contemporary development needs of the nation, aspirations of the citizenry and available resources and their potentials, the achievements we have made look meager in totality. Simple reforms in our traditional work and continuity of same old system of implementation alone may not meet the targets of the contemporary national development needs. Against this backdrop, we need to create an environment for achievement of goals and targets fixed by the periodic plans by providing new direction and momentum to our development exercises carried out so far.

To strengthen the pillars of good governance, prosperity and justice by placing at the centerstage important factors such as the geography of the nation, diversity of nature and society, aspirations of the general public, improved good relations of the nation internationally, equality and justice in multidimensional sectors of the state, and equitable distribution of resources, effective implementation of periodic plans remains critical. However, in order to confront with the traditional challenges of ambitious plan formulation that ends up in implementation which is below expectation, active and meaningful participation of all three levels of government is necessary.

Keeping in mind experiences and lessons learnt from formulation and implementation of the past plans, the current Sixteenth Plan focuses all efforts on increasing production and generating employment. In this respect, I believe that this plan formulated with the incorporation of vision of 'good governance, social justice and prosperity' will start a new chapter in all-round development of the nation through

structural transformation. I have the expectation that this plan will set milestones in key areas such as graduating Nepal into a developing country by 2026 and continuing to elevate it into a middle-income country; attaining the Sustainable Development Goals by 2030; fulfilling expectations in poverty and unemployment reduction and increasing access of citizens living in far-flung areas of the country in education, health and social security network.

To conclude, I extend my appreciation to the National Planning Commission family and all others involved in the process of formulating this Sixteenth Plan, which aims to bring palpable and positive changes in the life of the entire citizens and, call upon all stakeholders to join hands in successfully implementing the plan.

14 June 2024

**Pushpa Kamal Dahal 'Prachanda'**

# National Planning Commission

Singha Durbar, Kathmandu



Dr. Min Bahadur Shrestha  
Vice-Chairperson

## Foreword

It has been almost seven decades since Nepal initiated the exercise of planned development. In the mean time, ten five-year and five three-year plans have been formulated and brought into implementation. The Fifteenth Plan implementation period, which was carried out as a plan for preparing the base of 'Prosperous Nepal, Happy Nepali' under the Long-term Vision 2043, is coming to an end this fiscal year - 2023/24. That is why this Sixteenth Plan has been formulated for implementation between Fiscal Years 2024/25 and 2028/29. This plan has kept a vision to achieve "good governance, social justice and prosperity," and in order to move ahead with the vision, sectoral objectives and collective strategies have been delineated. In a nutshell, this plan has identified fundamental issues and challenges that have confronted our journey of development and prosperity and provided a clear roadmap for their solution.

In the course of planned development so far, achievements of social sector objectives have remained satisfactory among the various objectives set in the plans. However, gaps have been observed in the targets and achievements of economic growth sector. After a long interval, the 14<sup>th</sup> Plan could largely achieve the targets of economic growth also besides meeting majority of the targets set in the social sector. However, right from the beginning of the fifteenth plan, wider gaps have appeared between targets and achievements due to COVID-19 pandemic and other external factors as well as internal structural factors. Lessons learnt from the experience of formulation and implementation of periodic plans carried out so far have been taken as inputs.

Efforts have been made to make this sixteenth plan document implementable, evidence-based and result-oriented. Moreover, this plan has been formulated as a symbolic plan that can guide overall direction and momentum of national development. Transformative measures and key programs that can address the structural impediments seen in various sectors and dimensions of development have been included. Consolidated strategy has been worked out to address issues and

problems seen in implementation. These include: strengthening inter-relations and work capacity of all stakeholders at every level and sector; gender mainstreaming in all dimensions of development; encouragement in use of modern technology, forest conservation and internalization of disaster risk reduction measures and emphasis on policy formulation and implementation based on science and evidence.

I express my gratitude to the Rt. Honorable Prime Minister and Chairperson of NPC for the guidelines received in the process of preparing this plan. Likewise, I extend sincere thanks to all those who provided their invaluable suggestions, either representing their organizations/institutions or individually, in the course of document preparation. These include governments at all three levels of the federal system, political parties, senior officeholders, civil servants, experts, private sector representatives, civil society organizations, non-governmental organizations and our development partners. In the same manner, I extend special thanks to the incumbent and past members of the NPC and the civil servants associated with it for their continuous efforts in the preparatory process.

14 June 2024

Dr. Min Bahadur Shrestha

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Chapter 1

# Introduction

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# Introduction

## 1.1 Background

Nepal has made significant achievements in economic, social and infrastructural development through nearly seven decades of planned development. The changes introduced in the political system and governance structure during this period have been assimilated in the periodic plans and the planned development process has been continued by refining the vision, goals and targets, priority and programs of the development plan.

The Constitution of Nepal aims to fulfil the aspirations for sustainable peace, good governance, development and prosperity through federal democratic system of governance. To ensure social justice and equality coupled with economic prosperity by enlarging the scope of fundamental rights, guiding principles and policies of the state, emphasis is laid on adoption of proportional, inclusive and participatory principles. The economic objective of the state has been creation of a socialist-oriented and prosperous national economy by making the economy self-reliant and progressive. A long-term vision for achieving national objective of “**Prosperous Nepal, Happy Nepali**” by the year 2043 has been projected. Likewise, with active participation of the public, private and cooperative sectors, objective has been set to graduate Nepal from the least developed country status by 2026, achieve the Sustainable Development Goals by 2030 and promote it into a middle-income country. The Fifteenth Plan (2019/20 – 2023/24) implementation period has come to an end by the middle of July 2024. The Sixteenth Plan has been brought forward for implementation in the next five years (2024/25 – 2028/29) after the completion of the previous Plan.

## 1.2 Brief Review of Planned Development Endeavors

Nepal’s planned development effort was initiated in 1956 when a Planning Commission was constituted with the objective of guiding planned development in institutionalized form under the chairmanship of Prime Minister. The Commission brought out the first Development Plan which was implemented between 1956/57 – 1960/61. During the Panchayat system that spread between 1960 to 1990, second to the seventh periodic plans were formulated and implemented. After the restoration of multi-party democracy in 1990 and before the establishment of federal system of governance, eighth (1992/93-1996/97) to thirteenth (2013/14 – 2015/16) periodic plans got formulated and implemented.

When the Constitution of Nepal established federal republic system of governance in 2015, the Fourteenth Plan (2016/17 – 2018/19) was formulated for implementation. After the holding of federal, provincial and local level elections and subsequent formation of three tiers of governments, the Fifteenth Plan (2019/20 – 2023/24) was formulated at the federal level, whereas the first provincial plans were formulated in each of the provinces. Local level governments have also been formulating and implementing their own periodic plans.

There were planning-holidays in the three fiscal years - 1961/62, 1990/91 and 1991/92, when no plans were implemented. Altogether, five periodic plans - the second plan as well as those from eleventh to fourteenth plans, were of three-year durations, whereas all other 10 plans spanned over five years.

**The First Plan (1956/57 - 1960/61):** The First Plan envisaged economic growth and social development with a view to production growth and promotion of work. In this respect, it took a strategy for utilization of available resources to the maximum extent for development of data system and improving the lot of common people. This plan made important contribution in social service sector and laying out foundation for basic infrastructure like agriculture, roads, electricity, etc., which are necessary for social service and economic development.

**The Second Plan (1962/63 - 1964/65):** The Second Plan tried to create base for long-term plans and as its prime objectives adopted economic development, employment creation and a just social order. It prioritized programmes such as basic infrastructure creation, agriculture and industrial development and social service provision. This plan is taken as an important plan from economic development perspective.

**The Third Plan (1965/66 - 1969/70):** The Third Plan took objective of promoting social welfare through establishment of a just social order. Among its other objectives were food production, growth in foreign trade, industrial development as well as curbing of social discrimination and inequality. As the plan attached priority to progressive changes in agriculture development, transport management, industrial and power sector development, it has been taken as an important step in planned development system.

**The Fourth Plan (1970/71 - 1974/75):** The Fourth Plan prioritized activities such as growth in production, creation of development bases such as transport, communication and power, agriculture development and consolidation of industries, growth and diversification of international trade, controlling price hikes and effective utilization of labour force. Important outcomes that came during this period included balanced development, inception of national education system and building of bases for social development.

**The Fifth Plan (1975/76 – 1979/80):** The basic objectives of the Fifth Plan were growth in production, maximum utilization of labour force and regional balance. Important

policies and programmes envisaged were mobilization of domestic resources, appropriate methods for investment and production, procedure for labour utilization, macroeconomic stability, industrial management, growth and diversification of trade and land management. Furthermore, emphasis on foodgrains production for export trade, growth in investment to boost land productivity, generating employment through labour-intensive agricultural development, creating more jobs in the cottage and small industries through low-scale investments in non-agricultural sector and creating income opportunities for rural people were other priorities.

**The Sixth Plan (1980/81 - 1984/85):** The Sixth Plan had objectives of achieving rapid economic growth, creating productive employment opportunities and meeting the minimum basic needs of the people. Among the basic development policies that were given priority by the plan were development of agriculture sector, development of micro and small industries, export trade and tourism development, conservation and preservation of natural and heritage resources and development of water resources. Likewise, emphasis was put on full utilization of infrastructure created during the plan period to enable utilization of more resources, thereby increasing efficiency of the economy.

**The Seventh Plan (1985/86 – 1989/90):** The Seventh Plan, while giving continuity for completion of the Sixth Plan programs, had main objectives of growth in productive employment opportunities and meeting the basic needs of people. It prioritized agriculture, forest resources and land conservation, water resources, industry, export trade and tourism development. National economic integration and strengthening decentralization and development administration were taken as fundamental development policy for implementation in this regard. Furthermore, special emphasis was placed in bridging gap between plan formulation and implementation.

**The Eighth Plan (1992/93 – 1996/97):** The Eighth Plan was the first periodic plan formulated after the restoration of multi-party democracy. This plan put forward important issues for economic reforms. The plan had main objectives of achieving sustainable economic growth, reducing poverty and reducing regional imbalances, whereas emphasis was placed on intensification and diversification of agriculture, power and rural infrastructure development, employment creation, human resource development, control in population growth, industrial growth and tourism promotion. The plan prioritized enhancing the role of the private sector, and with adoption of economic liberalization policy, sustainable economic development and monitoring and evaluation were brought into priority list as well. Under the prioritized programs, maximum utilization of biological/natural resources, development of agricultural ecosystem, industrial specialization, growth of non-agricultural sector and equitable and participatory development efforts were mention-worthy.

**The Ninth Plan (1997/98 – 2001/02):** The Ninth Plan came in tandem with the 20-year long-term development vision. Accepting poverty reduction as a single objective,

it kept agriculture and forestry, water resources and power, human resource and social development, industrialization, tourism development, international trade and physical infrastructure in priority. This plan also stressed decentralization, active participation of stakeholders in development, financial structuring, projection of programs related to education, healthcare, agriculture and infrastructure development.

**The Tenth Plan (2002/03 – 2006/07):** This plan had the objective of reducing poverty by mobilizing available resources optimally and through joint participation of the government, local agencies, non-governmental sector and civil society. Included in this plan were such strategies as high, sustainable, broad-based economic growth, development of social sector and rural infrastructure, targeted programs and good governance. Other illustrative aspects were commercialization of agriculture, women's empowerment, gender equality, inclusion, digital data-based land information system, management of community forestry. The plan that came in tandem with Millennium Development Goals (MDGs) was specially designed as poverty reduction strategy paper.

**The Eleventh Plan (2007/08 – 2009/10):** The Eleventh Plan had main objective of preparing base for economic and social transformation for building of prosperous, modern and just Nepal. With this objective in mind, the plan was meant to focus on establishment of peace, social unity and reconstruction of post-conflict infrastructure. Among the priority sectors of the plan included reconstruction and rehabilitation of physical infrastructure, social integration, inclusion and human resource development. Special emphasis was given to tubewell irrigation, new road construction, development of solar energy as an alternative energy source, increase in school enrolment and reduction in maternal mortality rate.

**The Twelfth Plan (2010/11 – 2012/13):** The Twelfth Plan had objectives of reducing poverty through employment-oriented, inclusive and equitable economic growth, establishment of sustainable peace and providing direct feelings of change in the life of the populace. Among prioritized programs were balanced development of physical and social infrastructure, creation of employment opportunities, economic growth, social inclusion, good governance and environmental conservation. During this period, the attainment of targeted social sector indicators under the MDGs, positive balance of payment surplus and growth in revenue were notable achievements.

**The Thirteenth Plan (2013/14 – 2015/16):** The Thirteenth Plan had kept a vision of graduating Nepal into a developing country from the least developed country status, and in this respect, had set objective of providing realizations of direct changes in the living standard of people by increasing income and reducing human poverty rampant in the country. The priority sector activities were water resources and power development, raising the productivity of agriculture with diversification and commercialization, promotion of good governance, conservation of natural resources and environment and development of industry and tourism. A new constitution was promulgated during this plan period. Among notable achievements made during the



plan period were social inclusion, proportional representation, increased density of telephone and mobile phone, increased length of road transport network and increased land area under forest cover.

**The Fourteenth Plan (2016/17 – 2018/19):** The Fourteenth Plan that came after promulgation of the Constitution of Nepal is the first plan to guide federal structure of the governance system. The plan kept an objective of building an independent, prosperous, and socialism-oriented national economy that leads to the formation of a welfare state with social justice and promoting the nation as a middle-income country. Through productive employment, judicious distribution and high economic growth with rapid reduction of poverty, the plan envisaged economic-social transformation in its priority setting. An economic growth rate of 7.4 percent per annum on an average was achieved during the plan period as against the set target of achieving 7.2 percent growth per year. This plan internalized Sustainable Development Goals and laid emphasis on their implementation. Besides efforts in striking proper balance between fiscal and monetary policies as a departure point for development and prosperity of the nation, this plan remained special in terms of achievements, from both formulation and implementation perspectives, in maintaining low inflation rate, achieving higher targets in Human Development Index and social sector development.

**The Fifteenth Plan (2019/20 – 2023/24):** The outcome of the Fifteenth Plan, which was brought out with an objective of creating base for prosperity in the first five years under the Long-term Vision, 2043, remains a mixed baggage. On the basis of base prepared by high economic growth rate achieved during the 14<sup>th</sup> Plan, beginning of federalism implementation, political stability, end of power outages that was lingering for a long time and end of almost regular closures and *bandh*, an ambitious 9.6 percent growth target was set for the fifteenth plan period. However, due to the onslaught of COVID-19 pandemic in the first year of plan implementation and its subsequent impact on economic and social spheres, the economy started to shrink. The shutdown and social distancing imposed for control of the pandemic spread have had impacts on all production and employment sectors of the economy, substantially lowering economic activities. This also led to disruption in supply chains, and irreversible losses were observed in overall development endeavors and outcomes. The economic growth rate due to this impact plummeted to a negative territory of 2.4 percent. As direct effects of the pandemic, GDP suffered losses equivalent to NPR 289 billion in F.Y. 2019/20 and NPR 333 billion in F.Y. 2020/21. Similarly, incidence of poverty was estimated to have risen by four percentage points, pushing an additional 1.2 million people below poverty line. Contraction was also seen in informal sector and foreign employment.

Income from tourism also suffered contraction due to negative impacts brought by COVID-19 on domestic and international tourist arrivals. Power consumption decreased significantly due to closures of most of the industries, disruption of supply chains, disruption of public transport and lowered economic activities. Industrial production got lowered. A special credit program was brought out to provide relief to

the impacted industries. Nepal Rastra Bank encouraged electronic payment during the pandemic. The general public, in turn, picked up the habit of electronic settlement of bills, which helped in increase of formal transactions.

There was some improvement in external sector in the beginning of the pandemic, mainly due to lowered consumption. However, as shutdowns were eased out, intensity in economic activities increased, putting pressure to the external sector. Higher current account deficit was recorded because of increased imports, weak exports and lower rate of remittance flows. Balance of payment deficit went high, foreign currency reserves started to decrease at higher pace and, as a result of this development, various quantitative restrictions had to be imposed on imports as well as restrictive monetary policy had to be adopted.

The short-term priorities set by the plan underwent changes due to the pandemic. Significant investments made in healthcare infrastructure to control the pandemic increased the capacity of health service delivery. However, infrastructure development activities were disrupted, hydropower production and distribution projects suffered setbacks and the education sector service got disrupted, all these sectors contributing significantly to employment losses. On the other hand, COVID-19 created an unprecedented opportunity in the information and communication sector. Increased expansion of Internet services resulted in increased use of electronic medium in all types of transactions by the government and private sector, either in full or partially. On the positive side, the Kathmandu valley saw lowered dust particles and sound pollution and lowered greenhouse gas emissions from the transport sector.

The Russia-Ukraine war, which coincidentally broke during the plan period, disrupted international supply chains due to which goods were in short supply, and more particularly, the price of imported commodities like petroleum products hiked, leaving impact on the economy. The internal political stability could not be maintained as per expectation. The earthquake that rocked districts such as Jajarkot and Rukum West of western Nepal in October 2023 caused damages to life and property.

In sum, the policy, strategy and programs delineated by the fifteenth plan could not take momentum as expected. The plan period registered only 2.6 percent average economic growth as against the set target of achieving 9.6 percent average annual economic growth rate. Preliminary estimates show that a growth of 3.5 percent and per capita GNP of US \$ 1456 were achieved during F.Y. 2023/24. The contribution of agricultural sector to GDP has been progressively declining, but it has not been reflected in terms of increased contribution of manufacturing industry. The contribution of agriculture, forestry and fisheries and manufacturing industry towards the end of the fifteenth plan was estimated to be 22.3 percent and 6.5 percent respectively. However, these two sectors contributed 24.1 percent and 4.9 percent, respectively during the corresponding period. The contribution of primary, secondary and tertiary sectors to GDP, in primary estimates, is put at 24.6 percent, 12.5 percent and 62.9 percent, respectively. On account of rise in gross domestic consumption, the national saving is

going to be lower than the target. Likewise, the proportion of GDP to total fixed capital investment, expected to meet the target of 41.6 percent, has stood only at 24.5 percent in F.Y. 2023/24.

In public finance, the progress of government revenue and expenditure has been lower than the targets. Capital expenditure has not increased in an expected pattern during this period. Towards the end of the plan period, gross government expenditure and revenue as proportion of GDP were estimated to reach 43.3 percent and 30 percent, respectively. However, the proportion came to the tune of 26.7 percent and 17.9 percent, respectively in F.Y. 2022/23.

Inflation rate was comparatively low in the beginning of the fifteenth plan period. It reached 7.7 percent on an average in F.Y. 2022/23. Trade deficit ran high during the plan period, whereas the current account was under intense pressure. The proportion of goods and services exports and imports as proportion of GDP, targeted to remain at 15 percent and 49 percent towards the end of the fifteenth plan, has been relegated to 7 percent and 34.7 percent, respectively. Though foreign investment was being promoted as a base for fulfilling investment demand within the country, the same could not be realized accordingly. Total foreign investment as a ratio of GDP was targeted to reach 3 percent towards the end of the plan, but the actual realization stood at 0.2 percent in F.Y. 2022/23. Thus, low production capacity, increasing consumption trend, current account deficit, pressure on foreign currency reserves have led to increased challenges in management of the external sector of the economy. The trend showed improvement towards the end of the plan period, viz F.Y. 2023/24. Hydropower generation, tourist arrivals, remittances flows and foreign currency reserves have taken increasing trends.

Up-to-date targets and achievements made in economic growth as delineated by successive plans since the beginning of the planned development have been presented in Table 1.1.

**Table 1.1: Estimates of total investments in the periodic plans, targets and achievements of economic growth**

Plan	Year	Time Period	Gross investment estimates (NPR billion)	Average economic growth (%)	
				Target	Outcome
First	1957-61	5-year	0.33	-	-
Second	1963-65	3-year	0.60	-	-
Third	1966-70	5-year	2.50	-	2.2
Fourth	1971-75	5-year	3.44	4.0	2.6
Fifth	1976-80	5-year	9.20 - 11.40	-	2.3
Sixth	1981-85	5-year	21.75	4.3	4.4
Seventh	1986-90	5-year	29.00	4.5	4.9
Eighth	1993-97	5-year	170.33	5.1	4.9
Ninth	1998-2002	5-year	372.71	6.0	3.6

Plan	Year	Time Period	Gross investment estimates (NPR billion)	Average economic growth (%)	
				Target	Outcome
Tenth	2003-07	5-year	609.82	6.2	3.4
Eleventh	2008- 10	3-year	511.38	5.5	4.7
Twelfth	2011-13	3-year	1023.70	5.5	3.9
Thirteenth	2014-16	3-year	1471.56	6.0	3.1
Fourteenth	2017-19	3-year	2424.96	7.2	7.4
Fifteenth	2020-24	5-year	9229.29	9.6	2.6

Source: Various documents of periodic plans, NPC.

Seven decades of efforts in the course of planned development have led to remarkable outcome in poverty reduction, whereas positive outcomes have been observed in agriculture, tourism and power sectors. In the social sector, and more particularly in women’s participation and empowerment as well as social inclusion and healthcare service expansion, positive achievements have been registered. Gross literacy and school enrolment rates are other sectors with notable achievements. Women’s literacy rate was 25 percent thirty years ago, which reached 69.4 percent in 2021. Women’s ownership of house or land, or house and land both, reached 23.8 percent, thus increasing the trend of establishing women’s right to property. Women’s participation in civil service jobs has reached 27.7 percent. The maternal mortality rate has been on the decreasing trend, it has been limited to 151 in hundred thousand live births. Remarkable improvement has also been achieved in child mortality indicators.

Similarly, basic drinking water and sanitation services have been accessible to majority of households. A total of 96.7 percent households have access to electricity. In the physical infrastructure sector, almost all parts of the country have been linked to the networks of transport and communication. The area of land under irrigation and the area of agricultural land under round-the-year irrigation facility have increased. Social sector development, in particular, has made remarkable achievements. Looking at the picture in totality, the achievements made look low as compared to availability of resources and development potential at hand. In domestic production and employment creation, as compared to needs and potential, low progress have been achieved. During the same period, the proportion of investment and value addition in agriculture and manufacturing sectors have been declining, whereas the proportion of investment and value addition have gone up in the service sector. But the service sector has not been able to create employment as per expectation. The Sixteenth Plan has, thus, drawn lessons from implementation of 15 periodic plans over a span of 67 years.

### 1.3 Long-term Vision, 2043

The Government of Nepal has put forward a 25-year Long-term Vision (2019 – 2043) with a view to building a socialism-oriented prosperous economic system by eliminating remnants of all types of discrimination and deprivation and impediments to

development through a long-term strategy. The long-term vision seeks to internalize the development-centred vision adopted by the constitution in the periodic plans.

**a) Long-term Vision:**

**“Prosperous Nepal, Happy Nepali”**

A prosperous, independent and socialism-oriented economy with happy, healthy and educated citizens enjoying equality of opportunities, dignity and high standards of living.

**b) Long-term National Goals:**

1. Prosperity	2. Happiness
1.1 Accessible modern infrastructure and intense interconnectivity	2.1 Well-being and decent life
1.2 Development and full utilization of human capital potentials	2.2 Safe, civilized and just society
1.3 High and sustainable production and productivity	2.3 Healthy and balanced ecology
1.4 High and equitable national income	2.4 Good governance
	2.5 Comprehensive democracy
	2.6. National unity, security and dignity

The main quantitative targets and latest progress situation of the Long-term Vision has been presented in Table 1.2:

**Table 1.2 Main quantitative targets of Long-term Vision and progress situation**

S.N.	National Goals, Targets and Indicators	Unit	Status of F.Y. 2018/19	Performance of F.Y. 2022/23 #	Target of F.Y. 2043/44
1	Economic growth rate	Percent	6.8	3.5*	10.5
2	Gross national income per capita	US Dollar	1047	1456*	12100
3	Population below national poverty line (absolute poverty)	Percent	18.7	20.3	0
4	Asset-based Gini Coefficient	Coefficient	0.31	0.24	0.25
5	Labor force participation rate (over 15 years)	Percent	38.5	38.5	72
6	Formal sector's share in employment	Percent	36.5	36.5	70
7	Electricity generation (installed capacity)	Megawatt	1,250	2,877	40,000
8	Households with access to electricity	Percent	88	96.7	100
9	Households having access to transport facility within a distance of 30 minutes	Percent	82	85	99
10	National and provincial highways	Km.	7,890	14,755	36,000
11	Population with access to the Internet	Percent	65.9	69.2	100

S.N.	National Goals, Targets and Indicators	Unit	Status of F.Y. 2018/19	Performance of F.Y. 2022/23 #	Target of F.Y. 2043/44
12	Life expectancy at birth	Year	69.7	71.3	80
13	Maternal mortality ratio (per 100,000 live births)	Number	239	151	20
14	Under-five mortality rate (per thousand live births)	Number	39	33	8
15	Literacy rate (5 years and above)	Percent	65.9	76.3	99
16	Gross Enrolment ratio in higher education	Percent	12	32	40
17	Population with access to improved drinking water facilities	Percent	21	25.8	95
18	Population covered by basic social security	Percent	17	32	100
19	Gender Development Index	Index	0.897	0.885	0.99
20	Human Development Index	Index	0.579	0.601	0.760

Source: *National Accounts 2023/24 estimates, National Statistics Office*

#Various sources of available latest reports

## 1.4 Major Issues and Challenges Facing Development Endeavors

On the basis of the situation obtained through planned development efforts, and achievements and progress review of the fifteenth plan also, main issues and challenges facing development endeavors can be identified as follows:

- 1) Continuous low economic growth, structural problems in the economy, contraction of manufacturing industry sector and decreased contribution of the secondary sector; expansion of the tertiary sector without strong base of the primary and secondary sectors.
- 2) Low production and productivity, rising production cost and weak competitive capacity; growing aversion to agriculture and increased dependency on other countries for basic food supplies.
- 3) Consumption-oriented imports, low export capacity and escalating trade deficit.
- 4) Outmigration of youth workforce for foreign employment due to limited employment opportunities in the internal labour market.
- 5) Fragmented programmes of social security, increased responsibility, weak management and low security perception.
- 6) An education system not linked to production system; problem of quality and time-bound courses in higher education; weak human resource management.
- 7) Weak public health system with low access of population to even basic health services.
- 8) Mismatch between demand and supply of infrastructure, poor management of dimensions of sustainable infrastructure development and low quality of built physical infrastructure.

- 9) Low level of reliable, secure and sustainable use of modern information technology and increasing security challenges.
- 10) Huge gap between demand and supply of urban infrastructure, services and facilities; unmanaged urbanization, less effective integrated settlement development and relocation programs.
- 11) Change in the form of violence against women, children, senior citizens, and marginalized communities; economic, social and cultural discrimination and continuity of traditional conservatism.
- 12) Gaps in policy, practice and outcomes of inclusion.
- 13) Weak linkages between tiers of government, low progress in achieving inclusive, equitable and balanced provincial development through strengthened federal system.
- 14) Gap between public expenditure demand and resource mobilization capacity; larger share of revenue based on imports; challenges in implementation of fiscal federalism due to uncertain public finance system.
- 15) Low capital allocation and low capacity for expenditure; uncontrolled investment in project construction and delay; low outcome in comparison to investment.
- 16) Mobilization of financial resources in the hands of limited number of individuals and entrepreneurs; expectation not met in production and employment creation through financial resources thus mobilized.
- 17) Weak market competition; growth in informal transactions and leakage of revenue and capital; abnormal fluctuations in liquidity, price and supply situations.
- 18) Citizen complaints on quality and security arrangements of public service delivery; challenges in corruption control, social justice provision and speedy delivery of justice.
- 19) High pressure on the environment; challenges in taking measures to mitigate climate change impacts, resilience building and adoption of green economy.
- 20) Managing emerging challenges that come along with graduation into a developing country; resource management and effective implementation for attaining the Sustainable Development Goals.

## 1.5 Vision, Goals, Strategy and transformative sectors of the Sixteenth Plan

### 1.5.1 Vision

#### **“Good Governance, Social Justice and Prosperity”**

While taking the main elements of prosperity and happiness of Long-term Vision, 2043 in tandem, the sixteenth plan has adopted a vision of “good governance, social justice and prosperity”. Social justice and prosperity can be achieved through good

governance alone. Prosperity with social justice carries within it specificities pertaining to socialism. Prosperity achieved by establishing social justice shall be sustainable, inclusive, progressive and perceptible.

### 1.5.2 Goals

The main goal of the sixteenth plan is attaining development and good governance that can be perceived in the life of the common people. Sectorwise, the main goals as envisaged by the plan's vision are as follows:

- 1) To promote good governance in political, administrative, judicial, private and non-governmental sectors;
- 2) To establish social justice in health, education, employment, settlement, security and public service delivery;
- 3) To achieve prosperity in human life and national economy.

### 1.5.3 Macro Strategy

The main strategy of the sixteenth plan is to achieve speedy development, good governance, social justice and prosperity through structural transformation of the economy. In this connection, the identified sectors for structural transformation and the collective strategy to be adopted are mentioned below:

- 1) Identify, address and resolve structural barriers seen in all sectors and dimensions of development and enhance production, productivity and competitive capacity.
- 2) Strengthen inter-relations and work capacity among federal, provincial and local levels as well as government, private, cooperative, non-governmental sectors and development partners to implement sustainable development plans and programs.
- 3) Internalize gender mainstreaming, use of modern technology, environmental conservation and disaster risk reduction in all sectors and dimensions of development.
- 4) Implement policies and development programs based on study, research and scientific evidence.

The transformative strategies to be adopted in sectoral levels will be mentioned in the relevant chapters.

### 1.5.4 Major Areas of Structural Transformation

- 1) Strengthening macroeconomic fundamentals and attaining high economic growth.
- 2) Enhancing production, productivity and competitiveness.
- 3) Productive employment, decent jobs and sustainable social security.



- 4) Healthy, educated and skilled human capital formation .
- 5) Development of quality infrastructure and intensive connectivity.
- 6) Planned, sustainable and resilient urbanization and settlement.
- 7) Gender equality, social justice and inclusive society.
- 8) Consolidation of provincial and local economies and balanced development.
- 9) Reduction of poverty and inequality and building equitable society.
- 10) Effective financial management and strengthening capacity for capital expenditure.
- 11) Governance reforms and promotion of good governance.
- 12) Biological diversity, climate change and green economy.
- 13) Smooth graduation from Least Developed Country status and implementation of Sustainable Development Goals.

## 1.6 Quantitative Targets of the Sixteenth Plan

While implementing transformative strategies and main interventionist programmes in accordance with the sixteenth plan vision of good governance, social justice and prosperity, achievements to be made during the plan period shall be measured based on the following main indicators:

### 1.6.1 National Targets of Good Governance

S. No.	Indicator	Unit	Status of F.Y. 2022/23	Target of F.Y. 2028//29
1	Rule of Law Index	Index	0.52	0.80
2	Global Competitiveness Index	Index	52	65
3	Corruption Perception Index	Index	35	43
4	E-Governance Development Index	Index	0.512	0.600
5	Voter's Participation in Elections	Percent	62	85
6	Settlement of cases registered in court	Percent	64	75
7	Ratio of expenditure to total budget allocation	Percent	80	90
8	Irregularities (as a proportion of GDP)	Percent	10.9	5.0
9	Nepali citizens who have received national identity card number	Percent	63.4	90
10	Birth registration of children under five years of age	Percent	74	100

### 1.6.2 National Targets of Social Justice

S.N.	Indicator	Unit	Status of F.Y. 2022/23	Target of F.Y. 2028/29
1	Inequality adjusted Human Development Index	Index	0.424	0.600
2	Gini coefficient based on consumption	Coefficient	0.300	0.280
3	Asset based Gini coefficient	Coefficient	0.24	0.22

S.N.	Indicator	Unit	Status of F.Y. 2022/23	Target of F.Y. 2028/29
4	Households in high food insecurity situations	Percent	1.3	1.0
5	Population covered by basic social security	Percent	32	60
6	Gender Development Index	Index	0.885	0.967
7	Gender Inequality Index	Index	0.495	0.225
8	Ratio of participation of women and men in employment	Ratio	1:1.7	1:1.2
9	Prevalence of forced labor (15 years and above)	Per Thousand	1.2	0
10	Households having registered houses or land or both in name of woman	Percent	23.8	35.0

### 1.6.3 National Targets of Prosperity

S.N.	Indicator	Unit	Status of F.Y. 2022/23	Target of F.Y. 2028/29
1	Economic growth rate (at base price)	Percent	3.5*	7.3
2	Gross national income per capita	US Dollar	1456*	2351
3	Population below the national poverty line (absolute poverty)	Percent	20.3	12.0
4	Consumer price inflation	Percent	7.7	5.0
5	Human Development Index	Index	0.601	0.650
6	Human Assets Index	Index	76.3	78.0
7	Economic and Environmental Vulnerability Index	Index	29.7	24
8	Literacy rate (5 years and above)	Percent	76.2	85
9	Life expectancy at birth	Year	71.3	73
10	Households with access to health facility within a distance of 30 minutes	Percent	77	90
11	Households with access to improved drinking water facilities	Percent	25.8	45
12	Unemployment rate	Percent	11.4**	5.0
13	Labor productivity	NRs.Thousand	245	275
14	Average productivity of agricultural commodities (major crops)	Mt. ton per hectare	3.3	3.7
15	Households with access to banks and financial institutions	Percent	63	85
16	Road density	Km. per sq. km.	0.63	0.77
17	Power generation (Installed capacity of hydroelectricity and power from alternative energy sources)	Megawatt	2962***	11,769
18	Per capita electricity consumption	Kilowatt hour	380	700
19	Population with access to electricity	Percent	96.7	100
20	Population with access to the Internet	Percent	69.2	90

Source: \*National Accounts 2023/24 estimates.

\*\* Nepal Labor Force Survey, 2017/18 data

\*\*\* F.Y. 2023/24 mid-January

## Chapter 2

# Strengthening Macroeconomic Fundamentals and Attaining High Economic Growth

2.1 Background

2.2 Existing Situation

2.3 Major Issues and Challenges

2.4 Transformational Strategies

2.5 Major Programs

2.6 Quantitative Targets



# Strengthening Macroeconomic Fundamentals and Attaining High Economic Growth

## 2.1 Background

High and sustainable economic growth can be achieved only when macroeconomic fundamentals of the nation are strong. Economic growth can help bringing positive changes in several aspects of human life. In the same manner, qualitative changes that appears in human life strengthens the base of macroeconomic indicators. That is why macroeconomic indicators have been taken as the basis for understanding the prevailing condition and direction of a nationaleconomic development pathways.

The constitution of Nepal has the provision of developing socialism-oriented, independent and strong economy through the participation of the public, private and cooperative sectors. Likewise, economic policy has been adopted to increase the role of the private sector for maximum utilization of available resources to achieve targeted economic growth and thereby ensuring equitable distribution of the development outcomes. Nepal is all set to graduate into developing country from LDC category by 2026. Additionally, goals have been set to attain sustainable development agendas by 2030 and transform Nepal into a middle-income country. In this context, the 16<sup>th</sup> plan focuses on strengthening macroeconomic fundamentals for more rapid economic growth and building of a prosperous Nepal with social justice and good governance.

## 2.2 Existing Scenario

### 2.2.1 Real Sector

Over the last three decades, annual economic growth rate of the nation has been 4.3 percent on an average. The economy, which suffered setback due to COVID-19 pandemic in the initial year of 15th plan implementation, GDP growth slowed down due to adverse impact of internal and external factors prevailed during entire plan period. In FY 2023/24, preliminary estimates of economic growth rate will stand at 3.5 percent and GNI per capita is estimated to be US\$ 1456. Overall economy has slowed down due to the low growth in production and productivity of the agricultural sector and weak contribution of manufacturing. It has been estimated that, in F.Y. 2023/24, contribution of agriculture and non-agriculture sectors in GDP remained at 24.1 percent and 75.9 percent respectively. Likewise, estimates regarding contributions of the primary, secondary and tertiary sectors in GDP comprised 24.6 percent, 12.5 percent and 62.9 percent in respectively. A negligible reduction in domestic

consumption has supported to boost up gross domestic savings and gross national savings in some extent. In F.Y. 2023/24, gross domestic savings and gross national savings as a proportion of GDP stood at 7.6 percent and 36.2 percent respectively. Gross capital formation as a ratio of GDP remained at 24.5 percent.

## 2.2.2 Government Finance

In F.Y. 2022/23, gross revenue was mobilized only 68.2 percent of the target, and as a proportion of GDP, it was only 17.9 percent. Similarly, government expenditure remained 79.7 percent of the annual budget allocation. In, out of Total budget allocated for capital expenditure purpose was only 21.2 percent of the total budget. , Real expenditure in comparison to the allocated amount for capital expenditure stood at 61.4 percent. Contraction in revenue mobilization and subsequent lower foreign aid mobilization than its target led to wider imbalances in public finance. In F.Y. 2022/23, foreign aid disbursement was negative by 22 percent, and only NPR 123 billion could be mobilized. The portion of grants and loans contracted by 11.8 percent and 23.3 percent respectively. Domestic borrowing is growing to balance the fiscal deficit. In F.Y. 2022/23, domestic borrowing was limited to 4.8 percent of GDP. Total outstanding debt by the end of the fiscal year stood at 43 percent of GDP, out of which domestic borrowing comprised 21.1 percent and foreign debt consisted of 21.9 percent.

After adoption of federal governance system, three tiers of the government have been coordinating and collaborating in development activities through annual budget implementation. One of the important sources of the annual budget of the provincial and local governments is the fiscal transfer from Government of Nepal. The Government of Nepal has been transferring around 24 percent of the budget to the provincial and local governments. Apart from this, revenue sharing and own source revenue are other resource through which provincial and local governments mobilizing their consolidated fiscal resources. In this context, there is a need for all three tiers of governments to mobilize internal resources, and achieve efficient allocation and efficiency in their expenditure.

## 2.2.3 Monetary and Financial Sectors and Capital market

Consumer's Inflation was low in the initial years of the 15<sup>th</sup> plan as per expectation. However, during the later period there was a rise in inflation due to disruption of supply chains impacted from the COVID-19 pandemic and other internal and external reasons. In FY 2022/23, annual average consumer's inflation was 7.7 percent. Broad money supply has increased by 11.4 percent and net foreign assets by 26.1 percent. In the same fiscal year, gross internal debt from banking system increased by 8.7 percent, whereas deposits at banks and financial institutions increased by 12.3 percent. Credit from banks and financial institutions to the private sector increased by 3.8 percent. Ninety day's treasury bill remained a weighted average interest rate of 6.4 percent in Mid-July 2023. The inter-bank interest rate, which is taken as an objective of monetary policy operation, was 3.1 percent in Mid-July 2023. The average

base rate of commercial banks stood at 10 percent, whereas weighted average interest rate of deposits and weighted average interest rate of credits remained 7.9 percent and 12.3 percent respectively. As per mid-July 2023, the number of branches of banks and financial institutions reached 11,589. Accordingly, the ratio of bank and financial institutions branches to the total population stood at 2517. The contribution of non-banking financial institutions is also been increasing. Institutions like Employees Provident Fund, Citizens Investment Trust, Social Security Fund, Deposit and Credit Guarantee Fund are key to enhance access to finance, mobilizing capital for investment and maintaining financial security.

In the insurance sector, total underwriting of life insurance increased by 7.9 percent, whereas underwriting of non-life insurance rose by 0.2 percent. The size of population under insurance coverage of 44.4 percent during this period. Regarding capital market, NEPSE index stood at 2097.1 point as of mid-July 2023. The number of companies listed on Nepal Stock Exchange reached 254 and market capitalization reached NPR 3082.52 billion.

#### 2.2.4 External Sector

Foreign trade deficit that has continued over the past few years is still going on. Though the balance of payment situation has improved, the current account is under intense pressure. In F.Y. 2022/23, the current account was in deficit by NPR 72.16 billion, whereas the balance of payment was in surplus by 290.52 billion. The ratio of exports and imports of goods and services to GDP remained 7.0 percent and 34.7 percent respectively. Gross exports limited to NPR 157.14 billion with decrease of 21.4 percent. Likewise, gross imports declined by 16.1 percent attaining NPR 1611.73 billion. Gross trade deficit decreased by 15.5 percent and stood at NPR 1454.59 billion. Export-import price index, on an annual point basis, the unit price index of exports increased by 3.4 percent in June/July 2023, while the unit price index of imports decreased by 5.3 percent

In F.Y. 2022/23, the ratio of remittances to GDP, which makes a significant contribution to balancing the country's internal economy and the external sector, was 22.8 percent, and primary estimates for F.Y. 2023/24 is 23.0 percent. In F.Y. 2022/23, Nepal received gross foreign direct investment of NPR 7.77 billion. Total foreign exchange reserves until mid-July 2023 stood at NPR 1539.36 billion. The existing foreign exchange reserve is assumed to cover imports of goods and services for 10 months. In mid-July 2023, the Nepali rupee depreciated by 2.8 percent against the US dollar, 12.9 percent against the euro and 2.8 percent against the Japanese yen.

#### 2.2.5 Informal and Unobserved Economy

It is estimated that the share of informal and unobserved sector in Nepal's economy remains significant. There are informal activities within the formal sector, and some illegal activities are operating within the informal sector. Unobserved activities like

goods and services produced by the households for their self-consumption are in existence. According to the the National Economic Census, 2018, 49.5 percent of the economic establishments are operating without registration in any official agency, while only 52 percent of the formal establishments used to keep accounts of their transactions. Some financial transactions have not been included in the tax base due to the lack of transparency from the taxpayer's side. For the tax purpose, as of 2023/24, a total of 5.55 million permanent account number (PAN) cards have been issued for individuals and institutions. Regarding the labor market, the share of informal labor and informal employment remains significant. According to Nepal Labor Force Survey 2017/18, only 15.4 percent of the total labor force fifteen years of age and above are in formal employment. The share of formal employment in total employment is only 37.8 percent. The economy is also vitiated by illegal production and underground transactions, illegal smuggling across the border, commercial fraud and laundering of illegal assets, and other financial crimes.

### 2.2.6 Private and Non-governmental Sectors

After adoption of a mixed economic policy, the country has led to expansion in the role of the private sector and non-governmental organizations. In recent years, role of the private sector in production, supply, construction, services, employment generation, foreign trade and other activities has been increasing. Private sector entities are playing a leading role in gross domestic product as well as national consumption and investment, while the civil society and non-governmental sectors are also contributing to the production and supply of goods and services. In F.Y. 2023/24, 91.3 percent share of the total final consumption expenditure was accounted as private consumption, while the share of non-governmental organizations was 2.0 percent. The share of private sector in total fixed capital formation remained at 65.7 percent. Through the partnership and collaboration with the government, the private and non-governmental organization are supporting economic activities. A total of 51,513 non-governmental organizations, including national and international NGOs, are operating their activities.

### 2.2.7 Cooperative Sector

Alongside the public and private sector, the cooperative sector has the significant role in the country's economic dynamics. By F.Y. 2022/23, around 31,500 cooperatives related to various setors were in operation. The number of members affiliated to cooperatives was more than 7.3 million. The share of women in total membership of the cooperatives is 56.0 percent. The number of saving and credit cooperatives is more than those cooperatives which are working in other sectors. These institutions have mobilized a total of NPR 94 billion as the share capital. Those have mobilized deposits equivalent to NPR 478 billion and extended credits amounted NPR 426 billion. More than 93,000 persons have benifited from the direct employment in cooperatives.



## 2.2.8 Public Enterprises

In the past, Government of Nepal established and operated public enterprises up to maximum 62 in number. As of F.Y. 2022/23, a total of 44 enterprises were in operation. Under the liberalized policy regime, 30 enterprises were privatized, while some have been newly established, some others have undergone in merger. Out of total 44 operating public enterprises, 26 are making profit, while 15 are running at a loss. Similarly, the turnover of three enterprises remains zero. As of F.Y. 2022/23, the Government of Nepal has invested a total of NPR 661.11 billion in these enterprises.

## 2.3 Major Issues and Challenges

- 1) **High and sustainable economic growth:** Achieving high, sustainable and inclusive economic growth as the country has set targets in annual basis. Increasing production and productivity by applying domestic and foreign capital and technology. Coordinating the flow of capital, labor and technology in areas of comparative advantage by ensuring, among others, participation and cooperation of the private and cooperative sectors. Producing goods and services in a competitive manner, the government has to formulate economic policies accordingly. Solving the persistent unemployment problem in the country by optimum utilization of the demographic dividend and achieving high economic growth by promoting labor-intensive economic activities. Making prudent use of available natural resources and ensure sustainable economic growth by tapping the opportunities created by information technology and networking.
- 2) **Address structural barriers of the economy:** Transforming economic structure of the country and transferring human resource engaged in the traditional agricultural activities to the productive sectors. Increase productivity in the agriculture sector by enhanced investment and application of the principles of good governance. Expanding manufacturing industries to create employment opportunities for the youths within the country. Under the service sector, which contributes 63 percent to the country's economy, prioritizing areas with high comparative advantage and adopting appropriate policy for structural transformation of the economy.
- 3) **Growth in production and productivity:** Addressing the problems of high production costs and weak competitive capacity of the agricultural and industrial sectors. Emphasizing on establishment of agro-based industries for easy supply of the industrial raw materials. Ensuring market for industrial products to attract private sector investment in establishing industries. Preventing the tendency to leave fertile land barren. Reducing import dependency by promoting local production. Abolish the existing system of middlemen between production and the market, which creates obstacles for real producers to benefit. Integrate forestry, tourism and energy with industries and export trade as a means to increase production and productivity. Emphasize on countrywise

and commodity- wise trade diversification. Link education and skill development with production, increase productivity of capital and natural resources in view of the low productivity of labor and the migration of labor force.

- 4) **Consumption, savings and capital formation:** Increasing savings by discouraging unnecessary consumption expenditure to accumulate resources needed for capital formation. Investing domestic and national savings in productive sectors to boost capital formation. Mobilizing the savings of the private sector and households and facilitating capital formation by creating an enabling environment for foreign investment.
- 5) **Promoting manufacturing industries:** Motivating manufacturing industries for enhancing domestic production rather than investment in distributive trade. Boosting income of the industry and business sectors; emphasizing growth of industrial production and investment. Establishing manufacturing industries based on indigenous raw materials and skills, emphasizing development and expansion of industrial estates and industrial villages.
- 6) **Management of cooperative sector:** Operating cooperatives according to the principles, policies, regulations and standards set for co-operatives. Enhancing self-regulation and good governance in cooperatives. Focusing on investment and lending of cooperatives in productive sectors and employment generation. Minimizing and mitigating risk to the saving of ordinary citizens in cooperatives. Establishing a second-tier regulatory mechanism for the cooperative sector. Taking into account the significant turnover, establishing special arrangements for regulation and monitoring saving and credit oriented cooperatives..
- 7) **Strengthening private and non-governmental sector:** Due to high cost of production, private sector has ever increasing focus on trading imported goods and services, rather than on the manufacturing sector, maintaining policy stability that governs the private sector's activities. Facilitating industrial ventures and businesses to establish and operate.. Enhancing business confidence as well as promoting investment and competitiveness. Maintaining openness and competition in market. Developing a clear and collaborative model of public-private partnership, co-financing and collaboration among three tiers of government. Enhancing productivity by diversifying and specializing private sector investments to help Nepal upgrade into a developing country. Promoting private sector's investment towards the productive sector. Regulating non-governmental organizations and promoting their collaborative roles in the areas of national priorities and needs. Facilitating and mobilizing projects implemented by national and international non-governmental organizations through a one-window system. Ensure transparency on financial resources mobilized from international non-governmental organizations by integrating it in the national accounting system and strengthening institutions for their effective monitoring and evaluation.
- 8) **Mobilization of public resources and financial management:** Maintain discipline in public finance management to create pathways for balanced and equitable development and ensuring access to all stakeholders. Achieve

allocation efficiency by focusing public spending on equitable and high-return priority areas. Establish domestic production-based revenue system by enhancing production capacity. Transform the expenditure-based tax system into a production-based and income-based one. Optimize use of public debt. Strengthen the internal control system of public finance and develop effective income-expenditure monitoring system. Minimize the gap among disbursement, commitment and utilization of foreign aid. Mobilize foreign aid in productive sectors as the national needs and priority. Mobilize national and subnational governments' resources to the maximum extent and in a prudent way. Coordinate and collaborate for the mobilization and use of public finance resources.

- 9) **Structural transformation of revenue:** Ensure efficient utilization of traditional sources of revenue and identify new sources for extension of revenue base. Increase internal production capacity to fulfill resource gaps. Looking at the fact that customs tariff constitutes substantial share in total revenue mix, and controlling import may affect revenue mobilization. Expand the base of value added tax and income tax in the service sector by bringing more people under tax net. Enhance the scope of taxation in internal activities and ensure structural transformation for sustainable revenue mobilization.
- 10) **Enhancing capital expenditure capacity:** Increase the contribution of capital expenditure in total government expenditure. Ensure the flow of financial resources and public debt to the productive sector. Effectively implement the policy taken by the government to increase capital expenditure to stimulate gross fixed capital formation. Complete projects designated for fixed capital formation within expected timeframe and cost. While selecting projects, ensure priority to preparatory status, resource assurance, spending capacity and possible returns which aids to increase the spending capacity of the capital budget. Ensure resources in high-return projects to achieve efficiency in project management.
- 11) **Inter-governmental fiscal management:** Enhance the revenue collection and expenditure capacity of all three tiers of the government. Make inter-governmental fiscal transfers need-based and performance-based as well as predictable. Manage the situation whenever low financial resource mobilization by provincial and local governments. Encourage co-financing among the three tiers of the government.
- 12) **Controlling inflation:** Maintain inflation within targeted limits to ensure the country's economic progress and to protect the interests of the general public. Utilize monetary policy towards maintaining price stability. Control supply chain disruptions, carteling, syndicates and black marketing. In the days to come, maintain price level at a point which does not adversely affect economic growth by attaining efficiency in internal production system and supply management.
- 13) **Stability of monetary and fiscal sectors:** Make the financial sector's lending productive. Keep the financial sector interest rate within reasonable limits so

that it could help to stimulate economic growth, price stability and ultimately the fiscal stability. Manage liquidity in such a way that it encourages investment and maintains financial stability too. Boost the morale of investors by ensuring predictability of the changes in market price. Establish access to capital markets for all. Facilitate uniformity in insurance services and ensure access to all citizens on it. Ensure efficient regulation of the financial sector. Expand financial services in such a way that the quality of assets of the banks and financial sector will not be adversely affected, and by maintaining transparency and healthy competition, make sure that the need for reliable resources for prosperity of the country is met.

- 14) **Strengthen the external sector:** Increase the share of exports in foreign trade; reduce the trade deficit, promote export trade by increasing domestic production and diversification of tradable goods and services. Prioritize service trade as the basis of trade balance, increase domestic production to meet domestic consumption needs and manage imports so as to reduce trade deficit. Produce goods and services that have higher competitive advantages for export. Attract foreign investments for favorable international investment position. Ensure remittance inflows through official channel and mobilize them in productive sectors and capital formation. Maintain stability and sustainability in foreign exchange reserves; maintain favourable situation sustainably in balance of payment situation.
- 15) **Informal and unaccounted economy:** Increase registration and book-keeping behaviour of informal economic establishments. Formalize legitimate but informal businesses through incentive programmes. Control and punish counterfeit and illegal productions and transactions. Develop an accounting system for unobserved household productions and services. Control informal financial transactions; strengthen legal and institutional arrangements to control activities such as illegal transactions, smuggling across border areas, commercial fraud and deflection and money laundering and other financial crimes.
- 16) **Public Enterprises:** Enhance competitiveness and business capacity of public enterprises. Reduce government investment and expenditure in public enterprises by maintaining fiscal discipline. Increase efficiency for productivity growth and creation of employment opportunities. Improve the quality of performance to compete with the private sector. Enhance the system of regulation, coordination and supervision of the public enterprises. Ensure proper protection and use of assets of the public enterprises which have closed down. Make the operation and management of privatized enterprises effective.

## 2. 4 Transformational Strategy

### 2. 4 Transformational Strategy

- 1) **Strengthening key economic sectors:** Consolidate and control fragmentation of fertile arable land to strengthen the primary sector under the real sector. Create an environment that increases the morale of youth and manpower returning from foreign employment to promote collective and cooperative farming on barren land and public land. Ensure a system of timely supply of hybrid seeds and fertilizers. Provide agricultural credit and insurance services to real farmers. Provision of production-based subsidies. Scientific management of forests by simplifying legal and procedural rules for the utilization of forest-based products. Proper arrangement of storage facilities and markets. Establishment and operation of industries based on local raw materials for development and expansion of the secondary sector. Promotion of micro, small, and cottage industries. Increase hydropower generation and expand transmission lines. Produce building materials for public and private construction in collaboration with local industries. Emphasize the mobilization of local labor. Promote tourism, information technology, professional, scientific, and technical activities, and other areas with comparative advantages in the tertiary sector with priority. Promote labor and enterprise-friendly culture to enhance entrepreneurship by maintaining interlinkages between rural and urban economies. Maintain sectoral interlinkages by creating an environment where goods and services produced by one economic sector are used as raw materials or supporting inputs by other sectors. Apply the concept of green economy in all economic sectors to strike a balance in the environment and adapt to climate change.
- 2) **Increasing production and productivity:** Increase availability and use of resources, tools, skills, and technology used in the production cycle to increase sectoral production and productivity in the economy. Link research, exploration, innovation, and entrepreneurship development to production. Prioritize issues such as education and skill development programs, workers' social security, and workplace safety to increase the productivity of labor, which is one of the crucial means of production. Orient monetary and fiscal policy to reduce costs to increase the productivity of capital. Maximum utilization of natural resources to increase production.
- 3) **Managing consumption, savings and capital formation:** Discourage unnecessary consumption expenditure in the households, governments, and private sectors to promote saving through regulation and provision of incentives, and conduct awareness programs. Increase access to the capital market, promote innovation and entrepreneurship, and create opportunities for productive investment to mobilize saving in productive sectors. Increase domestic investment to ensure mobilization of savings and capital formation

and also facilitate capital formation by creating a promoting environment for foreign investments.

- 4) **Strengthening the cooperative sector:** Ensure the flow of resources and capital of the cooperative sectors to the productive sector rather than in activities related to financial mediation; Enforce self-regulation and ensure good governance in cooperatives that deal with saving and loan; Establish and operate credit information centers, saving and credit guarantee funds, and stabilization funds, and make it mandatory to return citizens' savings immediately upon demand to reduce the risk in financial transactions of cooperatives. Make the internal accounting system and data collection and analysis of cooperative organizations transparent and effective, and make the management information system related to cooperatives effective; Establish a second-tier regulatory body for regulation and monitoring.
- 5) **Mobilizing monetary and fiscal resources aimed at production and job creation:** Review and implement existing policies to ensure that financial resources flow to the productive sector. Effectively regulate banks, insurance, capital markets, and other non-banking financial institutions and mobilize them to support the domestic economy. Develop financial services to encourage entrepreneurship and innovation. Encourage the expansion of branches of banks and financial institutions to ensure financial access to citizens living in all areas of the country. Align monetary policy with fiscal and other economic policies to achieve macroeconomic stability and use policy tools to support economic growth and distributive justice. Increase the effectiveness of the mandatory provisions requiring a certain percentage of the credit flow to the private sector in productive industry. Mobilize resources of the financial institutions related to social security for production and infrastructure development as an additional measure.
- 6) **Utilizing domestic and foreign capital and technology:** Simplify legal and procedural matters to increase domestic and foreign investments in areas such as energy, tourism, information technology, and others that have comparative advantages. Provide financial incentives and investment security and approve investments based on cost-benefit analysis. Deploy and utilize skilled manpower according to modern technology and market demand. Increase internal production and productivity by developing a culture of protecting intellectual property and consuming domestic products. Integrate into national mainstream skills, technology, entrepreneurship, and confidence of the returnee migrant workers as well as the investment of non-resident Nepalese.
- 7) **Development and protection of the manufacturing industry:** Ensure that the government's role in adequate funding in infrastructure development activities in areas like availability of raw materials, easy access to financial resources, support for marketing, and reducing production cost is fulfilled. Encourage young entrepreneurs through innovation and startup promotion. Ensure policy and institutional facilitation to increase morale and motivation of entrepreneurs. Strengthen special economic zones to implement an integrated

industrial development strategy. Establish and operate industrial villages as a coordinated effort among the levels of government. Create an environment that fosters investment and mobilizes the labor force mobilization in small and medium industries.

- 8) **Developing a clean, competitive and transparent supply system:** Discourage activities such as cartelings and syndicates that restrict competition. Develop a market and supply information system and intensify market monitoring in collaboration with the provincial and local levels. Maintain transparency in the transportation system so that the products can be easily supplied to the consumers. Ensure simplified procedures and trade facilitation measures at the transit points to reduce the transportation cost of foreign trade and ensure easy access to supplies. Ensure policy and systematic arrangements for a competitive environment in the supply system with the presence of government.
- 9) **Strengthening the revenue system:** Develop a predictable fiscal system along with expansion of the base and scope of revenue. Develop an information system to ensure that all types of income can come under the purview of the income tax system. Facilitate and bring to perfection customs duty collection by customs offices. Develop a robust monitoring and self-control system for issuing realistic bills and invoices. Encourage transactions through the banking system. Conduct market monitoring targeting new economic activities, emphasize investigative tax audit, and link market monitoring with the revenue system. Increase domestic production capacity and encourage consumption of domestic products to minimize import-based tax burden. Ensure non-tax revenue mobilization is transparent and effective through institutional and systemic reforms. Enhance revenue mobilization capacity of provincial and local levels. Encourage the expansion of the base and scope of tax revenue after a feasibility study of potential sources of revenue mobilization.
- 10) **Increasing productivity of public sector capital investment:** Make the highest rate of return as a base for selection after cost-benefit analysis while developing and selecting projects. Make construction professionals and project managers accountable for completing the project within the stipulated cost, quality, and time by addressing existing issues in procurement and contract management. Allocate resources only after completing the preparatory work of the project. Ensure policy reforms and simplify procedures to improve the procurement system, contract agreement with construction professionals, and relevant aspects of project management, such as forest clearance and land acquisition, security system, and coordination at the project site. Replicate lessons learned from successful projects in other succeeding projects. Establish a system for regular and result-oriented monitoring of project construction and operation and systematize it. Systematize project management by institutionalizing project bank at all levels of government.

- 11) **Prudent use of public debt:** Mobilize domestic and external debts in productive projects of national priority. Mobilize public debt only after analyzing its sustainability and mitigating potential risks. Formulate a strategy for effective implementation and operation by prudently selecting public debt instruments. Ensure that external and internal debt mobilization does not affect economic stability. Develop clear standards for the management of internal debt to be mobilized by the provincial and local levels, and make institutional arrangements for regulation and monitoring.
- 12) **Prioritizing export promotion and import management:** Promote exports by producing goods and services of high potential identified by the Nepal Trade Integration Strategy. Develop country-specific and commodity-specific export promotion strategies and implement them. Enhance competitive capacity by using appropriate technology, domestic labor, and raw materials, and lower production costs while focusing on exporting goods with high-value and low-volume to lower transport costs. Emphasize on infrastructure development for the promotion of international trade. Identify goods that can be produced domestically at a lower cost, but are currently being imported in high quantities to increase domestic production. Adopt revenue policy that protects domestic production. Implement Smooth Transition Strategy to mitigate the potential impact on international trade after graduation into a developing country. Make diplomatic efforts to promote exports and implement bilateral, regional, and multilateral trade and transit agreements.
- 13) **Managing balance of payments:** Identify, develop, and expand potential areas for foreign exchange earnings. Develop service sectors such as information technology, hydropower, and tourism as a means of earning foreign exchange. Incentivize the flow of remittances through formal channels, and control informal transactions. Automate the foreign investment approval process. Take policy initiatives to mitigate the negative impact on the current account and balance of payment due to the outflow of foreign currency for education, tourism, etc. Reduce pressure on the balance of payments by controlling illegal transactions such as online gambling, cryptocurrency, and *hundi* that may occur through misuse of information technology.
- 14) **Formalizing the informal and unaccounted economy:** Identify the size and nature of informal economy sectors. Simplify the registration and renewal system to increase registration and accounting rate of informal economic establishments and link the accounting system with the tax system, subsidies, concessions, and other incentive programs. Conduct programs to increase financial access to control informal financial transactions, such as the practice of loan sharks, meter interest, *dhukuti*, etc. and make such transactions punishable by bringing them under the legal framework. Bring economic and financial transactions into the banking system and conduct most of the banking transactions electronically. Establish a system of accounting for and evaluating the time and efforts spent by women in domestic work. Establish effective information mechanisms and coordination to control activities such as



counterfeit and illegal production and transactions illegal transportation across border areas, trade diversion, money laundering, and financial crimes. Keep Nepal in a position with no risk of money laundering in the evaluation of the international community.

- 15) **Effective intergovernmental finance management:** Increase the revenue capacity of the provincial and local levels, and review tax and non-tax revenue rates by studying revenue potential. Expand the revenue base and scope by establishing legal provisions that facilitate the implementation of finance-related matters in the single and common list of rights. Formulate and implement standard criteria for natural resource use, and make intergovernmental fiscal transfers based on needs, performance, and predictability. Gradually reduce conditional grants. Provide necessary human resources to enhance the spending capacity and financial efficiency at the provincial and local levels. Formulate laws and standards related to project management. Make resource mobilization, and monitoring and evaluation systems result-oriented.
- 16) **Strengthening the private and non-governmental sector:** Attract private sector investment by implementing policy, legal, and structural reforms, ensuring that the government plays a supportive and catalytic role. Facilitate the provision of low-cost technology, infrastructure, and financial resources to increase competitiveness. Formulate and enforce a code of conduct to promote fair competition and professional conduct in the marketplace. Encourage public-private partnership and collaboration with foreign investors to attract private-sector investment. Strengthen the culture of social responsibility by the private sector. Establish a mechanism for the regular monitoring of activities of the private sector and non-governmental organizations. Ensure that Non-governmental organizations operate in coordination with the local governments, and mobilize resources in the areas of national needs and priorities only. Strengthen and empower the agencies responsible for facilitating the operations of national and international non-governmental organizations, and making them efficient, robust, and accountable.
- 17) **Improving efficiency of public enterprises:** Classify public enterprises, and limit government involvement in those enterprises only where it is mandatory or in those areas where the private sector does not get attracted. Divest the government's shareholding in other enterprises partly or wholly to decrease the expenditure burden. Bring in strategic partners to improve the operation and management of public enterprises, and appoint top-level managers through competitive processes based on a performance contract to ensure accountability. Adopt the latest technology and work procedures to enhance the professionalism and efficiency of the enterprises. Amalgamate enterprises that have similar objectives and work nature. Establish a risk-bearing fund to enable enterprises to bear financial risks. Revive or liquidate those enterprises that have closed down, and protect and manage their assets.

## 2.5 Major Programmes

- 1) **Infrastructure development and investment enhancement program:** For the production-oriented sector, operationalize programs such as the construction of necessary infrastructure and establishment of their interlinkages, construction of industrial and commercial infrastructure, and conducting programme based on increased saving. Organize investment conferences at all three levels of government to increase domestic and foreign investments in the economic, social, and infrastructural development sectors. Explore, research, identify, and diversify areas for investment. Identify areas of investment and set priorities, promote industry, and link large-scale industries with the global value chains in coordination with the three levels of government.
- 2) **Innovation and entrepreneurship development program:** Ensure favorable facilitative policy measures and access to finance for those production-oriented sectors that can attain high-value addition and establish linkages with global value chains. Ensure that a certain portion of the total credit of the financial institution flows to innovation and research. Commercialize and diversify agriculture through a 'one local level, one specific production' campaign.
- 3) **Competitive market and supply chain strengthening program:** Promote a healthy competitive market and protect consumer interests. Control unsolicited transactions and black markets. Promote regular supply chains. Control all types of collusion (syndicates and cartelling) systems. Determine and regulate the levels of supply and exchange between producers and consumers. Facilitate transport and transit management.
- 4) **Revenue system strengthening program:** Expand the base and scope of revenue. Develop professionalism of security agencies involved in revenue security. Implement an investigative tax auditing system. Control revenue leakages in the area of cross-border trade through effective border management. Increase taxpayer education and awareness, and build and strengthen the level-wise revenue system.
- 5) **Foreign exchange system strengthening program:** Review the exchange rate system of Nepali currency based on need and suitability. Establish institutional arrangements for hedging to manage exchange risk. Review the exchange rate from time to time, looking at the situation of reserve management.
- 6) **Project management program:** Establish and operate an integrated project bank. Interlink project preparation and budget allocation, strengthen the project management system. Enhance allocation and implementation efficiency to increase the efficiency of capital expenditure. Develop a non-transfer system throughout the duration of the project by signing a mandatory performance agreement with the project head. Develop a system of reward for the project chief and construction professionals who play a role in completing the project on time and increase incentives and motivation in performance by documenting them legally. Conduct result-oriented monitoring and evaluation of the projects.

- 7) **Programmes based on productive use of financial instruments:** Encourage the flow of financial resources to the productive sector. Increase stability and transparency in the financial sector. Expand financial services and enhance financial access at all local levels.
- 8) **Public debt management program:** Minimize the gap between external debt commitments and disbursements and improve reimbursements. Arrange a fund for regular principal and interest payments. Increase the use of medium-term and long-term instruments in domestic debt. Manage internal debt mobilized by the provinces and local levels.
- 9) **Import substitution and export promotion program:** Increase production and productivity of the agricultural sector and agro-based industries. Produce high-value and low-volume goods based on domestic raw materials to enhance the competitiveness of exportable goods and services. Formulate and implement country-specific and product-specific strategies for export growth. Substitute imports and promote exports through "One Village, One Product" campaign.
- 10) **Remittance flow management program:** Encourage remittance inflow through the banking system. Encourage investment of remittances in productive sectors such as hydropower, agri-business, and tourism industry. Reduce the cost of remittances. Adopt a monitoring system and take legal measures to control transactions done through informal and illegal means such as *hundi*.
- 11) **Industrial promotion and investment in infrastructure development program:** Operate large-scale industries at full capacity. Facilitate the supply of industrial raw materials and skilled manpower. Encourage micro, small, and cottage industries. Maintain inter-linkages of industry with the production of primary and service sectors. Establish business incubation centers, protect and promote traditional and indigenous industries, and promote environmental and corporate social responsibility. Promote private sector investment in industries. Promote public-private partnership investment and collaboration, and develop good industrial-labor relations.
- 12) **Tourism promotion program:** Develop tourism infrastructure, promote, expand, and strengthen the tourism market, attract quality investment, and diversify tourist activities and destinations. Attain high-value addition from tourism business. Ensure environmental responsibility and adoption of sustainable practices. Promote one district one tourist destination in the least and one local level multi-tourism village. Develop an expanded accounting system for tourism, ensure safety of tourist, and create networks for publicity and the flow of tourism information.
- 13) **Cooperative sector reform program:** Classification, integration, and structural reform of cooperatives. Strengthen and verify internal auditing of the cooperatives. Use managerial skills and efficiency in cooperative operations. Regulatory management of the cooperatives dealing in saving and loans based

on the balance sheet and transactions. Establish linkage of production-oriented cooperatives in production, branding, and marketing and ensure monitoring and supervision of cooperative organizations.

- 14) **Formalization program of informal and unaccounted economic activities:** Ensure promotion of electronic transactions, integrate the institutional registration system, and facilitate registration and accounting system. Regulate border areas by controlling illegal activities within the facade of an informal economy. Establish an accounting and evaluation system for the time and efforts spent by family members on household services.
- 15) **Inter-governmental fiscal management program:** Reform of provincial and local revenue administration and enhance their capacity. Establish a predictable fiscal transfer system. Allocate inter-governmental finance based on the expenditure needs, revenue potential, and performance of each levels of government. Review the conditional, complementary and special grants transfer system and enhance its effectiveness. Develop result-oriented resource mobilization and monitoring and evaluation system. Ensure Inter-linkage and operation of the project bank and establish an integrated management information system across three levels. Manage internal debt of the provincial and local levels. Promote co-financing in natural resources mobilization and operation of projects of common interest.
- 16) **Private and non-governmental sector strengthening program:** Promote private sector investment and enhance its competitive capacity. Enforce a code of conduct on fair competition and professional ethics. Promote public-private partnerships and implement corporate social responsibility. Regulate and monitor the private sector, prioritize investment from non-governmental organizations, and promote financial discipline. Strengthen regulatory bodies to regulate national and international non-governmental organizations.
- 17) **Public enterprises strengthening program:** Classify and prioritize public enterprises. Achieve operational efficiency through strategic partnerships, appoint managers through competition, adopt the latest technology and procedures, transform into a corporate format, and merge similar types of enterprises. Establish a fund to bear the risk of the enterprises, and protect and manage the assets of the enterprises that have closed down.

## 2.6 Quantitative Targets

### 2.6.1 Real Sector

- a) **Economic growth and Gross Domestic Product:** The country has moved toward policy stability as the federalism is getting institutionalized in accordance with the constitutional provision.. As a result, opportunity has been created for cooperation and collaboration of the three tiers of the government and other stakeholders to contribute to overall development of the nation. It is expected that significant improvement in development management and project

governance will be achieved. Most of the national pride projects of and other large scale programmes and projects will be completed within the 16<sup>th</sup> plan period. Growth in agricultural sector will be triggered through the operation of irrigation projects under construction, further expansion of irrigation facilities from collaborative efforts of federal, provincial and local levels, regular supply of chemical fertilizers, mechanization and so on. Expansion of fisheries and other auxiliary agricultural activities as well as the increase in cultivation of high-value crops and institutional agricultural activities will also contribute to such growth. Utilization of forest products and mineral extracts will further support the growth process. It is estimated that with a significant increase in hydropower production, there will be a corresponding high increase in the consumption and use of electricity by all sectors of the economy, and there will be a gradual increase in the amount of electricity export.

During the plan period, major sectoral programs will be implemented effectively, which will increase the production and productivity of the overall economy and will ultimately support economic growth. Construction activities by the general government and private sectors will take momentum. Construction of residential buildings, public infrastructure development and reconstruction after the Jajarkot earthquake will have a positive impact. Tourism activities will return to normal pace. As the activities of wholesale and retail trade, transportation, communication and information technology and other service activities is expected to expand. It is estimated that the production and productivity of the industry and service sector will increase and economic growth will be accelerated. In addition to high investment for achieving economic growth target; human resources will have been utilized in productive sector to optimize the benefits of demographic dividends; innovation and entrepreneurship will have been promoted; and sustainable use of water resources, forest resources, minerals and other natural resources will have been ascertained. It is expected that formalization of the informal economy will contribute to growth. Through effective implementation of the federal governance system, the provincial and local economies will pick up economic dynamism. Similarly, capital formation will be enhanced through the strong, consolidated and collaboration with complementarity among the tiers of the governments, private sector, cooperatives and community sectors.

The principal contributing sectors to the overall economy to grow comprise agriculture, forestry and fisheries, mining and quarrying, manufacturing, energy, construction, tourism, transportation, information technology, education and health. Investment in these sectors will have beneficial effects on other sectors of the economy, as a result targeted economic growth of 7.1 percent (at basic prices) will be achieved during the plan period. The targeted average value addition in the primary, secondary and tertiary sector will be 4.1, 11.3 and 7.2 percent respectively. The macroeconomic targets set by the plan will be

smoother if the prevailing economic slow down ends as earlier, unstable international economic and political outlooks take positive turns, federalism implementation takes expected momentum, measures to be taken to mitigate the impacts of climate change will be effective, particularly the resilience infrastructure development will be effective and public and private investments will be enhanced. Table 2.1 below represents the target of economic growth and it has estimated that a growth in GDP of minimum 6.0 to maximum 7.9 percent will be achieved during the five-year period of the plan.

**Table 2.1: Target of economic growth (in constant price of F.Y. 2022/23)**

S.N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan					Average (plan period)
				2024/25	2025/26	2026/27	2027/28	2028/29	
<b>1</b>	<b>Primary sector</b>	<b>2.7</b>	<b>3.0</b>	<b>4.3</b>	<b>4.0</b>	<b>4.0</b>	<b>3.9</b>	<b>4.3</b>	<b>4.1</b>
1.1	Agriculture, forestry and fisheries	2.8	3.0	4.2	3.9	3.8	3.7	4.1	4.0
1.2	Mining and quarrying	1.0	2.3	9.0	8.8	9.4	9.7	11.6	9.7
<b>2</b>	<b>Secondary sector</b>	<b>1.4</b>	<b>1.2</b>	<b>10.3</b>	<b>10.8</b>	<b>11.7</b>	<b>11.5</b>	<b>12.4</b>	<b>11.3</b>
2.1	Manufacturing	-2.0	-1.6	8.7	9.1	9.7	9.7	9.9	9.4
2.2	Electricitygas, steam and air conditioning supply services	19.9	17.4	19.5	19.1	19.6	19.6	19.7	19.5
2.3	Water supply, sewerage, waste management and recycling activities	3.2	2.8	8.8	6.3	7.9	9.2	8.0	8.1
2.4	Construction	-1.1	-2.1	8.8	9.6	10.7	9.7	11.4	10.0
<b>3</b>	<b>Service sector</b>	<b>2.4</b>	<b>4.5</b>	<b>5.8</b>	<b>6.7</b>	<b>8.0</b>	<b>8.5</b>	<b>7.2</b>	<b>7.2</b>
3.1	Wholesale and retail trade, repair of motor vehicle and motorcycle repair services	-3.0	0.2	2.8	6.3	8.9	10.9	7.8	7.3
3.2	Transportation and storage	1.4	11.9	10.7	8.9	10.1	10.3	7.2	9.5
3.3	Accommodation and food service activities	18.0	21.8	17.9	12.8	12.7	13.9	11.2	13.7
3.4	Information and communications	4.2	4.9	7.1	8.6	9.6	9.4	11.2	9.2
3.5	Financial and insurance activities	7.3	7.8	7.4	7.9	7.8	6.3	7.8	7.4
3.6	Real estate activities	2.2	3.0	3.2	4.1	3.4	3.4	7.3	4.3
3.7	Professional, scientific and technical activities	3.9	4.1	5.6	5.9	6.5	6.3	5.9	6.0
3.8	Administrative and support service activities	5.0	4.0	4.1	7.9	11.1	12.2	10.0	9.1
3.9	Public administration and defense, compulsory social security	5.7	4.5	5.3	5.7	9.7	10.5	5.5	7.3
3.10	Education	3.9	2.7	4.6	5.3	5.7	5.3	5.3	5.3
3.11	Human health and social work activities	6.6	5.5	6.2	6.2	6.6	6.3	6.2	6.3
3.12	Other Services	5.1	4.2	5.4	6.8	6.1	5.9	5.5	5.9
4	Gross Domestic Product (at base prices)	2.3	3.5	6	6.6	7.6	7.9	7.3	7.1

Source: *Estimates of National Planning Commission, 2024.*

As the targeted GDP growth mentioned in above table, Nepalese economy will expand and the GDP in the final year of the plan will reach an estimated amount of NPR 8019.76 million in F.Y. 2022/23 prices. During this period, value addition in the primary, secondary and tertiary sectors will respectively reach an estimated amount of NPR 1516.73billion, NPR 1081.96 billion and NPR 453.90billion. The total value addition will go up to NPR 711.78 billion. Inflation in the plan period is expected to be maintained between 5 to 6 percent per annum. Accordingly, GDP in current prices is estimated to stand at NPR 1037.32 billion. Estimates of gross domestic product and sectoral value addition estimates are presented in Table No. 2.2 below.



**Table 2.2 : Targets of Gross Domestic Product and Sectoral Value Addition**

(NPR 10 million)

S.N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan				
				2024/25	2025/26	2026/27	2027/28	2028/29
<b>1</b>	<b>Primary sector</b>	<b>115735</b>	<b>124047</b>	<b>129412</b>	<b>134640</b>	<b>139973</b>	<b>145396</b>	<b>151673</b>
1.1	Agriculture, forestry and fisheries	113333	121665	126815	131816	136882	142006	147889
1.2	Mining and quarrying	2402	2382	2597	2825	3091	3390	3784
<b>2</b>	<b>Secondary sector</b>	<b>62067</b>	<b>63290</b>	<b>69803</b>	<b>77351</b>	<b>86391</b>	<b>96289</b>	<b>108196</b>
2.1	Manufacturing	24451	24604	26739	29181	32000	35091	38572
2.2	Electricitygas, steam and air conditioning supply services	7699	9143	10929	13018	15564	18619	22280
2.3	Water supply, sewerage, waste management and recycling activities	2178	2242	2438	2593	2799	3058	3301
2.4	Construction	27739	27301	29696	32560	36028	39520	44042
<b>3</b>	<b>Service sector</b>	<b>296092</b>	<b>317672</b>	<b>336040</b>	<b>358392</b>	<b>387148</b>	<b>419996</b>	<b>450309</b>
3.1	Wholesale and retail trade, repair of motor vehicle and motorcycle repair services	66764	69878	71815	76363	83184	92228	99415
3.2	Transportation and storage	31874	36769	40708	44348	48824	53849	57733
3.3	Accommodation and food service activities	9268	12233	14417	16256	18313	20856	23183
3.4	Information and communications	9274	9801	10499	11402	12491	13668	15198
3.5	Financial and insurance activities	33368	34434	36974	39885	42994	45700	49271
3.6	Real estate activities	39056	42049	43407	45182	46726	48324	51866
3.7	Professional, scientific and technical activities	4533	4992	5271	5583	5946	6321	6693
3.8	Administrative and support service activities	3306	3603	3752	4050	4500	5051	5554
3.9	Public administration and defense, compulsory social security	47250	48639	51198	54096	59350	65588	69223
3.10	Education	39523	42944	44931	47334	50026	52702	55520
3.11	Human health and social work activities	9099	9429	10011	10629	11329	12042	12785

S.N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan				
				2024/25	2025/26	2026/27	2027/28	2028/29
3.12	Other Services	2777	2903	3059	3265	3465	3668	3869
<b>4</b>	<b>Gross Domestic Product (basic prices)</b>	<b>473894</b>	<b>505009</b>	<b>535255</b>	<b>570383</b>	<b>613512</b>	<b>661681</b>	<b>710178</b>
4.1	Taxes less subsidies on products	60959	65475	69397	73951	79431	85543	91798
	<b>GDP (F.Y. 2023/24 price)</b>	<b>534853</b>	<b>570484</b>	<b>604652</b>	<b>644334</b>	<b>692943</b>	<b>747223</b>	<b>801976</b>
	<b>GDP (current price)</b>	<b>534853</b>	<b>570484</b>	<b>637516</b>	<b>715293</b>	<b>807566</b>	<b>917394</b>	<b>1030732</b>

Source: NPC, 2024.

The economy will show substantive structural changes in the plan period due to high value addition in industry and service sectors. The contribution of primary sector in value addition is estimated to decline from 24.6 percent to 21.4 percent. The secondary sector's contribution will increase from 12.5 percent to 15.2 percent. There will be a minimal rise in the contribution of the service sector, which is estimated to grow from 62.9 percent to 63.4 percent. This scenario reveals that the secondary sector will expand more in comparison to the primary sector and a large portion of the labour force on the agriculture sector will be transferred to industrial and service sectors.

**Table 2.3: Sectoral Composition of Gross Domestic Product (in fixed price of 2022/23)**

S.N	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan				
				2024/25	2025/26	2026/27	2027/28	2028/29
1	<b>Primary sector</b>	24.4	24.6	24.2	23.6	22.8	22.0	21.4
1.1	Agriculture, forestry and fisheries	23.9	24.1	23.7	23.1	22.3	21.5	21.0
1.2	Mining and quarrying	0.5	0.5	0.5	0.5	0.5	0.5	0.5
2	<b>Secondary sector</b>	13.1	12.5	13	13.6	14.1	14.6	15.2
2.1	Manufacturing	5.2	4.9	5	5.1	5.2	5.3	5.4
2.2	Electricitygas, steam and air conditioning supply services	1.6	1.8	2	2.3	2.5	2.8	3.1
2.3	Water supply, sewerage, waste management and recycling activities	0.5	0.4	0.5	0.5	0.5	0.5	0.5
2.4	Construction	5.9	5.4	5.5	5.7	5.9	6.0	6.2
3	<b>Service sector</b>	62.5	62.9	62.8	62.8	63.1	63.5	63.4
3.1	Wholesale and retail trade, repair of motor vehicle and motorcycle repair services	14.1	13.8	13.4	13.4	13.6	13.9	14.0
3.2	Transportation and storage	6.7	7.3	7.6	7.8	8.0	8.1	8.1
3.3	Accommodation and food service activities	2.0	2.4	2.7	2.9	3.0	3.2	3.3
3.4	Information and communications	2.0	1.9	2.0	2.0	2.0	2.1	2.1

S.N	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan				
				2024/25	2025/26	2026/27	2027/28	2028/29
3.5	Financial and insurance activities	7.0	6.8	6.9	7.0	7.0	6.9	6.9
3.6	Real estate activities	8.2	8.3	8.1	7.9	7.6	7.3	7.3
3.7	Professional, scientific and technical activities	1.0	1.0	1.0	1.0	1.0	1.0	0.9
3.8	Administrative and support service activities	0.7	0.7	0.7	0.7	0.7	0.8	0.8
3.9	Public administration and defense, compulsory social security	10.0	9.6	9.6	9.5	9.7	9.9	9.7
3.10	Education	8.3	8.5	8.4	8.3	8.2	8.0	7.8
3.11	Human health and social work activities	1.9	1.9	1.9	1.9	1.8	1.8	1.8
3.12	Other Services	0.6	0.6	0.6	0.6	0.6	0.6	0.5

Source: Estimates of NPC, 2024.

- b) Impact on Real Sector: As the targeted growth rate is achieved and the economy undergoes expansion, there will be substantive rise in per capita income of Nepali people. Under the assumption of continuation of existing population growth rate throughout the plan period, per capita GDP will reach to NPR 331 thousand or US\$ 2319 in the final year of the plan. Likewise, estimated per capita income will reach to US \$ 2351.

**Table 2.4: Gross Domestic Product and Macroeconomic Indicators**

S.N.	Indicator	Unit	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Target for plan period (Average)
1	Economic growth rate (at basic price)	Percent	2.3	3.5	7.1
1.1	Agriculture	Percent	2.8	3.0	4.0
1.2	Non-agricultural	Percent	2.1	3.7	8.0
2	Composition of Gross Domestic Product				
2.1	Agriculture	Percent	23.9	24.1	21.0*
2.2	Non-agricultural	Percent	76.1	75.9	79.0*
3	Per Capita GDP	US Dollar	1389	1434	2319*

S.N.	Indicator	Unit	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Target for plan period (Average)
4	Per capita income (GNI per Capita)	US Dollar	1405	1456	2351*

+ Estimates for the final year of the plan period

Source: NPC Estimates , 2024.

**Incremental Capital Output Ratio and Investment:** In order to achieve targeted economic growth for the 16<sup>th</sup> plan, macroeconomic stability will be maintained and investments of the general government, private sector and cooperatives will be mobilized. It is estimated that the economy will achieve further dynamism on account of substantive capital formation through the targeted investment . It is expected that a conducive environment will be created in this period to complete the targeted programs and projects within stipulated timeframe and cost. The large scale infrastructure programs and projects related started in the past period will be completed and brought into operation in this period. Through reform programs to be launched in public expenditure, efficiency of federal, provincial and local levels in public spending will be substantially enhanced. It is estimated that capital productivity will be raised by additional use of technology in agriculture and industrial productions. For this, adoption of modern and latest technology including information technology and electronic governance, along with mechanization and modernization of the economy, in sectors such as education, health, human capital formation, agriculture, industry and forestry, is necessary. Infrastructure related to transport and communication, education and health and public utility will have to be developed and expanded in all local levels. To reduce the incremental cost of capital, substantial investments have to be made in modern, resilient, sustainable and strategic physical infrastructure, information and communication technology and health and education-related infrastructural programmes and projects.

Though reform is expected in enhancing productivity of capital, accruing returns after completion of new projects will take time. Taking the standpoints of increasing use of technology, utilization of innovation, experience sharing and research findings, the average incremental capital output ratio of the 15<sup>th</sup> plan will remain at 4.77: 1. Estimates of incremental capital output ratio and investment requirement for each year of the plan period has been estimated for the plan. On the basis of projected incremental capital output ratio, t NPR 9482 billion at F.Y. 2023/24 price is necessary to invest to acheve target of 7.1 percent economic growth (on basic price). The agriculture sector investment is estimated to remain at NPR 668 billion, while that in non-agriculture sector is estimated at NPR 8814 billion. Converting the gross investment estimates to current price, total requirement of the plan period is estimated at NPR 111,84 billion.

**Table 2.5: Marginal Capital Investment Ratio and Gross Investment ( In fixed price of FY 2022/23)**

(NPR 10 million)

S. N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan					
				2024/25	2025/26	2026/27	2027/28	2028/29	Plan Period
<b>1</b>	<b>Primary sector</b>	<b>2.99</b>	<b>21324</b>	<b>14529</b>	<b>14669</b>	<b>14445</b>	<b>14167</b>	<b>15850</b>	<b>73661</b>
1.1	Agriculture, forestry and fisheries	2.97	21209	13465	13482	13112	12731	14034	66825
1.2	Mining and quarrying	5.71	115	1064	1187	1333	1436	1815	6836
<b>2</b>	<b>Secondary sector</b>	<b>6.80</b>	<b>21514</b>	<b>38286</b>	<b>47068</b>	<b>54380</b>	<b>60507</b>	<b>69079</b>	<b>269319</b>
2.1	Manufacturing	5.35	806	9859	11917	13209	14906	16034	65925
2.2	Electricity, gas, steam and air conditioning supply services	13.12	18760	20267	25002	29263	33708	38771	147011
2.3	Water supply, sewerage, waste management and recycling activities	6.56	419	1124	926	1184	1428	1388	6050
2.4	Construction	3.53	1529	7035	9222	10724	10465	12886	50332
<b>3</b>	<b>Service sector</b>	<b>4.5</b>	<b>212038</b>	<b>94875</b>	<b>107834</b>	<b>130971</b>	<b>142820</b>	<b>128788</b>	<b>605286</b>
3.1	Wholesale and retail trade, repair of motor vehicle and motorcycle repair services	2.76	8506	4083	11251	16490	20989	17841	70652

S. N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revisedd)	Targets of Sixteenth Plan					
				2024/25	2025/26	2026/27	2027/28	2028/29	Plan Period
3.2	Transportation and storage	11.36	25433	40126	37731	44535	48001	35615	206008
3.3	Accommodation and food service activities	6.06	8483	11380	10168	11834	12958	12381	58720
3.4	Information and communications	9.92	5175	5581	7874	9463	9917	12249	45084
3.5	Financial and insurance activities	2.82	2978	5806	7491	7679	6717	8129	35821
3.6	Real estate activities	5.64	10712	7028	9133	8631	8576	16124	49491
3.7	Professional, scientific and technical activities	2.9	1317	760	825	923	915	871	4294
3.8	Administrative and support service activities	3.02	888	419	819	1192	1397	1327	5154
3.9	Public administration and defense, compulsory social security	3.42	4703	8218	9044	15737	18940	10034	61973
3.10	Education	4.04	13682	7231	8857	9527	9488	9391	44493
3.11	Human health and social work activities	7.32	2389	3848	4134	4492	4464	4391	21330
3.12	Other Services	2.68	333	397	508	469	458	434	2265

S. N.	Economic Sectors	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	Targets of Sixteenth Plan					
				2024/25	2025/26	2026/27	2027/28	2028/29	Plan Period
	<b>Total investment (at F.Y. 2023/24 prices)</b>	<b>4.77</b>	<b>127439</b>	<b>147688</b>	<b>169573</b>	<b>199796</b>	<b>217494</b>	<b>213715</b>	<b>948266</b>
	<b>Total Investment (at current price)</b>		<b>127439</b>	<b>156180</b>	<b>188820</b>	<b>233661</b>	<b>265886</b>	<b>273876</b>	<b>1118423</b>

Source: Estimates of NPC, 2024.

Among the total investment targeted for the plan period, it is estimated that NPR 2863 billion will be made from public sector, NPR 6372 billion from the private sector and remaining NPR 2246 billion from the cooperative sector. In terms of current price, the investments from public, private and cooperative sectors will be NPR 3377 billion, NPR 7515 billion and NPR 290 billion respectively. These figures correspond to 30.2 percent, 67.2 percent and 2.6 percent in respective order.

**Table 2.6 Investment from Public, Private and Cooperative Sectors**

(NPR 10 million)

S. No.	Economic Sectors	Public		Private		Cooperative		Total	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
<b>1</b>	<b>Primary sector</b>	20241	26.9	51016	67.8	3988	5.3	75245	100
<b>1.1</b>	Agriculture, forestry and fisheries	19856	28.2	46611	66.2	3943	5.6	70410	100
<b>1.2</b>	Mining and quarrying	687	14.2	4047	83.7	102	2.1	4835	100
<b>2</b>	<b>Secondary sector</b>	119391	41.9	160423	56.3	5129	1.8	284943	100
<b>2.1</b>	Manufacturing	5423	7.3	65938	88.4	3264	4.4	74625	100
<b>2.2</b>	Electricity gas, steam and air conditioning supply services	86131	55.2	68031	43.6	1872	1.2	156035	100
<b>2.3</b>	Water supply, sewerage, waste management and recycling activities	2091	52.4	1852	46.4	48	1.2	3991	100



S. No.	Economic Sectors	Public		Private		Cooperative		Total	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2.4	Construction	16496	32.8	33293	66.2	503	1	50292	100
3	<b>Service sector</b>	149372	25.4	424004	72.1	14702	2.5	588078	100
3.1	Wholesale and retail trade, repair of motor vehicle and motorcycle repair services	3793	4.8	71355	90.3	3872	4.9	79020	100
3.2	Transportation and storage	21779	14.4	127193	84.1	2269	1.5	151240	100
3.3	Accommodation and food service activities	3418	7.2	43578	91.8	475	1	47471	100
3.4	Information and communications	24075	44.8	29180	54.3	484	0.9	53738	100
3.5	Financial and insurance activities	3393	8.8	32428	84.1	2738	7.1	38559	100
3.6	Real estate activities	2490	4	58710	93.6	1549	2.5	62749	100
3.7	Professional, scientific and technical activities	769	16	3875	80.6	163	3.4	4808	100
3.8	Administrative and support service activities	784	14	4676	83.6	141	2.5	5601	100
3.9	Public administration and defense, compulsory social security	63744	100	0	0	0	0	63744	100
3.1	Education	24719	48.3	25718	50.3	762	1.5	51199	100
3.11	Human health and social work activities	12662	45.9	13902	50.4	1040	3.8	27604	100
3.12	Other Services	375	16	1890	80.6	80	3.4	2345	100
	Total investment (at F.Y. 2023/24 price)	286376	30.2	637235	67.2	24655	2.6	948266	100
	Total investment (current price)	337764	30.2	751580	67.2	29079	2.6	1118423	100

Source: NPC, 2024



- c) Resource management for investment:** To achieve the economic growth target for the plan period, it has been estimated that a gross investment of NPR 9482 billion (in FY 2023/24 price) will be required. To fulfil this investment needs, resources from the general government, public enterprises and the private sector will be mobilized. As investment from traditional sources alone will not be sufficient, new alternative sources have been identified will be mobilized accordingly. Government revenue, foreign assistance, internal borrowing, share capital and credit investments by the private sector will contribute a significant portion of investment as the traditional sources. The alternative sources to be mobilized shall be foreign direct investment, public-private partnership, mixed investment, project development bonds, income from natural resources depository, green finance, carbon tax and funds accumulated at various public enterprises.
- d) Consumption, Saving and Gross Fixed Capital Formation:** In macroeconomic point of view, domestic consumption as well as national consumption and saving determines for the gross capital formation. In the Sixteenth plan period, unnecessary consumption will be cut down and saving will be promoted, thereby gross fixed capital formation is assumed to raise substantially.. It has been projected that towards the final year of the plan period, final consumption expenditure and gross domestic saving, as percentage of GDP, will be 91.5 percent and 8.2 percent respectively. Gross National Saving has been targeted to reach 39 percent of GDP. Similarly, gross capital formation will stand at 28.6 percent of GDP. The share of the government sector in gross capital formation will be 30.2 percent, while the share of the private sector (including cooperatives) will be 69.8 percent.

**Table 2.7: Consumption, saving and gross fixed capital formation**

S. N.	Indicator	Unit	F.Y.2022/23 (Actual)	F.Y.2023/24 (Revised)	F.Y.2028/29 (Target)
1	Final consumption expenditure as percent of GDP	Percent	92.6	92.4	91.5
2	Gross domestic savings (as a percent of GDP)	Percent	7.4	7.6	8.2
3	Gross National Savings (as a percent of GDP)	Percent	33.8	36.2	39.0
4	Gross fixed capital formation (as a percent of GDP)	Percent	25.1	24.5	28.6
5	Share of government sector (including government and public institutions) in gross fixed capital formation	Percent	35.5	35.7	30.2
6	Share of private sector in gross fixed capital formation	Percent	64.5	64.3	69.8*

\* Investments from private, cooperative as well as community sectors also included.

## 2.6.2 Government Finance

Public finance plays an important role in achieving good governance, social justice, and prosperity. In the plan period, allocational efficiency and productivity of public expenditure will be maintained in all three tiers of the government for creating employment opportunities and raising equitable production and productivity through mobilization of domestic resources, Government expenditure of NPR 12063 billion has been estimated for the plan period. Of this estimate, NPR 4571 billion will be utilized for recurrent expenditure, NPR 2771 billion will be capital expenditure, NPR 2257 billion will be for the financing and NPR 2462 billion will be mobilized for intergovernmental fiscal transfer (grants). Federal revenue is estimated to contribute NPR 8465 billion as a major source to bear the government expenditure, revenue to be shared, A gross amount of NPR 9530 billion will be mobilized including revenue sharing to the sub-national governments.

**Table 2.8: Projection of Public Finance**

(NPR 10 million)

S. N.	Particulars	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)*	F.Y. 2024/25	F.Y. 2025/26	F.Y. 2026/27	F.Y. 2027/28	F.Y. 2028/29	Total for plan period
	<b>Public Receipts (3+4+5)</b>	<b>126982</b>	<b>153027</b>	<b>180000</b>	<b>210000</b>	<b>245500</b>	<b>271189</b>	<b>299643</b>	<b>1206332</b>
<b>1</b>	<b>Revenue (including revenue sharing)</b>	<b>101065</b>	<b>120230</b>	<b>140000</b>	<b>163500</b>	<b>191750</b>	<b>215588</b>	<b>242222</b>	<b>953060</b>
	Tax revenue	86563	106433	123995	145074	170462	191653	215331	846515
	Non-tax revenue	14502	13797	16005	18426	21288	23934	26891	106545
2	Revenue Sharing (to be shared to provinces and local levels)	12025	13299	15500	18200	21390	24049	27020	106159
3	Revenue mobilization from the Government of Nepal	89040	106931	124500	145300	170360	191538	215202	846900
4	Foreign aid	12342	22096	26000	31200	37440	39312	41278	175230
	Foreign Grant	2130	4012	5000	6000	7200	8640	10368	37208
	Foreign Debt	10212	18084	21000	25200	30240	30672	30910	138022
<b>5</b>	<b>Internal borrowing</b>	<b>25600</b>	<b>24000</b>	<b>29500</b>	<b>33500</b>	<b>37700</b>	<b>40339</b>	<b>43163</b>	<b>184202</b>
	<b>Public Expenditure (1+2+3+4)</b>	<b>126982</b>	<b>153027</b>	<b>180000</b>	<b>210000</b>	<b>245500</b>	<b>271189</b>	<b>299643</b>	<b>1206332</b>
1	Recurrent expenditure	59415	63243	75277	86044	93895	98534	103429	457179
2	Capital expenditure	23462	25413	30500	39450	55504	65422	86228	277104
3	Financing	19520	26868	35723	42156	47398	52358	48140	225775
4	Fiscal Transfer (excluding revenue sharing)	24767	40009	38500	42350	48703	54875	61846	246274

*Note: Revenue estimates that will be collected from provincial and local levels have not been included.*

In the final year of the plan, the federal revenue as percent of GDP is targeted to reach to 21.4 percent. Likewise, federal expenditure and fiscal transfer as percent of GDP will be maintained at 26.4 percent and 8.0 percent respectively. The ratio of outstanding debt to GDP is estimated to be 39.0 percent.

**Table 2.9: Impact Indicators on Government Finance**

S.N.	Indicator	Unit	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	F.Y. 2028/29 (Target)
1	Federal revenue as percent of GDP	Percent	18.9	21.1	23.5
2	Federal expenditure as percent of GDP	Percent	23.7	26.8	29.1
3	Outstanding public debt as percent of GDP	Percent	43.0	40.3	39.0
4	Fiscal transfer from Government of Nepal as percent of GDP (including revenue sharing)	Percent	6.9	9.3	8.0

### 2.6.3 Monetary and Financial Sectors

Policies related to monetary and financial sectors will be carried out as a driver of macro-economy for achieving stimulated growth and maintaining economic stability. Inflation will stand within the expected limits for maintaining economic stability, and by taking policy measures the current rate of inflation will be reduced to 5.0 percent in the final year of the plan. The growth rate of broad money supply will be maintained at the limit of 13 percent. It is estimated that the rate of private sector credit growth of banks and financial institutions will reach to 14 percent. It is targeted that 80 percent of the households will have access to banks and financial institutions in the final year of the plan.

**Table 2.10: Impact indicators on monetary and financial sectors**

S.N.	Indicator	Unit	F.Y. 2022/23 (Actual)	F.Y. 2023/24 (Revised)	F.Y. 2028/29 (Target)
1	Consumer price inflation	Percent	7.7	6.0	5.0
2	Growth rate of broad money supply	Percent	11.4	13.0	13.0
3	Households with access to banks and financial institutions	Percent	63	65	80
4	Credit flow rate from banks and financial institutions to the private sector	Percent	3.8	11.5	14.0

### 2.6.4 External Sector

Some of the indicators related to external sector are in positive turns while this plan was being formulated. It is expected that these indicators will be further strengthened as a

result of policy reforms to be carried out during the plan period. Reforms are also expected in sectors related to foreign trade, which are not in the comfort zone currently. Programs of export promotion and import management will be implemented with a view to mitigating impact of LDC graduation on export trade and is expected to lower down the trade deficit. It is estimated that trade (goods and services) deficit as percent of GDP will be maintained at 22.5 percent in the final year of the plan. Target has been set to attain the percent of export and import (goods and services) to GDP at 8.5 percent and 31.0 percent respectively. Balance of payment is expected to remain strongly positive with surplus of NPR 200 billion. Foreign exchange reserve is expected to be adequate to cover goods and services imports for seven months.

**Table 2.11: Impact indicators on external sector**

S.N.	Indicator	Unit	FY 2022/23 (Actual)	FY 2023/24 (Revised)	FY 2028/29 (Target)
1	Trade deficit (goods and services) as percent of GDP	Percent	27.7	25.8	22.5
2	Export (goods and services) as percent of GDP	Percent	7.0	7.9	8.5
3	Import (goods and services) as percent of GDP	Percent	34.7	33.7	31.0
4	Current account balance	NPR billion	- 72	+ 150	+ 170
5	Balance of payment	NPR billion	290	300	200
6	Adequacy of foreign exchange reserve (goods and services)	Month	10	11	7

### 2.6.5 Informal and Unobserved Economy

As the share of informal sector is substantial in the economy, the plan addresses possible constraints of resource mobilization and compliance of policy and regulatory regime, and formalizing the informal economy. Reform measures to be taken in this regard will formalization of informal sector and controlling illegal activities, smuggling, commercial fraud and money laundering. The percentage of economic establishments registered under the formal agency will reach to 85., Around 88 percent of the establishments will have to maintain their bookkeeping of business transactions. With increased formalization of the economy and more participation in the tax system, the number of persons and institutions under the coverage of personal account number cards is estimated to reach 8 million.

**Table 2.12 : Indicators on Informal Economy**

S.N.	Indicator	Unit	FY 2022/23 (Actual)	FY 2023/24 (Revised)	FY 2028/29 (Target)
1	Establishments registered in official agencies	Percent	49.5	60	85
2	Establishments maintaining regular bookkeeping	Percent	52.0	58	88
3	Issued permanent account number card	Thousand	5554	5800	8000
4	Share of informal sector in employment	Percent	62.2	55.0	40.0



## Chapter 3

# Enhancing Production, Productivity and Competitiveness

3.1 Background

3.2 Existing Situation

3.3 Major Issues and Challenges

3.4 Transformative Strategies

3.5 Major Programs

3.6 Quantitative Targets



# Enhancing Production, Productivity and Competitiveness

## 3.1 Background

To make the national economy independent, strong and self-reliant, it is necessary to identify the means of production available in the country and increase production and productivity through their sustainable use. It is an imperative to improve the living standard of common citizens by infusing dynamism in all sectors of the economy, making them competitive, and ensuring the production of quality goods and effective service delivery. For economic development and prosperity of the country through increased production, productivity and competitive capacity in sectors like agriculture, industry, energy, forestry, tourism, education and health, maximum mobilization of means such as capital, technology, labor and land is necessary.

In order to increase the production of the primary sector, sustainable and maximum use of land, growth in productivity of agriculture and livestock and mobilization of mineral resources in sustainable and scientific manner are necessary in the first place. Secondly, mobilization of these resources for industrialization and subsequent import management and export promotion is necessary to build an economy that can move towards self-reliance. The tertiary sector, viz the service sector, needs to be developed in a qualitative, professional, competitive and sustainable way to make it an engine of growth for other sectors of the economy. Goods produced by the primary sector should be used as inputs for production in the secondary sector. In the same manner, the tertiary sector should utilize goods produced by the secondary sector and the tertiary sector's services should be utilized by the primary and secondary sectors. This is how forward and backward linkages should be established. In sum, the crucial sectors of economic development should be integrated and interlinkages established between them so as to enhance production, productivity and competitive capacity. Importantly, it has been an imperative to concentrate the state's policies in this direction.

## 3.2 Existing Situation

The Constitution of Nepal has emphasized proper use of land through participation of public, private and cooperative sectors and bringing to an end dual ownership of land. In line with this, Long-term Development Vision, 2043 has targeted to attain growth in

production and productivity through commercialization of agriculture, and use of clean, modern and high technology in the secondary and tertiary sectors, coupled with application of research and development measures. In the fifteenth plan period, the average contribution of the primary sector, secondary sector and tertiary sector to the economy is estimated to reach 24.1, 17.6 and 58.3 percent respectively. As of 2022/23, the three sectors made contributions to the tune of 24.6, 13.0 and 62.4 percent to the economy, respectively. As a result of past efforts, productivity of main agricultural crops in 2022/23 reached 3.42 metric tons per hectare. Around 25 percent of the irrigated land get round-the-year irrigation facility. Among other changes in the positive direction, agricultural production in Terai-Madhesh has picked up the trend of commercialization, there has been growth in fruit and cash crop cultivation and expansion in agro-tourism activities in the hilly areas. Conservation and consumption of indigenous crops is also on the trend. Among the main crops, production of paddy has not met the target, but production of other crops such as wheat, buckwheat, millets and maize have been close to meeting targets. Growth in production of fish, meat, eggs and milk has been leading the country towards self-reliance in these areas. Though the fifteenth plan targeted to limit the import of essential goods (agri products, live animals and food) at 3 percent, it remained as high as 15 percent during the plan period.

The share of manufacturing industry sector in the gross domestic product reached 5.3 percent in F.Y. 2022/23, falling short of meeting the fifteenth plan target of 6.5 percent. The Act governing the establishment and operation of industrial estates and industrial villages, which is essential prerequisite for industrial development, has been amended. The tourism sector contributes 2.0 percent to the Gross Domestic Product, and about 200,000 people are directly employed in this sector. In 2023, foreign exchange equivalent to US \$ 5481 million was earned by this sector. As of FY 2022/23, the installed capacity of hydropower and power from alternative energy sources connected to the national grid reached 2877 MW, while per capita electricity consumption reached 380 KW per hour. Irrigation Infrastructure has been built to facilitate irrigation in 1555 thousand hectares of land. As per the Irrigation Policy, 2023, emphasis is laid on expansion of round-the-year irrigation facilities and their effective management by developing storage dams and inter-watershed water diversion projects. Some projects in this regard are under construction at present.

The private and cooperative sectors, as important pillars of the economy, have been contributing to mobilization of resources, skills and technology, creation of jobs, development of entrepreneurship, growth in revenue collection and expansion of market. However, due to shortfall of regulation and management of cooperative organizations, and more particularly that of savings and credit cooperatives, befitting their later stage expansion, problems of liquidity management and good governance have cropped up in these organizations.

### 3.3 Major Issues and Challenges

- 1) Increasing the production, productivity and competitive capacity of agriculture:** Increase production and productivity of agriculture by ensuring easier availability of means of production and agricultural infrastructure (including roads, energy and irrigation), technology and inputs, and effective mobilization. Maximize utilization of arable and barren land; minimize fragmentation of agricultural land and its non-agricultural use. Establish resilient production system by adopting an agriculture system that can adapt to climate change. Protect agricultural production from natural disasters and increased encroachment of wildlife. Expand transportation services, collection centers, chilling centers, warehouses and processing centers which are necessary for transportation, storage, processing and marketing of agricultural produce. Ensure that necessary resources, technology, human resources, etc. are available for study, research and innovation in the agricultural sector. Make implementation of minimum support price fixed for agricultural produce effective. Increase the attraction of skilled and educated youths in agriculture. Make agriculture competitive sector of comparative advantage by lowering the cost of production. Ensure easy credit and insurance facilities in agriculture by making subsidies and concessions based on production.
- 2) Increasing contribution of the industrial sector to the economy:** Identify and produce goods and services that have competitive edge and/or comparative advantage. Make the products competitive in the domestic and international markets by increasing cost effectiveness and quality standards. Rehabilitate sick industries based on feasibility and run operational industries in full capacity. Mobilize domestic and foreign private investments in the industrial sector by creating an investment-friendly environment. Develop skills, entrepreneurial spirit, risk-bearing capacity and technological know-how required for industrial development. Develop and promote small, medium and cottage industries by linking traditional knowledge, skills and techniques with innovative knowledge and technology. Ensure branding, patent right protection and forward and backward linkages of Nepali indigenous products in international value chains, and extend networking. Operate the built industrial infrastructure in full capacity. Establish good business relationships between farmers and entrepreneurs based on mutual benefits to create internal value chains in agriculture and forest-based industries. Identify, explore and extract mines and minerals for their industrial and business promotion. Establish, develop and operate industrial estates based on study, research, analysis and innovation.
- 3) Increasing the production and consumption of electricity:** Ensure adequate investment to produce sustainable and quality energy. Mobilize public and

private investments in energy development; install and expand necessary transmission and distribution lines for produced electricity and increase domestic consumption as well as export; utilize new sources and opportunities of renewable energy.

- 4) **Coordination for building integrated infrastructure:** Based on need forecasting, build infrastructure for production and productivity growth. Complete projects within pre-determined time, cost and quality standards and enhance outcome and productivity of infrastructure by regular repair and maintenance as well as increasing returns and productivity of infrastructure through regular maintenance. Ensure regular and smooth supply of material inputs required for production and construction.
- 5) **Increasing contribution of the tourism sector to Gross Domestic Product:** increase contribution of the tourism sector to Gross Domestic Product by increasing overall income from this sector. Bring the benefits of tourism to local communities; develop and expand tourism infrastructure deemed necessary for the promotion of this sector. Identify, develop and diversify attractive destinations and new products/services. Develop and expand relevant industries and activities, including ecotourism, keeping close affinities with geographic and cultural diversities and ensuring optimum utilization of these unique features.
- 6) **Human capital development and utilization:** Develop human capital by increasing public and private investments in education and health sectors; increase productivity of human resources and utilize labor within the country.

### 3.4 Transformative Strategies

- 1) **Increasing production, productivity and competitiveness of the agricultural sector:** Ensure pragmatic classification of land with coordination of all three levels of government. Increase agricultural productions by taking such measures as conservation of arable land, utilization of land that has fallen barren, minimizing land fragmentation and establishing larger production zones. Identify special production areas and increase agricultural infrastructure, mechanization, diversification and commercialization of agriculture. Add value to agricultural produce through provision of systematic and modern transportation, storage and processing services. Construct, develop and upgrade different systems of irrigation as necessary such as surface, tubewell and lift irrigation to enhance agricultural production and productivity.
- 2) **Transforming the food system and enhancing self-reliance in basic food items:** Realizing food security as the basis of national security, transform the existing food system to make it sustainable, equitable and resilient. Bring pocket program for agricultural production in food-deficit remote areas. Regularly supply

quality food to indigent households at concessional rates. For minimization of post-harvest loss of food crops, vegetables and fruit, etc. and to maintain their quality, make provision of safe storage and supply. Refine food habits in coordination with the local levels and, through the exchange of food culture among different ethnic groups, communities and regions, conserve diversity of food and food habits. Ensure enhanced investment, infrastructure, agricultural inputs and the latest technology in the agriculture and animal farming sectors so as to enhance self-reliance in basic food items through modernization, diversification and commercialization.

- 3) Commercial development and value addition of herbs, timber and herbal products:** Properly utilize domestic timber products to substitute imports. For commercialization of herbal products, take measures such as development of appropriate technology, determination of pocket areas, supply of quality seeds and plants, providing technical assistance and capacity building support. Develop value chains for these products through regular market, processing of herbs, establishment of industry, increasing financial access and certification of products standards.
- 4) Increasing production and productivity through power generation, utilization and trade:** Adopt a one-door system of investment facilitation in hydropower sector to increase power generation and raise level of production and productivity. Make provision of concessions in the energy sector. Introduce facilitative measures and procedural simplification in environmental assessment studies and land acquisition. Attract investment from non-resident Nepalis. Empower independent power producers. Create internal demand; provide subsidies and concessions in the use of electric equipment. Upgrade transmission and distribution systems. Ensure security of public and private investments. Promote renewable energy sources such as solar and wind energy. Make legal provisions for private sector participation in energy trading. Build reservoirs and multi-purpose projects in the hydropower sector. Ensure regular and quality distribution service for development and expansion of industrial corridors. Construct, expand and upgrade surface, tubewell, small and medium storage dams and lift irrigation system necessary to increase agricultural production and productivity by extending power transmission lines necessary for this.
- 5) Promotion of multiple use of water resources, river training and automated weather forecasting system:** Promote multi-dimensional use of water resources; implement river basin plan; adopt a policy of constructing physical structure by demarcating the span of water flows. Identify and classify the risk-prone areas on the river banks and take biological and physical measures for control and mitigation of such menace. Ensure scientific utilization of river resources. Beautify rivers and rehabilitate riverbanks. Enforce river laws and regulate effectively.

Automate weather data, make pre-information system reliable and up-to-date to mitigate potential weather-related damages.

- 6) Increasing contribution to GDP through development and expansion of the industrial sector:** For increased establishment and expansion of the industry, prepare a suitable investment environment through amendment to the investment-related legislation, and attract foreign resources in addition to internal resources, for meeting rising investment requirements. Emphasize on use of local raw materials and modern technology as required for quality production. Make an assessment of the current and future human resources requirements for all types of industries and apply techniques, appropriate management, emphasize on enhancement of entrepreneurial work culture and good industrial relations, preserve and promote indigenous skills that may be helpful in establishing value chains in the industrial sector. Maintain linkages in the industrial chain by preserving and promoting traditional and original skills and technologies. Increase investment in search, exploration and identification of potential mines that lie scattered across the country, and through systematic documentation of mines, bring them to commercial use. Develop and promote small, medium and domestic industries in the fields of agriculture, forestry and mining. Identify goods and services with competitive edge and comparative advantage, establish commercial production system in these areas and contribute to growth in GDP.
- 7) Maintaining a balance in international trade:** To maintain balance in the country's international trade, increase the quality of products produced in the country and diversify countrywise and commodity-wise trade. Increase productivity and competitiveness by using modern technology and clean energy, which leads to lowering production and transit costs. Sign bilateral and regional trade agreements with additional countries, and through review and effective implementation of existing agreements, increase export and manage imports in international trade. In order to promote investment-friendly environment, review Nepal's international trade policy and legislations, and additionally, promote international trade by emphasizing infrastructure development measures like special economic zones and dry ports. Establish value chains with branding and patent rights for indigenous Nepali products and bring them in forward and backward linkages and networking in the international market.
- 8) Increasing contribution of the tourism sector to GDP:** Increase the contribution of tourism sector to GDP by improving value addition and increased income generation from this sector. Connect the tourism industry to ecotourism activities in accordance with the concept of sustainable development. Develop and expand tourism infrastructure by attracting domestic and foreign investments; develop and expand agro tourism on a regional basis for further promotion of this sector; commercialize locally produced tourism products. Ensure development of forward



and backward linkages and reach equitable benefits of tourism to the local communities. Develop skill and competence of human resources involved in the field of tourism through collaboration with universities and academic institutions. Launch tourism promotion campaigns, targeting countries of strategic importance to promote the destination and available products and services in the source market. Ensure security of tourists.

- 9) Enhancing linkages between rural and urban areas:** Shorten time and space to increase production and productivity; connect sectors of production with markets by expanding transport and transit facilities. Increase transport and communication links to maintain balance and coordination between rural and urban economies.
- 10) Emphasis on study, research and development:** Make policy and institutional arrangements for study and research in the fields of agriculture, industry, energy, irrigation, water resources, tourism, trade, etc. Enhance investment and build capacity of human resources. Utilize the findings and suggestions from studies and research in the development of agriculture and industry as well as other sectors.
- 11) Promoting good governance and strengthening institutions:** Ensure transparency, responsibility and accountability of stakeholders - persons and agencies, linked in various stages of production to consumption. Make regulatory system of relevant agencies effective. Establish linkages between inter-governmental agencies and various levels of government for institutional strengthening in the productive sector.
- 12) Emphasis on the use of information technology:** increase the use of modern information technology for raising the capacity and efficiency of the means of production. For increasing sectoral production growth in the economy, raise the level of use of information technology and emphasize on the use of information networks and technology to establish sectoral forward and backward linkages.

### 3.5 Major Programs

- 1) Agricultural production and productivity enhancement program through proper land utilization:** All local level land will be classified and land use plans formulated for effective implementation. Make necessary legal and institutional arrangements to implement the concept of land re-measurement map, land bank and land market. Establish a land information center at each of the local levels. Provide special facilities to the local levels to increase production based on availability of arable land. Encourage the production and use of biological and organic fertilizers. Conduct soil quality improvement programs based on regular soil testing. Utilize extra land under government ownership for agriculture and other productive activities. Promote and expand cooperative and collective farming as well as river bank farming, emphasize on organic agricultural production.

- 2) Program to enhance attractiveness of the agricultural sector:** At the local level, develop agricultural infrastructure, expand and operate them through public-private-cooperative cooperation. Ensure availability of hybrid genomes, seeds, stocks and fertilizers. Ensure service and facilities to be provided to entrepreneurs. Establish farmers' access to agricultural inputs, tools, equipment, technology, knowledge and skills through various stakeholder agencies. Empower agricultural research agencies. Build a mechanism to maintain inter-linkages between agricultural research, education and extension. Ensure the purchase of products by fixing minimum support price of basic agricultural produce within the date set by maintaining a calendar. Collaborate with the private sector for purchase, storage, quality monitoring, branding and export of agricultural produce, which is helpful in stabilizing the price of agricultural produce in the market, encourage and promote contract farming and land consolidation by formulating necessary laws. Ensure institutional development of production-based grants system. Develop a market-oriented production system and link it to the product and the market. Operate departmental stores that deal with indigenous products. Emphasize on agricultural produce marketing and cost reduction. Promote local street market, make arrangements for both grants and loans in agriculture, simplify procedure in credit, banking and insurance for increased access of farmers. Make arrangements to extend loans on the basis of skills, educational qualification and the project itself. Adopt climate-friendly agricultural system, launch women-friendly and youth-oriented agriculture and livestock development programs. Promote latest agri-technologies for entrepreneurship development and employment creation in order to raise attractiveness of the agriculture sector. Provide power at subsidized rates to farmers. For delivery of agriculture extension service, make arrangement for minimum requirements such as physical structure, infrastructure and technical human resources.
- 3) Program based on a new model to increase production and employment:** Make prudent use of water, land, forests, biological diversity, technology and labor force to increase production and employment. Introduce collective farming system in the high mountain areas in the form of agricultural farm. This includes activities like goat and sheep farming, mountain goat (chyangra) farming, yak herding as well as apple, chestnut and other fruit orchard farming and herbal plantation. Recognize all cultivated herbal products as agricultural produce. In collaboration with the government and local households, run wild animal farms such as those of deer, musk deer, wild boar, and local species of pheasants. Link barren land, river banks, sloppy land, forest areas and riverine sections with production and employment.
- 4) Agricultural modernization and commercialization program:** Restructure agricultural programs which are in operation at present and run them in a new

model. Increase consumption of domestic products to ensure market for agricultural products. Launch program to export fresh vegetables and fruit to the Gulf countries. Facilitate the establishment of industries for processing of agricultural products and those that use agricultural produce as raw materials. Establish agro- industrial parks in all seven provinces.

- 5) Program based on community and private sector participation:** Run community-based program on fruit cultivation and floriculture on both sides of highways and big roads. Encourage high price range agricultural produce. Conduct community-based program to plant fruit trees on the right and left sides of highways and major roads. Encourage production of high value agricultural produce. Launch special program for herbal cultivation to promote commercial cultivation of medicinal herbs, their processing and export. Select appropriate land and establish big scale herbal cultivation farms with joint participation of local communities and the private sector. Make arrangements for providing public land or public, community and leasehold forest lands on lease for this purpose. In highland pastures in the Himalayan region, carry out research and feasibility study for potential cultivation of 'Yarsagumba' (Cordycep Sps.) and other similar high value medicinal and herbal plants. On the basis of study, delineate modality for herbal medicinal farm operation, production, branding, and subsequent export. Make arrangements for export of abstracts after processing of relevant plants.
- 6) Program for development of seeds and plant stocks, fertilizers and agricultural tools:** Develop and produce seeds in collaboration with the private sector. Management of agricultural human resources and skill enhancement. Support for development of specialist human resource and easy availability of agricultural technical services. Operation of large commercial farms. Organic fertilizer production program at the provincial level. Supply of agricultural implements through domestic production and imports. Establishment of a chemical fertilizer factory based on new technology. Ensure supply of vaccines and medicines.
- 7) Agricultural production and productivity enhancement program through irrigation facilities:** Improve irrigation to increase agricultural production and productivity. Complete irrigation projects which are under construction as soon as possible and introduce latest irrigation technology. Introduce intensive agriculture and livestock development program in land areas with irrigation facilities. The state will provide subsidy on electricity bills to encourage lift irrigation from rivers in higher mountain and hilly areas and pump irrigation from underground sources in the Terai, when new projects are taken. Diversion of courses of various rivers for construction of canals parallel to the East-West highway in order to find a long-term solution to irrigation problems. Construction of large ponds in Chure and hilly areas to collect and recharge rainwater.

- 8) Program to mitigate damage in agriculture through preparedness:** Modernize and automate weather forecasting stations and make their information system accessible. Make early warning system provided by hydrological and meteorological information reliable and timely. Launch campaigns to reduce damage caused to agricultural crops by wild animals by adopting appropriate techniques and practices.
- 9) Clean and nutritious food promotion program:** To ensure food and nutrition security, emphasize on original and indigenous produce. Adopt sustainable use practices by following nature-friendly production system. Localize food system transformation activities. Enhance local level capacity in food production, processing, marketing, branding and consumption and create value chains through these methods. Launch self-reliance program in food at the local levels. Fix standards of domestic and imported food items. Make institutionalized arrangements for compulsory testing of foodstuffs for insecticide/pesticide and adulteration. Ensure quarantine test at the border points. Mobilize cooperatives for growth of agricultural products and marketing. Adopt good agricultural practices from production to consumption.
- 10) Herbal products commercialization program for prosperity:** Develop technology for high-value herbs. Identify and determine pocket areas for commercialization of herbal products and carry out technical and financial support program, targeting entrepreneurs for their promotion. Carry out feasibility study and research on cannabis for commercial purpose and permit controlled production and use. Marketing of herbal products to increase their positions in the value chains processing within Nepal. Timely policy and institutional arrangements for industrial production and certification of standards. Facilitate research for additional herbal products development and expansion.
- 11) Rational use of forest resources to increase production, employment and income generation:** To increase production, employment and income opportunities by utilizing forest resources on a rational basis, cut down trees which have naturally fallen down or those which have grown old and rugged, and use timber from them in the construction and furniture industry. Open furniture industries with domestic and foreign investment for export. Ensure replantation and conservation of deforested areas by planting high quality plant species. Lease out forest areas to promote herbal plantation, commercial farming of wild animals and birds and fruit production. Promote fruit cultivation. Encourage operation of collective business ventures by local households to benefit from use of natural resources. Implement procedural measures to stop depletion or excessive exploitation of natural resources. Make legal arrangements and conduct procedural facilitation program so that agricultural products can be grown in forests and forest products in agricultural land. Introduce and launch programs that

facilitate the running of agriculture-oriented entrepreneurial activities in forests and forest-oriented entrepreneurial activities on agricultural land.

**12) Industrial development and investment promotion program:** Create investment-friendly environment by amending investment laws and regulations and encourage domestic and foreign investments. Automate the process from company registration to closure of industries. Prioritize, complete and fully operationalize industrial estates in the process of development, including special economic zones and industrial villages. After considering locations and needs of level-wise and sector-wise coordination and collaboration, operate additional number of industrial estates, special economic zones and industrial villages. Give special emphasis to agriculture and industries based on domestic raw materials for industrial development. Construction and development of industrial estates through public-private partnership on land made available by the government. Encourage domestic and foreign investment in production of export-oriented goods. Simplify industrial policy, procedure and management. Enhance collaboration with the private sector to establish Nepali brands of various goods.

**13) Program for facilitating conducive environment for industry operation:** Integrate local raw materials into the industrial chain through the farm-to-factory program. Encourage start-up ventures through technology development fund. Search for, explore and identify mines, and commercialize mining industry in public-private-partnership framework. To ensure availability of skilled human resources, produce skilled human resources through on-the-job training as well as in collaboration with universities and training centres. Make provision for paying per production unit wages apart from minimum remuneration. Bring out policy reforms to keep interest rate of the banks entrepreneurs-friendly. Adjust customs tariffs in such a way that products produced domestically can withstand competition with imported goods of similar nature. Control smuggling of goods. To ensure sale of goods that are produced in sufficient quantities within the country, utilize tariff and non-tariff instruments and review existing trade agreements.

**14) Program for development and promotion of micro, small and medium enterprises (MSMEs):** For development and promotion of micro, small and medium enterprises, interlink traditional knowledge, skills and experience and operationalize such enterprises. Also interlink traditional knowledge, skill, experience and technology with innovative knowledge and techniques. Provide special incentives to entrepreneurs who promote these unique resources.

**15) International trade promotion program:** Apart from increasing the quality of manufactured goods, diversify trade on country-wise and commodity-wise bases. Bring down production and transit transport costs, and through the use of modern technology and clean energy, enhance productivity and competitive capacity. Sign bilateral and regional trade agreements with additional countries, review and

effectively implement the provisions of existing treaties, and enhance the volume of exports as compared to imports. To promote international trade, lay emphasis on programs that help in building trade-enhancing infrastructure such as special economic zones, dry ports, etc.

- 16) Transport expansion program:** Make policy and regulatory provisions for development of multimodal transport system based on integrated transport plan. Construct and expand highways that link national cities, provincial capitals and economic centers. Carry out program of building mid-hill highway, North-South highway, industrial corridors.
- 17) Program for market system development and assurance:** Assurance of market for sale of every product of the producer. Operation of industry that utilizes agricultural crops, livestock and herbal products as raw materials. Process and brand tea, betel nut, cardamom, herbs, vegetables, fruit, meat and milk products as products for export. Operate sugar industry through collective investment or collaboration of sugarcane farmers. Develop agricultural product collection and purchase management system development program from farmers' farms using the app in purchase and marketing of agricultural products. Develop an app that helps in collection and purchase of agricultural produce from the farm gate and build a system of direct purchase and marketing.
- 18) Hydropower development and expansion program:** Increase government investment for the development and expansion of the energy sector. Collaborate with the private sector and promote domestic and foreign investments. Achieve energy efficiency and energy security, and enhance the reliability and quality of electricity services by creating internal demand. In addition, develop an action plan and implement it for electricity trade, make legal arrangements to involve the private sector in power trade. Full electrification within two years. Protect and prioritize domestic investment in reservoir and semi-reservoir dam projects, ensure that national interest is preserved while mobilizing foreign investment in such projects. Construction of national and international transmission lines. Prepare necessary infrastructure for 28,500 MW of electricity production over the next 12 years. Ensure full utilization of generated electricity through internal consumption and export, and expand transmission lines accordingly. Upgradation of old grid has completed. Treat land under transmission lines as a separate plot and allow the land on both sides of the grid to be utilized for production and mortgages for bank loans.
- 19) Renewable energy promotion program:** Increase the share of renewable energy in total energy mix. Implement renewable energy and energy efficiency programs through climate finance mobilization. Ensure availability of alternative energy in places without grid connection. Utilize new technology and generate energy from wastes. Encourage solar power generation on completed hydropower

projects and vacant land. Generate power from sources like solar, wind and hydrogen. Substitute energy from fossil fuels by non-polluting energy sources.

**20) Program for multi-dimensional utilization of water resources:** Water resource utilization based on River Basin Master Plan. Promotion of integrated water resources management and its multi-purpose use with priority. Increased participation of the private sector and stakeholders in the conservation and development of water resources.

**21) Program for modernization of water and meteorological services:** Upgrade water and meteorological forecasting stations by construction of additional stations. Build necessary infrastructure to make the service reliable and automated. Use of modern technology for a reliable early warning system. Impact based forecasting service and development of specialized services for public health, agriculture, civil aviation, energy and water resources sectors.

**22) Tourism sector development and strengthening program:** Development of tourism products and their promotion and publicity. Improvement in hospitality management. Program to increase number of tourist arrivals and extend duration of stay through promotional campaigns. Increase tourist spending per day and adopt measures for maximum value addition from the tourism business. Increase job opportunities and carry out study and research on various aspects of the tourism industry. Attract domestic and international investment in development and expansion of tourism infrastructure for overall development of this sector. Conserve and promote religious and cultural heritages and identify additional attractive destinations for development. Link major touristic locations with other tourism destinations so as to create opportunities for increased economic benefits. Link tourism with cultural heritage. Utilize public-private partnership to launch tourism promotion campaigns, targeting tourists from India, China and other major countries of tourists origin. Promote local products as products for tourism by establishing forward and backward linkages. Expand rural tourism in coordination with the local level. Respect local communities' active role and participation in conservation and preservation of tourism assets all over the country, and make arrangements for proper management, sharing and distribution of tourism income. Encourage involvement of backward community, women, *Dalits* and indigenous tribal people in tourism industry by developing their capacity and competence.

**23) Study, research and capacity development program:** Adopt public-private partnership in studies, research and development related to agriculture, industry and service sectors. In collaboration with universities and research institutes, carry out various practical studies and research activities. For capacity building of human resources engaged in various fields and that of relevant institutions, promote collaboration with universities and academic institutes. Conduct skill-oriented training programs and ensure availability of skilled human resources.

**24) Development and use of information technology:** Development and expansion of infrastructure for information technology for raising efficiency of means of production such as labour, land and capital. For raising productivity of sectoral production cycle and substantive areas with forward and backward linkage that have links with production, ensure use of information technology.

### 3.6. Quantitative Targets

#### Agriculture and Livestock Sectors

S.N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Productivity			
1.1	<i>Paddy</i>	Mt.ton/hectare	3.79	4.84
1.2	<i>Corn</i>	Mt.ton/hectare	3.2	4.5
1.3	<i>Wheat</i>	Mt.ton/hectare	2.95	3.34
1.4	<i>Potato</i>	Mt.ton/hectare	17.2	21.95
1.5	<i>Vegetables</i>	Mt.ton/hectare	14.33	16.61
1.6	<i>Spices</i>	Mt.ton/hectare	7.86	9.11
1.7	<i>Fruits</i>	Mt.ton/hectare	10.94	12.08
1.8	<i>Pulses</i>	Mt.ton/hectare	1.25	1.4
1.9	<i>Oilseeds</i>	Mt.ton/hectare	1.15	1.27
2	Production			
2.1	<i>Source seeds</i>	Thousand Mt.ton	4.4	5.1
2.2	<i>Improved quality seeds</i>	Thousand Mt.ton	27.22	43.84
2.3	<i>Honey</i>	Mt.ton per year	5406	6600
2.4	<i>Mushroom</i>	Mt.ton per year	14300	18000
2.5	<i>Milk</i>	Thousand Mt.ton	2566	3050
2.6	<i>Meat</i>	Thousand Mt.ton	512	590
2.7	<i>Egg</i>	10 million pieces	133	160
2.8	<i>Fish</i>	Thousand Mt.ton	108	130
3	Round-the-year irrigation facility out of total arable land	Percent	25	50
4	Soil organic matter content	Percent	1.96	2.5
5	Households in high food insecurity situations	Percent	1.3	1
6	Central Food Safety Information System	Number	0	8
7	Genome improvement of livestock	Dose (100,000)	7	11
8	Semen production and distribution	Dose (100,000)	9	14
9	Fish spawn production and distribution	No. (100,000)	595	800
10	Animal vaccine production	Dose (100,000)	538	700

#### Land Management, Cooperative, and Poverty Reduction Sector

S.N.	Indicator	Unit	2022/23 actual	2028/29 target
1	Local levels with access to Public Asset Management Information	Number	51	753



S.N.	Indicator	Unit	2022/23 actual	2028/29 target
2	Offices having Nepal Geographical Information System (NeLIS).	Number	55	135
3	Offices implementing Land Reform Information System (LRIMS)	Number	0	135
4	CORS Network Installation	Number	4	31

## Industry, Commerce and Supply Sector

S. No.	Indicator	Unit	2022/23 actual	2028/29 target
1	Share of manufacturing industry to Gross Domestic Product	Percent	5.2	5.4
2	Share of wholesale and retail trade to Gross Domestic Product	Percent	14.1	14.0
3	Apprenticeship training	Number	153	15000
4	Ratio of imports of goods and services to Gross Domestic Product	Percent	34.7	31
5	Ratio of exports of goods and services to Gross Domestic Product	Percent	7.0	8.5
6	Trade margin of internal trade	Percent	11.6	10
7	Export/import ratio	Ratio	1: 10.3	1: 8.5

## Culture, Tourism and Civil Aviation Sector

S. No.	indicator	Unit	2022/23 actual	2028/29 target
1	Number of annual tourist arrivals	No. in 100,000	8.2	25
2	Average length of stay of tourists	Days	13.1	15
3	Average spending per tourist per day	US Dollar	40.5	85
4	Share of tourism sector to Gross Domestic Product	Percent	2.0	7
5	Travel and Tourism Competitiveness Index	Index	3.3	4
6	Countries with bilateral air service agreements	Number	40	48



Chapter 4

# Productive Employment, Decent Jobs and Sustainable Social Security

4.1 Background

4.2 Existing Situation

4.3 Major Issues and Challenges

4.4 Transformative Strategies

4.5 Major Programs

4.6 Quantitative Targets



# Productive Employment, Decent Jobs and Sustainable Social Security

## 4.1 Background

The Constitution of Nepal has provided for social protection and the right to work and employment in order to allow people to live a life of dignity. Through increased productivity and effective management of labour, decent work and sustainable social protection floor can be assured, which helps in achieving the national objectives of reducing the risks of human life cycle, achieving faster economic growth and reducing poverty through inclusive development coupled with social justice. For this, it is necessary to take a number of measures, including development of the private sector for secure employment and working environment, sufficient wages for a living, equal pay for equal work, social protection, promotion of harmonious industrial relations, respect for labor and workers, end of all forms of labor exploitation, labor rights and standardization and occupational safety and health standards. Taking optimum advantage of demographic dividend prevailing in the country and building a self-reliant economy call for production and mobilization of labour force that conforms to the demand of the labour market on one hand, while making it technology friendly, competent, skilled, active, competitive and dedicated to serve the nation, on the other. National production and productivity can be increased with such motivated labour force. It is necessary to establish sustainable and universal social protection floor by combining such factors as needs, rights and contribution-based social security program.

As employment opportunities within the nation are limited, the trend of youths going for foreign employment will continue. In this context, it is necessary to make foreign employment additionally safe, managed and dignified, while identifying labour destinations that offer attractive service and facilities to conclude bilateral labour agreements. The current situation of going for foreign employment by compulsion should be brought to an end. All three levels of government are required to make collaborative efforts to create local employment opportunities in order to properly mobilize money received as remittances, knowledge, skill, experience, competence, work culture, technology, entrepreneurship and self-confidence of persons gained through foreign employment. It is also necessary to formalize informal jobs and caregiving work as well as informal economy to make work dignified. The country is confronting with challenges

in achieving Sustainable Development Goals, which calls for increased financial and other resources, but is likely to face potential contraction in facilities like financial grants that may ensue after Nepal graduates into a developing country category. Investment and mobilization of remittances and technological knowhow from foreign employment in the productive sector is looked upon as alternative source to fulfil any such gaps.

## 4.2 Existing Situation

The constitution has adopted a policy of providing skilled and professional labor force for the development of the country, maintaining harmonious relations between workers and entrepreneurs, expanding the scope of social security, utilizing the capital, skills, technology and experience gained from foreign employment in the country and ensuring decent work opportunities for all. The constitution has also established the right to employment, social security and labor as fundamental rights. Various conventions of the International Labor Organization and one of the important goals of Sustainable Development Goals have guaranteed decent and secure employment, universal social protection floor and increased labor productivity. Bonus Act for Management of Internal and External Employment, 1974, Trade Union Act, 1992, Foreign Employment Act 2007, Right to Employment Act, 2018, Contribution Based Social Security Act – 2017, Labor Act 2017, National Employment Policy, 2014 and Foreign Employment Policy, 2012 have been implemented. Process is ongoing to make timely amendments to these legislations and review policies to shape new direction. For this, strategies and programs that are being implemented include promotion of domestic employment, bringing to an end compulsion for foreign employment and making it safe and dignified, expansion of contribution-based social security and raising productivity through skill development.

According to the National Census, 2021, the population of the productive age group (15-59) is 67 percent in the demographic structure of Nepal. The situation of this demographic dividend will remain until 2045. Over the past three decades, the internal labor market's absorption capacity remaining low, the surplus labor force has been going for foreign employment. In the recent years, however, influx of foreign workers is increasing and they are displacing the domestic workers. Several factors are responsible to lead to this situation. These factors include lack of internal labor market analysis, imbalance in labor demand and supply, inadequacy of skilled labor force, shortfall of culture that ensures respect for work, import-oriented economy and weak labor inspection and regulation. According to Nepal Labor Force Survey, which adopted the definition of the International Labor Organization, the unemployment rate stands at 11.4 percent. Some 36.5 percent of the labor force is engaged in the formal sector, while the labor force participation rate is 38.5 percent. Women working without pay are 6 times more than men. Though efforts have been initiated to give organized shape to informal jobs, caregiving work and informal economy, no significant achievements have been made in this area. Although the overall

trend of child labor is on the decline, about 1.1 million children in the age group of 5-13 years are still engaged in domestic labour. It is estimated that around 200,000 children are involved in hazardous work. To address the root cause of child labor, National Master Plan on Elimination of Child Labor 2018-2028 is being implemented, under which the campaign of declaring child labor free local levels is ongoing. As of F.Y. 2022/23, a total of 14 local levels have been declared child labor free.

The number of employers and workers joining the Social Security Fund is increasing, which has helped in maintaining financial stability and expansion in the scope of contribution-based social security. As of mid-January 2024, out of 923,356 economic establishments functional in Nepal as per National Economic Census 2018, 18,847 establishments and 12,80,888 workers have joined the Social Security Fund. Various efforts are ongoing to increase the number of establishments joining the Social Security Fund by collaborating with the private sector. According to the Labour Force Survey, only 15 percent of workers were included in the Social Security Fund. Various efforts have been made to increase the number of establishments joining the Social Security Fund in collaboration with the private sector. The Fifteenth Plan targeted to bring 60 percent of population into the fold of the Social Security Fund, but in reality only 32 percent were included in the fund. As much as 14.8 percent of the federal annual budget is spent on 87 different social security programs. Social security programs have been started by the provincial and local governments also. The Integrated National Social Protection Framework, 2023 has been launched with a view to manage increasing expenditure in this sector, promote contribution-based social security program and streamline the fragmented social protection program for raising effectiveness.

There is a lack of integrated data on available labor force and employment opportunities in the labor market. Due to shortfall of proper coordination between the workers entering the labor market and the employment opportunities available locally, surplus labor force goes for foreign employment. In the F.Y. 2022/23, 7,71,327 Nepali workers went for foreign employment with new or re-entry labour permits. It is estimated that 57 percent of the country's households depend on income from remittances. During the same period, around NPR 1220 billion remittances income was realized. This amount comes to around 23 percent of GDP. The number of unskilled workers is increasing on foreign employment. Due to foreign jobs, social malpractices such as human smuggling, family disintegration, demonstration effects and so on are on the rise. Bilateral labor agreements have been signed with 12 labor destination countries to make foreign employment safe, orderly, dignified and profitable.

## 4.3 Major Issues and challenges

**1) Creation of domestic employment opportunities:** Launch employment campaigns to mainstream internal employment creation in sectoral policies. Identify areas of employment. Expand Nepali production in collaboration with the private sector. In order to maintain a balance between the employment opportunities available in the market and the available labor force, collaborate and coordinate to bring contemporary changes in educational curriculum and program. To bring timely changes in condition which compels citizens to go for foreign employment, develop collaboration and partnerships among governments at various levels, the private sector, cooperatives and non-governmental organizations in creation of opportunities for employment and self-employment in sectors including agriculture. Develop intensive collaboration between the federal, provincial and local governments in job creation. Restructure targeted programs such as Youth Self-employment Program and Prime Minister Employment Program by developing interlinkages with employment programs run by provincial and local levels. In collaboration with the local levels, provide employment and skill development opportunities to unemployed youths locally through employment bank. Integrate data on employment and skills which remain fragmented on the basis of governance level, as well as geographic, administrative and professional bases. Establish and implement an integrated national employment system by interlinking existing information systems. Provide innovation and start-up capital to encourage youth entrepreneurship and self-employment. Increase access to finance and technology. Emphasize on pocket areas development to create employment in the agriculture sector.

**(2) Optimum utilization of demographic dividend:** Optimum utilization of youth force in productive sectors. Identify the needs and prospects of basic and national and international labor markets for the available labour force. Inculcate competency and competitiveness in human resource by providing technical and professional education and skill training. Minimize youth unemployment and migration abroad.

**3) Reform in labor management:** Create an environment for youths to work in Nepal. Develop good industrial relations. Develop a culture of respect for labor and workers. Establish labor governance by eliminating gender discrimination and inequality in the labor market. Make labor inspection effective. Regulate and manage child labor, and various forms of bonded labour such as *Haliya*, *Harua*, *Charua*, informal labour, caregiving jobs and informal economy. Maintain good governance in the labor sector by removing gender discrimination and inequality. Make labor inspection effective. Ensure occupational health and safety standards. Implement labor and social security laws effectively. Ensure minimum salary.



**4) Foreign employment management:** Make foreign employment safe, dignified, orderly and highly profitable. Control fraudulent practices. Implement a system of employer pay principle (zero cost recruitment). Protect the safety and human rights of women in foreign employment. Effective relief, legal aid, treatment and rescue of injured and sick workers. Strengthen and make effective the mechanism for foreign employment management and service delivery. Regulate migration for study abroad and migration of skilled human resources. Promote labor diplomacy to manage foreign employment.

**5) Management of vocational and skill-based training to suit the labor market:** Integrate vocational training and technical education that is operated in a fragmented manner under the three levels of government, private sector and non-governmental organizations to make them effective and quality-oriented. Conduct training programs in a public-private-cooperative partnership framework. In the context of changes taking place in global production and labor practices, provide new training to human resources and upgrade the existing training programs. Maintain coordination among training centres and raise quality of all training programs. Develop human resources with skills and competence as demanded by the labor market. Increase efficiency of training institutions; expand the opportunities for vocational and skill trainings and people's access to them. Raise quality of all training programs by maintaining coordination among training centers. Align foreign employment-oriented trainings with quality standards of the labour destination country. Make arrangements for certification of skills acquired at home and abroad. Make skills relevant to changes that have come in labor market, entrepreneurship and technology and develop skill-oriented training provider institutions on a par with international standard.

**(6) Expanding the scope of social security by ensuring its financial sustainability:** Integrate and manage the current structure and system of social security, reducing life-cycle risks, and bring citizens into the scope of social security. Create employment opportunities for indigent and unemployed citizens and help them gain skill and competence for jobs. Objectively identify the target beneficiary; eliminate duplication of beneficiary. Enlarge the scope of contribution-based social security program to make it effective and inclusive of all types of workers. Establish contribution-based and productive social protection system. Fully implement Integrated National Social Protection Framework, 2023; lower down public responsibility to ensure financial sustainability.

**7) Increasing effectiveness of technical and vocational education:** Make technical education practical, useful for life and relevant to national and international market demand and capable of creating job opportunities for domestic and foreign employment. Raise standard of skill training.

**8) Addressing problems created by foreign migrant workers:** Keep record of foreign migrant workers. Reduce pressure created by foreign migrant workers on the domestic labour market and, in order to create opportunities for local labor, promote good industrial relations. Standardize skill trainings for quality.

**(9) Mobilization of knowledge, skills, experience and capital of returnee workers in the productive sector:** Make reintegration program effective; emphasize on building social capital by attracting investment from non-resident Nepalis.

**10) Enhancing effectiveness of inter-governmental coordination in job creation and management:** Ensure reaching out to the target group by maintaining coordination and inter-connection between the federal, provincial and local levels in job creation and management. Delineate areas of responsibilities of the federal, provincial and local levels in the field of labor and employment and avoid duplication of work. Expand opportunities for employment and self-employment by designing programs which will be complementary to programs run at various government levels. Decentralize service delivery in the foreign employment sector down to the local level.

## 4.4 Transformative Strategies

**1) Create sufficient opportunities for domestic employment:** Mainstream employment issues in macroeconomic policy, monetary and fiscal policies and various sectoral policies as topic of strategic importance and set it as a priority. Launch employment campaigns, identify potential sectors of employment creation. In collaboration of government, non-governmental, cooperatives and the private sectors, maintain necessary policy coordination for expansion of productive activities. Develop models of creating jobs and labor mobilization locally in local development activities. Promote inclusive employment opportunities by identifying unemployed labor force, empowerment and positive discrimination. Analyze internal labor market, and enhance competence and capacity of domestic workers to replace foreign migrant workers and ensure employment for locals. Implement integrated employment management information system, promote conducive environment for investment. Introduce production-oriented educational curriculum and education system in all three levels of government and in all types of education facilities. Develop private sector for promotion of rural entrepreneurship and self-employment opportunities. Develop information technology as backbone for employment creation.

**2) Optimizing demographic dividend:** Formulate national human resource development and mobilization plan and implement it. Increase investment in human resource development for raising labor productivity. Bring to an end Current Situation of skill shortages or mismatch of skills.

**3) Making technical and vocational training program effective:** Conduct technical and vocational trainings targeted to youths who have entered the labor market for transformation of their skills towards employment orientation. Prepare sound basis for regulation and skill-testing of training provider in the private and non-governmental bodies. Increase capacity of institutions that impart training. For entrepreneurship oriented self-employment, make provision for start-up capital, technology and marketing along with availability of training. Impart demand-driven and technology-oriented training. Revise curriculum. Expand training centers. Impart job-based skill-oriented training in coordination with the private sector.

**4) Managing all stages of foreign employment:** Identify new and attractive destinations offering high income and safe working environment for foreign employment and ensure signing labor agreements. In order to make foreign employment dignified, render it skill and competence-based. Ensure effective and result-oriented mobilization of the Foreign Employment Welfare Fund to promote the rights and interests of workers involved in foreign employment. Decrease the cost of remittances from foreign employment. Enforce legal and structural reforms in labor migration. Link remittance income to production and productivity. Localize relevant services; decrease human and social costs by mobilizing the welfare fund for the benefit of workers and their dependent families. Obtain grant assistance from additional destination countries for reintegration. Ensure development of information system and its interconnection for transfer of social security contributions and other earned benefits. Ensure judicious recruitment practices in foreign employment. In order to manage migration for education and skilled migration, bring harmony in education system, employment and entrepreneurship. Establish inter-governmental and inter-agency mechanism and necessary relief fund to facilitate relief, rescue and repatriation of migrant workers in the event of disaster and crisis. Include the employment of Nepalis in India in the domain of foreign employment management. Make empirical studies, research and data base as a basis for decisions on labour migration.

**(5) Reforms in labor management:** Maintain good industrial relations through promotion of decent work. Formalize informal labor on a gradual basis through registration of businesses, registration of workers and certification of skilled training. Decrease occupational risks through occupational safety and health standards; eliminate gender discrimination and inequality existing in the labor market. Regulate care work and informal economy. Review and revise existing labour and related laws. Develop a culture and mindset that respects labor. Make areas of jurisdiction of governments at various levels with regard to labor management clear and mobilize the concerned level effectively. Expansion and modernization of labor offices; certification of skills and training. Abolition of forced labour and worst form of child labor, and rescue and protection of children involved in hazardous work.

**6) Making social security effective:** Make timely reforms in and amendments to the laws and regulations related to social security. Integrate and manage the current structure and system of social security to facilitate the life and living of all concerned. Effective implementation of the Integrated National Social Protection Framework, 2023. Expand the scope of social protection through contribution-based social security. Transform and diversify the corpus of social security fund as a source for safe investment and mobilize it in productive and job creation areas. Targetting disadvantaged and unemployed citizens, develop their skills and competence according to employment services and demand of the labor market. Manage financial responsibility for basic social security of citizens who constitute migrant workers as deemed necessary during their active work life and after retirement.

**7) Utilization of skills, experience, knowledge and capital of returnee workers in the productive sector:** Certify the skills of returnee workers and keep records systematically. Mobilize the remittance income, knowledge, skills, work culture, technology, entrepreneurship and confidence gained through foreign employment in the productive sector. Properly manage foreign employment bond and encourage citizens who are in foreign employment to invest in shares and other productive sectors.

**8) Managing migrant workers:** Systematically keep records of migrant workers. Formulate a national migration policy. Hire foreign workers only for work that cannot be carried out by Nepali workers. Employ only those who are registered at the Employment Service Center as unemployed in projects run by the public and private sectors. Skill development and capacity building of migrant workers and employment of domestic workers in related fields. Make labor monitoring effective.

## 4.5 Major Programs

**1) Special program of employment growth within the country:** Annul or restructure unproductive programs currently in operation. Design programs in such a way that production increases with increased employment and employment increases with increased production. Run programs based on prudent use of natural resources such as land, water, forests, construction materials to increase production and employment. Conduct minimum employment and unemployment assistance programs; encourage the private sector for development of micro, small and medium scale industries at the local level. Develop a national employment management information system for promotion of self-employment, employment-related integrated data and automatic labor exchange. Promote inclusive employment. Growth in self-reliance and professionalism in the workforce. Run incentive programs for the employers. Conservation and commercialization of traditional skills, arts and crafts. Equip employment service centers with resources and technology. Revise the curriculum by including theoretical and

practical contents to make the educational curriculum at all levels employment-oriented. Increase access to finance and financial literacy. Ensure market for produced goods. Launch a decade-long campaign for production and employment.

**2) Vocational and skill development program for human resources development:**

Launch short-term job-oriented skill development trainings. Human resources development according to the employer's demand. Conduct job-based training for human resources development in line with availability of employment. Develop the government training center as a center of excellence through sectoral integration and consolidation of the the subject content. In collaboration with the public, private and cooperative sectors, formulate and implement an integrated model of entrepreneurship development, product development and service delivery and marketing. To ensure supply of skilled workers in the country, include necessary skill content in the curriculum of the school level. Integrate and strengthen vocational and skill development training. Conduct work-based training for learning while earning. Study the work done by foreign migrant workers. Develop the skills and capacity of native workers in areas where migrant workers are involved.

**3) Alternative employment enhancement program:** Launch earn while you are studying program, employment for apprentices, part-time employment program, digital employment program. Conduct skill development and job creation programs through social mobilization. Information technology-based employment program; special employment program targeted at 15-30 age group. Conduct special program focused on youths who have either returned from foreign employment or who want to return.

**4) Foreign employment management program:** Conduct a safe migration program for safe, orderly, dignified and productive foreign employment. Conduct an integrated data management program for protection of Nepali workers who go informally for jobs in India and other countries. Identify high-return labour destination countries and sign labour agreements with them. Strengthen and expand the scope of labor diplomacy. Reintegration of persons returning from overseas employment. Encourage workers who do not have minimum skills to go for foreign employment only after acquiring skills. Ensure information flow at all stages of migration, making the information process accessible and effective. Integrate undocumented workers into the registration process and social protection system through diplomatic missions. Digitize labor demand application process, review of permit process, demand approval and grievance handling. Effective monitoring to ensure a fair recruitment process and facilitating the receipt of demand letters through employers affiliated to the Responsible Business Network. With regard to recruitment, carry out policy to implement employer pay principle. Effectively mobilize the Foreign Employment Welfare Fund for the benefit of the target group.

**5) Program to strengthen Nepali missions in labor destination countries:** Monitor the workplaces in the destination countries. Monitor implementation of labour agreements and review them periodically. Bring health institutions, insurance providers and pre-departure orientation training providers under effective regulation. Provide information on reintegration right from the pre-departure stage and manage it. Strengthen the foreign employment information system. Enhance the effectiveness of service delivery of Nepali missions by increasing the number of labor consulars, labour attaches and local support staff in proportion to the number of workers in the destination country. Ensure adequate resources to the embassies to strengthen their service delivery; maintain effective coordination between agencies under Labour and Foreign Employment and Foreign Affairs Ministries.

**6) Decent jobs promotion program:** Develop clear standard for decent employment. Determine and implement automatic minimum wage. Implement national campaign for respect of labor, equal pay for equal work, National Master Plan on Elimination of Child Labor (2018-2028). Increase the effectiveness of labor audits and conduct programs related to occupational safety and health standards. Ensure regulation of establishments and carry out labor inspection; pay attention to program for formalization of economy and employment. Eliminate gender discrimination and inequality in the labor market; keep records of caregiving activities and manage it. Formulate national care policy and enact legislation related to caregiving service for implementation. Eliminate forced labor and child labor. Prepare a roster of skilled human resources at all three levels. Conduct labor-friendly culture promotion program. Implement the Business and Human Rights Action Plan. Conduct worker's productivity enhancement program. Increase women's participation in income generation by conducting care training at the local level. Keep records of foreign migrant workers in the economy, establish information system and conduct labor inspection.

**7) Youth mobilization program in nation building:** Conduct "Youth Mobilization Programme in Nation Building" to mobilize youth force and enhance their capacity. Deploy young people and students who have completed their studies from schools and universities, who are in the final year of their studies, or who have returned after completing their studies abroad, as volunteers and interns in all ministries of the Government of Nepal, in agencies, judiciary, legislature, etc. as volunteers and interns in various subject areas. Make arrangements under which interns can be deployed in public services, private sector industries and businesses, agriculture and livestock farms etc. In the interest of youths who want to enter in entrepreneurial venture and business, make arrangement for providing technical support, capital grants, concessional loans for start-ups and ensure market for their products.

**8) Program for expanding the scope of social protection, greater inclusion and its sustainability:** Integrate existing social protection programs that remain fragmented and develop an integrated social protection mechanism that can be implemented on a sustainable basis. Increase access to productive social protection and avoid duplication. Encourage financially well-placed individuals to renounce their social security allowance and pension voluntarily.

Ensure basic level social security from the state level; make social security schemes contributor-friendly and transform them from social-support based to contribution and need-based. Mobilize and promote investments from Social Security in high return sectors. Expand the involvement of workers working in all sectors in social security, include in its fold workers in foreign employment, people in self-employment living abroad, those in informal sector and self-employment domestically, and give it a continuity. Upgrade the facilities under security schemes. Bring informal employment within the formal sector into the realm of social security. Conduct special programs related to job creation for the poor and unemployed citizens and special programs related to skills and entrepreneurship development for the unemployed to gain competence.

**9) Social security program based on the life cycle:** Manage risks citizens are likely to encounter in the life cycle, increase the self-esteem and risk-bearing capacity of workers, maintain a balance between the demand and supply of labor force. Develop for implementation of an integrated social security system based on insurance and life cycle to meet basic needs in the areas of health, education, employment, housing and caregiving.

## 4.6 Quantitative Target

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Number of employment (annual) generation	NRs.Thousand	931	1500
2	Labor productivity	NRs. Thousand	245	400
3	Formal sector share in employment	Percent	36.5	50
4	Labor force participation rate (15 years and above)	Percent	38.5	50
5	Number of establishments performed labor audits (Annual)	Thousand	3.4	30
6	Skilled labor migrants for foreign employment	Percent	73.73	80
7	Human resource having short-term employment-oriented vocational skill training	Thousand	19.6	85
8	Number of establishments and employers under social security schemes	Thousand	18	60

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
9	Number of beneficiaries from Social Security Fund	Thousand	650	2500
10	Establishment and management of Migrant Resource Centers/Sub-centers	Number	42	94
11	Employed persons (among the registered unemployed) from the Employment Support Programs (annual)	Thousand	91.6	200
12	No. of destination countries signed for labor agreements	Number	10	15
13	Population covered by the basic social protection schemes	Percent	32	60
14	Number of returnese benefited from the reintegration program (annual)	Thousand	-	100
15	Unemployment rate	Percent	11.4*	5

\*Nepal Labor Force Survey



Chapter 5

# Healthy, Educated and Skilled Human Capital Formation

5.1 Background

5.2 Existing Situation

5.3 Major Issues and challenges

5.4 **Transformative Strategies**

5.5 Major Programs

5.6 Quantitative Targets



# Healthy, Educated and Skilled Human Capital Formation

## 5.1 Background

Human capital makes a multi-dimensional contribution to social transformation and economic development. Human capital is created from collective knowledge, skills and competence and healthy human resources. Investments in health, education and sports promote economic growth and social well-being. The Constitution of Nepal, through fundamental rights and guiding principles of the state, has provided guidance for human capital formation by covering health, education and overall aspects of human life.

Health impacts productivity and labor force participation throughout human life. The cycle of human capital formation creates a strong base not only for the present generation but also for generations to come. Healthy parents provide nourishment and healthy environment for children. The health status of a population contributes significantly to long-term economic prosperity and socio-economic transformation. In this context, it is necessary to ensure a system of most accessible and quality health services.

Making every level of education, from early childhood development to all types of education, accessible, inclusive, qualitative, relevant in the test of time and useful for life leads to preparing competent and competitive labour force capable of contributing to overall development process of the nation. Education is the cornerstone of the country's economic prosperity, social progress and building of knowledge-based economy. It provides necessary knowledge, skills, competence and merit to the human resources. Education increases power for innovation, employability and productivity. Through measures rooted in science, culture, research and development, the education system should be made resilient and useful and capable of addressing dynamism that comes in society with time.

Sports contribute to physical health and fitness, development of productive human resources, building of social and cultural capital and promotion of national and international identity. While playing a catalytic role in capital formation, this sector has had important role in expansion of economy. For the development of the sports sector, it is necessary to develop infrastructure, promote professionalism and ensure equal opportunities.

According to National Census 2021, 67 percent of the country's total population is in the productive age group, so there is a need to invest more on human capital to benefit from demographic dividend. Importance is attached to coordination and partnership in the building of human capital by making role and responsibility of the federal, provincial and local levels effective.

## 5.2 Existing Situation

Talking about progress In F.Y. 2022/23 in the health sector, 80 percent of pregnant women have had prenatal tests at least four times according to the Protocol, 79 percent of births were attended by skilled healthcare workers, 80 percent of children were fully vaccinated and maternal mortality rate was brought down to 151 per 100,000 live births. Neonatal mortality rate and child mortality rate have reached 21 and 33 respectively per thousand live births. However, the targets set by the Fifteenth Plan in terms of indicators such as maternal mortality rate, infant mortality rate, stunting of children under five years of age, percentage of children who get fully vaccinated, population covered by health insurance and the ratio of health workers to the population have not been fully achieved. In addition to this, various types of communicable and non-communicable diseases, short-term and long-term as well as emerging and newly emerging diseases and related health problems that emerge with age have made inroads. During this period, necessary policy reforms and legal arrangements have been made to reform various aspects of the health sector.

Gender parity has been maintained in enrolment of students from school to higher education. According to the National Census 2021, the literacy rate of over-five years of age has reached 76.3 percent and the literacy rate of 15 to 24 age group has reached 92 percent. Gandaki, Bagmati and Koshi provinces have been declared fully literate provinces. Curriculum has been developed in 30 different mother tongues in school education. The enrolment rate at pre-primary education has reached 94.9 percent, the net enrolment rate at basic level has reached 96.1 percent and the net enrolment rate at secondary level (9-12) has reached 57.4 percent. Although the enrolment rate looks significant, the school dropout rate and learning outcome of students are not satisfactory. During this period, policy reforms and legal arrangements have been made in order to reform various aspects of the education sector. Educated unemployment is increasing because of poor linkage between education and employment. Due to this, a large number of young people have been migrating overseas, and the trend is on the rise. Enrolment of students in subjects related to technical education and training is falling short of meeting target.

Although there are more than 18 universities in operation in the country, their efforts are not focused on production of human resources needed for the country. In the recent fiscal

years, the practice of allocating study and research budgets in universities has picked up, but the budget allocation is too small to show any impact. During the Fifteenth Plan, a National Science Technology and Innovation Policy, 2019 has been formulated by identifying areas that can boost production and productivity of the country. For safe and peaceful use of nuclear technology and other technological regulation and technical analysis services, related laws and regulations are being formulated and implemented by various agencies of the Government of Nepal.

From national to the local levels, interest and activity in the field of sports is on the rise. Participation in new sports disciplines is increasing, records are being set and sports infrastructures are being built down to the local level. However, the sports sector has not been competitive to the desired extent due to low investment, limited infrastructure, lack of training and difficulty to earn a living from sports. Challenge is being faced to inculcate the spirit of hard work and volunteerism among the youths and mobilize them in nation building.

### 5.3 Major Issues and challenges

**1) Management of physical infrastructure, technology and resources:** Make provision for physical infrastructure, latest technology, machines, tools and resources necessary for health, education and skill development, science and technology and youth and sports sectors. Make efficient use of available physical infrastructures and equipments. Ensure adequate investment from the government and private sector for these sectors. Ensure increase in science literacy.

**2) Ensuring production and supply of skilled human resources needed for different sectors of the country:** Make projection of human resources needed in all sectors for overall development of the country. Produce and supply human resources of quality, ethical standard, and pragmatic skills useful for life. Upgrade the existing human resources to raise capacity; link higher education to the labor market. Extend access of technical and vocational education and training to all social classes and groups. Engage youths in self-employment. Adopt new skills and techniques in training and tournaments to produce competitive athletes for national and international levels. Sustain talented human resources within the country. Create, develop and utilize human capital that is based on research, technology and innovation.

**3) Ensuring equitable and inclusive management and access:** Create competent human capital by ensuring opportunities for citizens of all genders, classes, regions and communities in all activities related to quality education, health and skill development.

**5) Increasing the effectiveness of service providers by making maximum use of science and technology:** Make monitoring and supervision of technical schools effective. Advance research and development in the fields of science and technology with an integrated and strategic approach. Carry out technical tests and scientific analysis in the field of public service delivery. Enhance coordination between universities, research institutes, private sector and government to improve service delivery. Establish access to global networks of research and development and academic institutions for universities and institutions involved in scientific research.

**6) Improving the effectiveness of health insurance:** Interlink specialist and specialized health services with health insurance; integrate and mainstream social health security programmes for effective implementation. Expand the scope of health insurance.

**7) Enhancing efficiency of service providers involved in human capital building:** Enhance institutional capacity of all government and private sector service providers in the fields of health and education to provide quality and reliable services. Bulk of the expenses goes on individuals in human resource development. Make the human resource development system resilient to all kinds of risks and disasters.

**8) Development of a permanent mechanism down to the provincial level in order to manage epidemics and disasters properly:** Operationalize an integrated health information management system based on empirical findings and database for development of an effective system for preparedness and subsequent response to public health emergency. Properly address issues related to larger determinants of health and environmental health in health policies and programs. Launch enough campaigns for improvement of people's attitude and behaviour for healthy lifestyle and promotion of preventive healthcare.

## 5.4 Transformative Strategies

### Health and Population

**1) Provide free basic health services:** Empower health service providers, and provide universal access to basic health services for free, ensuring quality, reliability and equitability.

**2) Ensuring universal access to quality healthcare:** Increase equitable access to quality healthcare in promotive, remedial, preventive, diagnostic, curative, palliative and restorative healthcare sectors. Adopt the concept of "quality health care at low cost" to lower financial risk of citizens in consumption of healthcare services. Ensure the provision of health infrastructure and human resources based on standard criteria such as size of

population, geography, disease burden, social standing, etc. Develop healthy human resource system based on need, demand and consumption.

**3) Restructuring the health insurance system for strengthening:** Expand the coverage of the existing health insurance system in both the formal and informal sectors, avoid duplication and integrate and restructure programs such as social health protection program.

**4) Use of latest and cutting-edge technology in overall healthcare system:** To increase consumption of quality healthcare services, ensure maximum use of latest technology and artificial intelligence, and the use of alternative measures.

**5) Developing a quality, reliable, and integrated health system:** Develop and expand modern, homeopathic, natural and other alternative healthcare service system, etc. to forge out an integrated health system. Build referral hospitals in all provinces. Upgrade district level hospitals to make available minimum specialist services.

**6) Promoting health tourism:** Promote health tourism service of international standard through collaboration of the government, private and community sectors.

**7) Adopting a multi-sectoral and multidimensional concept:** Reduce and control non-communicable diseases with coordination, collaboration, co-funding and shared responsibility of all levels, agencies and parties. Control emerging and re-emerging health problems and malnutrition. Develop a resilient public health system that can address climate-related health issues impacting on human health. Institutionalize the concept of a 'single health policy' to address health issues such as antimicrobial resistance, vector-borne diseases, diseases related to old age, etc.

**8) Making optimum use of the demographic dividend:** Internalize and mainstream population education in all subject sectors and levels to manage demographic transition and migration in the development process. Adopt the latest concept of population management in order to derive benefits from demographic dividend.

**9) Developing a health management system based on study, research and empirical evidence:** Keeping in mind the broad determinants of the health sector, formulate and implement policies, strategies, plans and programs based on facts and evidence. Develop health institutions as centres for academic knowledge and service delivery. Institutionalize study, research and exploration in coordination with all levels and parties.

**10) Self-reliance in the production of medicines, pharmaceutical products and vaccines:** Be self-reliant in the production of medicines, pharmaceutical

products/equipment and vaccines consumed within the country in coordination, partnership and cooperation with government and private organizations involved in this field. Manage market for pharmaceutical products.

**11) Maintaining good governance and social justice in the health sector:** To ensure good governance and social justice in health institutions run at all levels of government, private and other sectors, institutionally strengthen regulatory, monitoring and quality control mechanism and enhance leadership capacity. Maintain accountability by increasing community involvement in planning, monitoring and evaluation activities carried out by various agencies. Strengthen the mechanism working for registration, regulation and monitoring of production, supply and distribution of medicines and pharmaceutical products/equipments.

**12) Increasing investment for strengthening the health system:** Increase investment in the health sector according to international standards and national commitment. Expand the scope of finance with participation, inter alia, of the private and cooperative sectors. Strengthen health finance governance through efficient management and making investments accountable and transparent.

**13) Re-evaluation and modification of existing programs:** Re-evaluate and modify programs that have been running for years but have not been very effective, and do away with programs that are not justifiable.

## **Education and Skill Development**

**14) Continuation of policy and institutional reforms:** Bring out necessary policies, laws, guidelines, procedures and standards for educational reforms. Make policy arrangements to gradually increase the proportion of students who study in technical stream as compared to general stream. Increase educational outcome at all levels, reduce the growing trend of going abroad for higher education by making the education system of Nepal qualitative, productive and employment-oriented. Based on the organization and management survey, remove the ambiguity and duplication of roles between different agencies.

**15) Providing physical and other educational infrastructure:** Enhance educational quality through the best use of communication and information technology. Establish multidisciplinary library, science laboratory to make the educational institution smart and render teaching and learning easy and practical through digital technology. Create conducive environment for learning by properly managing physical infrastructure, laboratories, libraries, drinking water, healthcare facilities, toilets and sanitation facilities, etc. in educational institutions. Rebuild and/or retrofit buildings of educational institutions that remain damaged and dilapidated by natural disasters such as earthquakes.



**16) Making the curriculum and educational programs of all levels of education contemporary and practical:** Make contemporary changes and develop curricula and educational programs of all levels. Increase the effectiveness of subjects related to emerging technology in higher education. Make Nepal a center of yoga, meditation and spirituality to increase spiritual sentiments and provide education right from elementary level based on good governance, ethics, patriotism and values.

**17) Consolidation of education system and its implementation:** Develop and implement educational calendar, make institutional arrangements for supervision, monitoring and inspection of educational institutions. Ensure coordination and collaboration between the three levels of government in supervision and monitoring. Ensure management of minimum human resource required at educational institution by mapping and adjusting. Strengthen integrated educational information system to strengthen the monitoring and reporting system. Strengthen climate-resilient education system.

**18) Formulate a National Human Resource Development Plan:** Formulate a long-term and periodic national human resource development plan to build necessary human capital for the country and develop a mechanism and methodology for creating educational programs based on it.

**19) Linking education and skills with production and market:** To make secondary education focused on career development, link it with literacy and skill development, and higher education entrepreneurship and employment focused, lay emphasis on programs like “Earn while you learn, and learn while you earn”. Launch national skill development and employment creation grand campaign in collaboration with government, non-governmental, cooperative and private sectors. Make effective procedure of recognition of prior learning of workers involved in informal jobs.

**20) Expanding investment for quality and inclusive education:** Increase investment in the education sector at all levels. Implement student facilitation programs such as day meals and scholarships under integrated system. Adopt policy of cost partnership in higher education and mobilize, inter alia, resources of the private sector, development partners and non-resident Nepalis also in education. Make higher education an area of specialization with focus on research. Ensure that 2 percent of the total budget will be spent on research and development by the end of the plan period. Using modern technology, prioritize and develop a system of distance learning so that students from remote areas and those from abroad can also study. Ensure access to education for children with all types of disabilities, including autism. And develop entrepreneurship.

**21) Ensuring educational good governance:** Make effective national test of student achievement, reading and maths skills test, and early learning and development level test and the performance test of educational agencies and educational institutions. To this end, provide educational services based on the concept of electronic governance. Develop a sound basis for regulating and testing skills of private and non-governmental organizations providing training. Make arrangement for obtaining a training permit for trainers. Develop a format for competence of school principals and provide them training on good governance and effective administration.

## **Science and Technology**

**22) Policy and institutional reforms:** In order to adopt research and development and innovation in all sectors of production, make necessary policy and legal arrangements. Manage scientific knowledge, establish specialized universities as academic institutions to promote scientific research, technology development and innovation promotion. Develop collaboration and partnership between research agencies, scientific professional societies and industries.

**23) Emphasis on scientific research, technology development, intellectual property creation and innovation:** Take measures for setting up incubation center for innovation and entrepreneurship development, accelerator center, technology park, rural innovation center, observation of celestial bodies, high mountain research, promotion of science and technology education. Establish an institutional measure to promote, facilitate and regulate innovation. Expand access to research and educational networks.

**24) Provision of special incentives:** Provide suitable incentives to the private sector and government institutions for their exploration and research in the field of technology and innovation.

**25) Enhancing Competitiveness:** Adopt various management methodologies like technology testing, accreditation, quality management system, innovation management system in the public and private sectors. Improve quality and enhance competitiveness by utilizing emerging technology.

## **Youths and Sports**

**26) Building a youth force imbued with good demeanour and national spirit:** Develop nationalism, morality, discipline, pride for local culture, voluntary spirit and good manners among the youths. In this process, the private sector will also be required to contribute through corporate social responsibility.

**27) Providing opportunities to the youths and mobilizing them:** Increase meaningful participation of the youths in policy making at all levels. Create opportunities for development of capacity of the youths, expand financial access to encourage their self-employment. Launch volunteer program.

**28) Building physically fit youths:** Develop sports as an integral part of human capital building. Provide training along with construction and upgrading of sports infrastructure. Identify and develop talented athletes by conducting sports competitions from local and basic levels. Create an environment that allows talented and international medal-winning athletes to continue in the field of sports. Encourage sports tourism to generate income from sports, and commercialize this sector. Include physical education in compulsory curriculum and ensure minimum human resources for it.

## 5.5 Major Programs

### Health and Population

**1) Investment enhancement program in the health sector:** On the basis of population, geography and disease burden, the state will invest in basic health services at a per unit rate, and for this, the federal and state governments will provide financial and technical support to the local level. Gradually increase the share of allocation in the total national budget for the health sector. Enforce a milestone system for federal, provincial and local level budget and program implementation. Raise taxes to discourage the consumption of tobacco products, alcohol as well as drinks and food products that have been prepared with materials harmful for public health. Identify additional sources for investment to increase investment in the health sector.

**2) Basic and community health service strengthening program:** Mobilize revenue from state coffers to make available free, accessible and quality basic health service for all. Make the existing 'community health system' such as community health workers, village clinics, women health volunteers, healthcare mothers' groups, etc. additionally active for increased access to health services and effective management of referral system. On the basis of standard developed through criteria such as presence of specialist, specialized hospital, population size and disease burden at the federal and provincial levels, establish basic hospital at the local level and constitute citizens' health group at the ward level. Run public health promotion campaign through healthy lifestyle and practice of yoga. Provide sex education to adolescents, covering all genders. To ensure access to basic health services, make it compulsory to assign one health worker per school, maintain healthy school and inclusion of health and physical education in curriculum; develop coordination and collaboration with stakeholders in the field of education to this end. Run family planning system at the local level.

**3) Integrated program of health insurance and social health protection:** Review the health insurance program and make radical changes in related policies, laws, regulations and institutional arrangements. Bring all citizens under health insurance network, and provide specialist, specialized and emergency health services through health insurance. Integrate the existing social protection programs under the health sector and link them to health insurance. Run integrated health insurance program and expand services. Make timely changes in premium and benefit purse. Link with continuous study and research.

**4) Program to improve the quality of health services and provider institutions:** Implementation of health services for all. Development of physical infrastructure of government hospitals, provision of human resources and latest equipment. Develop Protocols for diagnosis and treatment; implement digital healthcare system. Encourage alternative medical treatment system. Regulation and promotion of private hospitals and health services for quality and access management. Create an environment that encourages health tourism. Encourage the private sector to open convenient and completely safe elderly care centers and nursing homes that will be suitable for foreign nationals as well.

**5) Intensive health sector human resources system development and operation program:** Looking at the current demand and use of human resource in the health sector, produce required human resources based on the recent projection covering up to the year 2030. Develop and bring into operation an intensive health sector human resource system with provision of distribution, utilization and mobilization based on population, geography, disease burden and social justice. Implement a special incentive scheme for health workers to work and survive in remote and less attractive areas. For production and utilization of adequate health human resources within the country, formulate and launch educational programs in coordination with the Ministry of Health and Population, Medical Education Commission, universities and institutes.

**6) Health sector digitalization program:** Enhance the use of modern information technology such as telemedicine, digital health, robotic technology and artificial intelligence for universal access and use of health services.

**7) Specialized service hospital operation program:** To provide specialized services in all seven provinces, either establish or manage a hospital with at least 300 to 500 beds in each province. Develop these hospitals as international level service provider hospitals for treatment of cancer, kidney, mental and nerve related diseases, orthopedic diseases, as well as for handling disasters and accidents. Kanti Children's Hospital will be upgraded for development in the concept of Children's Health Science Institute and under it specialized children's hospitals will be run in each province.

**8) Health sector integrated Management Information System program:** Bring health institution registration, health management information system, supply management information system, health human resource management information system, physical asset management and health infrastructure information system into an integrated digital system. Link health institutions with civil registration and data system.

**9) Health service delivery program through multi-sectoral and multidimensional mechanisms:** To address the large-scale levelwise and agency-wise determinants of health, build structure in multisectoral coordination and collaboration with co-funding and co-responsibility. Continue to provide health services based on life cycle concept for neonatal care and child diseases, immunization, nutrition, sexual and reproductive health, adolescent health, family planning, reproductive disabilities, safe motherhood, safe abortion and geriatric health services. Promote policies and programs of federal, provincial and local governments in tandem, and in order to achieve larger health goals, consolidate coordinative mechanism.

**10) Multi-sectoral nutrition program:** While giving priority to implementation of Multisectoral Nutrition Programme III, carry out programs targeted to groups and communities based on their special needs and priorities. To address deficiency of micronutrients, conduct short-term, medium-term and long-term programs, giving priority to local and indigenous produce in supplementation, fortification and food diversification.

**11) Program for control and prevention of vector-borne, communicable and non-communicable diseases and diseases on the verge of elimination:** Control of vector-borne diseases like malaria, kala-azar and dengue, and other vector-borne diseases; infectious diseases like tuberculosis, HIV/AIDS, leprosy; and program for mitigation of non-communicable diseases like high blood pressure, heart diseases, nerve diseases, diabetes, cancer, kidney diseases, drug addiction, diabetes, cancer, kidney diseases. Diagnosis, treatment and prevention program for multi-drug resistant and all other types of TB and launching campaign to attain “Tuberculosis-free Nepal”.

**12) Safe motherhood and reproductive health program:** Free examination of women for cervical cancer, breast cancer and uterine prolapse. Discourage sex-selective abortion. Prioritize and manage targeted programs to address social and cultural bad practices such as *chhaupadi* (seclusion during menstrual period), premature wedlock, unwanted pregnancy, etc.

**13) Climate change resilient health program:** Strengthen a comprehensive public health surveillance system with adequate investment that enables forecasting of epidemics and potential threats to public health, early identification, verification and immediate notification. Develop health structures that are resilient to climate change and

disasters alongside development of necessary human resources. Evaluate impact of development projects, industries, factories and commerce and trade on public health and institutionalize occupational health systems.

**14) Public health laboratory strengthening program:** Specialized services related to cancer testing in view of biological safety. Conduct biopsy services in government hospitals with up to 100 beds; culture sensitivity laboratory network for antibiotic resistance control in all government hospitals with up to 50 beds, and expand services. Expand and strengthen network of public health laboratories with biosafety and quality assurance. Establish a human disease research center.

**15) Mental health and alternative health program:** Prevention and control of drug abuse; suicide prevention and other mental health promotion activities. Expand the citizens' good health program down to the ward and community levels in coordination with organized institutions, cooperatives and communities. Extend "My Health, My Responsibility" campaign down to the community level. Regulation of pesticide use in collaboration with relevant stakeholders to minimize public health risks. Promote physical, mental and spiritual health of senior citizens through recreation centres, libraries, yoga centers, community learning and skill exchange centres.

**16) Health and population management system based on study and research:** Coordinate with academicians and researchers of universities and institutes and Nepal Health Research Council for study and research. Establish and operationalize a study, research and policy reform mechanism in the Ministry of Health and Population.

**17) Equitable and inclusive health program:** Identify persons and communities having no access to health facilities, those who live in remote areas, who are indigent and backward, or belong to ethnic minority, and design and implement targeted program. Provide free health insurance to such communities. Expand social service units in hospitals and ensure services friendly to service-seekers.

**18) Regulation and management of health service program operated by the government, community and private sector:** Establish standards for health related services and programs run by all sectors, including government, community and private. Regulate and manage health related services and programs based on objective standards.

**19) Drug and drug-related materials production and management program:** Restructure and professionally revive Nepal Drug Limited and increase the production of drugs and drug related materials within the country. Encourage pharmaceutical production from the private sector also to make the country self-reliant in medicine and

vaccines with the activation of various private sector industries. Increase the effectiveness of production, storage, sale, distribution and quality control of medicines and vaccines.

**20) International health tourism promotion program:** With active participation of government, private and community sectors, promote high quality health services, integrated health system with modern, Ayurvedic, natural and alternative healthcare system. Utilizing all possible alternatives in an integrated manner, carry out sustainable health promotion based on environmental elegance and international health tourism.

## **Education and Skill Development**

**21) Program to improve quality of education in order to produce skilled human resources according to market demand:** Improve the quality of education at the school level by revising textbooks every 5 years. Make available English, maths and science teachers. Include activities such as internship, 'study and earn', etc. in the curriculum for promotion of practical knowledge and skill development. Conduct sports and arts as well as yoga and meditation as extracurricular activities right from school level. For transformation and improvement of quality of higher education, bring all the universities and their campuses under the umbrella of one university in each provincial setting. Make universities competitive. Establish incubation centers at universities. Pay attention to start-ups, patent rights, creating a business environment. Link higher education with research. Emphasize more on production of technical and professional human resources with skills and abilities according to market demand.

**22) Projection of human resource needs and skilled human resources production program:** Taking into account the number of human resources required within the country and the quantity of labour force who may go abroad for employment, make projection of human resource needs for the next ten years. Emphasize on education and skill development in order to produce skilled human resources accordingly. Balance market demand for human resources in general subjects and specialization by fine-tuning teaching learning and skill development activities. Revise the existing population policy and encourage an increase in the birth rate.

**23) Early childhood development and education program:** Effectively implement program related to early childhood development and education down to the local level.

**24) School education reform program:** Formulate an umbrella legislation to ensure inter-linkages and quality in all three levels of education system. Implement the School Education Sector Plan (2022-32). Ensure Internet access at all schools. Carry out scheme for professional development of principals and teachers. Review student-teacher ratio and make sure that provision for minimum positions for subject teachers is

maintained. Make provision for direct entry of talented university students into the teaching profession. Revise the basic level curriculum to include lessons on local knowledge, culture, lifestyle, and promotion of self-reliance. Update school curriculum so as to support the campaign for moral education and good governance in keeping with child psychology. Consolidate schools in consideration of number of students and geographical distance; make arrangement for residential school according to need. Make arrangements for non-formal education and lifelong learning. Conduct mobile education camps in high mountain areas. Manage teacher support system and school supervision through the local level. Conduct mobile education programs in the Himalayan region. For production of virtuous human resources, mainstream traditional education like *Gurukul*, *Ashram*, *Gumba*, *Madrassa*. Enhance coordination and collaboration between the three levels of government for implementation of the Compulsory and Free Education Act.

**25) Two-month lifelong useful education program after Class 10:** Provide a two-month (eight weeks) long compulsory orientation program for students who have just finished secondary school examination and are waiting for results. Include such topical issues as remedial health, balanced diet, cooking and first aid, driving license and driving rules, self-defense and discipline, workplace security and sexual harassment, patriotism, volunteerism, Yoga and meditation, and artwork in the orientation. Concerned agencies should coordinate such orientation programs.

**26) Higher education reform program:** To make higher education internationally competitive, carry out reforms in curriculum and management. Implement the national qualification framework. Within the next five years, increase the enrolment rate in technical education and maintain the ratio of students in technical and general education at 70:30. Attach priority to study and research. For study of graduate course abroad, grant study permit only to those Nepali students who have received at least 50% scholarship. Higher academic institutions which receive quality assurance and accreditation certificate from University Grants Commission continuously for three times (15 years) should be entitled to issue academic degrees based on indicators and permitted to run academic institutions. Make research activities and education networks of all universities and organizations and institutions involved in research accessible to each other. Establish a single service commission to manage necessary human resource for all universities. Make arrangements for national merit test to allow qualified teachers to enrol for higher education. Produce human resources competent enough for self-employment and entrepreneurial undertaking. Establish national standards for new universities to be established at the federal and provincial levels. Formulate and implement an integrated academic calendar in higher education. Increase study and research activities at universities and establish access to educational networks.



**27) Technical and vocational education program:** Restructure the Technical and Vocational Education Council to suit the federal structure. Strengthen schools and implement national qualification framework. Implement technical and vocational education and training sector strategic plan. Make necessary changes in pre-diploma and diploma level courses and make arrangements for acquiring higher professional qualifications. Develop and implement an action plan for training, quality improvement and accreditation of trainees in accordance with the strategic plan of the technical education and vocational training sector.

**28) Physical infrastructure improvement program of educational institutions:** Equip educational institutions with adequate teachers and basic minimum infrastructure such as earthquake-resistant smart classrooms, library, laboratory, toilet with clean drinking water, etc. Furthermore, prepare detailed database of educational institutions.

**29) Social infrastructure:** Establish inter-agency coordination for raising quality and accessibility of social sector infrastructure - education, health, drinking water, sanitation, to women, children, senior citizens, disabled people, gender and sexual minority and operationalize them in a friendly way.

**30) National skill development program:** Conduct short and long-term job-oriented and workplace-based skill development training to develop human resources according to labor market demand. Review and restructure existing training centers; collaborate and manage with industry, business association, and other relevant organizations.

**31) Program to attract foreign students:** Come to a program to attract foreign students to study in Nepal by setting certain standards. Give priority to foreign investment in education.

**32) University restructuring program:** Restructure universities in accordance with the spirit of federalism in order to maintain quality and academic calendar in higher education. Formulate and implement a university umbrella act. Make arrangements for merging university campuses at provincial level.

**33) Disabled students support program:** Make available basic level education in local schools for students who have become disabled due to various reasons. Manage special residential schools in the province or other cities as needed so that disabled students can achieve all-round development through secondary and higher education.

**34) Structural transformation of the University Grants Commission:** Transform the University Grants Commission in the form of Higher Education Commission to raise quality of higher education as per the call of time. Consolidate this entity as a regulatory body of universities.

## Science and Technology

**35) Policy and institutional reforms:** Set aside two percent of the country's budget to establish and operate a special fund for science and technology research and innovation. Manage scientific and technological knowledge. Establish research and technology development unit in the field of manufacturing industry and sustainable infrastructure. Upgrade the central forensic laboratory as a research institute. Restructure National Academy of Science and Technology, B.P. Koirala Memorial Planetarium, Observatory and Science Museum Development Committee. Establish and operate state-level technology entrepreneurship start-up zone. Establish and operate an innovation center. Mobilize and encourage talented scientists, technicians and youth force in practical research and innovative work, while effecting inclusive policy reforms. Establish high altitude research center, space study center and nuclear research center. Operate research centers in the field of emerging technologies such as atmospheric research center, robotics and artificial intelligence research centers. Conduct science literacy programs.

**36) Collaboration program in research and technology development:** To promote collaboration, coordination and partnership in scientific research and innovation, utilize science diplomacy for forging agreement and understanding with various friendly nations as well as international organizations and associations. Encourage universities and public agencies, scientific professional societies, non-governmental and private research organizations to conduct result-oriented research and technology development activities. Establish access to scientific infrastructure for scientists and researchers through research and educational networks.

**37) Latest technology research and application program:** To provide high-level services in crime investigation and dispensation of justice, introduce new methods of services. Make arrangement for accreditation as per international standards to raise the quality of services provided by forensic science laboratory. With a view to enhance science literacy and promote local level innovation, encourage the provincial and local governments or public or non-governmental or private sectors to establish science museums, science parks, science cities, innovation centers, incubators, accelerators, technology parks, community-based makerspace and province-level rising technology entrepreneurship zones. Conduct incentive program for the private sector and overall science sector promotion program.

**38) Program for maximum use of technology to promote good governance:** Institutionalize Governance 4.0 by making maximum use of science and information technology in all administrative work of Nepal. Promote the use of robotics, artificial intelligence and space technology.

### **39) Development and conservation program of indigenous produce and technology**

: Carry out research on intraditional technology of Nepal, and attach importance to their development, promotion and application in production methodology. Establish “Indigenous products and technology development academy” under the Ministry of Education, Science and Technology for development of such products and technology. Internationalize indigenous products and technology and protect intellectual property right.

## **Youths and Sports**

**40) Enhancing the role of youths in nation-building:** Youth mobilization through programs such as internships and volunteerism. Entrepreneurial leadership development; mobilizing youths as social activists. Enhance the effectiveness of Scouts and National Cadet Corps.

**41) Sports program from the stage of early childhood development:** Develop education system by connecting early learning with sports. Hold compulsory sports program one day a week in primary and secondary schools, and gradually make such program competitive. Make position of a sports teacher compulsory at basic and secondary levels of education and make provision for sports competition among students.

**42) Sports program for physical fitness and moral boosting:** To develop sports infrastructure in a balanced manner, develop one sports village each in every local level and make arrangements for sports training. Develop at least one well-equipped sports complex in all provincial levels and hold district, provincial and national level tournaments in them. Provide training opportunities on a par with international standard for capable sportspersons. For promotion of self-reliance among sportspersons, make arrangements for concessional loans, insurance, employment in organized sector and operation of business. Construct sports museum. Establish and run sports university.

**44) Sports training center in the Himalayan region:** Establish at least two sports training centers in the Himalayan region to impart relevant training for participation in international tournaments.

**45) Program for completion of projects of national pride in the field of sports:** Complete construction of Biratnagar, Moolpani and Bharatpur stadiums, which have been declared projects of national pride. Develop these stadiums to facilitate playing as many variety of games as possible; construct more cricket stadiums with full-fledged facilities.

## 5.6 Quantitative Targets

### (a) Health

S.N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Maternal mortality ratio (per 100,000 live births)	Number	151.0	85.0
2	Neonatal Mortality Rate (per 1,000 live births)	Number	21.0	13.0
3	Under-five mortality rate (per 1,000 live births)	Number	33	22
4	Prevalance of Stunting (Cchildren under five years of age)	Percent	25	17
5	Number death from road accidents (per 100,000 population)	Number	9.5	5
6	Vaccination coverage (Children fully vaccinated)	Percent	80	95
7	Health workers density(per 1000 Population)	Number	1.94	4.64
8	Population covered by health insurance	Percent	21	70
9	Renewal rates of health insurance programs	Percent	69	90
10	Out of pocket expenses in total health expenditure	Percent	54.2	38
11	Households having health facilities within 30 minutes distance,	Percent	77	86
12	Birth registration of children under five years of age.	Percent	74	100

### (b) Education and Skill Development

S.N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
13	Children enroled in Grade 1 with experience in early childhood development and education	Percent	76.9	100
14	Completion rate in basic level (1-8 class) education (among official age group)	Percent	77.1	100
15	Secondary education (up to Class 12) completion rate (among official age group)	Percent	35.6	55.0
16	Proportion of pupils enrolled in technical stream in higher education	Percent	20.7	30
17	Gross enrolment ratio in higher education	Percent	17.77	25
18	Literacy rate (five years of age and above)	Percent	76.2	95
19	Educational institutions with Internet access for teaching and learning	Percent	35.5	100
20	SMinimum learning achievement in 8th grade			
	Nepali	Percent	59	70
	English		52	58
	Mathematics		32	55
	Science		38	60
21	Annual skill test and certification	Number (Thousand)	60	100

### (c) Science and Technology

S.N.	Indicator	E	F.Y. 2079/80 actual	F.Y. 2085/86 target
22	National investment in research and technology development as percentage of Gross Domestic Product	Percent	0.35	1
23	National/international patent registration	Number	86	500
24	Tested and validated technologies	Number	0	50
25	Expansion of NAST research centers	Number	1	7
26	National forensic laboratory extension	Number	5	7
27	Construction of observatory	Number	1	3
28	National centers of excellence for research and technology development	Number	0	10
29	Establishment, regulation of innovation promotion institutions (science cities/parks, incubators, accelerators, rural incubators, technology parks)	Number	0	250

### (d) Youths and Sports

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
30	Youths receiving entrepreneurship and financial literacy training	Percent	0.98	50
31	Youths and Scouts involved in volunteer work	Number	250	700
32	Youths operating self-employed enterprise/business	Number	104	1000
33	Construction of province level stadiums with international standard facilities	Number	1	7
34	Construction of cricket stadium with international standard facilities	Number	0	7
35	Construction of local level playgrounds with semi-covered halls	Number	-	753
36	National and international level sports training to players	Number	18	10
37	National level sports tournaments (Annual)	Number	85	80
38	Life health Insurance for players and coaches (Annual)	100,000	0	10
39	Sportsperson scholarship awards (Annual)	Number	0	50



## Chapter 6

# Development of Quality Infrastructure and Intensive Inter-connectivity

6.1 Background

6.2 Existing Situation

6.3 Major Issues and Challenges

6.4 **Transformative Strategies**

6.5 Major Programs

6.6 Quantitative Targets





# Development of Quality Infrastructure and Intensive Inter-connectivity

## 6.1 Background

Quality physical infrastructure and interconnectivity of its various aspects play a crucial role in overall development of the nation. Transport, energy, irrigation, communication and information technology form the basis of economic development. Production and productivity will increase if all infrastructure layout are sustainable, qualitative, environment and climate sensitive, green, resilient and inclusive, and subsequently it will lead to increase in national income. In the context of sustainable development and climate adaptation, transport system based on green energy and promotion of renewable energy play a substantive role. To this end, linking various dimensions of transport, river training and management, irrigation and energy infrastructure to the environment and further interlinking them with maximum use of modern information technology will lead to sustainable and integrated infrastructure development.

Communication and information technology, in conjunction with with integrated transport management system, play an important role in connecting rural settlements with markets and bolstering support to activities in the economic sector such as industry, tourism, agriculture, energy. For development and prosperity of all three levels of government, policy coherence and functional inter-linkages in sectors and dimensions including physical infrastructure, energy, irrigation, drinking water, forest, environment and climate change, communication and information technology are indispensable. Since the first periodic plan (1957-61), the infrastructure sector (transportation, agriculture, electricity, irrigation) has been adopted as an investment priority. Development efforts in the past were mainly focused on access and use of infrastructure, but now there is a need to pay special attention to environmental balance and adaptation and sustainability suitable to climate change. Likewise, the priority of this plan is making maximum use of information technology for overall development of the country by strengthening the linkages with national and international communities.

## 6.2 Existing Situation

**1) Transport Infrastructure:** In order to make transport infrastructure sector organized, policies, regulations and programs are being implemented. Among national pride and transformative projects which have been ongoing include strategic roads network, East-

West highway and electric railroad, midhill highway, Madan Bhandari highway, Postal Highway, North-South trade highway, industrial corridor and Kathmandu-Terai Madhesh Fast-track highway. All district headquarters of the country have been linked to the national road network. As of F.Y. 2022/23, the federal government has constructed 18,052 km. of blacktopped roads, 7,696 km. of gravel roads and 8,591 km. of mud roads. From the provincial and local levels, 66,000 km. of roads have been built. Of the 1879 km. length of Mid-hill highway, 72.7 percent has been completed, whereas about 90 percent work of 1857 km. Postal Highway has been carried out. Of the Karnali highway which links the headquarters of Humla district, 38 km. of track between Simikot-Satisalla portion of the highway has been opened.

**2) Bridges and tunnels:** The number of bridges to be constructed under projects of national pride and transformative projects stands at 942, out of which 534 bridges have been completed so far. In view of Nepal's difficult geographic terrains, tunnel roads should fall under priority for safe and reliable transport. Breakthrough of Nagadhunga tunnel on Tribhuvan Highway has set a milestone in this direction. Siddhababa tunnel road and Tokha-Chhare tunnel road projects are under construction. Suspension bridges have been constructed over most of the places to replace '*tuin*' – the precarious pulley device to cross over river.

**3) Rail and water transport:** Under the east-west railway construction project, as of F.Y. 2022/23, 59 km trackbeds have been laid and 9 bridges constructed on Bardiwas-Chocha section of the railway. Construction of trackway and 9 rail bridges has been completed. Out of total length of 69 km of Jayanagar-Janakpur-Bardibas railway, train service is in operation on 52 km section between Jayanagar-Janakpur-Bijalpura. Railway track is being constructed on Bardiwas-Simara section. Cargo train has started operating on the Bathnaha - Biratnagar railway line up to Nepal Integrated checkpoint. Under water transport, a detailed feasibility study has been carried out for shipping vessel operation in the Karnali, Kaligandaki, Koshi, Narayani rivers, etc. Also, a detailed project report has been prepared for the construction of passenger river terminals on the Koshi and Narayani rivers.

**4) Air transport:** Out of 54 domestic airports, only 35 are operational. Although Bhairahawa and Pokhara international airports have come into operation, regular commercial flights are yet to get materialized. An environmental re-assessment has been carried out for construction of Nijgadh international airport.

**5) Road traffic management:** It is necessary to make driving license distribution process fast, efficient and qualitative. In order to link transport management to modern system, it is necessary to fix up embossed number plate on vehicles, and make the system work effectively. The Transport Management Procedures Guide, 2003 has been amended to

facilitate the registration process of vehicles manufactured or assembled in Nepal. The service of the electronic vehicle driving license system with electronic payment has been put into operation as a test case.

**6) Energy, water resources and irrigation infrastructure:** Infrastructure construction for energy transmission and distribution has been prioritized. So far, the installed capacity of power from hydro and alternative energy sources connected to the national grid has reached 3,200 MW. There is also 84 MW power generated from alternative energy sources but not connected to the national grid. Electricity has reached to 98 percent of households, including 96.7 percent from the national grid and about 1.3 percent from alternative energy sources. The share of renewable energy in total energy mix is 7.4 percent.

In F.Y. 2022/23, the total length of transmission lines of higher voltage level than 66 kV has reached 5,742 circuit kilometer. The total connected capacity of the grid substation has reached 8,867 MVA (Megavolt Ampere). As of F.Y. 2022/23, total electricity export has reached 1,478 gigawatt (GW) hours, and foreign exchange equivalent to about nine billion rupees has been earned. During the dry season, electricity has to be imported to meet domestic demand.

It is necessary to develop and expand hydroelectric power according to the hydropower master plan being formulated by the Water and Energy Commission. Traditionally, farmers have been developing and operating small irrigation infrastructure, but after the development of modern irrigation infrastructure, irrigation facilities have reached to 1555 thousand hectares of land. The Irrigation Policy, 2024 has emphasized on expanding irrigation facilities round the year by developing multi-purpose reservoir dams and inter-watershed water diversion projects and ensuring their effective management.

According to the irrigation master plan, the irrigated agricultural area is expanding through gradual development of large and comprehensive irrigation projects, restoration and maintenance of irrigation system and development of irrigation system based on new technology. The river basin plan is being developed and the construction of river basin diversion projects is underway with the goal of providing irrigation facilities round the year. Out of the total 2641 thousand hectares of cultivated land, 2265 thousand hectares comprises irrigated land. As of F.Y. 2022/23, 10,22,735 hectares of land was under surface irrigation, 5,30,654 hectares under tubewell irrigation and 2,119 hectares under lift irrigation. Total area under irrigation facility reached 15,55,508 hectares.

**7) Communication and information technology:** Digital Nepal Framework is being implemented effectively with the objective of building digital infrastructure. Broadband Internet service connection has been completed in all centers of local level. The coverage

of 4G service launched by Nepal Telecom has reached 66 percent of the territory so far. The share of the population covered by the mobile network has reached 93.2 percent at present. Internet density (per 100 people) has currently reached 132.4 percent. In the field of mass communication, 1,188 F.M. radio and 244 television stations have received permission to operate, while 7,983 newspapers and 4,334 online news portals have been registered. So far, 92 percent of the population has access to radio and 72 percent of the population has access to television.

An integrated electronic system has been implemented to promote paperless public service delivery. The number of government services associated with citizen Apps, which was developed with the objective of developing a one-door service system, has reached 62. With the enforcement of National Cyber Security Policy, 2023, a National Cyber Security Center has been established. Although the Electronic Transactions Act, 2008 has made some legal provisions for cyber security, with increasing expansion of information and technology, there is a need to enact a separate legislation to regulate this sector. Work has started to strengthen and modernize the Department of Printing, the printing press of the Government of Nepal. Construction of a ultra-modern film studio and film city has been started with the objective of developing Nepal into a destination for film shooting, capitalizing on Nepal's unique natural resources and beauty.

**8) Infrastructure that is friendly to natural balance:** While constructing and utilizing infrastructure, emphasis has been placed on making it sustainable, resilient, environment-friendly and inclusive without causing any harm to natural resources like water, land and forests. In agriculture, infrastructure such as irrigation, drinking water, roads, mechanization, and cold storage play an important role in increasing production and productivity. Launching programmes in these areas fall in priority of all three levels of government, even though expected result is not visible yet.

**9) River and water-induced disaster management:** So far 1,364 km of embankments have been constructed on different rivers, safeguarding the surface of 12,785 hectares of land. In addition, 25 risk maps have been prepared by identifying land areas which are prone to floods and landslides. On the fronts of protecting human settlements, arable land and existing physical infrastructure from water-induced disasters, and also in applying scientific study and research, development of latest technology and expansion of structures for effective river management to mitigate such disasters, the outcomes are falling short of expectations.

**10) Drinking water and sanitation:** All three levels of government are trying to expand the access and availability of drinking water and sanitation. As of F.Y. 2022/23, 95 percent of the population has access to drinking water, and 96 percent has access to basic sanitation facilities. However, only 25 percent of the population has access to clean

drinking water. Looking at the context of haphazard settlement, increased urbanization and excessive exploitation of watershed areas, it is important to identify, conserve and sustainably utilize traditional sources of water while mitigating the impacts of climate change. In religious, cultural and public places, etc. ensuring ease of access and quality of water supply and sanitation and linking them to overall infrastructure development process is another important issue. These activities have not been effective, though.

**11) Housing and urban development:** The Government of Nepal has targeted its programs for housing and urban development in accordance with national and international commitments. The implementation of the standards as directed in programs of all the three levels of government has not been effective as expected. While building urban infrastructure, it is necessary to follow the approach of integrating multi-agency involvement to ensure the availability of quality, safe, resilient, inclusive, and equitable urban facilities.

## 6.3 Major Issues and Challenges

**1) Integrated policy and planning of transport infrastructure development:** Establish coordination and inter-linkages between the sectoral policies of infrastructure development. Establish easy access to the neighboring country in the north by maintaining coordination and interlinkages between different means of transportation. Formulate and implement integrated transport infrastructure development policies and plans.

**2) Balance between the needs and capacity of infrastructure:** In comparison to increased demand for infrastructure, maintain a balance between prioritization of resources and implementation capacity.

**3) Project management:** Maintain harmony in infrastructure construction between the governments at different levels. Reduce the cost of infrastructure construction by simplifying the procedure of land acquisition and compensation distribution. Comply with the legal provisions relating to the jurisdiction of the infrastructure sector. Improve the regulation and capacity of construction entrepreneurs.

**4) Transport management:** Ensure a citizen-friendly, sustainable, safe, affordable, decent, inclusive and reliable public transport system. Provide services such as driving license distribution and management and regulation of vehicles through fully digitalized system. Upgrade old fossil fuel-based vehicles into sustainable environment friendly vehicles based on latest technology.

**5) Safe, regular, affordable and accessible air transport:** Make air transport safe, regular, affordable and accessible. Gain more confidence of the international community on the entire air transport sector. Develop Nepal Airlines Corporation as a service provider of international reputation.

**6) Public, private and co-operative sectors and coordination at different levels:** In coordination and collaboration of governments at different levels and coupled with partnership of public, private and cooperative sectors, ensure strategic mobilization in construction of proper infrastructure.

**7) Quality infrastructure and access:** Make integrated laws and structural arrangements related to infrastructure. Maintain sustainability and resilience in road construction. Minimize road accidents by adopting necessary measures for road safety. Design and construct road transport and urban infrastructure to render them accessible to all types of disabled persons. Implement the concept of public-private partnership to build and operate multi-purpose projects. Focusing on sustainable development, expansion and management of electricity, irrigation and tourism, put emphasis on implementation of multipurpose projects.

**8) Energy production, transmission and trade:** Make arrangements for maximum use of electricity in economic development through generation, transmission and distribution of electricity in proportion to the current and future annual electricity demand growth rate. After meeting domestic electricity demand, export surplus electricity as a commodity by promoting power trade at bilateral, sub-regional and regional markets. Also build necessary structures for international power trade. Make sustainable use and expansion of alternative energy, ensure technology transfer and establish community ownership; lower carbon emissions by raising the consumption of alternative energy.

**9) Communication and information technology:** Build a digital ecosystem for development, expansion and use of reliable, safe, sustainable and accessible modern communication and information technology. Maintain interconnections between information technology systems. Enhance multi-use of information technology in public service delivery. Build a safe and resilient cyberspace. Make telecommunication services easy, accessible and qualitative by developing, expanding and co-using telecommunication infrastructure. Increase citizens' access to information by making the mass media sector dignified, organized, responsible and effective. Increase the efficiency of human resources involved in mass communication. Procure Nepal's own satellite. Make the postal service modern, competitive and professional. Make Nepal an attractive destination for film shooting and photography. Regulate the printing sector and make security printing commercial and competitive to meet national needs.

**10) Management of natural resources:** Provide yearlong irrigation facility in arable land. Carry out regular maintenance of existing irrigation structures. Use latest technology in irrigation. Conduct programs in agriculture and irrigation in an integrated manner. Maintain a balance between infrastructure development and environmental management. Fully internalize measures like environmental impact assessment and preliminary environmental assessment to protect and promote forest, environment and environmental sensitivity while constructing infrastructure. Exercise technology-friendly concepts while building physical infrastructure. Adopt climate resilience in infrastructure planning process.

**11) Drinking water and sanitation:** Ensure availability of clean drinking water to all citizens. Keep all water sources separate from man-made wastes to protect the sources. Convert waste into money.

**12) Water resources and irrigation:** Develop and expand water resources projects based on river basin planning and regional master plan for water resources. Maintain sufficient and sustainable availability of water in the event of adverse effects on water resources due to climate change. Underutilization of water resources as compared to its abundance. Provide necessary irrigation facilities to arable land throughout the year. Accrue expected returns from investment in agriculture and irrigation. Carry out irrigation projects within timeframe and estimated cost. Enhance coordination, collaboration and partnership of the federation, province and local levels for proper management and development of water resources and protection of quality of water resources.

**13) River and water-induced disaster management:** Encroachment on the natural flow of the river course and exploitation of the river without debris management plan. Address the disaster risks of floods and inundation in the settlements of Terai and inner-Terai and landslides in the hilly regions. Designate custodians as clearly defined by law for the protection of water reservoirs such as rivers, lakes and ponds, including underground water sources. Apply measures such as conservation and demarcation for zoning of the river banks; identify vulnerable areas and manage them properly. Make proper use of elevated land left out by rivers. Classify rivers and distribute jurisdiction for river management among federal, provincial and local levels with proper coordination. Manage and utilize international rivers for mutual benefits.

**14) Rural settlements and urban development:** Ensure building urban infrastructure in a systematic and planned manner. Build and manage infrastructure in cities and human settlements based on factors like geographical, geological and water systems as well as historical background and disaster risk study and analysis.

**15) Social infrastructure:** Maintain quality and accessibility of infrastructure related to education, health and social sectors. To promote ownership of citizens in service delivery, take such measures as adopting procedure friendly to service-seekers, putting structure and framework in place and assuring business security, while constructing infrastructure.

## 6.4 Transformative Strategies

**1) Formulation and implementation of infrastructure policy:** Formulate national infrastructure policy by interlinking the sectoral policies of infrastructure development. Develop an infrastructure construction strategy of international standards. Make timely amendments to necessary laws. Make legal arrangements in coordination of all government levels to maintain sustainability of built infrastructure. Internalize communication and information technology as an inter-related field and make necessary policy and legal arrangements to lay the groundwork for digital transformation. Make arrangements for classification of land and allocation of plots for construction of transmission lines. Develop a sustainable and faster transport system by interconnecting road networks.

**2) Managing resource mobilization:** For effective mobilization of public and alternative financial resources (public-private partnerships, co-investments, cost sharing, green climate finance), objective allocation, increased spending capacity and maintenance of financial good governance, carry out policy, structural and legal reforms. Implement public-private partnership system based on feasibility in the field of transport infrastructure. Bring into effect road maintenance expenditure system in different levels of government; make arrangements for autonomous source tapping for the Road Board to mobilize resources for repair and maintenance of roads. Make electricity and reservoir dam projects development-friendly for foreign investments and implement the concept of public-private partnership to this end. Adopt reservoir dam projects as a long-term strategy for power development.

**3) Contributing to the economy through development of transport infrastructure:** Expand structures such as roads with modern and innovative technologies, bridges, tunnels, flyovers, underpasses and other means of alternative transport. To increase access for transport and trade, develop railways and waterways so as to contribute to the national economy. Develop structures for waterways for tourism promotion and potential growth in the economy by promoting tourism through the development of railway services and water transport to expand access to transport and trade. Make policy, legal and institutional reforms for safe and reliable management of waterways and ropeways based on potential. To link infrastructure development with economic benefits in an objective manner, initiate policy, legal and structural reforms to reduce cost, time and distance in road construction. Create competitive environment to reduce transportation



cost by developing inter-agency and inter-level collaboration and forward and backward linkages.

**4) Improving infrastructure project management:** Ensure the stability of policy level and project leadership during construction period of large-scale infrastructure projects. Make special legal arrangements for implementation of projects that cost more than NPR 1 billion.

**5) Emphasis on technology, capacity development, study and research and innovation:** Strengthen collaboration between private, academic and government agencies in utilization of new technologies and practices developed in the infrastructure sector, and in this regard, consolidate evidence-based policy and planning process. Adopt a policy of utilizing resources and traditional skills and knowledge available at the local level, and establish intellectual property rights that helps in transfer of knowledge from generations to generations and upgrade it.

**6) Building sustainable, resilient and environment-friendly infrastructure:** In order to ensure sustainability and resilience in infrastructure development and budget allocation, implement economic, social, physical and natural infrastructure development activities through circular economy. Consolidate transparent working relationships between construction entrepreneurs and government agencies to ensure transparent and pragmatic construction process; comply with all construction standards in this regard.

**7) Strengthening road and transport infrastructure sector:** For expansion of national highways and strategic roads, amend and integrate relevant laws related to infrastructure development and make this sector sustainable and productive. Prioritize those factors that directly link to the production process. In order to make road infrastructure maintenance work regular and managed, pay attention to capacity development, resource mobilization and management reform of Road Board. To make roads safe and accessible, review national road safety master plan and enforce it.

**8) Developing sustainable infrastructure for power generation, transmission, consumption and trade:** Increase domestic access to and demand for energy. Expand internal network for transmission and distribution of electricity. Forecast demand and supply on a regular basis. Upgrade the quality of distribution lines. In order to bring down consumption of petroleum products and L.P.G. gas, and as a way of import substitution, gradually reduce subsidies provided on these commodities. Provide grants on purchase of electrical equipment required for domestic purpose and encourage more electricity consumption. Encourage alternative energy (other than hydropower) such as solar energy, wind energy, hydrogen energy and other energy mix, and prepare a master plan in this respect for implementation

**9) Promoting green energy:** Attach priority to green energy for promotion of green economy and develop roadmap and action plan for implementation. Conduct energy diplomacy to utilize green energy as a tool for mobilizing financial resources. In order to balance demand and supply of power during the dry season, develop reservoir type and multipurpose projects as transformative projects for increasing production.

**10) Multiple use of water resources:** Take measures for multiple use of water resources, which comprise : integrated management and use of water resources based on river basin planning, identification and protection of underground water resources, establishment of river basin structures under the jurisdiction of the Water and Energy Commission at the provincial level, distribution of water resources, keeping records, testing of use.

**11) Adoption of latest technology and sustainable management practices in the use of water resources:** Collaborate with neighboring countries for development of multipurpose and reservoir projects on the basis of benefits for both upper and lower riparian areas and utilizing the concept of cost partnership. Utilize water diplomacy for negotiation and ensure that such projects are in the national interests. Look at regions which do not have prospects for surface irrigation, and take the following measures for different land areas. Sink shallow and deep tubewells on the basis of clusters in arable land of Terai-Madhesh region; use lift irrigation on plateaus by the side of rivers; build water collection ponds and small and medium reservoirs in other terrains to utilize latest mechanical technology. Protect and utilize the river as a natural, cultural, tourism and heritage resource. Enact and implement river management laws. Ensure sustainable management of rivers through measures like sediments management plan, extraction standards, delineating the flow course, and using latest technology.

**12) Integrated disaster management:** Minimize damage/risks from disasters using local resources. Reduce negative impacts on socio-economic development and environmental balance. Utilize sustainable methods in river management activities, keeping in mind the effects of climate change also.

**13) Waste management:** Localize waste management and run projects; conserve all sources of water and carry on construction activities.

**14) Making optimum use of communication and information technology:** Carry out legal and structural reforms in the mass communication sector to keep it impartial, neutral, responsible and professionally driven. Curb misuse of social network. Make public service delivery sustainable, reliable and simplified by building a digital ecosystem in the communication and information technology sector; maintain interlinkages between systems. Manage data and information through a one-door system by centralizing all accounts of the state and citizens.

**15) Build a safe and resilient cyberspace:** Upgrade and strengthen information technology and ensure security of electronic data. Create a safe and resilient cyberspace and enact necessary laws related to data protection, make collection, storage, protection and use of data effective. To promote domestic and foreign investment in the information and communication technology sector and to facilitate outsourcing business, make arrangements for necessary policy, structure and institutions.

**16) Diversification of postal services and promotion of printing business:** Manage infrastructure related to postal service and diversify its jurisdiction of work, modernize and commercialize service delivery. By producing necessary human resources in the printing sector, increase contribution to the economy through promotion and regulation of this sector. Through institutional restructuring of the printing sector, make security printing safe, reliable, self-reliant, professional and competitive. To have distinct identity of Nepal's natural and cultural diversity on the global map through use of information technology, promote Nepal as an attractive destination for feature films, photography and international film shooting.

**17) Managing construction materials:** For regular supply of mineral-based construction materials, identify potential spots for quarries throughout the country and carry out extraction, development and management.

**(18) Developing housing and urban infrastructure:** For development of modern urban and rural settlements, develop necessary infrastructure based on circular economy in a gender-sensitive, child-friendly, senior citizen and disabled-friendly manner. Create quality infrastructure for education, health and social sectors and make them accessible.

**19) Interconnecting infrastructure development with production and productivity enhancement:** Forge an integrated concept for interlinkages between infrastructure development and production and productivity at all three levels of government. For conservation and modernization of social infrastructure like traditional knowledge, skills and practices, ensure their interlinkages with productivity. Build infrastructure so as to ensure business security. Address environmental and climate-related challenges by using climate finance in infrastructure development.

**20) Construction, expansion and upgrading of irrigation infrastructure:** Carry out study and construct and upgrade irrigation systems identified by the Irrigation Masterplan. For expansion of irrigated land, run surface, tubewell and lift irrigation projects as part of the transformative program.

## 6.5 Major Programs

**1) Integrated transport system development program:** Develop an integrated transport system in Kathmandu Valley and manage modern and affordable means of transport. Prepare alternative routes on the outer ring road and north-south river corridors. Upgrade national highways, construct corridor highways, advance the construction of roads of strategic importance and carry out regular maintenance of the completed projects through the Road Board.

**2) Road infrastructure maintenance program:** Implement immediately heavy vehicle management policy for the regulation of heavy load capacity vehicles for sustainable management of constructed roads. Regularly maintain existing road networks; upgrade road on the basis of vehicle load (road expansion, tunnels, fly overs, bypass, underpass construction). Implement a full retrofitting system in road infrastructure according to need. Strengthen, organize and empower Road Board Nepal. Regarding infrastructure built by federal agencies and transferred to provinces and local levels, regular repair and maintenance of such infrastructure and management of assets to be done on the basis of road maintenance strategy.

**3) Enhancement of the state's role in public transport operations:** Operate an integrated public transport system through public-private partnership and coordination. In big cities including the Kathmandu valley (river corridors, inner and outer ring roads), operate electric buses or alternative means of transport services in collaboration with provincial and local levels. Modernize and operate the Hetauda-Kathmandu ropeway. Build infrastructure for Pokhara-Kathmandu rapid transport service. Expand Nijgadh international airport and its related access routes and proceed with the work with business plan. Carry out construction of Siddhababa tunnel and other proposed tunnel roads such as Hemza-Nayapul, Bhirkate-Kaligandaki, Leuti-Dharan, Daunne, Malekhu-Lothar, where feasibility study has been done. Establish a transport authority and manage transport-related offices and agencies. To enhance the effectiveness of road tax collection and traffic safety, construct automatic toll gates as needed on major roads.

**4) Physical infrastructure assets management system development program:** Strengthen assets management system of roads, including other physical infrastructure, roads maintenance expenditure system and road bridge management information system to enhance their effectiveness. In order to manage road assets which fall under jurisdiction of provincial and local levels, interconnect them with digital road assets management system.

**5) Financial resource management program:** Mobilize financial resources in infrastructure development, keeping in mind dimensions of public-private partnership, adopt various methods including innovative finance model, hybrid annuity model,

construction operation and transfer model, engineering procurement and construction (EPC) model. Amend the provisions of existing laws and bring harmony in sectoral laws to enable using of these methods and models. Ensure effective implementation of road tolls system to provide long-term resources required to rebuild dilapidated bridges.

**6) Mineral-based construction materials management program:** Establish a comprehensive construction materials industry by the government itself or in partnership with the private sector.

**7) Program for expansion of national flag carrier service and enhancement of reliability:** For expansion of services and facilities in the air service sector, look at the pressure on increased demand and continue adding latest technologies that conform to the international standards of aviation infrastructure development.

**8) Program for mobilization of investment for reservoir-dam projects and international transmission lines:** Big dam hydropower projects are gamechangers in balancing the seasonal fluctuations in internal demand and supply of electricity and increasing export of power in keeping with national interests. Among the big power projects, Budhigandaki reservoir-dam project has been ranked as a project of national pride. Other big transformative projects of similar nature include upper Arun half-reservoir hydroelectric project, Dudhkoshi reservoir hydroelectric project, Nalsingad reservoir hydropower project and Naumure multi-purpose project. Developing these projects along with installation of national and international transmission lines entails mobilizing latest financial instruments and attracting investments from internal sources as well as bilateral and multilateral sources.

**9) People's hydropower program:** For sustainable and reliable development of hydropower, develop projects of national importance such as Chainpur-Seti hydropower project, Tamakoshi fifth hydropower project, Ghunsakhola hydropower project, Simbuwakhola hydropower project, etc. through participation of the people and the use of remittances received from non-resident Nepalis and foreign employment.

**10) Integrated river basin-based irrigation and water resources management program:** Depending on the nature of basin, provide irrigation facilities in all irrigable agricultural land of the country. In Terai-Madhesh, there is prospect of cluster-based shallow and deep tube wells irrigation, whereas in the hilly regions carry out lift and surface irrigation systems.

**11) Water resource conservation and management program:** Construct water storage ponds in marginalized arable areas where there is no possibility of irrigation from traditional water sources and expand irrigation facilities through other alternative means,

linking irrigation with water resource conservation and management work. Carry out projects related to water storage ponds, lift irrigation and utilization of underground water sources in the hilly regions; recharge underground water resources in Chure-Bhawar and other potential areas, and implement Chure conservation work with priority.

**12) Information technology development and expansion program:** Adopt and expand 5G and broadband connection to increase speed, capacity and agility. Build and operate high-capacity platforms. Enforce strong measures for cyber security and data protection. Produce skilled human resources in information technology by increasing opportunities for studies, training and expanding practical knowledge in this area. Provide special facilities to youths working in the IT sector. Develop Nepal into an information and communication technology hub.

**13) Digital Nepal Framework implementation program:** Carry out necessary update and modification in the infrastructure projects under the Digital Nepal Framework and build a digital ecosystem. Develop necessary digital transformation projects in the information technology sector, prepare a classified list in the national project bank and implement them on a priority basis.

**14) Government data security, safe cyber space and digital platform development program:** For establishment and effective operation of data centers and disaster recovery centers in the government and private sectors, make arrangements for necessary policy and institutions. Build resilient computing and cyber security structures at federal, provincial, district and local levels for operation of integrated infrastructure and provide relevant services. Make policy and structural arrangements to manage and secure the use of artificial intelligence. Implement digital platform development project to integrate information technology systems and electronic services related to public service delivery. Formulate necessary laws for safe cyber space and operate national cyber security center.

**15) Specialized information technology services, coordination at various levels and capacity development program:** Provide specialized information technology services including digital forensics, data protection, data processing, technology testing, electronic signature, system development, consulting services and cloud services in an integrated manner. Create a technology research hub to explore, research, develop and innovate the latest technologies developed in the field of communication and information technology and to promote investment in this field by enhancing collaboration and partnership with universities, educational institutions and the private sector. Enhance the capacity of people's representatives, employees and information technology-related human resources at the federal, provincial and local levels.

**16) Telecommunication infrastructure management and co-utilization program:** Identify the radio frequency spectrum needed for the development and expansion of wireless broadband services, and establish and operate Nepal's own geo-satellite during the plan period. Establish a national Internet gateway and manage bandwidth.

**17) Professional development program of security printing:** Make security printing self-reliant, professional and competitive by institutional restructuring of the printing sector. Protect and preserve existing equipment, develop necessary human resources and promote printing business based on innovation, and through promotion and regulation, make this sector contribute more to the economy.

**18) International film shooting destination development program:** In order to promote Nepal as an attractive destination for international film shooting, develop necessary infrastructure in the Himalayan region in consultation with the Film Development Corporation.

**19) Postal infrastructure restructuring and transformation program:** Implement "One Local Level, One Smart Post" program by managing existing postal service infrastructure and assets and linking them with the local level. Expand e-commerce along with diversification and commercialization of the postal service sector, expand e-commerce through it. It can be further mobilized for logistics service operations, linking to the customs system for service expansion.

**20) Identification and conservation of archaeological resources:** Carry out programs for identification and conservation of wells, stone spouts, wetlands, lakes and ponds, rivers and other watershed areas which carry traditional archaeological significance. Identify and protect surface and underground water resources, encourage and promote water recharge and multi-use, integrated use and reuse of water resources. Protect the Chure area for sustainable management of irrigation and drinking water needs.

**21) Decentralized urban development and safe urban roads program:** In provincial capitals and provincial cities with specific characteristics, identify potentials of higher level and specialized education and health services and other activities of economic prospects and build urban infrastructure with inter-level coordination. Manage urban transport by developing footpaths, provision of safe road crossings, dedicated lane system, bus rapid transit and separate cycle lanes, etc.

**22) Scientific management of weather forecasting system:** To mitigate loss of lives and property by disasters, and make weather forecasting and early warning system modern, automatic and scientific, install modern technology and expand existing

infrastructure. Conduct infrastructure development program based on real-time data and disaster risk accounting.

**23) Irrigation infrastructure development program:** As identified by the Irrigation Master Plan, launch surface irrigation, tubewell irrigation and lift irrigation with priority. In areas with no potentials for traditional irrigation, launch tubewell irrigation in the Terai, surface and lift irrigation as well as irrigation facilities through check dams in hills and plateaus along river corridors. Also launch 'Prosperous Terai-Madhesh Drinking Water and Irrigation Project' and integrated drinking water and irrigation project based on river basin. Interconnect agriculture and irrigation programs and extend irrigation facilities on arable land where such facilities are lacking; repair and maintain or upgrade existing facilities and expand irrigated land. To protect natural water cycle, introduce technologies for water resource conservation, management and recharge. Build ponds and check dams on Chure-Bhawar and upper reaches with priority and river corridor plateaus in lowland areas with no potential for irrigation. Conduct programs such as 'Sambriddha Terai Madhesh Water-Irrigation Program' and River Basin Based Integrated Water-Irrigation Project. Expand the irrigated area by expanding, upgrading and maintaining irrigation facilities in arable land without irrigation infrastructure by linking agriculture and irrigation programs. Develop technologies to conserve, manage and recharge water resources to preserve the natural water cycle. Give priority to the construction of ponds and check dams in Chure Bhawar and higher places.

## 6.6 Quantitative Target

### Transport

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	National highways (blacktoped up to two lanes)	Km.	7675	13675
2	National highways (blacktoped more than two-lanes including expressway)	Km.	230	1080
3	Tunnel-based road	Km.	6.918	16.654
	Nagdhunga	Km.	4.933	5.499
	Siddhababa	Km.	0	1.1
	Expressway	Km.	1.985	10.055
4	Construction of roads and bridges	Number	3217	5017
5	Construction of railway trackbeds	Km.	59	209
	Bijalpura- Bardiwas section	Km.	0	69
	East-west electric railway project Bardibas-Nijgadh section	Km.	59	140
6	Construction of Railway Bridges (Bardibas-Nijgadh section)	Number	10	16
7	Passenger railway in operation	Km.	52	69
8	Cargo railway in operation	Km.	10	17



## Energy

S.N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Power generation (Installed capacity)	Megawatt	2877	11,769
2	Population with access to electricity	Percent	96.7	100
3	Per capita electricity consumption	Kilowatt hr.	380	700
4	Electricity leakage	Percent	13.46	10.8
5	Transmission line (66 kv and above)	Circuit Km.	5742	9356
6	Distribution lines (33 kV)	Km.	7237	11,682
7	Employment in electricity sector	No. (Thousand)	96	400
8	Ratio of renewable energy to total installed capacity	Percent	4.69	10
9	Royalty collection from electricity sector	Billion	27	61
10	Volume of electricity export	Megawatt Hour	450	5500
11	Foreign currency earnings through electricity export	Billion	9	41
12	Contribution of energy sector in minimizing trade deficit	Percent	0.9	4

## Renewable Energy and Energy Efficiency

S.N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Electricity generation from micro and small hydropower projects	MW	38.84	48.84
2	Electricity generation from solar and wind energy	MW	45.9	95.00
3	Household targeted biogas plants	No. Thousand	449.351	500.00
4	Installation of institutional, community, urban and commercial biogas plants and energy generation from waste	Number	361	660
5	Improved cooking stoves	No. Thousand	144.98	645.00
6	Electric stove installation	No. Thousand	54.82	1000.00
7	Micro, small and medium level industries and businesses using energy as input	Number	1763	2000
8	Average annual rate of improvement in energy efficiency	Percent	0.85	1.68

## Water Resource

S.N	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	River embankment construction	Km.	1364	1665
2	Land elevation improvement	Hectare	12,785	13,795
3	Landslide management	Number	44	64
4	District headquarters and heritage conservation	Number	4	9

## Irrigation

S N	Indicator	Unit	F.Y.2079/80 actual	F.Y.2085/86 target
1	Surface irrigation coverage	Hectare	1022735	1122735
2	Irrigated land from tubewell irrigation	Hectare	530654	643154
3	Irrigated land from lift and reservoir irrigation	Hectare	2119	27119
4	Round the year irrigation facility	Percent	25	50

## Weather Forecast

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Time span for water and weather forecast	Days	3	7
2	Areas covered by flood warning systems	Sq Km.	27500	45000
3	Local levels with access to impact-based weather forecasting services	Number	8	20
4	Monthly and quarterly climate forecast service	Number	-	12

## Communication and Information Technology

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Satellite installation	Number	-	1
2	Population with access to telephone facility	Percent	94	100
3	Optical fiber extension (24 cores and above)	Km.	15000	25000
4	Proportion of 4G/LTE Service users	Percent	66	100
5	Population with access to fixed broadband services	Percent	38	60
6	Population with access to mobile broadband service	Percent	93	100
7	Population with access to 5G services	Percent	-	50
8	Government data center	Number	1	7

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
9	Population with access to to radio service	Percent	92	100
10	Population with access to to television (EMS) service	Percent	72	100
11	Extension of express mailing service	District	44	77
12	Countries with express mail service extension	Number	39	75
13	Government offices under government integrated office management system (GIOMS)	Number	28	600
14	Security printing press	Number	0	1
15	Employment generation in information technology sector	No. (Thousand)	-	250
16	Share of information technology sector to Gross Domestic Product	Percent		5
17	Digital literacy rate	Percent	-	50
18	E-governance Development Index	Index	0.51	0.65
19	Global Cyber Security Index	Index	44.99	60
20	Information technology system interlinked to digital platforms	Number	-	100



Chapter 7

# Planned, Sustainable and Resilient Urbanization and Settlement

7.1 Background

7.2 Existing Situation

7.3 Major Issues and Challenges

**7.4 Transformative Strategies**

7.5 Major Programs

7.6 Quantitative Targets



# Planned, Sustainable and Resilient Urbanization and Settlement

## 7.1 Background

Planned, sustainable and resilient urbanization and settlement development helps to improve the quality of citizen's life and increase the productivity of means of production and development expenditure. That is the reason why the national development policy has directed effective and coordinated implementation of urban plans with importance. A balanced urbanization process from geographical, provincial and regional points of view helps in increasing production and productivity. In this context, the history of planned resettlement and urban development programs from the first periodic plan is before us. Changes in approach towards development that came in the course of time have been assimilated in Nepal's urban policies, strategies and plans (for example, Sendai Framework for Disaster Risk Reduction, Sustainable Development Goals, New Urban Agenda).

Due to attraction, convenience and opportunities generally found in cities, Nepal is rapidly becoming urbanized. However, population in the settlements located in the mountains and Himalayas is declining due to inadequacy of basic minimum facilities and livelihood means. Urbanization is a continuous and multidimensional process. It is a known fact that some of the past efforts were unable to properly address the problems of urban areas due to challenges that bear multi-sectoral specificities. In order to operate the urban system, which characteristically involves multiple players, in a systematic and planned manner, it is indispensable to have levelwise coordination, institutional partnership, policy clarity and functional integration in plans. Based on the experience and learning emanating from the implementation of the Fifteenth plan, which came in tandem with the federal system of governance, it is desirable to achieve results through, among others, planned interventionist policy, subsequent strategy, and endeavors based on sectoral interlinkages, coordination and collaboration, and their combined impact.

## 7.2 Existing Situation

According to the National Census, 2021, 66.02 percent of the population resides in municipalities, but according to the report on stratified classification of rural and urban areas in Nepal, the urban population is only 27.07 percent. Looking at the fact that about 40 percent of the population is living in semi-urban areas, aspirations for urbanization and

urban life is increasing in Nepal. However, in the current situation, which falls short of expected outcomes from urbanization, it is necessary to focus on making it more systematic and qualitative. According to the latest data, the population growth rate of three municipalities is higher than the national average, while the population growth rate of 34 out of 77 districts is negative. The Terai-Madhesh region with 17 percent of total land area is inhabited by 53.66 percent of the population, while 46.34 percent of the population dwells in the hilly and Himalayan regions. The implication of this situation is that capital cost of infrastructure construction and service provisions in the mountains and Himalayan region will increase, while in Terai-Madhesh, more investment will be called for in large infrastructure construction. As access to the state is difficult for people living in remote areas, the services delivered by the state to them are not effective.

Even in the existing municipalities, there is a great disparity in physical and social infrastructure, services, facilities and opportunities. According to the National Urban Development Strategy, 2016, there is a big difference among the municipalities in terms of urban infrastructure condition indicator (Kathmandu Metropolitan Municipality 0.91 and Gularia Municipality 0.16). The average urban road density of the old 58 municipalities is 3.26 km. per square km. It can be observed that the average road density of all municipalities is much lower than this. The fact that there is only 0.48 percent of the open area in Kathmandu Metropolitan City and only 0.06 percent in Lalitpur Metropolitan City makes it clear that there is a lack of essential social infrastructure in urban areas. Only about 6 percent of developed residential plots have been supplied through land development program and other planned and institutionalized mechanism in the city. People from low-income groups do not have access to collective housing and joint housing built by the private sector.

Even in big cities, which are defined as urban areas, proper management of physical and social infrastructures such as quality drinking water according to modern standards, sewerage system, proper disposal of garbage, allocation of open space, and infrastructure related to energy, health and education have not been properly managed. Traffic jams and air pollution caused by increased pressure of vehicles on roads in the Kathmandu Valley have adversely affected the urban environment. The identity of ancient cities has been shadowed for lack of maintaining harmony between globally reconized urbanization paradigm and original cultural specificities of the city. It has increasingly become a challenge to evolve a model of urban and settlement development with Nepali originality. Minimum standard to be met to become a sustainable and resilient city such as assurance of urban security, construction of sustainable infrastructure and ensuring inclusive access, management of public utilities, integrated town planning, availability of green energy sources, resilient economy, clean environment, equitable urban amenities, etc. call for involvement of multi-agencies in an integrated and interconnected manner.



However, due to shortage of policy, regulational and institutional mechanisms, planned endeavour needed in this direction have been affected. Although urban development and related efforts have brought positive outcomes in economic indicators, additional reforms are required to make these efforts sustainable, environmentally sound and of good standard quality.

## 7.3 Major Issues and Challenges

**1) Balanced, planned and environmentally friendly urbanization:** Look at unbalanced and fragmented nature of provincial urban system and urban structure, and make it managed and effective through regional and urban spatial planning and strategic investments. Make backward areas competitive by strengthening rural-urban integration and inter-connectivity and consolidation of regional relations. Develop the country's major cities, including the provincial capitals, as major economic centers. Encourage managed residential development, putting transportation at the centrestage. Develop integrated settlement, relocate at-risk settlement and manage squatter settlements.

**2) Inter-sector coordination and urban governance:** Enhance the capacity of stakeholders working in urban infrastructure development and service sector with better coordination. Improve access to urban information and make urban service delivery effective. Delineate clear areas of jurisdiction for the three levels of government and develop the mechanism of coordination, collaboration and co-investment effective. Make urban government structure and system based on technology. Provide necessary resources to coordinate efforts to address growing security challenges and economic inequality in the city.

**3) Urban investment and technology development:** With growing urbanization trend, there is a large gap between the demand and supply of basic urban infrastructure. Identify and prioritize projects that can accrue maximum social and economic outcomes, as well as transformative urban infrastructure, and prepare a roadmap for multisectoral investments. Mobilize grants as well as other alternative sources of finance for urban infrastructure development. Internalize technologies based on innovation for construction and development of urban infrastructure. Provide human resource such as architect, city planners and other expert technicians at the federal, provincial and local levels as needed.

**4) Coordination at various levels of government and development of urban good governance system:** Establish spatial planning system by enacting urban and settlement legislation and reforming policy. Establish integrated urban information system. In order to assure good governance and effective service delivery in the rural and urban sectors, mobilize civil society, security agencies, community organizations and

non-governmental organizations in an integrated way through coordination and collaboration of federal, provincial and local levels. Make relevant federal ministries more effective to this end.

## 7.4 Transformative Strategies

**1) Strengthening the national and provincial urban systems:** Interlink and integrate national, provincial and local towns and urban systems. Develop major urban centers and provincial capitals as economic centers with original identity. Ensure sustainable rural-urban integration. Bring out policy for urban infrastructure development and integrated technical human resource development and make institutionalized arrangements for capacity development. Identify strategic places in and around urban economic corridors, larger urban areas, proposed railway stations and central places at the local level, and ensure availability of resources for planned new town development with high priority. Adopt a one-door policy for construction of all types of government buildings. Enhance institutional and technical capacities of all provincial and local governments for effective implementation of the national building code.

**2) Building a sustainable, safe and resilient city and urban infrastructure:** In order to develop sustainable and resilient urban infrastructure, include spatial planning system in the Integrated Urban Development Act. Incorporate land use and physical development regulation, land and financial instruments, and integrated urban infrastructure into the Integrated Urban and Settlement Planning Act. Internalize disaster risk reduction and climate adaptation activities. Promote urban agriculture. Improve and beautify the environment of rivers and riverbanks, documenting, protecting and promoting public open spaces around them. For water security, promote rain harvest and other water collection technologies and recharge of underground water at regional, settlement, community and household levels so as to develop sustainable urban water management infrastructure. Guarantee urban security for promotion of lively and resilient communities. Integrate comprehensive crime prevention strategy, robust emergency response system and inclusive infrastructure design to create an urban environment that is safe, accessible and favourable for all residents. Reduce traffic accidents, prevent disasters such as fire, ensure compliance with building codes, keep electronic records of houses and street numbers.

**3) Investment management and technology development:** For construction and development of urban infrastructure, mobilize financial resources through alternative financial instruments, such as loans and grants, mixed financing, co-financing, green finance investment, blended finance and public-private partnership investments. Targetting the low income group and urban poor, develop cooperative, social and low rental houses based on innovation. Prepare a clear legal framework for implementation

of the latest land development concepts (land bank, short-term ownership transfer, land share transfer, development rights transfer, consolidation of fragmented land). Link urban development efforts to circular economy. To control and regulate traffic pressure and environmental pollution, use the latest technology of the public urban transport system and build relevant structures. Manage urban infrastructure projects and develop environment-friendly urban transport system.

**4) Coordination between various government levels and developing urban good governance system:** Establish spatial planning system by reforming policy and enacting urban and residential planning law. Establish an integrated urban information management system. For good governance, service delivery and guarantee of security in the rural and urban sectors, mobilize civil society, security agencies, community organizations and non-governmental organizations through collaboration and coordination of federal, provincial and local levels. Make relevant federal ministries additionally effective to achieve this goal.

## 7.5 Major Programs

**1) Original and strategic town development program:** Develop provincial capitals as towns with major economic centers. Build an original and model city that reflects the local and indigenous culture and civilization in each of the seven provinces, keeping features such as open parks, museums, entertainment venues and commercial buildings, etc. Build these cultural cities in such a way that they can set standards for other cities also.

**2) Model settlement development program:** Develop systematic model rural settlements. Take policy initiatives to keep records of heritage settlements at the national, provincial and local levels and ensure their preservation and promotion. Pay attention to preservation and development of dense settlements with original heritage.

**3) Construction of integrated urban infrastructure and improvement of transportation system:** Develop urban transportation system on a par with international standards so that pedestrians, cyclists and vehicles providing emergency services can also have easier access. Make arrangements for modern, convenient and alternative means of transportation on the north-south river corridors and ring road of the Kathmandu valley. Bring reforms in the existing intensive urban development program to attract strategic investments based on spatial planning for the construction of integrated (physical, social, economic) infrastructure in cities. Take policy initiatives to develop integrated urban infrastructure (utility corridors) in big cities. Improve residential areas and urban regeneration based on community land contributions. Build bus parks based on modern technology.

**4) Rural-urban integration and inter-connectivity program:** Connect all local level centers with paved road network. Build necessary structures at all local levels where the administrative structure is inadequate. Develop transport and economic infrastructures for rural-urban integration. Build essential suspension bridges. Build necessary structures that reflect the local original architecture. Ensure planned development around the local level centers.

**5) Landless and squatters settlements management program:** identify geographically vulnerable settlements and relocate them. Implement the 'Smart City' concept while building integrated settlements. Establish large agricultural farms and industrial villages within the settlements or attached to them to ensure easy means of livelihood. Develop systematic model rural settlements. Develop cooperative, shared or rental housing for people who do not have their own land anywhere in Nepal, and whose family members cannot eke out a living for themselves. Make out the cost of such housing based on the income earned from the employment provided to them on a gradual basis. Study the nature of internal migration and manage immigration.

**6) New town planning:** Carry out mid-term review of the new town projects and continue planned development and expansion of potential locations. Transform such projects into planned urban and settlement development projects by providing them legal status, capacity building support and mobilization of increased investments, and functional reforms.

**7) Management of potable water in all provincial capitals and major cities:** Ensure potable water supply in cities using local and other available sources. In urban centers and newly urbanizing areas, follow the principles of co-financing, cost sharing and/or cost recovery to expand water supply and sanitation services.

**8) Conservation of surface water sources and recharging underground sources:** Implement a program to conserve surface water sources and recharge underground water sources in every settlement. Carry out campaigns to construct ponds and water storage facilities in rural settlements. Develop a system that can collect rainwater and use it for drinking and irrigation purposes.

**9) Cleaning of river sources and conservation program:** To purify the Bagmati and all other tributaries in the Kathmandu valley, and rivers flowing through major cities of the country as well as water sources that are close to settlements, make a mandatory arrangements for alternative sewerage and treatment system.

**10) Integrated urban waste management program:** For scientific management of wastes through cyclical use with classification at sources, extend technical support and

construct necessary infrastructure. Develop waste treatment system, including management of waste treatment centers and landfill sites, in all cities. Make arrangements for collecting biodegradable, non-biodegradable and recyclable wastes separately through local levels by developing separate standards for management of these wastes. Discourage the use of plastic materials and prohibit burning plastics.

**11) Urban good governance, institutional reform and capacity development program:** Make reforms in the existing policy and institutional arrangements for spatial planning, regulation of land use and physical development and integrated infrastructure development. Manage and mobilize physical and human resources (urban planners, architects, technicians, including engineers) required for the formulation and implementation of urban plans at the local level. Develop mechanisms for integrated development of urban economic corridors. Establish a direct communication system between urban information and stakeholders. Implement the National Building Code in all municipalities with appropriate human resource management. In order to make the construction process safe, develop a system under which the builder (individual or company or entrepreneur) is required to ensure that there is no harm to workers, pedestrians, motorists and life and property in the neighborhood.

**12) Restructuring program of Kathmandu Valley Development Authority:** Prepare an integrated urban development plan to keep the Kathmandu valley as a single development unit where local levels can also feel ownership. Restructure the Kathmandu Valley Development Authority along this line.

**13) Urban environment improvement, safety and disaster resilience program:** For disaster risk reduction, carry out contemporary reforms in landuse planning and construction standards and building code, and regulate physical development activities. Internalize climate adaptation, including adoption of green development. Carry out campaigns for construction of ponds, water storage facilities and canals in rural settlements. Control, regulate and reduce all types of pollution in the city. Carry out reconstruction, rehabilitation and reintegration in areas affected by natural and man-made disasters. Increase attendance of city police. Improve electric lighting in public places. Promote community engagement to effectively address urban security.

## 7.6 Quantitative Targets

S.N.	Activity	Unit	F.Y.2022/23 actual	F.Y. 2028/29 target
1	Construction and expansion of strategic urban roads	Km.	3102	5600
2	Area under systematic and planned settlement development	Hectare	296	10300
3	Construction of bus park with strategic importance	Number	3	14
4	Construction of housing for target groups and disasters displaced households	Number	3553	50000
5	Municipalities implementing National Building Code	Number	-	293
6	Retrofitting and new construction of government office buildings	Number	209	500
7	Smart city	Number	-	13
8	Modern integrated solid waste management centers and sanitary landfill sites	Number	1	17
9	Alternative subsidiary highways and blacktoped strategic roads	Km.	4696	6200
10	Roads maintenance	Km.	4693	6700
11	Provincial and local roads network having round the year operation	Km.	23100	40600
12	Construction of suspension bridges	Number	10508	14000
13	Construction of road bridges	Number	685	1200
14	Rural municipality/municipal center with access to road	Number	732	753
15	Urban centers with access to paved roads	Number	532	753
16	Rural roads with road safety measures	Km.	-	1750
17	Additional employment generation from infrastructure development programs	Work Days (100,000)	-	175
18	Population with access to basic sanitation services	Percent	95.5	99
19	Population with access to safely managed sanitation services	Percent	61	65
20	Sewage/faecal waste management with treatment plants	Percent	2.34	30

Chapter 8

# Gender Equality, Social Justice and Inclusive Society

8.1 Background

8.2 Existing Situation

8.3 Major Issues and Challenges

8.4 **Transformative Strategies**

8.5 Major Programs

8.6 Quantitative Targets





# Gender Equality, Social Justice and Inclusive Society

## 8.1 Background

On the basis of proportional, inclusive and participatory principles, the Constitution of Nepal has pledged to create an egalitarian and prosperous society that is not only free from discrimination, but also equitable economically and committed to social justice. For the targeted classes, communities and genders who have been disadvantaged and left behind economically, socially, culturally, geographically, administratively and politically (including women, *Dalits*, indigenous and tribal peoples, *Madheshi*, *Tharus*, Muslim community, oppressed and backward communities, ethnic minorities, sexual and gender minorities, farmers, laborers, children, people with disabilities, senior citizens, indigent *Khas Aryas*), the constitution provides for their protection, empowerment and development through fundamental rights, policies and legal measures.

The constitution has provided every one right to live a life of dignity and civil liberty, with assurance of fundamental rights and protection and promotion of human rights, and in this respect, ensured participation in all levels and bodies of the state based on the principles of proportional inclusion. For institutionalizing the achievements made in the human rights regime so far by consolidating coordination and collaboration between federal, provincial and local levels, emphasis is laid on removing social, economic, and political barriers faced by those communities who are traditionally marginalized and deprived. Providing to these deprived groups and communities opportunities in health, education, housing, skill development and employment, and prior rights over resources, and mobilizing power and resources at the disposal of the state for empowerment of citizens and their overall development shall be the priority of this plan.

## 8.2 Existing Situation

As a result of the policy, legal and programmatic efforts made for the implementation of fundamental rights and other rights guaranteed by the Constitution of Nepal, some important achievements have been made in the field of empowerment, inclusion and social mobilization of the target groups. Significant policy and legal measures taken by the international community in this direction include Convention on Elimination of All Forms of Discrimination against Women, 1979, Beijing Platform for Action for Women's Rights and Gender Equality, 1995, Convention on Indigenous and Tribal People, 1989 and

the United Nations' Declaration on Indigenous Peoples, 2007. Nepal has ratified or adopted these documents and has subsequently been implementing policies, special measures and programs contained therein. These provisions are being internalized and mainstreamed at provincial and local levels as well.

The Convention on the Rights of Persons with Disabilities, 2006 and the Asia and Pacific Regional Periodic Strategy and Action Plan on Disability are also being implemented. The Convention on the Rights of the Child, 1989, Convention on the Elimination of All Forms of Racial Discrimination, 1965, International Labor Organization Convention No. 169, etc., as well as the approval of the Second National Action Plan, 2020 regarding the implementation of the United Nations Security Council Resolution No. 1325, 1820 and other resolutions on Women, Peace and Security, and subsequent efforts to implement them are also important.

With the implementation of the National Gender Equality Policy, 2021, emphasis is being laid on gender-responsive governance system in all three levels of the state for establishment of substantive gender equality in this sector by institutionalizing the achievements made so far. Gender-responsive budget system has been adopted in policies and programs of federal, provincial and local governments. Under the Sustainable Development Goals implementation program, a variety of programs have been included in diverse areas related to women, children and adolescents, persons with disabilities, senior citizens, sexual and gender minorities and indigenous and tribal peoples.

Various achievements have been made as a result of efforts to increase equal access and representation of girls, adolescents and women in health, education, employment and policy levels. According to the National Census, 2021, the literacy rate of women and men stands at 69.4 and 83.6 percent respectively, the percentage of women who own a house or land or house and land both is 23.8 percent, the maternal mortality ratio is 151 per hundred thousand live births and the total fertility rate stands at 2.1 percent per woman. According to the Gender-based Violence Prevention Fund Operational (second amendment) Regulation, 2019, the Gender Violence Prevention Fund has been established and operationalized in all 7 provinces and 753 local levels. The number of people with disabilities stands at 2.2 percent. The Act Related to Rights of Persons with Disabilities, 2017 and subsequent Regulation, 2020 are being implemented. In F.Y. 2022/23, there were 66,157 people with total disabilities and 138,165 people with partial disabilities, and in totality, there were 204,322 disabled people who received social protection allowances. With the increase in the number of senior citizens, a policy of strengthening the system of proper care and social protection for their dignified living and using knowledge, skills, competence and experience they hold in development efforts has been adopted.

Currently, the number of children under the age of 18 in Nepal is 34.8 percent of the total population. However, the number of girls has decreased by 5 percent over the last decade, which indicates the alarming situation of gender selection during pregnancy. Relevant policies, plans, programs have been brought out and institutional mechanisms established and operationalized from local to federal levels for the physical, mental, intellectual and all-round personality development of children. For emergency rescue of children under distress and their protection and management, Child Search and Rescue Service '104' and Child Helpline '1098' have been in operation. The Act Related to Children, 2018 and subsequent Regulation, 2022 are being implemented. Regarding the protection and promotion of child rights, participation and awareness of the stakeholders is on the rise.

There is an increasing risk of human smuggling, illegal trafficking, abuse, and physical, mental or sexual exploitation, which have been growing as a multi-dimensional, multi-sectoral and transnational organized crimes. In this regard, Human Trafficking and Transportation (Control) Act, 2007 and subsequent Regulation, 2008 are being implemented for prevention, rescue, protection and rehabilitation of the victims and for actions in regard to legal remedies. In addition, Nepal has ratified the complementary Protocol (Palermo Protocol) of the United Nations Convention against Transnational Organized Crime, which deals with the prevention, suppression and punishment of trafficking in persons, especially women and children.

To create inclusive society from human rights standpoint and environment for full utilization of abilities and potentials of individuals and communities by eliminating structural barriers prevailing in society, there are various constitutional commissions related to empowerment and social inclusion which are involved in effective implementation of the issues of target groups through policy, legal and institutional reform measures.

The civil society, community organizations and national and international non-governmental organizations have been playing an important role in economic and social transformation and attaining sustainable development.

### 8.3 Major Issues and Challenges

**1) Elimination of social evils and social bad practices:** Eliminate social evils and social bad practices such as child marriage, polygamy, forced marriage of sexual and gender minorities, *chhaupadi* (seclusion during menstrual cycle), dowry, untouchability, witchcraft accusations, etc. Eliminate social structures, values, beliefs and mindsets that support recurring violence, discrimination and exploitation.

**2) Elimination of all forms of violence, discrimination and exploitation:** Eliminate all forms of violence, discrimination and exploitation, including domestic violence against women, and make access to justice easy, affordable and accessible. Adopt effective measures for control and prevention of gender-based violence, human trafficking and transportation, human smuggling, kidnapping, etc. in their changing dimensions, forms, methods and routes used.

**3) Economic and social empowerment of marginalized communities:** Remove barriers to empowerment and socio-economic mobilization of marginalized groups and communities. These barriers currently identified include lack of fulfilment of basic needs like health, education, food, housing, employment, etc., unequal access to economic resources, lack of capacity to influence the decision-making level and shortfall of opportunities. Objectify the criteria for identification and classification of target groups, communities and people with different gender and sexual orientation. Address the problem of exclusion of essential groups and communities from listing for lack of an institutionalized integrated information system that presents segregated data on gender equality and social justice.

**4) Ensuring meaningful participation of target groups and communities:** Increase leadership and participation of target groups and communities by enhancing coordination, collaboration and partnership of federal, provincial and local levels. In policies, laws, plans and programs, internalize and mainstream the issues and concerns of women and all marginalized groups and communities and institutionalize the spirit of responsive and accountable governance.

**5) Development of a culture that respects the contribution of women:** Adopt multidimensional measures including domestic employment and self-employment by coordinating and collaborating among agencies involved in gender empowerment, skill development and job creation. Develop a mechanism for calculating women's contribution to national accounts by making assessments of women's household chores and caregiving jobs. Develop a culture of respect by all individuals, families and communities. Balance women's work life and link their knowledge, skills and labor with production and productivity.

**6) Special targeted programs for specific areas, groups and communities:** Provide effective social security and protection to the economically backward or socially or educationally backward or infirm and destitute, destitute single women, persons with disabilities, children, persons unable to take care of themselves and citizens belonging to endangered tribes. Formulate policies targeted at areas that lag behind in social development. Make public places and service delivery sites or office infrastructure friendly to the disabled, senior citizens, children and gender. Manage service facilities and

supporting materials according to the needs of disabled persons and senior citizens. Link the citizens with gender and sexual minorities and other targeted groups and communities with production according to their abilities and skills. Increase the role of the family in the protection of senior citizens and capitalize on the long experience and technical skills of senior citizens for the benefit of the nation. Targeting children who have fallen victims to discrimination and deprivation and those who require special care, develop a child-friendly environment right from early childhood development stage to ensure a mandatory protection of such children.

**7) Enhance government levelwise and sectorwise coordination and collaboration in social mobilization:** Mainstream and internalize the issues of gender equality, social justice and inclusion in all levels government and in all sectors. Enhance good governance of community and non-governmental organizations and mobilize them in areas of national priority and need in a transparent and accountable manner. Carry out institutional strengthening for good governance, internal capacity development, regulation, monitoring and evaluation, and facilitate these activities through a one-door system.

**8) Disaster resiliency promotion focused on target groups:** Develop a system to ensure continued essential and basic services to target groups, communities, marginalized and people in need of special assistance and protection as well as climate-risk communities in the wake of climate change or natural or other man-made disasters or epidemics also.

## 8.4 Transformative Strategies

**(1) Internalization, mainstraming and localization of gender equality and empowerment, social justice and inclusion:** In order to implement the concept of "leaving no one behind" carried by the Sustainable Development Goals, all levels and sectors of the state are required to include women, children, senior citizens, persons with disabilities, gender and sexual minorities, the marginalized and deprived as well as those groups and communities in need of special protection. Internalize, mainstream and localize the concerns of these groups and communities by reflecting them in policies, laws, plans and programs and institutional structures.

Implement basic programs of empowerment, inclusion and mobilization based on affiliation, coherence and complementarity with the policies and priorities of the local level. Adopt the strategy of proportional inclusion in all levels and bodies of the state based on demographic ratio and ability. Adopt the strategy of 'gender empowerment, disability and social inclusion' in every process of development. Manage a complete package of empowerment in a phasewise manner, taking into account factors like identity of target

groups and communities, their development strategies, access to resources and sustainability.

**2) Promotion of government levelwise and sectorwise coordination, collaboration and partnership:** Delineate the roles, responsibilities and scope of federal, provincial and local levels of government, and through their coordination, collaboration and partnership, formulate targeted plans and programs and increase capacity for implementation. For economic and social empowerment and mobilization of the indigent, incapacitated, helpless and disabled persons and minorities and marginalized communities, increase investments in social, economic and physical infrastructures in collaboration and partnership with the private, cooperative and non-governmental sectors. For elimination of all types of gender-based discrimination, violence and exploitation, activate and mobilize male participation network in federal, provincial and local levels. In conditional and non-conditional as well as other grants provided by the federal level to the provinces and local levels, put *Madheshis*, indigenous tribal communities, *Dalits*, women and marginalized communities in priority, and utilize these grants in social sectors. Mobilize special grants to fulfil the needs of inclusive and balanced development.

**3) Ensuring meaningful participation of the target groups and communities:** While formulating, prioritizing, implementing, monitoring or evaluating policies, plans, programs and activities for the target groups, communities and gender, ensure the needs, demands, leadership and participation of the stakeholders. Develop leadership and capacity of the target groups, communities and gender groups and relevant stakeholders in such a way that inter-provincial and inter-local level balance and inclusive development is maintained in the process.

**4) Special protection for target groups and communities:** Give priority to the extremely poor, incapacitated, helpless and disabled as well as *Dalits* and citizens of excluded and deprived groups, communities and gender while conducting programs related to special social protection and public service delivery. Enhance self-reliance of target groups and communities through opportunities for employment and income generation. Make social security and service system universal and sustainable. Avoid duplication in social security, which has been observed lately, adopt alternative and cost-effective measures of social security based on contribution, need and ability.

**5) Increasing the use of latest concepts and technologies:** While formulating and implementing policies, plans and programs, adopt a multi-sectoral and multidimensional concept based on the life cycle, ensuring a respectful living environment for every person. Increase access, affordability and use of technology for empowerment and mobilization of communities with special needs, including women, children, senior citizens, persons

with disabilities, gender and sexual minorities. Anticipate risks and violence that may arise from misuse of technology and take necessary security measures.

**6) Developing a decision-making system based on facts and evidences:** Make policy, plan and program formulation, implementation, and monitoring and evaluation related to target groups and communities including women, children, senior citizens, persons with disabilities, gender and sexual minorities, etc., based on facts. To this end, develop an integrated management information system to obtain segregated data that covers various aspects, including basis of identification of target groups, setting of standards and indicators, etc. Empower the constitutional commissions established for the upliftment and development of the target groups with resources for relevant research and awareness creation.

**7) Making rescue, relief, rehabilitation and social integration effective:** For rescue, protection, rehabilitation and social integration of victims of gender violence, human trafficking and transportation, child labor, sexual abuse, etc., make sure to develop coordination and partnerships at the family and community levels as well as at the different levels of government and relevant agencies. Provide mandatory protection and promotion from the state to disabled and helpless children and adolescents in need of special protection. Ensure gender mainstreaming in policies, programs and investments related to climate change to reduce the impact of climate change on the overall human life as well as the negative impact on women's workload, productivity, health and livelihood.

**8) Reforms in judicial system:** Looking at all kinds of violence including domestic violence, discrimination, exploitation, human trafficking and transportation, illegal trafficking, sexual abuse, etc. and at issues related to children, adolescents, persons with disabilities, gender and sexual minorities, senior citizens, etc., introduce reforms in the judicial system to ensure simple, affordable and speedy access to justice and cases settlement. Enhance the capacity of the local judicial committee to make the judicial system victim-friendly.

**9) Social mobilization and maintaining institutional good governance:** Carry out institutional strengthening of the stakeholder agencies in coordination and collaboration of the federal, provincial and local levels. And adopt a one-door system to maintain institutional good governance in non-governmental organizations by enhancing their transparency, responsibility and accountability.

**10) Adopting the policy of positive discrimination:** Adopt the policy of positive discrimination targeting certain ethnic tribes, groups and communities that are weak in

demographic ratio and economic, social and human development, and give them priority in reservation for public services delivery and employment

## 8.5 Major Programs

**1) Governance arrangements and policy and legal reforms program:** Undertake amendments to relevant laws in the following issue domains: fundamental issues of target groups, communities and gender and safe motherhood and reproductive health; gender-based violence; curbing human trafficking and transportation; eliminating child labor; curbing sexual abuse; issues related to adolescents, and laws that show conflicts of interests in political representation. Make contemporary revisions in policies and regulations in accordance with emerging concepts and commitments at the national and international levels. Implement a gender-responsive budgeting system at all three levels of government in such a way that information on investment, expenditure and returns is publicly available. Establish a system that takes into account achievements and impacts, and continuous monitoring and evaluation. Designate gender focal points and gender focal desks in all public agencies and the organized sector, and increase their capacity. Enhance capacity of local judicial committees along with expansion and upgradation of pro bono legal assistance program to make it easy, affordable and accessible. Establish gender-based violence elimination funds and inter-level relief and rehabilitation funds at all three levels of government with a view to providing rescue and relief as well as free legal assistance, psychosocial counselling, skill oriented program and social integration to victims of violence or for those who have been impacted by violence.

**2) International commitments and national action plan implementation program:** Localize provisions and recommendations that have been expressed in favor of all target groups, communities and genders through national and international commitments, treaties, conventions and optional Protocols. Formulate and implement a national implementation action plan to end social bad practices and social evils such as child labor, gender violence, sexual abuse, prostitution and witchcraft accusations, *chhaupadi*, menstrual discrimination, etc.

**3) Identification and classification of target groups and communities:** Link all target groups and communities, including persons with disabilities, gender and sexual minorities, to the national identity card system. Manage identity card distribution system to disabled persons by developing standards for easy and simple pre-test system for disability identification and classification. Facilitate and maintain uniformity in the citizenship acquisition process of the gender minority community.

**4) Disability friendly life facilitation program:** Prepare and implement national standards for the operation of private and public care centers, residential rehabilitation



and day service centers for persons with disabilities. To increase access to information for people with intellectual disabilities, autism, deafness, blindness and multiple disabilities, create and implement service standards and procedures that includes pictorial, simple large print, touch signals and sign language, and provision of interpreters. Develop and implement an action plan for service continuity in the event of disaster, targeting persons with high risks, such as persons with disabilities, children, the disabled, the helpless, the poor, etc. Teaching and learning through universal learning methods for children with learning disabilities. Adapt parent education to the teaching process. Gradually expand the disability prevention and rehabilitation program to all the provinces. Ensure accessibility of people with disabilities to mass media, information and technology by making arrangement for availability of services and equipment and conducting a disability-friendly facilitation program.

**5) Gender equality, economic empowerment and violence elimination program:**

Establish a strong and common system for continuous monitoring and evaluation of gender equality initiatives in the community. Strengthen support, participation and accountability of civil society organizations in matters related to sexual and reproductive health rights. Eliminate gender-based discrimination and violence. Promote dignified menstruation. Promote women and adolescent girls' leadership roles in the production sector (agriculture, forestry, trade, tourism) and develop a women-led socio-economic environment in economic advancement. Conduct self-defense training programs for all girls. Take account of women's domestic labor and care work in national accounts; conduct awareness campaigns to develop a culture of respect for women's economic activism. In case of landless *Dalits*, make provision for necessary land for minimum livelihood support in coordination with the local level. Conduct awareness and empowerment program targeting sexual minorities.

**6) Child rights protection and promotion program:** To end all forms of child labor, implement mandatory pre-inspection to ensure child labor-free workplaces at the time of approval and renewal of all industries, factories, businesses. Make arrangements for alternative care by local level governments for abandoned, orphaned and parentless children and children in need of special protection. Promote and strengthen children's rights through programs that promote child-friendly local governance. Through establishment and operation of institutions like children's clubs, child network, adolescents groups, scout, etc. and their expansion, increase children's participation in learning and understanding of social responsibility and self-help lifestyle.

Make legal arrangements for regulation and control of violence that is being perpetrated by misuse of information technology and social networks, and strictly enforce it. Effectively operate and manage child correctional homes by fixing minimum standards for operation of services by classifying them on the basis of minimum standards.

Discourage institutional residential care in orphanages and implement a system of care only as a last resort. Make juvenile justice system simple, easy and child and parent friendly. Enhance access of all groups and communities to early childhood development programs for the mental and physical development of children, and their capacity to use such services. Conduct targeted programs to improve the quality of education and learning of *Dalit* children.

**7) Target community specific social development and integration program:** Find out the basis of identification and classification of target groups, decide on standards and indicators, and on the bases of these, launch location-specific special base program at the provincial and local levels targeting the very poor, incapacitated, helpless, and disabled as well as the minority and marginalized groups. Aiming at the incapacitated, helpless, and those who have suffered from discrimination and violence from among the target groups of women, senior citizens, people with disabilities, marginalized communities, etc., develop packages of integrated services for implementation, and launch mobile services as well. For elimination of domestic violence and all other kinds of discrimination, violence, exploitation, social bad practices and social evils, superstition, racial discrimination, deprivation and other evils, launch special and targeted programs. Upgrade one-stop crisis management centers to increase effectiveness of service delivery in health treatment and legal remedies of victims of domestic and gender-based violence, as well as in rehabilitation and social integration. Conduct targeted programs to improve education, health and basic needs as well as improving overall living conditions, especially targeting endangered and marginalized communities such as *Raute, Kusunda, Chepang, Lepcha, Dom, Chamar, Musahar, Halkhor and Dusadh*. Make literacy programs and service delivery points technology-friendly to increase access, affordability and use of technology by target groups, communities as well as genders.

**8) Senior citizens security and protection program:** Ensure a dignified living environment for senior citizens, and through inter-generational knowledge, skills and experience transfer, link them to production and productivity in deriving benefits from socio-economic development. Increase the participation of senior citizens on a priority basis in the areas of policy making, development activities and preservation of heritage and culture. Address basic and family needs, health care, nursing care, recreation and specialized needs of senior citizens. For the health care and treatment of senior citizens in all government, community and private health institutions, make arrangements to provide both in-patient and out-patient services at a concessional rate, and allocate separate senior citizen wards with a certain percentage of beds.

**9) Program of information management based on objectivity and evidence and monitoring and evaluation system:** Institutionalize and develop an integrated data system to obtain basic data and information on programs related to gender equality and

social justice from the local to the federal levels so as to measure outcome, impact and effectiveness of programs run in this sector. Institutionalize social data management system at all three levels. As regards effectiveness and impact of the target group and community program, implement gender test and social test methods as an integral part of the evaluation in all bodies of the state. Ensure mandatory inclusion of gender issues of target groups in plans and programs and monitoring and evaluation systems.

**10) Dalit empowerment program:** Carry out campaigns related to elimination of untouchability and caste discrimination at the local level. Protect and promote the traditional arts and skills of *Dalits*. Provide opportunities for employment and self-employment to *Dalit* households for income generation by providing training, concessional loans, grants and technical assistance. Take steps to increase participation of *Dalits* in government services for their empowerment.

**11) Program of social awakening and awareness campaign:** In view of social bad practices, social evils, harmful practices, all kinds of discrimination and violence, as well as potential abuse of social networks and technology, incorporate in educational curriculum prevention and remedial measures to curb their negative impacts. Conduct social awareness campaigns and relevant programs against traditional harmful practices, social evils, corruption, violence and exclusion and discriminatory social and cultural values. For elimination of social bad practices and in efforts directed to protection and promotion of sexual and reproductive rights, mobilize coordination and collaboration of all three levels of government, non-governmental organizations, civil society, mass media, religious *gurus*, players and artistes to launch intensive awareness campaigns.

Mobilize men's participation networks to prevent gender-based violence. Promote psychosocial counseling and good health at the community level to mitigate the increasing mental problems among women, adolescents and gender and sexual minority groups.

**12) Program of target group and community self-reliance:** Promote economic empowerment, entrepreneurship and employment opportunities for self-reliance of rural and indigent target groups. Produce and sell local indigenous crops and other products. Make arrangements for controlled production, branding, sales and distribution as well as export promotion of domestic liquor. To enhance competitive capacity of target groups, communities and genders, conduct skill development training and entrepreneurship development programs. Make provision of reservation in education, health and public sector jobs. Implement '**Self-reliance program for daughters**' to prepare entrepreneurial women in economic sectors, especially in agriculture, industry, tourism and forestry, and service sectors. Provide information about entrepreneurship development and employment programs as well as access to credit through the

employment center in an integrated manner. Promote model entrepreneurs from among cottage, small and micro enterprises run by women, persons with disabilities, *Dalits*, gender and sexual minorities and other target community members on the basis of individual contributions made by each of them. Review and implement the President Women's Empowerment Program for economic and social transformation of women. Emphasize on conducting women-friendly technology-oriented programs in the productive sector useful for life. Produce items like sanitary pads and other health products using local raw materials and female labor force. In coordination with the private sector and non-governmental organizations, conduct production-oriented training and self-employment programs at the local level, targeting adolescent girls of the technology age.

**13) Program for people with disabilities, senior citizens, children, gender-friendly infrastructure construction and quality auxiliary materials management:** Make public places, public service offices and other infrastructure based on a universal framework to be friendly to people with disabilities, senior citizens, children, gender and sexual minorities. Arrange the production and supply of short-term and long-term resettlement, health care and auxiliary materials. Collect data on persons with total disabilities and provide assisted living. Establish an international level multi-purpose senior citizen village targeting domestic and foreign citizens in collaboration with the private sector. Conduct a free senior citizen care center in each province as well as hospice services at provincial level hospitals. Make compulsory provision of psychosocial counselors in each municipality. Effective management of safe shelters for women, target groups and communities in each municipality.

**14) Program for mobilization of social and non-governmental organizations and institutional good governance and their strengthening:** Classify community and non-governmental organizations on the basis of national standards and mobilize them and their resources in socio-economic transformation and developmental works in sectors of national goals and priorities. Ensure capacity development and institutional strengthening of agencies involved in approval, operation, regulation and monitoring of NGOs and civil society organizations for improved management of this sector. For mobilization of NGOs in accordance with the federal system, identify areas of mobilization, clarify strategy and participation through coordination of three levels of government. Develop a national framework for mobilization of NGOs for implementation in this regard. Develop code of ethics for NGOs and enforce it. When evaluating projects of NGOs which have long-term impacts, ensure joint monitoring with representatives of various levels of government and project management organizations.

**15) Specific castes, languages and culture preservation and promotion:** Launch special programs for preservation and promotion of indigenous languages, culture,

customs, traditional knowledge and skills of indigenous tribal communities, *Dalits* and endangered groups and communities. Protect and promote indigenous peoples and their languages which have reached on the verge of extinction. In places with intense settlements of certain specific groups, tribes and communities, carry out indigenous farming, animal husbandry, agriculture or other business operations, entrepreneurship development and marketing by utilizing indigenous knowledge, skills and technology.

## 8.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Gender Development Index	Index	0.885	0.967
2	Gender Empowerment Index	Index	0.46	0.59
3	Social Empowerment Index	Index	0.58	0.65
4	Women who have life time experience of physical or mental or sexual violence	Percent	23.4	20
5	Representation of women			
	Federal Parliament		33.6	40
	Provincial Assembly	Percent	34.5	40
	Local Level Assembly	Percent	40.9	45
6	Representation of women in public service	Percent	29.5	35
7	Households having registration of house or land or both house and land in women's name	Percent	23.8	35
8	Labor force participation rate of women	Percent	26.3	35
9	Participation of women in public service policy-making positions	Percent	13.7	20
10	Proportion of gender responsive budget at three tires of the government	Percent	40	50
11	Senior citizens covered by the social protection	Percent	90	100
12	Senior citizens day care and get-together centers	Number	225	753
13	Districts operating rehabilitation centers for victims of human trafficking	Number	10	15
14	Schools with availability of necessary materials during menstruation and sanitary toilet facilities	Percent	-	80
15	Women who have been absent from school and workplace due to menstruation in the last twelve months	Percent	9.4	4



## Chapter 9

# Consolidation of Provincial and Local Economies and Balanced Development

9.1 Background

9.2 Existing Situation

9.3 Major Issues and Challenges

9.4 Transformative Strategies

9.5 Major Programs

9.6 Quantitative Targets





# Consolidation of Provincial and Local Economies and Balanced Development

## 9.1 Background

After transformation of the country from unitary system to federal system of governance, there has been a significant change in the structure and substance of the national economy. The economic activities of the federal level influence the provincial and local levels and the economic activities of the provincial and local levels help to strengthen and consolidate the national economy. In order to ensure economic equality, prosperity and social justice as envisaged by the Constitution of Nepal, it is inevitable to develop and strengthen the regional and local economies in a balanced manner. To this end, it is necessary to make the federal system effective on one hand, while achieving high and sustainable economic growth with equitable distribution and macroeconomic stability on the other. Strengthening provincial and local economies and ensuring their stronger linkages with the national economy is important in this context. While consolidating the provincial and local economies, the state is required to fulfil some important constitutional and legal responsibilities, which include implementation of fundamental rights; inclusive economic development with regional balance; implementation of strategy and programs of sustainable economic development; environmental conservation; qualitative and sustainable growth with climate adaptation; human resource development; increased peoples' participation and equitable distribution of returns.

The implementation of the federalism has created opportunities for the identification of available resources base at the provincial and local levels, paved the way for their effective mobilization, apart from enhancing the political and administrative structural capacity. In addition to this, on the basis of inter-relationship, cooperation, co-existence, coordination and mutual support of the federation, province and local levels, economic activities can be expanded, and through electronic governance system, an environment can be created for formalization of the economy. Prosperous provincial and local levels can lead to increased contribution to the national economy. For conduct of economic activities in the provinces and local levels, the constitution and relevant laws have made provision of rights for public expenditure and revenue management, inter-governmental fiscal transfer and sharing of revenue. In order to bolster support to the national economy through economic empowerment of provincial and local levels, a strategy of increasing internal income and transferring inter-governmental finance on the basis of standards and indicators has been adopted.

In accordance with the spirit of federalism, the responsibilities of three levels of government require to be further clarified through comprehensive revision of work jurisdiction. Similarly, legal provisions are needed for use of common rights, including other laws. Balanced development and consolidation of the provincial and local economy through coordination and collaboration of the federal government leads to development and prosperity of the whole nation. A momentum to this direction is what seems apparent. Making provincial and local economies dynamic and consolidated for balanced development requires stronger coordination, mutual understanding and collaboration among the three levels of government.

## 9.2 Existing Situation

The federal system of governance was adopted to achieve balanced development with rapid economic growth and to build an egalitarian society through equitable and fair distribution of resources. After the adoption of the federal system, the first periodic plan of the three-tiered governments has been formulated and implemented. This has enhanced capacity of provincial and local levels in infrastructure development, social transformation and economic self-reliance. Programs, budgets and medium-term expenditure frameworks have been formulated by all three levels improving efficiency of public finance and project management effectiveness.

A number of legislations have been promulgated to strengthen federalism in accordance with the spirit of the constitution. These include the Local Government Operation Act, 2017; the Intergovernmental Fiscal Arrangement Act, 2017; the Economic Procedure and Fiscal Responsibility Act, 2076 B.S.; the Federal, Provincial and Local Level (Coordination and Interrelation) Act, 2020. Apart from these, the Unbundling Report, 2016 and other federal laws and laws formulated by the provinces and local levels have made it easier to make the different levels of government more active. As provinces and local levels are getting used to the implementation of fiscal federalism, economic activities are expanding in all three levels. To enhance allocative efficiency of public resources, improve implementation capacity and maintain fiscal discipline, institutional and systemic reforms have been made in areas such as revenue mobilization, budget, accounting, internal control, etc.. For budgeting, management information system such as Provincial Line Ministries Budgetary Information System and Subnational Treasury Account are being implemented. The existing scenario of the provincial and local economy is as follows:

**1) Province-wise gross domestic product:** There is a significant disparity in province-wise gross domestic product. In F.Y. 2022/23, Bagmati province had the highest share of 36.9 percent in the gross domestic product of the country, which stood at 5381 billion. Likewise, the share of Karnali province is the lowest, i.e. 4.1 percent. The gross domestic

product of Karnali province and Sudurpashchim province is lower than that of Koshi, Lumbini, Madhesh and Gandaki provinces.

**2) Province-wise economic growth rate:** In F.Y. 2022/23, economic growth rate of the country was 1.9 percent, but the economic growth rate of Gandaki, Lumbini and Koshi provinces stood at 3.3, 2.1 and 2.0 percent, respectively, which is higher than the national average growth rate. The economic growth rate of Karnali and Sudurpashchim provinces was close to national average i.e. 1.9 and 1.8 percent, respectively. The economic growth rate of Madhesh and Bagmati provinces was 1.7 and 1.4 percent, respectively, which is relatively lower than the national average.

**3) Province-wise per capita gross domestic product:** In F.Y. 2022/23, per capita gross domestic product of Nepal was US \$ 1399. This value was the highest in Bagmati province, at US \$ 2455 followed by Gandaki province, at US \$ 1492 and the lowest in Madhesh province, at US\$ 875. Similarly, the GDP per capita of Koshi, Lumbini, Sudurpashchim and Karnali provinces stood at US \$ 1299, US \$ 1126, US \$ 1063 and US \$ 997, respectively.

**4) Consolidated expenditure of the federal, provincial and local levels:** In F.Y. 2022/23, the consolidated expenditure of all three levels was NPR 2084.92 billion. The expenditure ratio stood at 67.9 percent at the federal level, 10.1 percent at the provincial level and 21.8 percent at the local level. In FY 2021/22, the corresponding values were 67.9 percent, 10.1 percent and 22 percent, respectively. Similarly, in F.Y. 2022/23, out of the total government expenditure, 65.1 percent was current expenditure, 25.5 percent was capital expenditure and 9.4 percent was financing expenditure. Such expenditure ratio in 2021/22 was 67.0 percent, 25.7 percent and 7.3 percent, respectively.

**5) Province-wise poverty and human development index:** There is a lot of disparity in the rate of multidimensional poverty across provinces. The multidimensional poverty is highest in Karnali province, at 39.5 percent and lowest in Bagmati province, at 7.0 percent. This type of poverty is 15.9 percent in Koshi, 24.2 percent in Madhesh, 9.6 percent in Gandaki, 18.2 percent in Lumbini and 25.3 percent in Sudurpashchim.

Apart from Bagmati, Koshi and Gandaki, the multidimensional poverty of other provinces is higher than the national average. Similarly, the incidence of absolute poverty in Sudurpashchim province is highest (34.2 percent), while it is lowest in Gandaki province (11.9 percent). In poverty mapping, 26.2 percent of the population in Karnali province, 24.4 percent in Lumbini province, 22.5 percent in Madhesh province, 17.2 percent in Koshi province and 12.6 percent in Bagmati province live below the poverty line. According to the Nepal Human Development Report, 2020, the Human Development Index of Bagmati and Gandaki provinces is higher than other provinces at 0.661 and

0.618 respectively. Human Development Index is 0.510 for Madhesh province, 0.538 for Karnali province, 0.547 for Far Western province, 0.563 for Lumbini province and 0.580 for Koshi province.

## 9.3 Major Issues and Challenges

**1) Policy clarity and dynamism and stability of levelwise structure:** Effectively implement the economic responsibilities assigned to the provinces and local levels by the Constitution of Nepal. Review and evaluate the implementation of unbundling report, and make necessary policy and legal arrangements with more clarity on financial rights. Enhance responsibility in the formulation, implementation and enforcement of economic laws based on research and evidence. Maintain harmony on exclusive and shared economic rights in the legislation to be enacted by different levels of government in line with the tenets of federalism. Clarifying the policy ambiguity created at the provincial and local levels due to frequently changing policies and decisions. Full adherence to the principle of fiscal federalism among the three tiers and effective implementation of the Inter-governmental Fiscal Council.

**2) Identification of drivers of economy and their mobilization:** Adopt a three-pillar economic policy including the government, private and cooperative sectors and the community. Make revenue sharing and fiscal transfer just by analyzing the expenditure needs and capacity of provincial and local governments based on indicators and their ability of revenue mobilization. Identify productive sectors with comparative advantage at provincial and local levels and create conducive environment for investment, and enhance their utility. Analyze the priorities, facts, data and technical bases to adopt provincial and local economic policies. Develop capacity of the provincial and local levels for identifying and mobilizing internal resources.

**3) Enhancing production, productivity and competitiveness:** Increase production and productivity with the involvement of the private, cooperative and non-governmental sectors. Address business and investment uncertainties and constraints. Reduce production costs and increase market access. Create an environment of healthy competition while reforming quality and regulation. Increase effectiveness and efficiency of investment. Establish easy access to the market by producing goods and services of regional and local characteristics.

**4) Improving quality and efficiency of public spending:** Optimally utilize the revenue rights and potentials of the provincial and local levels according to their responsibilities, link fiscal transfer with revenue capacity and expenditure needs, ensure financial responsibility in the use of resources. Enhance the effectiveness and efficiency of public

finance by focusing on efficient, productive, employment generating and poverty-alleviation-focused public expenditure. Promote financial discipline.

**5) Migration management and utilization of demographic dividend:** Assess the trends and nature of internal migration and formulate migration policies based on geographic location and demographic density, linking them to economic activities. Promote integrated settlement development to reduce the pressure and cost of increasing needs for service and infrastructure triggered by unbalanced internal and external migration, scattered human settlements and unorganized urbanization. Manage uncontrolled migration and urbanization and link available demographic dividend to productive activities. development based on corridors and clusters to manage urbanization.

**6) Promotion of the specificities and potentials of the province and local level:** Promote investment for exploration and research of the specificities and potentials of the province and local level. Enhance local production, indigenous knowledge, skills, entrepreneurship and confidence. Promote local economic development, simplify service delivery and promote good governance by strengthening governance capacity. Make sure of good presence of economic institutions and effective implementation of economic development plan. Develop the value chains of production at the provincial and local levels; identify natural and man-made resources and manage, conserve, invest, utilize, and distribute the returns. Coordinate and facilitate to improve financial management efficiency of all three levels of government.

**7) Determining the standard of overall development and developing inter-level networks:** Minimize the existing fiscal gap and disparity at the provincial and local levels. Establish inter-provincial and inter-local and provincial-local production and means of production, market, access, information system and interconnection of good practices. Determine levelwise inter-networking and the latest bases and standards of development. Formulate appropriate models and plans for regional and local economic development. Strengthen fiscal and administrative federalism with political leadership and commitment.

**8) Coordination between plans, policies and programs to implement national and international commitments, agreements and fundamental values of development:** Achieve the sustainable development goals through efforts of all three levels. Collaborate with intergovernmental and non-governmental sectors for climate change adaptation, protection of human rights, end of absolute poverty and for ensuring social inclusion. Ensure balanced development of all sectors of the country through just distribution of resources and planned development. Develop a culture of coordination, cooperation and cooperative work at the federal, provincial and local levels. Institutionalize a balanced

and participatory planning system at the federal, provincial and local levels. Change the distribution-oriented development thinking at all three levels to focus on production, productivity and local economic development.

**9) Data system, monitoring and evaluation:** Identify development potential of the provincial and local levels. For consolidation of policy and planning system, produce, process, analyze and use necessary disaggregated data. Develop integrated reporting system for exchange and use of data and information. Develop and implement effective monitoring and evaluation system to make local level project management effective.

## 9.4 Transformative Strategies

**1) Formulation of long-term policy and effective implementation:** Review and implement the unbundling report to maintain clarity of constitutional rights and responsibilities. After reviewing the existing legal underpinnings and maintaining coordination with the governments at all levels, formulate a guiding policy on provincial and local economies and implement it effectively. Formulate policy in view of needs and priorities of the provincial and local governments and put it into implementation. Determine spending needs of provincial and local levels based on development and service standards, and take steps to make fiscal balance, development management and service delivery effective. Ensure optimum mobilization of resources through selection of projects, their prioritization, classification, budget formulation and its effective implementation. Activate inter-governmental coordination agencies and implement relevant decisions through institutionlized collaboration.

**2) Strengthening fiscal federalism:** Strengthen the principle of coordination, cooperation and coexistence through structural, legal and policy infrastructure. Implement formula-based financial transfers. Manage and utilize of human resources properly for strengthening administrative federalism. Strengthen the mechanism of responsibility and accountability in executing the expenditure assignments. Strengthen fiscal federalism by mobilizing internal resources, developing linkages in resource mobilization, efficient resource allocation and effective expenditure management. Enhance financial autonomy, while gradually reducing conditional grants and increasing equalization grants. Make fiscal transfers objective, evidence-based and fair based on the needs and responsibilities of the federal, provincial and local levels. Increase public trust towards the government by enhancing the economic strength and performance capacity of all three levels. To strengthen the provincial and local levels, make the foundation robust through pragmatic implementation of federalism. While developing debt management system of provincial and local levels, establish internal debt mobilization as a means of fulfilling increased requirement of capital expenditure.

**3) Enhancing production and productivity based on provincial and local specificities:** Review economic potentials and capacity of the provincial and local levels, and conduct economic programs based on the specificities of the respective level. Identify potentials of the provincial and local levels for economic development (resource mapping), and utilize them and balance the provincial and regional levels, thereby. Increase production and productivity through the use of appropriate and modern technology by controlling the growing fragmentation of arable land and mitigating the impacts of and adapting to the effects of climate change. Delineate responsibility to local governments by designating sample sectors for co-investment. Launch projects and programs through models based on public-private-cooperative and community participation. Enhance production and productivity by promoting investment in the productive sectors. Raise production and productivity and create employment opportunities by increasing investment in the productive sector, establishing special economic zones at different levels, development of industrial estates, industrial centers, industrial villages and economic centers. Initiate branding campaigns for local vending markets, exhibition venues and locally produced goods, services and products.

**4) Strengthening the provincial and local economy:** Strengthen the provincial and local economies by making the best use of natural resources and demographic dividend and increasing the productivity of available means of production. Develop small and medium enterprises in partnership with the private and non-governmental sectors to build the base of the provincial and local economy. In order to create an environment for internal and external investment in areas of comparative advantage, each local level is required to do skill mapping of the workers and issue identification cards. Coordinate with other provinces and local levels for employment opportunities if such opportunities cannot be created locally. Apply local taxes according to the principle of ability to pay and connect them to service delivery system. Promote tourism in education, health, sports, adventure, natural, religious, spiritual and cultural fields, and provide quality tourism services which have forward and backward linkages. Diversify tourism destinations and products. Transform the consumption-oriented economy into a production-oriented economy by conducting a special campaign to increase the production and use of local goods. Promote food and nutrition security by increasing productivity through modernization, mechanization and commercialization of the agriculture sector. Increase production of high value and low volume products to promote exports.

**5) Increasing efficiency in allocation of public resources and enhancing effectiveness of spending:** Identify spending needs at the provincial and local levels, map the available resources and means, and increase mobilization of internal resources. Make the best use of resources to meet the needs of public expenditure. Identify and expand the scope of new sources of provincial and local revenue and mobilize provincial

resources. Transfer fiscal equalization grants in a prioritized and balanced manner in order to meet the gap between the expenditure needs and revenue capacity of the provinces and local levels. In the areas of revenue sharing, and while increasing investment in natural resources, ensure equitable and just distribution of benefits. Increase capital expenditure. Formulate and execute revenue reform program. Improve public financial management of provincial and local levels by ensuring effective planning, budgeting, accounting, internal and external auditing, settlement of irregularities, make arrangements for selection of projects which have completed initial preparation in project bank. Also raise implementation capacity to this end. Maintain fiscal discipline by making the public expenditure system smart, transparent and capable of documenting the realistic picture of public assets. Link all types of grants transferred from the federal and provincial governments to performance, and implement an incentive-based grant system. Make royalty and revenue sharing equitable. Make project preparation and prioritization objective at the local and ward levels thereby improving project governance and financial discipline.

**6) Emphasis on regional balance and equitable development:** Special arrangements are required to be made in provinces and local levels with low internal income, high level of poverty, low ranking in HDI and remote geographical locations. These provinces and local levels will be especially considered while sharing resources and transferring grants from the standpoint of provincial balance and equitable development. On the basis of economic and social indicators and other specificities, make provisions for distribution and use of benefits accruing from natural resources in an equitable and fair manner. Develop infrastructure and basic services through special and complementary grants. Encourage participation of local levels in employment generation. Promote electronic governance by strengthening access to the Internet, radio and television in remote areas.

**7) Promote inter-linkages of rural-urban economy:** Expand economic, social, cultural and commercial inter-linkages necessary for the development of partnership in the economic activities of rural and urban areas. Strengthen rural-urban linkage by maintaining rural-urban inter-connection between urban infrastructure and facilities and means of rural production and productivity. Promote village-city partnership by maintaining inter-local level and ward and local level harmony. Promote intensive development of settlement and development of model based on corridors and clusters.

**(8) Governance reform and capacity building at the provincial and local levels:** Increase local participation and inclusiveness in every sector of governance by strengthening administrative federalism, administrative organization and institutional strengthening, human capital formation and mobilization and development of local leadership as well as use of modern technology. Strengthen the local and provincial economy by promoting and regulating the government and private sectors. Promote



financial discipline by adopting a performance-based fiscal transfer system and minimizing fiduciary risks. Enhance financial efficiency by strengthening provincial and local level economic bodies.

**(9) Identifying the sectors of comparative advantage and creating an investment-friendly environment:** Identify the areas of comparative advantage in the provincial and local levels based on study and review of available resources and potentials. Create an investment-friendly environment by promoting economic and physical infrastructure, ensuring resource availability, and assuring market. Monetize the rural economy by increasing access to financial services. Expand the formal sector through accounting of transactions, control of business diversion and illegal transactions, development of simple tax system, financial literacy and mobilization of effective integrated regulatory mechanism.

**10) Enhancing mobilization of available resources and increasing investment:** Promote identification, investment and utilization of natural resources by developing integrated laws and frameworks, and maintaining levelwise partnership. Make arrangements for branding and certification of high-value export goods and services in all seven provinces by protecting and promoting natural resources. Make feasibility study of high mountainous and Himalayan regions to build climate resilient communities who can contribute to adoption of climate resilient production system. The National Natural Resources and Fiscal Commission should prepare a clear framework of investment, utilization and sharing of natural resources and put it into implementation. Develop and implement an integrated human resource plan for utilization of human resources with high skills and entrepreneurial culture.

**11) Reforming the use of intergovernmental fiscal transfers in order to achieve the Sustainable Development Goals:** Prioritize the allocation of resources at all three levels to increase investment in sectors which are lagging behind to reach destinations set by the SDGs. Link supplementary grants to economic development, which is made available to provincial and local levels for implementation of infrastructure projects based on project feasibility, necessity, priority and returns from execution of the project. Special grants are extended to develop and provide basic services like education, health and drinking water. Transform such grants as a powerful means for attaining balanced development within provincial and local levels. Improve existing policies, laws and procedures to make financial federalism more transparent, balanced and equitable. It is important to take note of gaps or differences in provincial and local level GDPs, economic growth rates, capital expenditure capacity, multidimensional and absolute poverty, HDI and per capita national income. In view of this, raise investment in basic service delivery, physical infrastructure and economic development for attaining minimum level of equality in provinces and local levels through effective implementation of the equalization grants system. Further

strengthen provinces and local levels which have strong economies through financial transfers. Likewise, upgrade provinces and local levels that are weak from economic perspective.

**12) Develop integrated data and monitoring and evaluation system:** Develop and make use of integrated data system in coordination and cooperation of provincial and local levels. Prepare and continuously update the data profile of the federal, provincial and local levels. Develop a process of reform for the provincial and local economy with separate monitoring and evaluation system for their strengthening and balanced development. Increase regularity, efficiency and effectiveness of resource mobilization through result-oriented monitoring of fiscal transfers.

## 9.5 Major Programs

**1) Federalism strengthening program:** Enact additional legislations required to strengthen federalism, bring clarity in sharing of responsibilities and establish a federalism strengthening monitoring and evaluation secretariat at the National Planning Commission. Ensure human resources management adequately and increase fiscal transfer. In order to reduce conditional grants, transfer possible works carried out under such grants from the federal government to the provincial and local levels. Prepare a detailed province-wise database of the development situation, needs and potentials and proceed with balanced development works based on that description.

**2) Mapping and promotion of potentials and specificities of the province and local level:** Explore and conduct research on the best potential of the seven provinces. Identify and map areas of high productivity and comparative advantage. Emphasize the use and promotion of provincial specificities, capabilities, skills, tools and resources. Ensure exchange of exemplary, successful and illustrative works of the province and local level, transfer resources and develop forward and backward linkages. Facilitate the production of local specialties, preserve and promote traditional skills. Design and implement labor intensive projects. Promote investment of cooperatives in productive sectors. Identify the revenue potential of the provincial and local levels, create an action plan for revenue reforms and prioritize the mobilization of internal resources. Design and implement a revenue reform plan to increase utilization and collection efficiency of revenue potential in all three levels.

**3) Balanced development program through special investment mobilization:** Determine the listed base and standards of provinces and local levels that are falling behind from economic, social, administrative, geographic, environmental and humanitarian perspectives. Give priority to government and non-government investment in such provinces and local levels. Prioritize development plans of provinces and local

levels based on national needs, and provide financial and human support and assistance in coordination with all three levels. Conduct incentive programs for the upliftment and empowerment of the provinces and local levels. Build large infrastructure and ensure service delivery in collaboration with the private sector.

**4) Economic development and partnership program based on innovation and entrepreneurship:** Mobilize financial institutions for enterprise development based on local innovative technology and skills through measures such as partnership in start-up capital investment, arrangement for innovative finance and managing shortfall of finance. Improve and enhance marketing system, storage, processing and value chains for local produce. Promote local production by integrating local production system with tourism infrastructure. Develop partnership of federation, provincial and local levels in regional and local projects. Promote public-private partnership and co-investment. Simplify service delivery, facilitate local economic development, promote good governance and build human and social capital. Promote youth targeted programs in economic development and certification and marketing of local products.

**5) Economic-social transformation and rural-urban integration program:** For balanced and equitable development of provinces and local levels, launch targeted small and medium enterprises development program on the basis of potential and specificity of the concerned province and local level. Develop interlinkages in areas and activities like rural cooperative, development of modern vendor market, roads and communication infrastructure, financial access, partnership in resources use, and education, health and employment promotion. For improvement of living standard, take measures such as conservation and use of community forestry, climate resilient production system and organic farming and herbal products promotion. Develop and promote community-based economy and follow good practices.

**6) Inter-provincial and inter-local level network development program:** Emphasize on development and expansion of inter-provincial and local and inter-local networks that connect provincial economic centers for integrated development of provincial and local economies. Balance between ownership and use of land; development of land bank, incentive system for use of public and barren agricultural land. Transform to organic farming and promote the market system through indigenous products. Collect detailed socio-economic data down to the ward level. Develop communication-networking and management information systems. Expand transport networking and market information systems. Undertake mapping of available resources and mobilize them for mutual benefits. Enhance cultural, social and tourism networking.

**7) Fiscal federalism promotion program:** Build capacity in fiscal responsibility and planning. Enhance planning chains and project governance. Develop a need-based and

performance-based system of intergovernmental fiscal transfers. Extend the conditional grants not in an operational manner but with subject-specific conditions and balanced development goals and expected achievements. Gradually increase the fiscal equalization grant.

**8) Integrated local economic development program:** Identify potential for economic development at the provincial and local levels. Make selection, implement, monitor and evaluate economic activities. Cooperate and collaborate in matters related to resources and technology. Formulate an integrated economic development plan of the federal, provincial and local levels and implement it in a coordinated and complementary manner.

**9) Data system and monitoring and evaluation promotion program:** Establish and operationalize statistical units at provincial and local levels. Manage economic and financial sector data, develop integrated data system and update and bring into use nationally important factual information. Carry out monitoring and evaluation while launching economic plan in the provincial and local levels or in connection with the ongoing plans and programs.

## 9.6 Quantitative Targets

S. N.	Indicator	Unit	Natio nal	Kos hi	Madhe sh	Bagm ati	Gand aki	Lumbi ni	Karn ali	Sudur paschim	Target for F.Y. 2028/29
1	Economic growth rate (at basic prices)*	Percent	3.5	3.2	3.5	3.6	4.2	3.7	3.1	3.1	As men tion ed in the periodic plan or other docu ment by the concern ed provinc e
2	Gross Domestic Product per capita	US Dollar	1434	1336	892	2484	1557	1159	1066	1111	
3	Population below the national poverty line	Percent	20.3	17.2	22.5	12.6	11.9	24.4	26.7	34.2	
4	Share of capital expenditure in total budget	Percent	21.2	56.2	53.6	55.3	65.6	57.9	62.1	57.2	
5	Human Development Index	Index	0.60	0.58	0.51	0.66	0.61	0.56	0.53	0.54	
6	Unemployment rate	Percent	11.4	10.2	20.1	7	9	11.2	9.7	11.5	
7	Labor force participation rate	Percent	38.5	37.8	39.7	47.1	35.7	37.3	27.5	27.3	
8	Registered large-scale industries	Number	8947	851	611	5739	830	696	81	139	
9	Registered micro, small and medium-scale enterprises	Number (Thousand)	637	93.9	118.8	196.4	69.7	108.8	35.6	49.7	
10	Population per branch of banks and financial institutions	Number	2517	2660	3459	2004	1743	2305	3661	3212	

\* Preliminary estimates for F.Y. 2023/24



Chapter 10

# Poverty and Inequality Reduction and Building of Equitable Society

10.1 Background

10.2 Existing Situation

10.3 Main Issues and Challenges

10.4 **Transformative Strategies**

10.5 Main Programs

10.6 Quantitative Targets





# Reduction of Poverty and Inequality and Building an Equitable Society

## 10.1 Background

The preamble of the Constitution of Nepal envisions ending all forms of discrimination based on class, ethnic, regional, linguistic, religious or gender and ethnic untouchability to ensure economic equality, prosperity and social justice, and build an egalitarian society based on the principles of proportional inclusion and participation. Issues such as food, housing, employment, social security have been established as fundamental rights. The policy ensures economic equality, prosperity and social justice by ending all forms of discrimination and oppression existing in society through adoption of federal system of governance. In addition, the long-term vision, 2043 aims to end absolute poverty and limit multidimensional poverty to 3 percent by 2043.

Along with the adoption of planned development effort, poverty alleviation and inequality reduction programs have come to the centerstage. For economic and social prosperity, partnership and collaboration in global efforts such as Sustainable Development Goals are ongoing. Through implementation of policies on inclusion and affirmative action, participation of marginalized and disadvantaged communities in the state mechanisms is on the rise. Despite the aforementioned endeavors, more efforts are needed to end all forms of poverty on the path of achieving Sustainable Development Goals, and more particularly, to address multidimensional aspects of poverty for reduction of all types of inequalities. Transformative efforts are needed for creation of an equitable society through equity in distribution of opportunities in economic, social and governance sectors.

## 10.2 Existing Situation

As a result of the past efforts made, significant progress has been made in the field of reducing poverty and inequality. According to the Fourth Nepal Living Standard Survey, 2022/23, 20.3 percent of the total population in Nepal is living below the poverty line, of which 18.3 percent in urban areas and 24.7 percent population in rural areas live below the poverty line.

From the provincewise perspective, poverty rate in Madhesh, Lumbini, Karnali and Sudurpashchim provinces is higher than the national poverty rate. Inequality exists in economic, social, geographical, gender, caste and other indicators. Asset-based Gini coefficient is 0.30, while Palma ratio is 1.30 as per mid-term review of the fifteenth plan. According to the Multidimensional Poverty Index, 2021, the multidimensional poverty of Nepal is 17.4 percent, the highest poverty is 39.5 percent in Karnali province and the lowest is 7 percent in Bagmati province. 12.3 percent of the population living in urban areas and 28 percent of the population living in rural areas have multidimensional poverty. Although the numerical representation of women, ethnic groups, Madheshis, *Dalits*, backward areas and other communities has increased in the state mechanism, it is necessary to make arduous efforts for capacity development of the real target groups. According to the National Census, 2021, Bagmati province has the highest literacy rate (82.1 percent) while Madhesh province has the lowest literacy rate (63.5 percent). The female literacy rate is 69.4 percent, which is lower than the total literacy rate of 76.2 percent. As for women's participation, there is a presence of about 28 percent of women in the civil service, about 33 percent in the teaching service, 33.10 percent in the House of Representatives, 37.3 percent in the National Assembly, 36.4 percent in the Provincial Assembly, about 42 percent in the local level, and 3.0 percent in the judiciary.

Based on the analysis of Human Development Index, Inequality Adjusted Human Development Index, Gender Development Index, Gender Inequality Index presented in Nepal Human Development Report, 2020, the development status of the provinces remains unequal. From the point of view of human development, Bagmati province occupies the first position (0.661), while the status of Karnali (0.538) and Madhesh (0.510) provinces remains weak. Also, Human Development Index is 0.647 in urban areas and 0.561 in rural areas. As the Gender Development Index has improved and reached (0.960), the position of Madhesh province is comparatively weaker (0.786) compared to other provinces. Overall, the reduction of gender inequality is improving and remains at 0.48. However, on a provincial basis, Karnali province (0.558), Madhesh province (0.503), Sudurpashchim province (0.522) show more. The Himalayan region (0.557) on the basis of geographical region has a higher gender inequality index. In this way, in various aspects like distribution and utilization of resources, access to development infrastructure, availability of opportunities, etc., inequality prevails.

### 10.3 Major Issues and Challenges

**1) Conduct targeted programs by mapping poverty and inequality:** Carry out and update identification of the really poor households and get disaggregated data based on ethnic groups, language, geography and gender. Integrate targeted programs on poverty alleviation and inequality reduction, and through their effective implementation, reduce poverty in terms of intensity and concentration. Identify, develop and implement

mainstreaming programs for women, children, senior citizens, persons with disabilities, gender and sexual minorities.

**2) Reducing poverty and inequality by ensuring equitable access to resources and distribution of benefits:** Distribute resources and benefits in a balanced and equitable manner. Address inequalities that exist in infrastructure related to human development, poverty, economic and social development. Solve existing problems of poverty and inequality by channeling resources into productive and employment-oriented sectors.

**3) Creating opportunities for employment and self-employment through skill development and entrepreneurship:** Maintain access to skills, technology and resources necessary to develop an entrepreneurial work culture. Ensure effective implementation of policies and plans to guarantee minimum employment to the unemployed and fair distribution of employment opportunities. Reduce concentration of poverty in the agricultural sector, reduce fragmentation of arable land, utilize barren land properly and market agricultural products. Create productive employment opportunities by maintaining inter-linkages between the primary, industry and service sectors.

**4) Reducing risks by integrating social security programs and making them effective:** Eliminate duplication in social security programs operated by the federal, provincial and local levels. Reduce the possibility of additional chunk of population fall below the poverty line due to disasters, epidemics, climate change, etc., and include the target group within the fold of social security. Make social security program complete, sustainable and productive by integrating it to bring the target group at the center.

**(5) Ensuring equitable participation and representation in the governance mechanism:** Ensure equitable representation and meaningful participation in activities like policy, planning, budget formulation, implementation and monitoring and evaluation. Ensure access of all citizens to public services and facilities. Increase physical and technological inter-linkages between villages and cities, breaking down geographical extremities and disparities. Enhance partnership and coordination of government, private, cooperative, community and non-governmental sectors to reduce poverty and inequality. Create a society free from exploitation by ending economic inequality through fair distribution of outcomes obtained from development.

## 10.4 Transformative Strategies

**1) Conducting special programs targeting identified poor households:** Identify poor households and update integrated and disaggregated data in coordination with the local level. Make policies, plans and programs targeted to the poor based on automated data system. Develop entrepreneurship among the target households through education,

health, skill development and employment and provide them concessions in service delivery of the state.

**2) Establish equitable access to resources and public services and reduce poverty and inequality:** Adopt income redistribution strategies to reduce inequality between the rich and poor. Distribute basic and essential services to individuals and families of the poor and marginalized communities in a subsidized manner to lead a dignified life. Expand income generation opportunities by enhancing financial awareness, financial access and financial inclusion. Conduct programs to increase labor participation, and implement policies such as equal pay for equal work, minimum wage, etc.

**3) Ensuring quality education and health:** Establish easy access to technical and vocational education by arranging special concessions for poor and underprivileged citizens. Conduct coordinated programs with the government, private sector, cooperatives and development partners in building healthy, educated and skilled citizens by increasing the quality and accessibility of education and health. Develop and implement programs that links education to skills, skills to employment, employment to production and production to markets.

**4) Expanding employment opportunities:** Develop an integrated employment information system and maintain citizens' access to employment information. Adopt a workplace-based skills development and employment policy to support internal job creation and produce human resources required by the labor market. Adopt entrepreneurship and start-up policies to create jobs by encouraging new and young entrepreneurs. Attract youths in the agriculture sector by modernizing, commercializing, diversifying, industrializing and marketing this sector. Make policy arrangements to promote micro, domestic and small enterprises. Expand industrial employment opportunities by attracting domestic and foreign investment in the industrial sector. Manage service-related employment in a better manner by introducing timely reforms in trade, tourism, information technology and other sectors.

**5) Inclusion of all citizens in the scope of social security:** Ensure effective implementation of social security programs for poor households and communities that need protection from the state. Emphasize on the implementation of contribution-based social security plan to guarantee social security to all citizens. Development of disaggregated data, implementation of integrated social security structure, coordination between three levels and effective monitoring to make the social security program effective.

**6) Expansion of insurance for risk reduction:** Make arrangements for insurance for life, property, crops, business, etc. of poor families, farmers, poor households and small entrepreneurs to reduce losses caused by disasters, epidemics, climate change, and

incurable diseases. Broaden the scope of health insurance and implement it at all local levels by increasing the quality of service.

**7) Ensuring meaningful participation of the target groups in the governance system through access, representation and capacity development:** Ensure participation of the target groups in political, administrative, judicial and other fields through methods such as positive discrimination, proportional representation, reservation. Encourage the private, cooperative and non-governmental sectors to implement the policy of positive discrimination. Enhance the partnership and coordination of the government, private, cooperative, community and non-governmental sectors for reducing poverty and inequality.

## 10.5 Major Programs

**1) State facility identity card distribution program:** After completing the identification of poor households and ID card distribution program, distribute state facility ID cards to the identified poor. Eliminate duplication by gradually including social security and other service facilities provided by all three levels of government in the state facility identification card. Give preference to poor households who have state facility ID cards when conducting targeted programs in coordination with the local level. Through financial institutions, provide subsidized loans with seed capital to the identified poor to run business.

**2) Program to build equitable society through economic and social transformation:** Develop skill and entrepreneurship development targeting the poor, disadvantaged and remote areas. Optimize land use, with modernization, diversification and commercialization of agriculture and establishing market linkages to improve the standard of living of citizens dependent on agriculture. Launch community-based infrastructure development, collective model production and employment programs. Mobilize the cooperative sector for development of micro, domestic and small enterprises and marketing of products. Strengthen the local economy through tourism. Enhance financial literacy to increase financial access of low-income and marginalized groups and communities. Expand the financial sector and diversify financial instruments. Carry out social and cultural transformation to reduce existing discrimination and social bad practices.

**3) Access to basic and essential goods and services program:** Make availability of food at a concessional rate to households with state facility cards. To make arrangements for free education and health, provide scholarships and insurance-based health services delivery. Provide discounts on electricity and water bills, concession on transport services

and operate shops at concessional rates. Ensure at least one house and one employment or self-employment in the households of the poor.

**4) Poverty alleviation program through social security:** Provide micro credits, social safety nets for risk reduction, food and nutrition security, minimum employment, targeting poor households. Relocate vulnerable settlements to minimize potential damage from natural disasters, epidemics and man-made disasters. Give priority to economically disadvantaged groups and areas in social security programs. Extend the contribution-based social security program down to the community level.

**5) Production and employment-focused program:** Review the existing employment and self-employment programs to create employment at the local level by supporting production and productivity enhancement through mobilization of local skills, resources, capital, and technology. Conduct employment creation program with participation of the government at all levels and in partnership with the private sector. In partnership with the provincial and local levels, provide technical assistance and distribute subsidized loans for development and upgrade of small and domestic enterprises. Carry out innovation partnership programs in all province in partnership with provinces and local levels. Conduct "Farm to Factory" programs to link local agricultural production with enterprises and thereby expand employment opportunities. Provide subsidized loans along with support programs from the Industrial Investment Promotion Fund to promote women, micro, domestic and small entrepreneurs. Conduct intensive integrated agriculture and livestock development programs targeted at the poor.

**6) Infrastructure and technology utilization program for poverty reduction and inclusion:** Utilize the opportunities created by development and expansion of transportation and power networks, development of information technology, etc. to promote poverty reduction and inclusion. Establish digital platforms to provide agricultural extension services to farmers and connect them with markets. Conduct program to provide professional and career advice through online means.

**7) Empowerment and capacity development program:** Provide training and orientation for the protection, upliftment, empowerment and development of the poor, Dalits, landless squatters, minorities, endangered and marginalized groups. Conduct campaigns related to elimination of untouchability and caste discrimination at the local level. Develop leadership through sharing of information, knowledge and experience. Preserve, promote and transmit to new generations traditional arts, culture and skills. Provide employment and self-employment opportunities by providing training, subsidized loans, grants, technical assistance for income-earning.

**8) Governance reform program:** Ensure transparent, economical, accountable and effective resource mobilization through public hearings, social testing and self-evaluation

of service delivery. Promote people’s participation in targeted class focused programs and development. Adopt methods of affirmative action for equitable representation and meaningful participation in resource utilization, governance, policy formulation and implementation levels. Extend reservation and affirmative action programs in the private, cooperative and non-governmental sectors. Review and improve the reservation system. Improve access of the poor to equitable distribution of benefits. Establish mechanisms to coordinate poverty reduction programs. Increase access to basic goods and services by using methods such as mobile services and electronic means to provide services to remote areas from the local level.

## 10.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Population below the national poverty line	Percent	20.3	12
2	Human Development Index	Index	0.601	0.65
3	Gender Development Index	Index	0.885	0.967
4	Consumption-based Gini coefficient	Coefficient	0.3	0.28
5	Proportion of upper 10 percent & bottom 40 percent of population in consumption (Palma ratio)	Ratio	1.3:1	1.2:1





## Chapter 11

### Effective Public Finance Management and Enhancement of Capital Expenditure Capacity

11.1 Background

11.2 Existing Situation

11.3 Major Issues and Challenges

11.4 Transformative Strategies

11.5 Major Programs

11.6 Quantitative Targets



# Effective Public Finance Management and Enhancement of Capital Expenditure Capacity

## 11.1 Background

Effective public finance management ensures the predictability and certainty of public resources, allocation and expenditure efficiency, economic discipline, and fiscal accountability. Quality capital expenditure, through productive investment in partnership with the government itself, the private sector, and the community, lays the foundation for sustainable, inclusive, and high economic growth. Intergovernmental fiscal management plays a pivotal role in institutionalizing fiscal federalism for the development and prosperity of a balanced and equitable provincial and local economy.

To meet the growing need for public expenditure for the country's development and prosperity and to reduce dependence on foreign aid, it is essential to increase the mobilization of internal resources. Foreign direct investment helps fill the resource gap in public investment, promote exports by increasing production, substitute imports, maintain balance of payments, and transfer innovative knowledge and technology for development. Public debt should be mobilized in national needs and priority areas without restricting private sector investment, managing deficit financing, ensuring economic growth with macroeconomic stability, effective utilization of foreign capital and technology, and intergenerational equity. Public financial management must also play a significant role in the effective mobilization of external debt.

Public investment should stimulate private investment. For the development of modern and citizen-friendly infrastructure and reconstruction efforts, there should be alignment between the commitment, acquisition, utilization capacity, and outcomes of foreign aid. Capital expenditure capacity must be enhanced by promoting transparency and accountability across all aspects of macro-fiscal discipline and project governance. This will help complete projects on time, within budget, and with the desired quality. It is essential for federal, provincial, and local governments to enhance their public spending capacity to make public expenditure systems outcome-oriented, transparent, and accountable.

In this context, the Sixteenth Plan emphasizes achieving good governance, social justice, and prosperity by increasing revenue capacity, capital expenditure capacity, acquisition and utilization of foreign aid, and using effective financial management tools.

## 11.2 Existing Scenario

The continuous development and implementation of legal, institutional, and information technology-related systems concerning public financial management have helped organize revenue administration, expenditure management, and deficit financing. As outlined in the Constitution of Nepal, Financial Procedures and Fiscal Responsibility Act, and other financial management-related laws and regulations along with constitutional commissions and agencies, and mechanisms established at different tiers are active. Table 11.1 presents the key indicators related to public finance in Nepal in different periods with a comparative analysis as a proportion of GDP.

**Table 11.1: Government Finance (In percent of GDP)**

Indicators	F.Y. 1991/92	F.Y. 2006/07	F.Y. 2018/19	F.Y. 2022/23
Annual Revenue Mobilization	9.0	12.1	21.8	18.9
<i>Tax Revenue</i>	6.6	9.7	19.14	16.2
<i>Non-tax Revenue</i>	2.4	2.3	2.36	1.7
Annual Government Expenditure	17.7	18.4	28.8	26.7
<i>Current Expenditure</i>	5.8	10.6	18.6	18.8
<i>Capital Expenditure</i>	11.0	5.5	6.3	4.4
<i>Financing</i>	0.8	2.3	4.0	3.6
Foreign Grants	1.1	18.4	0.6	0.4
External Debt	4.6	2.2	3.2	1.9
Domestic Borrowing	1.4	1.4	2.5	4.8
Outstanding External Debt	47.4	29.8	15.4	21.9
Outstanding Domestic Debt	15.5	13.6	11.7	21.1

The ratio of annual revenue mobilization and annual government expenditure to the GDP has increased between the fiscal years 1991/92 and 2018/19; however, there has been a slight decrease in the fiscal year 2022/23. Within the government's annual expenditure, the ratio of current and financing expenses to GDP has been continuously increasing, while the ratio of capital expenditure has significantly decreased from 11 percent in the fiscal year 1991/1992 to just 4.4 percent in the fiscal year 2022/23. There is a situation of decreasing foreign grants for deficit financing and an increasing ratio of internal borrowing within the growing public debt.

Structural hurdles persist in revenue collection. The contribution of direct taxes to total revenue is significantly lower compared to indirect taxes. With the share of recurrent expenditure in the total budget increasing, the allocation and expenditure for capital expenditure have been continuously declining. Most of the capital expenditure is spent in the last quarter of the fiscal year, and its quality is poor. The size of the budget allocated for financial expense is increasing compared to capital expenditure. The inability to effectively utilize foreign loans in productive sectors has led to the need to manage public finance by mobilizing internal debt.

## 11.3 Major Issues and Challenges

- (1) **Import based revenue structure:** Expand the tax base and tax scope to reduce tax disparities; increase share of domestic revenue by bringing the informal sector into the tax framework through electronic transactions; transform the current revenue structure based on imports into one based on domestic production.
- (2) **Enhancing Public Expenditure Efficiency:** Increase public expenditure efficiency through allocation efficiency and expenditure capacity, alignment between responsibilities and expenditure, and financial governance; make the medium-term expenditure framework effective; fulfill the need for capital expenditure from internal sources; enhance the capacity of public organizations and officials involved in fiscal management and capital expenditure mobilization to improve efficiency and professionalism; develop an integrated and sustainable social security system.
- (3) **Intergovernmental Fiscal Management:** Ensure sustainable, reliable, and predictable intergovernmental fiscal management by fulfilling vertical and horizontal fiscal gaps among different tiers of government through revenue sharing, grant transfers, proper utilization of public debt, and enhancing internal revenue capacity.
- (4) **Project Management:** Ensure prioritization, reprioritization of projects, and effective implementation project bank; manage projects along with effective public procurement systems and acquisition of land and forest areas; implement results-based project management through effective contract management, performance contract with project managers, and strengthen the construction business sector.
- (5) **International Finance Mobilization:** Establish a single-window system for receiving foreign grants and assistance; Align international development assistance within the national budget system and government treasury and enhance the disbursement capacity; mobilize development assistance in productive and national priority sectors through needs identification and balanced development; deploy new tools for international finance on areas such as climate change and building a green economy; Develop institutional capacity to mobilize competitive alternative international finance to build transformative large-scale infrastructure when Nepal graduates into a developing country.
- (6) **Sustainability of Public Debt:** Accept public debt only for productive projects; mobilize loans in productive sectors while ensuring financial and monetary stability; adopt a project-based public debt system; sustainably utilize public debt by adopting short-term, medium-term, and long-term public debt mobilization strategy; ensure expenditures are made only in areas of national priority with tangible outcomes and establishing a system to spend only according to fiscal laws and regulations.
- (7) **Coordination and Inter-relationship:** Strengthen constitutionally and legally defined policy, legal, institutional, and operational structures to establish inter-relationships between the tiers of government; enhance coordination and inter-relationships among the federal, provincial, and local levels; ensure effective coordination and collaboration among government agencies; and establish vertical

and horizontal inter-linkages between the plans, policies, medium-term expenditure frameworks, budgets, and annual programs formulated by three tiers of government.

- (8) **Enhance the efficiency and professionalism of public finance:** Ensure proper management of the government's contingent liabilities; provide sovereign guarantees by assessing the capacity to bear risks solely for strategic infrastructure development; and utilize investments in financial assets and potential cash savings in government funds in a profitable and equitable manner.
- (9) **Result-Based Monitoring and Evaluation System:** Emphasize a result-based monitoring and evaluation system through effective accounting, reporting, and auditing of public expenditures; develop a strong internal control system; monitoring the financial discipline of non-budgetary entities in public financial management and obtaining financial reports.

## 11.4 Transformative Strategy

- (1) **Expand the scope of revenue:** Make the tax determination system a subject of parliamentary discussion through tax proposal bills; assure the parliament the authority to set tax rates and provide tax exemptions; restructure the sources and rates of revenue; conduct tax audits and research focused on sectors and activities with tax discrepancies; review and adopt tax laws aimed at protecting the tax base, reducing cost of economy, and increasing efficiency; control revenue leakage, enhancing tax compliance, and identifying and expanding new revenue bases; promoting the formal economy through digital transactions and increase tax awareness, thereby expand the scope of revenue.
- (2) **Strengthen Revenue Administration:** Streamline procedures ensuring inter-organizational coordination, and maximizing the use of modern technology to make the revenue system sustainable and dynamic through policy and institutional reform of revenue administration; develop an integrated system to include all types of income in the revenue basket; control tax evasion through all means by increasing the use of artificial intelligence; strengthen revenue administration through taxpayer-friendly tax administration; establish mechanisms to provide recommendations for improvements in tax policy, changes in tax rate, and hearing of tax disputes based on regular research and development.
- (3) **Enhance Allocation Efficiency and Expenditure Effectiveness:** Develop mechanisms to ensure research, evidence, and accountability in resource estimation; adopt a contribution-based, partnership, and participatory expenditure system to make mandatory and contingent public expenditures sustainable and bearable; allocate resources to priority areas based on preparedness, need for expenditure and capacity, fiscal discipline, investing capital by integrating scattered funds; enhance allocation efficiency and expenditure effectiveness by conducting periodic reviews of public expenditure; operate completed projects professionally; establish provision of the parliamentary approval for long-term liabilities creating programs, and budget re-appropriation.

- (4) Improve Capital Expenditure Capacity by Ensuring Project Governance:** Establish an institutional arrangement of project banks at all three tiers; prioritize and reprioritize projects focused on physical infrastructure with comparative advantage and competitive capacity for economic growth; focus capital expenditure on strategically important and multi-year projects and programs; adopting a quarterly target and payment policy for projects; implement a system where loans can be obtained from banks with project guarantees after signing an invoice or contract; simplify environmental impact assessments and land acquisition processes to improve project governance; create a separate development policy for the implementation of large projects; ensure only the labor-intensive and locally-sourced materials-based construction work is carried out through consumer committees, and discourage the practice of splitting large works to assign them to consumer committees to avoid competition.
- (5) Enhance Capacity to Utilize International Finance and Introducing New Instruments:** Mobilize development assistance for ready to go and high-return projects and programs; mobilizing new international financial instruments such as green bonds; issue local currency-denominated bonds; enhance the capacity of responsible bodies and human resources to mobilize climate-related finance; enhance the utilization and absorption capacity of development aid prioritizing project-specific development assistance.
- (6) Productive Use of Public Debt:** Focus public debt mobilization on feasible and high-return projects based on cost-benefit analysis for long-term capital formation; issue project-specific development bonds instead of budget support to mobilize domestic debt; balance short-term and long-term debt in domestic borrowing.
- (7) Promote Strong and Responsible Public Financial Management:** Implement continuous reform plans to strengthen and make public financial management effective by enhancing financial investment, efficiency, and managing contingent liabilities; monitor the financial discipline of non-budgetary bodies and produce financial reports; assess risk-bearing capacity to provide sovereign guarantees; invest in financial assets and ensure the beneficial use of potential cash savings in government funds while ensuring intergenerational justice.
- (8) Enhance the Effectiveness of Intergovernmental Finance:** Make intergovernmental financial transfers scientific, transparent, and accountable to address the financial disparities of provincial and local governments; develop and implement an appropriate framework for investing in and utilizing natural resources; enhance the expenditure capacity of governments at different levels to increase the effectiveness of intergovernmental finance.
- (9) Performance Contracts for Effective Project Implementation:** Select project heads based on competition to improve project performance; adopt a performance-linked incentive system and sign performance contracts with project heads based on certain indicators and criteria; implement provisions allowing contractors to use contract documents or interim payment certificates as collateral for loans in the financial market; make the implementation fully accountable and committed, and provide compensation arrangements.

- (10) **Prioritize Public-Private Partnership (PPP) Projects:** Identify viable projects to be implemented under public-private partnership and timely amend legal provisions; assess the capacity of contractors and enhance their capacity; mobilize direct foreign investment and domestic investment in public-private partnerships; ensure the smooth supply of construction materials based on natural resources and enhance worker skills while promoting public-private partnerships; develop the capacity to manage and operate assets after transferring such projects to the government.
- (11) **Develop a Results-Based Monitoring and Evaluation System:** Strengthen internal control systems, effective accounting, reporting, and auditing of public funds, liabilities, assets, income, and expenditure; adopt an integrated monitoring and evaluation system with coordination and cooperation at different levels and bodies; develop a financial information system so that an integrated financial report of all three levels of government, including the entire government, can be audited.

## 11.5 Major Program

- (1) **Revenue System Strengthening Program:** Restructure revenue administration to manage risks; review tax rates and structures, conduct tax audits and investigations focusing on large establishments and individuals with significant assets to reduce tax compliance costs and time; review the effectiveness of tax incentives; develop and implement a paperless, faceless, contactless system based on electronic and artificial intelligence technologies; integrate all tax and business administration into a one-door system.
- (2) **Financial Resource Mobilization Improvement Program:** Conduct comprehensive reforms in resource mobilization, as a large amount of resources is needed to meet development needs; establish a scientific customs duty system to control revenue evasion and leakage; improve surveillance systems by using technologies such as CCTV, scanners, and vehicle scanners; increase compliance with value-added tax (VAT); make monitoring and inspection more effective; implement punitive measures for both sellers who do not issue invoices and customers who do not take them; reward and incentivize good employees and businesses while imposing fines and penalties for wrongdoers; provide logistics and special facilities to security personnel and staff deployed to control smuggling, tax evasion, and illegal trade in border areas.
- (3) **Financial Transfer and Efficiency Enhancement Program:** After the implementation of federalism, all three levels of government have accounts, and even when the federal government's account lacks funds, a large portion remains unused in the accounts of provinces and local governments. Therefore, when transferring funds from the federal to the provincial and local governments, ensure that the funds are not idle in the accounts. Adopt a provision that allows the federal government to borrow from the funds in the provincial and local government accounts.
- (4) **Financial Resource Mobilization Through Natural Resources Program:** Make appropriate use of available land, forest resources, water, stones, soil, river materials, etc.; develop a system to increase revenue through the judicious use of natural



resources (public land, forests, rivers, ponds, river-based and extractive construction materials).

- (5) **Formalization of Informal Economic Activities Program:** Promote the registration, labeling, renewal, and inclusion of rental housing in the tax system; make it mandatory to conduct real estate transactions and land deals through registered agents; bring real estate brokers and businesspeople into the tax net; actively engage local governments in the formalization of the informal economy and distribute revenues accordingly; take effective steps to control illegal trade and transactions from both the demand and supply sides; revise the methodology for calculating gross domestic product (GDP) and change the base year.
- (6) **Accountable Public Financial Management Program:** Strengthen information technology for accountable public financial management; publish accurate financial statements for the entire government; develop a system for assessing and managing public financial risks; introduce legal provisions to punish heads of agencies and financial officers if their audited financial accounts show an audit objection ratio of more than 1.5% of the total government financial transactions (expenditure and revenue).
- (7) **Project Management Strengthening and Capital Expenditure Capacity Building Program:** Enhance the interconnectedness of project banks, medium-term expenditure structures, and ministry-level budget information systems; prioritize the open, competitive selection of project heads through external contracts and performance contracts; develop an integrated development law to enhance the capacity for capital expenditure; implement the public investment management action plan to increase cost-effectiveness in capital expenditure; coordinate and facilitate land acquisition, forest area utilization, availability of construction materials, and adequate budget provisions; improve the project management system through the use of advanced technologies; end the frequent changes in project heads and ensure the availability of appropriate skilled personnel.
- (8) **Construction Entrepreneurs' Capacity and Efficiency Enhancement Program:** Amend the Public Procurement Act related to construction to make it acceptable to both the government and the private sector; manage standards and codes of conduct for construction; enhance the capacity and efficiency of construction entrepreneurs; introduce a provision for the collateralization of contracts and interim payment certificates and allow direct reimbursement by government bodies; adopt a system where construction entrepreneurs are required to submit a completion certificate for their previous responsibilities when selecting them for new contracts.
- (9) **Public Funds Integration and Resource Expansion Program:** Formulate policies for the integration of public funds, implement them, and allow borrowing from the integrated funds; identify and expand additional revenue sources for local and provincial governments.
- (10) **Project-Specific Development Bond Issuance Program:** Raise investment through project-specific development bonds for special projects.

- (11) **Program to Promote the Country as an Attractive Investment Destination:** Improve business operation indicators through legal reforms, implementation of automated systems, and facilitation measures to promote the country as an attractive investment destination; encourage domestic investors to make additional investments and attract substantial foreign investment; promote public-private partnerships (PPPs) for various infrastructure projects by implementing Viability Gap Funding; enhance the effectiveness of economic diplomacy.
- (12) **Artificial Intelligence Promotion Program:** Reduce current government expenses by increasing the use of information technology, including artificial intelligence, which requires less manpower; streamline and economize the use of vehicles, fuel, drivers, and office assistants; adopt measures for frugality in the use of stationery, electricity, water, etc.; increase the use of artificial intelligence wherever possible.
- (13) **Effectiveness of International Finance Mobilization Enhancement Program:** Prioritize the mobilization of development assistance based on policies and programs; introduce new international finance instruments such as green bonds, climate-resilient bonds, blended finance, and bonds issued in local currencies; enhance the effectiveness of hedging systems to reduce exchange rate and interest rate risks when mobilizing international finance; improve processes and increase expenditure capacity to enhance the effectiveness of foreign aid; base the selection of projects to be operated through foreign aid on development needs, potential outcomes, and balanced development.
- (14) **Results-Based Monitoring, Evaluation, and Sustainability Program:** Continuously revise and adopt on-site and off-site methods for results-based monitoring and evaluation based on information technology; integrate information systems and establish automated information exchange between systems.

## 11.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Annual revenue growth rate	Percent	-10.2	12.4
2	Federal revenue mobilization as a proportion of Gross Domestic Product	Percent	18.9	23.5
3	Government expenditure composition (Current: Capital: Finacial)	Percent	71:16:13	55:29:16
4	Annual appropriation to expenditure ratio	Percent	79.7	90
	<i>Current expenditure</i>		85	90
	<i>Capital expenditure</i>		61.4	90
	<i>Financing</i>		82.6	90
5	Ratio of annual irregularities to total expenditure	Percent	2.4	1.5

Chapter 12

# Governance Reforms and Promotion of Good Governance

12.1 Background

12.2 Existing Situation

12.3 Major Issues and Challenges

12.4 **Transformative Strategies**

12.5 Major Programs

12.6 Quantitative Targets



# Governance Reforms and Promotion of Good Governance

## 12.1 Background

The Constitution of Nepal, while pledging to protect life and property of the citizens and their civic liberty and equality, has set the goal of establishing a welfare state that can ensure justice in all walks of life through the rule of law, the values and ideals of fundamental rights and human rights, gender equality, proportional inclusion, governance based on federal democratic republic, citizens' participation and social justice. Ensuring governance reforms and good governance provides groundwork for establishment of a welfare state. With changes in time, the field and scope of governance reform has also widened. When aspirations of the citizens for all-round development and wellbeing is included in the agenda of governance improvement, it is possible to establish the goal set by the constitution. Governance reform should include activities of reforms that cover pre-birth to after-death of human.

To ensure good governance, transparency, accountability, public responsibility, ethical work system and behavior are required in political, administrative, judicial and social fields. It is indispensable to strengthen the rights, obligations and duties, work responsibilities and effective coordination among the governments at different levels in a federal governance system. It is the responsibility of the state to guarantee good governance by ensuring equal and easy access of the people to services and facilities provided by the state.

## 12.2 Existing Situation

After the promulgation of the constitution, the federal, provincial and local government elections have been held twice through the mixed election system according to the provision of the constitution. All three levels of government have completed the first term and entered the second term. This has institutionally established a democratic republic. Public bodies are becoming politically inclusive. As a result, it has helped to establish good governance through the democratic governance process.

Although the legal and structural arrangements, citizens' awareness level, the role of rights groups and the media have increased to implement the state's policy of guaranteeing good governance, the progress of most of the indicators of various

dimensions of governance reform and good governance is, however, not satisfactory as expected. In the Fifteenth Plan, the rule of law index got lower than the target for the last year ( F.Y. 2023/24). The rule of law index got very low in F.Y. 2022/23, it declined from what was measured in the base year of the plan, viz F.Y. 2018/19. The improvement made in indicators such as government effectiveness, corruption control, voice and accountability, regulatory quality and political stability, and the end of violence also do not meet expectation.

In the context of Nepal being a party to the United Nations Convention against Corruption, the National Strategy and Action Plan for the Implementation of the United Nations Convention against Corruption, 2012 has been formulated and implemented to effectively implement the provisions of the convention. Nepal is also a party to the Convention on the Political Rights of Women, International Convention on the Elimination of All Forms of Racial Discrimination, Convention on the Elimination of All Forms of Discrimination against Women, and two of the voluntary Protocols to the International Covenant on Civil and Political Rights. Therefore, necessary laws and structures for the implementation of these conventions are being developed and programs are being conducted. Since there is no study and research on the invisible economy in Nepal, there is no real data available about its size and depth. As a result, it has not been possible to assess the negative impact it has had on the economy. In order to make the country completely corruption-free, there is a dire need to adopt 100% cashless transactions in the economy.

In order to implement the federal system of governance, the constitution has provided that the relationship between the federation, provinces and local levels should be based on the principles of collaboration, coexistence and coordination. In order to resolve political disputes that may arise between the three levels of the state in areas including use of governmental authority, service delivery and development management, an inter-provincial council has been established under chairmanship of the Prime Minister, consisting of the Minister of Home Affairs, the Minister of Finance and the Chief Minister of the respective provinces. For functional coordination between the three levels of government, the Federation, Province and Local Level (Coordination and Interrelation) Act, 2020 has been enacted and implemented. The meeting of the National Coordination Council chaired by the Prime Minister has been held regularly and coordination and facilitation has been done between the three levels of government.

The goal of the constitution can be fulfilled through the joint efforts and commitment of people's representatives and civil servants. In order to increase contribution and role of civil servants in achieving the constitutional goals by enhancing the capacity of the civil servants, it is necessary to revise the policies, regulations, work and ethical behavior related to the civil service, which comprise not only an important standard of public service, but also a guide to other government and semi-government services.

## 12.3 Major Issues and Challenges

**1) National Security and National Unity:** Maintain lasting peace, national security and unity while maintaining social harmony among different ethnic groups, religious groups and communities. Build an equitable and inclusion-oriented society. Respect, protect and promote human rights as well as enhance the national interest through effective economic and security diplomacy. Address economic, social and cultural aspects of conflict, bringing happiness to the citizens.

**2) Policy and legal arrangements for governance reform and good governance:** In accordance with singular and concurrent rights conferred by the constitution to the three levels of government, carry out work description, and through formulation and enforcement of necessary laws, maintain levelwise coordination among the three governments. Establish and operate an inter-linked and integrated data system among all agencies working at the three levels for better public service and development management as well as maintenance of peace, order and security. Distribute the resources of the state on an objective and fair basis in accordance with values and recognized principles of inclusion to make sure that the target groups get access to political, economic, administrative, social, educational, and private sector domains. Collect data on size and depth of the invisible economy in Nepal and get information about the impact on various variables of the economy, and formulate a realistic policy to address this problem.

**3) Institutional development of e-governance:** Develop a system to collect information in an integrated manner instead of collecting the same type of information repeatedly. Establish interlink between information technology and database systems used by various agencies. Develop a work culture that provides sustainable and reliable services. Strengthen the existing information technology system from the point of view of technical and cyber security. Develop and expand functional and institutional e-governance.

**4) Ensuring financial governance:** Design and develop policy, legal, institutional and programmatic measures for fully cashless transactions to end all forms of corrupt practices. All public bodies should formulate budgets within the prescribed procedures, methods and timeframe and effectively implement them. Ensure allocation and mobilization of public resources and means in a frugal, productive and fair manner. Control revenue leakage and evasion and maintain financial balance at each level.

**5) Financial transparency of political parties, technology-friendly and frugal election management:** Make financial transactions of political parties transparent. Make the election system clean, fair, dignified and frugal. Make the electoral process, the cornerstone of democracy, technology-friendly. With the emergence of modern

technology, maintain the cleanliness of the election by resolving its negativity in the management of the election process. Make election management less expensive and more effective.

**6) Promotion of ethics, morality and integrity in the administrative and judicial sector:** Make reforms and develop capacity in the investigation and prosecution system in view of complexities and new forms and dimensions of corruption. Ensure institutional improvement of the judicial system and enhancement of judicial competence. Increase capacity for formulation of bills for legislation in all levels of government. Provide free legal aid to the indigent parties. Increase simple and easy access to justice for all to make the legal regime effective with the promotion of human rights and fundamental rights, and ensuring their unrestricted use.

**7) Institutional development of administrative federalism:** Make necessary legal arrangements for operation and management of federal, provincial and local government services. Manage for skilled human resources needed in the federal structure. Government at each level of the federal structure should carry out their work responsibilities in accordance with the work classification report of the Government of Nepal. Make data combination and coordination work effective.

**8) Strengthening the role of multi-actors in governance:** Enhance the role of public, private, cooperative, community and non-governmental organizations to achieve the goals of sustainable development. Take adequate initiatives towards capacity-building of governance bodies. Maintain institutional good governance in the financial (banking, microfinance, cooperative sector), private, non-governmental and community sectors.

**9) Good governance in development management:** Effectively implement large projects in physical development, programs in the social sector and service delivery in the administrative sector. Establish result-oriented monitoring and evaluation system through adequate financial resource mobilization, human resource mobilization and policy facilitation. Improve project management system based on monitoring results. Link progress of the project to the performance of the project head. Complete the project within specified time for securing results.

## 12.4 Transformative Strategies

**1) Enhancing national security and national unity:** Manage Nepal's international relations and geopolitical challenges. By maintaining peace, order and security, protect people's lives, wealth, and freedom, instilling a sense of security among the people. Make policy and programmatic arrangements to ensure comprehensive human security by managing new security challenges. Control all forms of organized crimes. The federation, provinces and local levels should formulate policies and programs related to social



harmony and integrity with priority and make budget arrangements for this. Given high priority in matters related to national concerns, maintain solidarity among various ethnic groups, religions, languages, cultures and sects based on harmony and tolerance. Keeping in mind the concept of unity in diversity, develop an environment of respecting each others' culture. Control activities that adversely effect the national security and national unity. Analyze various aspects of conflicts and adopt measures for their resolutions.

**2) Improving public service delivery:** Improve the quality of service delivery by making the best use of electronic means and new technologies. Expand the system of electronic reporting to all organizations and manage regular and easy access to information at the people's level. Ensure integrated use of government information systems for all types of services, expansion of electronic health records and reporting systems in all types of public and private health institutions, and regulation and quality assurance of those institutions. Improve the registration system. Improve the existing work culture in public institutions and provide services in a way to resolve citizens' complaints.

**3) Ensuring the rule of law:** Establish the rule of law through creation of necessary legal infrastructure and compliance with the law, and bring about changes in leadership behavior and trends. Strengthen the level of good governance in political, administrative, judicial and other fields by establishing a legal system based on justice, logic and foresight. Formulate and implement laws related to artificial intelligence and digital governance to address new dimensions of development.

**4) Strengthening the data system:** Develop and expand integrated data system for formulating policy and plans based on facts and connect it to the electronic system. Establish and operate necessary infrastructure and work structure for production, analysis, publication and exchange of necessary data for all levels of government. Apply international standards, classification and framework to create a quality data base. Manage and develop technology, resources and human resources to strengthen statistical units at all levels of government. Prepare a survey calendar and conduct counting and surveys, and produce data through management of administrative records produced at all levels, agencies and regions.

**5) Improving transparency in political parties' financial transactions and the election management process:** Make donations and financial assistance received by political parties from different sectors and sections of the society transparent, and in full compliance with the law. Make arrangements not to allow political parties to receive any kind of assistance from foreigners. Improve the working style, conduct and behavior of political parties by making timely amendments to the law related to political parties. Make necessary legal arrangements to make the electoral system clean, fair, transparent,

dignified and frugal by using modern technology, while discouraging door-to-door campaigns at various stages of the electoral process. Strengthen direct democracy by including issues such as the right to refuse voting in the law.

**6) Promoting financial and administrative governance:** Formulate policy, legal, institutional and programmatic action plans for fully cashless transactions and implement them in a phased manner. Adopt the concept of open government to maintain good governance in public services, and prepare an environment that complies with accountable, transparent and participatory laws. Develop a mechanism to evaluate the integrity of high officials compulsorily based on indicators. Streamline public services through the use of information technology, streamlined administrative structures, high morale and a dedicated bureaucracy. The government at all levels shall formulate the medium-term expenditure structure in accordance with periodic plans and laws, and arrange for effective implementation by submitting the document along with the annual budget and program within the specified time.

**7) Reforming the judicial system:** Ensure justice for all by making the judicial process simple, predictable, accountable, transparent and IT-friendly. Build a just society by increasing people's trust and confidence in the judiciary. Make justice dispensation system fast, efficient and accessible through the use of information technology. Adopt effective measures regarding case management in coordination with the court to reduce the pressure of case load in the court. Ensure institutional strengthening of the judiciary and strengthening of quasi-judicial bodies, judicial committees, etc.

**8) Promoting ethics and morals:** Improve the policies and laws related to ethics, morals, integrity and spiritual understanding necessary for employees working in the government and private sectors, officials and members affiliated to political parties, etc. Ensure full compliance of the diplomatic code of conduct and its effective use. Adopt necessary strategies to make citizens aware of their responsibilities and duties towards the state, society and family.

**9) Developing equitable inclusion:** Reform the existing policies, laws and regulations to ensure access, recognition and representation in every sector of the state while protecting, uplifting and empowering the target communities and classes. Reform existing discriminatory laws and make new laws inclusive and gender-friendly.

**10) Developing effective monitoring and evaluation system:** Establish legal system to determine clear accountability of public officials. Maximize use of technology in monitoring and evaluation system. Ensure compulsory implementation of follow-up to develop effective monitoring and evaluation system. To make administrative governance result-oriented, develop a system of evaluation of the relevant officials by the service users.

**11) Making planning effective:** Develop an integrated project management information system at the federal, provincial and local levels to improve the methods and processes of all stages of planning (identification of problems, selection of options for solutions, implementation, monitoring and evaluation and feedback). Maintain stability of skilled human resources in the project. Undertake prior project preparation tasks while selecting projects and allocating budget.

**12) Promoting human rights:** Review the implementation status of international conventions to which Nepal is a party. Enhance coordination and collaboration between the concerned constitutional commissions and government agencies, parliament and judiciary for the promotion and protection of human rights. Make policy arrangements to implement the recommendations of the National Human Rights Commission.

**13) Enhancing the quality of regulation:** Improve the regulatory capacity of the state by ensuring coordination between all three levels of government in order to structurally improve the existing regulatory framework. Reform the legal, organizational and appointment systems for structural strengthening of the existing regulatory regime. Make arrangements for public accountability examination of officials working for regulatory bodies.

**14) Governance transformation through e-governance:** Maintain e-governance in all aspects of governance by making policy and legal arrangements. Plan and implement a program to familiarize common citizens with the electronic system.

## 12.5 Major Programs

**1) National security and national unity strengthening program:** Make contemporary reforms in policy and organizational aspects related to national security and defence. Widen the use of information technology in law and order management. Make use of national identity card as mandatory. Interlink national identity card management information system with other agencies and services, and safeguard the collected data and system. By developing an effective information system and using modern technology in crime control and investigation, render the security agencies technology-friendly. Manage security of the province on the basis of coordination between the federation and the province. Sign mutual legal assistance and extradition treaties based on necessity and reciprocity for effective control of transnational crimes. Make arrangements for sufficient resources, including necessary skilled human resources, for drug control and effective security management. Make necessary policy and legal arrangements to eradicate online betting, including the misuse of cryptocurrencies. Organize the use of artificial intelligence and make legal arrangements to use it for the benefit of the country. To awaken the spirit of mutual harmony and tolerance among all ethnic groups, religions,

languages, cultures and sects and maintain national unity, make timely modifications in the curriculum from school to university education.

**2) Program for improvement of quality of public service delivery:** Make public service and personnel administration related to service delivery more people-centric and results-oriented by formulating a special public service performance law. Make service delivery from the federal, provincial and local levels fast, agile, accurate and effective. Promote e-governance by making it faceless and paperless. Make legal arrangements to collect the same information only once. Establish and operate a data exchange platform for inter-connection. Make arrangements for an e-governance blueprint for building a smart nation through digital economy and digital society. Improve the administrative system to provide services and assistance to address the demands and needs of the target class in public service delivery. Convert all types of payments in public bodies to electronic format. Develop a system for hearing and addressing complaints immediately. Make the performance contract with the officials and employees related to the public service effective. Bring reforms in the performance system by enforcing management testing and performance testing.

**3) Rule of law assurance program:** Draft, formulate and amend necessary laws in accordance with the verdicts and statutory directives of the Supreme Court, the decisions and recommendations of the National Human Rights Commission as well as the Commission for the Investigation of Abuse of Authority and other constitutional commissions. Draft, revise and implement laws necessary for implementation of international treaties, conventions, agreements and declarations to which Nepal is a party. Strengthen and consolidate all organs of the state to end state of impunity. Extend the use of artificial intelligence to the realm of legal governance. Ensure empowerment of local level judicial committees and establishment of legal aid cells.

**4) Integrated national data system development and strengthening program:** Develop an integrated national data system to make policy and planning effectively based on facts and evidence. Revise the current national data profile and implement a one-door system by integrating the data systems of various ministries and agencies. Enter data for the base year (up to mid-July 2024) by mobilizing human resources down to the ward level of the province and municipality, and then periodically make entries and updates of the data by the relevant agencies. Make arrangements for receiving data from households while delivering public services.

Collect fact-based information related to the invisible economy and other topical issues and enhance effectiveness in policy, planning and implementation of related sectors. Establish and include data scattered in various agencies of the federation, provinces and

local level by setting up an integrated management information system. Encourage research and development at all levels and agencies of the state.

**5) Reform program in election management process:** Ensure transparency of financial transactions of political parties. Encourage use of mass media to reduce the cost of campaigning. Amend political party laws to create an environment of fair competition. Conduct effective electoral education. Regularly register and update the voters list using the latest technology in the electoral system. Amend and implement electoral laws for voting and counting. Enact laws to implement the right to refuse to vote in elections. Maximize use of technology to monitor and mitigate hate speech during elections through the use of social media, the Internet, and artificial intelligence. Reform the costly and cumbersome electoral system. Adopt necessary legal and procedural arrangements to provide voting rights to citizens living abroad.

**6) Fiscal and administrative good governance promotion program:** Promote transparency and accountability through digital governance. Enact more legal provisions to maintain financial and administrative governance of the private sector. Optimize the use of information technology in investigation and prosecution system of corruption complaints. Enact legislation with respect to conflict of interests and enforce it. Make policy-makers accountable and responsible to end corruption at the policy level. Conduct effective programs against tax evasion, corruption, etc., including money laundering through completely cashless transactions. Make arrangements for diplomatic code of conduct and ensure that political and administrative leadership of the federation, provincial and local levels comply with it. Build motivator staff members, clean and functional environment and workplace under a citizen-first culture. Make timely adjustment of salary and facilities provided by the state to the civil servants. Oblige the authority who makes public expenditure take responsibility of auditing.

If an individual in charge of financial transactions gets transferred leaving any irregularities behind, mention such amount in the transfer letter of the personnel and make it the basis of performance evaluation. Initiate the practice of providing job descriptions with objective indicators to civil servants. Develop an automated performance appraisal system.

**(7) Program for strengthening the judicial administration system:** Expand free legal aid and legal literacy to make the justice system fast, efficient and reliable. Ensure information technology-friendly administration of justice, development of physical infrastructure and capacity development of judicial personnel. Carry out institutional strengthening of the judiciary, capacity development of judicial personnel, a different case management system even in the Supreme Court to make the judicial process fast, streamlined, effective, predictable and accessible. Ensure effective implementation of

corrective punishment measures, enhancing the use of information technology in case management. Provide necessary resources to make the judicial committee of the local level effective, and raise efficiency of the personnel. Provide adequate training and orientation to judicial personnel. Facilitate sustainable resolution of disputes through conciliation. Make optimum use of information technology for court record management.

**8) Ethics and morality promotion program:** Formulate a national ethics policy. Provide politicians and administrators regular training on ethics and morality. Conduct inter-agency exchange of successful and exemplary efforts to maintain ethics and morality in public bodies. Conduct an intensive campaign at the community level on necessary education and culture needed to make citizens aware of their responsibilities and duties towards the state, society and family. Make citizens aware of their responsibilities and duties to be performed through promotion of law-abiding culture and linking legal education to the education system.

**9) Equitable inclusion program:** Ensure equitable distribution and easy access of the deprived groups and communities to services, resources and means made available by the state, such as in agriculture, education, health, industry, employment, justice sectors etc. Include employees working in the private, non-governmental and informal sectors in contribution-based social security system. Identify the target groups and promote distribution of identity cards vigorously.

**10) Effective monitoring and evaluation system development program:** Conduct joint monitoring and evaluation of projects and programs through levelwise and agencywise coordination as provisioned by the constitution. Develop an integrated reporting system for the three tiers of government. Make monitoring and evaluation work regular and effective by creating objective and measurable indicators. Make it mandatory for relevant agencies to implement the recommendations obtained from the monitoring and evaluation process.

**11) Project management reform program:** Establish smart coordination among stakeholders related to implementation. Establish an integrated project bank information management system by institutionalizing the project bank and project prioritization and classification process down to the provincial and local levels. Make project management effective, ensure security at all stages of the project cycle, ensure performance contract agreement with leadership, strengthen technical testing and contract administration, and make the public procurement system fast, agile and transparent.

**12) Human rights promotion program:** Ensure institutional strengthening of the National Human Rights Commission. Provide relief, reparation and compensation to the victims on the recommendation of the Commission, enact and implement laws related to the implementation of all kinds of fundamental rights. Implement the recommendations

of the Truth and Reconciliation Commission and the Commission of Investigation on Enforced Disappeared Persons in accordance with the law.

**13) Effective regulation program:** Strengthen the structural system of inspection and supervision for quality of public service delivery and management reforms. Bring economic transactions and activities of consumer committees and beneficiary groups under the scope of public regulation. In order to maintain the quality of regulation, improve efficiency and capacity of political and administrative officers and other employees, and ensure organizational improvement.

**14) Development and implementation of customer-friendly system in public service delivery:** Ensure development and implementation of faceless and cashless system using modern information system in service delivery. Use new alternative tools for public service delivery. Build a responsible, motivated and loyal personnel system to enhance creativity and efficiency in performance.

**15) Effective system of documenting and regulation on the border area:** Apply the same type of system for movement across Nepal-India and Nepal-China border areas. Regulate the movement of every person and movement of goods across the border areas. Install a card-swiping terminal for the sake of documentation of people who do not require a visa for border-crossing.

**16) Program for strengthening the cooperative sector:** Adopt a system for the cooperative organizations to operate transparently according to the purpose, principle and concept of the cooperatives and to focus on production and employment. Establish a separate second tier mechanism for effective regulation and monitoring of the cooperative sector.

## 12.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
1	Rule of Law Index	Index	0.52	0.6
2	Effectiveness of the government	Index	-0.87	-0.3
3	Controlling corruption (-2.5 to +2.5)	Index	-0.53	0.40
4	Corruption Control Perception Index	Index	35	43
5	Voice and accountability	Index	0.42	0.68

S. N.	Indicator	Unit	F.Y. 2022/23 actual	F.Y. 2028/29 target
6	Political stability/existence of violence	Index	-0.24	0.30
7	Quality of regulation	Index	-0.62	0.50
8	Political empowerment index	Index	0.74	0.80
9	Social empowerment index	Index	0.54	0.65
10	Proportion of registered incidents to investigations of crimes including gender-based violence	Percent	75	100
11	Open government index	Index	0.56	0.63
12	Voters participation in elections	Percent	62	70
13	Void ballot paper	Percent	6.1	1
14	Political parties that submit an audited statement of annual income and expenditure	Percent	76.5	100
15	Hello Government complaint settlement (with complainant's feedback)	Percent	43.29	90
16	Management audit (with self-assessment)	Number	740	753
17	Local levels with self-assessment of local level governance capacity	Number	739	753
18	Border observation post	Number	252	400
19	Total legal case settlement (Annual)	Percent	64.4	75
20	Execution of court decisions	Percent	47	95



Chapter 13

# Biological Diversity, Climate Change and Green Economy

13.1 Background

13.2 Existing Situation

13.3 Major Issues and Challenges

13.4 Transformative Strategies

13.5 Major Programs

13.6 Quantitative Targets



# Biodiversity, Climate Change and Green Economy

## 13.1 Background

For a healthy society and a prosperous nation, environmental protection, pollution control, climate resilience, disaster risk reduction and green economy have been accepted as integral components in the development process at all levels and sectors. Nepal has an opportunity to benefit from conservation and commercial management of natural resources, sustainable use of forest products, conservation of biological diversity, food security, transformation to clean energy, development of tourism, increase in carbon reserves, etc. In the current context when climate change has become a major concern of the world community, development of a green, resilient, inclusive and broad-based green economy with continuity of ecosystem services is the need of Nepal.

Although Nepal's contribution to emission of greenhouse gases - causative factor of global climate change, is negligible as compared to large industrialized countries, the black carbon particles emitted profusely from industries, brick kilns, diesel vehicles, firewood ovens, fire from agricultural wastes and forests fire from the South Asian neighboring countries, including from our own domestic sources, have resulted in melting of glaciers, heating of local air and contribution to air pollution. Due to multidimensional impacts of climate change, overall development management and livelihood concerns of the country have become complicated.

Nepal's complex geographical structure, monsoon-based water resources, natural resource-based livelihoods, low adaptation and resilience capacity, taken in perspective of global climate change projections, may lead to catastrophic consequences, with the risks and vulnerabilities ever growing. This has added complexities to the livelihood of marginalized communities dependent on natural resources, small farmers, *Dalits*, women, children and senior citizens. In order to turn into reality the right to clean environment, and keeping climate sensitivity at the centerstage, Nepal has been paying attention to internalizing environmental conservation and climate resilience in development management, keeping an eye on capacity building. In this sense, Nepal has become an example in the international forum.

## 13.2 Existing Situation

As a result of adverse changes in climate indicators such as temperature and rainfall patterns in Nepal, the melting of snow and glaciers has increased in the mountains, and the risk of glacial lake outbursts has increased with increase in the size and number of glacial lakes. In the same way, there is increased drought in winter and spring, rains are occurring in high areas where normally snow falls, and heavy rains are falling in a short period of time. Climate disasters such as landslides, floods, inundation and drying up of springs are becoming more widespread and intensive. As water resources are shrinking, there have been direct impacts on sectors such as food security, drinking water, irrigation, energy, etc. and indirect impacts on biological and ecological systems.

Increased pollution in the Kathmandu valley, Terai and other mountainous areas has challenged human health as against the fundamental right to live in a clean environment guaranteed by the constitution. Unplanned urbanization, uncontrolled infrastructure construction, increasing forest fires and waste burns in agricultural land, increasing use of chemical fertilizers and pesticides, open disposal of urban and industrial wastes or dumping in rivers have caused environmental pollution and affected biodiversity. With advent of technology, the management of hazardous wastes (machines, equipment, batteries) has become more complicated. Millions of households are still forced to live in extreme indoor air pollution engendered by cooking in ovens fired by wood or dried animal-dungs.

A large quantity of native timber is being destroyed by rotting or burning due to the control-oriented provisions in the forest-related laws. Private forests are not recognized as enterprises. There are problems with the provision of environmental studies and granting permits to fell down trees. Entrepreneurship in community forest management is negligible, and there is still ambivalence between the federation and the provinces regarding forest management. In the same way, extraction of mines and river-based construction materials has caused direct damage in some areas, while in other places, the risk of inundation has increased in surrounding agricultural farms due to accumulation of layers of sediments in the river. There are many issues that need to be addressed politically, such as uncontrolled exploitation of underground water, environmental aspects not being included in the building code, electricity bill not charged on the basis of time of consumption.

Sustainable and commercial management of natural resources can be an important basis for Nepal's development. With about 22 million hectares of forest area being protected and managed by about 23 thousand community forest users' groups, Nepal has gained a worldwide respect for increasing the forest area from 26 percent to 45 percent of its geography.

Twenty protected areas covering a total of 23.4 percent of the land area are contributing to the national economy through biodiversity conservation. Nepal's forest and conservation areas have a high potential for green development, which include environmental balance, biological diversity and watershed conservation, increasing prospects of climate change adaptability, increased availability of wood, herbs, forest products, eco-tourism base, etc. In the year 2080 B.S., four-wheeled vehicles that run on electricity outsold those run on imported fossil fuels. Now, it has become possible to imagine a zero-carbon transport system and a zero-carbon economy based on indigenous clean energy in Nepal.

Nepal is a party to the Convention on Biological Diversity, United Nations Framework Convention on Climate Change, the Kyoto Protocol and the Paris Agreement. To enhance climate resilience, National Climate Change Policy, 2019, Environmental Protection Act, 2019 and Regulations, 2018, National Framework on Local Adaptation Plans of Action, 2019, Climate Resilience Plans and Budget Guidelines, 2020 and Gender and Social Inclusion Strategy and Action Plan for Climate Change ( 2020 - 2030) have been formulated and put into implementation. Cost estimates of the Second Nationally Determined Contribution reporting requirement and implementation of the National Adaptation Plan have been prepared. Likewise, the National Climate Catastrophe and Risk Assessment Report, 2023 and the Long-term Low Emissions Development Strategy, 2023 have been approved. Strategic priorities and sectoral targets for climate change mitigation and adaptation programs are being implemented.

Since F.Y. 2011/12, climate indicators have been put into practice in the national budget and this has now been extended down to the provincial level. Provincial level climate change strategies and action plans have been prepared, while around 263 local adaptation plans are being implemented at the local level. Aiming at mitigation and adaptation, an agreement has been reached for assistance worth US \$ 87 million from the Green Climate Fund, while three indigenous organizations have been recognized for receiving financial support from the Green Climate Fund. Similarly, an agreement has been signed with the World Bank for carbon trade worth US \$ 45 million.

The following factors stand as the foundation pillar of green, resilient and inclusive economy for Nepal: location between the two largest economies and countries with two highest populations of the world; geographic and ecological diversity; natural beauty; abundance of forest and bio-diversity; availability of water resources; historical and cultural heritages; social and cultural values and practices.

## 13.3 Major Issues and Challenges

**1) Addressing policy problems and improving institutional arrangements and capacity:** Undertake thematic policy reforms to make laws biodiversity friendly, climate change adaptive and green economy or green enterprise friendly. Since the environment and climate change are interrelated issues, establish effective mechanisms at all three levels of government for coordination. Expand capacity for mitigation and adaptation to climate change, increase access to established international climate finance as well as establish reliable and up-to-date data systems for mobilizing cooperation. Develop human resources capable of preparing and implementing projects and enhancing the institutional capacity of all three levels of government. Ensure effective implementation, monitoring and inter-agency coordination of Nationally Determined Contribution and National Adaptation Plan.

**2) Climate change mitigation and adaptation promotion:** Increase knowledge and public awareness of adverse impacts of climate change on water resources, health, tourism, energy, forestry, biodiversity and infrastructure sectors. Reduce damages caused by climate-related disasters. Harmonize climate adaptation programs and budgets in accordance with the national and international commitments made by the Government of Nepal. Reduce dependence on imported fossil fuels, while increasing production and consumption of clean renewable energy.

**3) Internationalization of Nepal's climate change issues:** Unless major countries rapidly reduce the use of fossil fuels and greenhouse gas emissions, climate-related disasters will continue to increase in Nepal and other vulnerable countries. Nepal, therefore, should effectively raise its voice on climate change concerns in international forums. Create an environment for other countries to take seriously the need to reduce fossil fuel emissions. Take initiative to create appropriate international platforms on climate change and related issues that Nepal deems necessary. Nepal should take leadership of countries with similar concerns over climate change. Nepal should increase its effectiveness and capacity in international negotiations.

**4) Localization of climate change issues:** Localize climate change mitigation and adaptation national implementation action plans as well as Sustainable Development Goals. Prepare and implement local adaptation plans. Establish a system of local level forest, environment, biological diversity and climate-related data collection. Regularly update and share such data. Increase adaptation capability of local communities.

**5) Increasing the effectiveness of pollution control:** Reduce pollution in water, air and soil on a scientific basis. Internalize environmental aspects in infrastructure development. Make waste management sustainable and environmentally friendly. Make citizens aware and responsible for the causes and effects of pollution.

**6) Sustainable management of biodiversity and ecological systems:** To make conservation of endangered wildlife and plants on the verge of extinction effective, improve protection of wildlife habitat, food chains and movement range. Reduce human-wildlife conflicts. Minimize drying up of water sources and deepening of groundwater levels by protecting watershed areas. Mitigate disasters such as soil erosion, floods and landslides. Discourage arsonists, and increase capacity to put out forest fires. Motivate human resources involved in conservation. Increase the participation of local communities in conservation of biological diversity.

**7) Sustainable management of forests:** Despite sufficient potential, there is meagre supply of native timber to the market through sustainable forest management, and the import of large quantities of timber and timber-based products is going on unabatedly every year. Forest-based entrepreneurship remains negligible. There is an increased use of environmentally unsound imported construction materials instead of wood products. Control encroachment of forest areas and invasive species, increase production and productivity of forest areas. Ensure self-reliance in wood products and easy supply of raw materials for industries based on forest products. Ensure sustainable and commercial management of forests to increase the country's carbon reserves.

**8) Development of green economy:** Identify areas of green investment and facilitate it. Increase Nepal's access to international climate finance. Mainstream climate-friendly development. Localize the concept of green economy, relevant technologies and programs. Increase the contribution of forest sector to GDP from the existing three percent by linking forest management with sustainable economic benefits. Ensure equitable distribution of revenue from the forest sector. Adopt a sustainable management system of biological diversity in the development process.

## 13.4 Transformative Strategies

**1) Climate resilience and inclusive development:** Make household, private and public investments environmentally friendly and climate sensitive to promote climate sensitivity. Enhance adaptive capacity of vulnerable communities. Mainstream climate resilience in the development process by extending the local adaptation plan to all provinces and local levels as well as the community level. Promote the use of traditional knowledge, technology and local products, including nature-based solutions, ecosystem-based adaptation, and provide incentives in the adoption of technologies to reduce carbon emissions.

**2) Internationalization of Nepal's climate change issues:** Effectively raise Nepal's climate change issues in international forums. Regularly organize an international forum on climate change in Nepal. Ensure capacity-building of Nepal's negotiating team.

**3) Controlling pollution for a healthy society:** Make monitoring and regulation effective by determining the standards of air-polluting emissions and environmental consequences of all sectors. Increase investment in clean energy conversion and environmentally friendly technologies. Enforce the polluter pays principle. Make waste management cost effective through public-private partnerships. Make producers or importers and polluters responsible for industrial, hospital and hazardous wastes management, as well as implement the concept of extended producer responsibility and cut down industrial emissions. Control the use of pesticides and conduct consumer education.

**4) Sustainable forest management for environmental services and green development:** Control encroachment of forest areas, illegal logging and poaching of wild animals while sustainably managing forests. Make forest administration more competent and responsible as well as mobilize community to the maximum extent. Identify, keep record and protect endangered fauna and flora. Increase carbon stocks by improving the quality of forests as well as linking community-based forest management to entrepreneurship. Substitute timber imports by increasing production and productivity of forest areas and promoting green enterprises based on forest resources. Lay the foundation for sustainable and commercial management of medicinal herbs. Protect and promote traditional knowledge and skills in the community for ecosystem-based adaptation and equitable distribution of benefits from forests and biological sectors.

**5) Conserving biodiversity for ecosystems:** Protect and keep records of endangered flora and fauna reaching the verge of extinction. Adopt a climate-resilient framework while preparing the management plan of protected areas. Protect wetlands and watershed areas. Build human-wildlife co-existence. Protect the sensitivity and importance of biological areas while building infrastructure in the forest areas. Encourage provincial mechanisms and local communities to control poachers and deforestation more effectively. Activate the poor, underprivileged, tribal and marginalized communities through climate-smart agriculture, forestry and other resource-based income generation opportunities.

**6) Promoting green economy based on comparative advantage:** Increase contribution of the forest sector to GDP. Recognize private forestry as an industry. Bring self-reliance in timber and timber-based products. Commercialize and add value to herbal products. Make policy arrangements for the use of degraded forest areas, unused government and public land and vacant land areas for agroforestry. Review the system of recognition of community forest management. Reduce dependence on imported energy by increasing investment, production and consumption of clean energy. Develop and implement a green economic growth framework based on natural resources. Promote services and businesses that consume electricity in travel and transportation.



**7) Mobilizing climate finance for green resilient and inclusive development:**

Increase access to climate finance, using green bonds. Establish a climate finance fund. Determine the areas of cooperation, respective roles and bases for investment between the three levels of government, private sector and development partners. Activate institutionalized structures on climate and environment. Effectively utilize green climate support grants or concessional loans. Benefit from carbon trade.

**8) Mainstreaming and localization of environmental and climate change issues:**

Localize environmental protection and climate change issues. Make the local level competent and responsible. Mainstream environment and climate change issues in policies, plans, budgets and programs of all levels and sectors. Make individuals, communities and organizations aware of and responsible for the impacts created by climate change. Each local level shall keep and update records of natural resources and heritages available within its area.

**9) Prioritizing studies and research:** Establish a climate change data and evidence collection, updating and verification system. Make policies and programs evidence-based and empirical. Increase investment and partnerships with universities and other institutions involved in research for conducting relevant study and research.

**10) Policy reforms and expanding institutional capacity:** Review and revise the relevant laws from the point of view of environment and climate change. Maintain policy clarity and facilitation measures. Integrate economic, social and infrastructure development policies, programs and budgets with national adaptation plans and nationally determined contributions in an environment- and climate-friendly manner. Make the use of forest resources simple and enterprise-friendly. Make finance policy green and investment-friendly. Adopt green enterprises development policy targeting natural resource dependent and vulnerable communities. Develop the capacity of governments, private sector and communities to reduce the impact of climate change and increase adaptation. Activate the agreements and various platforms set up between the Government of Nepal and development partners.

## **13.5 Major Programs**

**1) Green economy promotion program:** Encourage banks and financial institutions to invest in green projects. Adopt the concept of green finance classification and implement green bonds. Provide incentives for investments made to increase energy efficiency in private residences and industrial houses, and to reduce carbon emissions and increase adaptability. Provide loans at concessional rate and tax concessions to green enterprises. Develop a system to make part of the expenses spent on environmental protection and adaptation tax deductible, and determine environmental fees based on carbon emissions.

Encourage the use of electric stoves, while reducing the existing subsidy on L.P.G. Continue to promote electric vehicles to increase electricity consumption. Give special priority to electric vehicles in public transport, and determine electricity charges based on time and consumption to increase consumption during lean hours. Impose a green tax on commercial users of groundwater. Build risk reduction infrastructure at local levels that are most vulnerable to climate change and promote climate-friendly agriculture and indigenous crops.

Conduct special programs targeting directly affected communities including women. Amend the building code to make rain water harvesting mandatory, and encourage the use of local environment-friendly building materials. Increase the use of products based on green raw materials, displacing plastic products. Expand electronic governance in government processes and promote information technology industries.

**2) Sustainable forest management and commercial use program:** Ensure effective control of encroachment of forest areas, invasive species, forest fires and damage caused by them. Classify forests into production and protected forests. Improve the quality of all forests and increase production and productivity. Increase availability of indigenous timber by facilitating timber collection and marketing and substituting timber imports. Reduce consumption of imported building materials. Encourage the private sector in forest development by promoting enterprise and entrepreneurship through forest management. Link forest management with carbon sequestration and entrepreneurship. Implement the practice of issuing sustainable forest management certificates for timber use. Keep records of medicinal herbs found in Nepal and conserve them, and with a view to commercial production and value addition of potential herbal products, facilitate marketing, capacity building, technical assistance and financial access.

**3) Program for sustainable conservation of biological diversity:** Expand the scope of eco-tourism based on forests and protected areas, and increase optimum participation of local communities in forest conservation. Control poaching of wildlife and protected species. Conserve watersheds, wetlands and water sources. Carry out rainwater collection and urban, lowland and Chure water recharge campaigns. Minimize conflict between wildlife and humans. Establish a fund and make arrangement for insurance for loss of life and property caused by the rampage of wildlife. Carry out safe habitat and forage/prey management program for wild animals, conserve and plant trees that are consumed by wild animals. Build biological pathways and wildlife-friendly physical infrastructure. Make park administration efficient. Ensure effective international coordination for curbing wildlife crimes and quarantine control on the border. Convert the National Zoological Park into a model zoo and operate it as a wildlife rescue center and biodiversity conservation education center.

**4) Pollution control program for healthy society:** Determine and update pollution and emission standards of all sectors, including the industry, and expand pollution

measurement centers to enhance environmental monitoring and regulation capacity. Monitor pollution entering Nepal from across the border. Ensure effective compliance with environmental study reports. Make public transport reliable, technology-friendly, and clean energy based. Ensure easy and safe passage for bicycles and pedestrians, and construct mandatory footpaths on the right and left sides of highways in market areas. Displace old smoke-emitting vehicles. Make waste management cost effective and sustainable by involving the private sector; utilize waste reduction, reuse and recycling. Prohibit dumping wastes in streams and rivers or burning in forests and open areas. Impose tax on wastes disposed of in landfills. Control plastic items. Implement transparent and scientific criteria for mining in riverbeds and extraction of mineral resources. Prepare an action plan to increase use of organic fertilizers and reduce the use of chemical fertilizers and pesticides.

**5) Climate risks and loss and damage reduction program:** Update infrastructure standards based on future climate projections. Adopt climate-adaptable project design techniques through climate risk analysis in large infrastructure project preparation. Establish and operate a weather and climate-based early warning system to build resilience from the damage caused by climate-related disasters, and build a system to reach such information to the marginalized communities living in remote areas. Encourage the use of traditional techniques such as bio-engineering to protect vulnerable slopes or riversides from landslides and floods. Enhance the adaptive capacity of vulnerable communities. Identify and localize measures to protect and mitigate risks induced by potential changes in glacial lakes, glaciers and water sources.

**6) Local adaptability promotion program:** Build capacity of all local levels to prepare and implement adaptation plans. Include in education curriculum such vital environmental issues as cultural and historical structures, watersheds, wetlands, lakes, local ecosystems, environment, biological diversity, climate change and green economy. Encourage the use of environment-friendly traditional and local technologies and construction materials. Adopt nature-based and ecosystem-based adaptation measures to mitigate the effects of climate change. Conduct green enterprise-friendly programs like cultivation of herbs, riverbanks farming, etc., targeting the marginalized communities.

**7) Program to increase access to international climate finance:** Develop institutional capacity to mitigate carbon emissions, to enhance climate adaptability and to lay a claim for investment over loss and damage caused by climate change through international climate finance mechanism. Include carbon trade also for climate finance. Mobilize climate diplomacy to establish the agenda of landlocked mountainous developing countries with high risks and vulnerability in the international policy-making process on climate change. Internationalize climate change and climate justice issues. Launch 'Sagarmatha Sambad' program with a view to raise sensitivity about climate risks and

crisis, to build a network of concerned countries for lobbying and to establish Nepal's leadership in resolving climate catastrophe.

**8) Program to strengthen study, research and monitoring and evaluation system:**

Increase investment in research on biodiversity, environment and climatic conditions trends and risks. Expand measurement centers for climate, pollution, etc. Make arrangements for periodic publication and dissemination of regular administrative and research data. Develop partnership and collaboration with universities and institutions and agencies involved in research. Build platforms and networks of the government, private sector, development partners, media, educational and research institutions and run climate change debates. Establish periodic information collection, updating and sharing system at all levels of government. Justify the importance of environmental studies and ensure effective compliance. Make environmental and climate change monitoring and evaluation result-oriented.

**9) Policy reform and institutional capacity development program:**

Mainstream the Climate Change Mitigation and Adaptation National Implementation Plans in all sectoral and governments level policies, plans and programs. Set sectoral and level-wise targets. Mainstream environmental protection issues into sectoral programs. Develop and implement sectoral standards to make climate-targeted budgets realistic. Apply climate indicators to local level budgets. Develop a curriculum on environment and climate change and gradually implement it. Clarify the roles of government, private sector, community organizations and development partners. Since the environment and climate change are inter-related issues, establish an effective coordination mechanism at all three levels of government and increase availability of relevant human resources.

### 13.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Contribution of forest sector in GDP	Percent	3.0	5.0
2	Climate-responsive budget in total budget allocation	Percent	6.0	20.0
4	Forest density (average number of trees per hectare)	Number	430	645
5	Area of sustainably managed forest	Thousand Hectare	90	400
7	Emissions reduction (carbon dioxide equivalent) by promoting alternative energy (solar, wind, biomass)	Ton	2100	15,000
8	Local levels having formulated and implemented local adaptation plans of action	Number	263	753
9	Payment for ecosystem services (carbon and others)	NPR 10 million	0	10.00
10	Issuance of green climate bonds	NPR 10 million	0	10.00

## Chapter 14

# Smooth Graduation from the Least Developed Country Status and Implementation of Sustainable Development Goals

14.1 Background

14.2 Existing Situation

14.3 Major Issues and Challenges

14.4 Transformative Strategies

14.5 Major Programs

14.6 Quantitative Targets



# Smooth Graduation from the Least Developed Country Status and Implementation of Sustainable Development Goals

## 14.1 Background

Hailed as a milestone in the process of building a self-sufficient, independent, progressive and prosperous economy, Nepal is going to graduate from the least developed country group to a developing country by 2026. Along with the graduation, the self-esteem of Nepal and Nepalis will increase and new opportunities will open up. Adequate internal preparation will be required to take advantage of the opportunities created. On the other hand, some special concessions and facilities that Nepal is currently receiving internationally will cease or gradually decline. A strategy needs to be formulated and implemented for smooth management of the impact to be brought about by this situation. To achieve the long-term goal of becoming a high-middle income country by the year 2043, internal finance and competitive capacity should be developed, ensuring an irreversible and sustainable graduation.

Nepal has been active in implementation of the Sustainable Development Goals, 2030, which has been accepted as a common agenda for global development. Policy and institutional arrangements have been made for the implementation of Sustainable Development Goals, which are the main basis for embodying Nepal's long-term vision. As envisioned by the Sustainable Development Goals, the achievement of goals such as ending poverty, zero hunger, healthy life, and quality education has been negatively affected by the COVID-19 pandemic, global low economic growth, climate change, and disasters, among others. In spite of adverse circumstances, the achievements made from the implementation of policies and programs related to sustainable development should be institutionalized and emphasis should be placed on the implementation of plans to achieve further progress.

## 14.2 Existing Situation

### **(a) Graduation from the least developed country category**

Nepal could meet two of the three criteria for graduation from the least developed country category in 2015. The three criteria comprise: (1) Gross National Income (GNI Per

Capita), (2) Human Asset Index (HAI) and (3) Economic and Environmental Vulnerability Index (EVI). The two criteria of which Nepal was able to meet the threshold required for graduation were the HAI and EVI. On the basis of progress in statistical indicators, Nepal was thus eligible for graduation in two successive triennial reviews of the United Nations Committee for Development Policy held in 2015 and 2018. However, in view of the devastating earthquake of 2015, subsequent aftershocks, periodic natural calamities and the damages caused by them as well as low progress made in GNI per capita criteria, the graduation process was deferred. Having met the threshold criteria again in 2021 review, the United Nations has decided that Nepal is going to graduate from the LDC category by 2026. Considering the impact of COVID-19 on socio-economic activities and the damages sustained, the preparatory period for graduation was extended to five years from regular transition period of three years. The thresholds for graduation from the LDC category to a developing country for the years 2015, 2018, 2021 and 2024 and Nepal's performance in the corresponding years are given in Table 14.1 below:

**Table 14.1: Threshold Criteria for Graduation into a Developing Country and Nepal's Performance**

Criteria	2015		2018		2021		2024	
	Threshold	Progress	Threshold	Progress	Threshold	Progress	Threshold	Progress
Gross National Income per Capita (GNI US\$)	Min. 1248	659	Min. 1230	745	Min. 1222	1027	Min. 1306	1300
Human Asset Index (HAI)	Min. 66	68.7	Min. 66	71.2	Min. 66	74.9	Min. 66	76.3
Economic and Environmental Vulnerability Index (EVI)	Max. 32	26.8	Max. 32	28.4	Max. 32	24.7	Max. 32	29.7

Source: United Nations.

To address the impacts of Nepal's graduation into a developing country, 'LDC Graduation Smooth Transition Strategy, 2024' is being implemented, along with International Development Cooperation Policy, 2019 and Nepal Trade Integration Strategy, 2023. Additional improvements are needed in Human Development Index and Economic and Environmental Vulnerability Index, apart from reaching the threshold for GNI Per Capita Index. While formulating and implementing development plans, additional efforts are necessary in this direction.

### **(b) Achieving the Sustainable Development Goals**

Nepal has been implementing the Sustainable Development Goals in accordance with the nation's economic, social, environmental context by making necessary legal and



institutional arrangements. Internalization of SDGs began since the Fourteenth Plan. While formulating annual budget and program, programs and projects are being coded in line with the Sustainable Development Goals. Sustainable development goals have been internalized and localized in Medium Term Expenditure Framework and provincial and local plans. There is collaboration between the government, private, cooperative and community sectors and development partners to achieve SDGs in consonance with the concept of whole-of-government and whole-of-society. The assessment of financial resources required to meet the goals and targets set for the year 2030 and the resource mobilization and implementation strategy have been updated. As of mid-term (year 2022) of implementation of the Sustainable Development Goals, about 40 percent of the achievements has been made as compared to the targets of 2030. In order to achieve satisfactory outcomes in all the indicators of Sustainable Development Goals and to accelerate implementation, there should be further reforms in institutional capacity.

### 14.3 Major Issues and Challenges

**1) Increase gross national income per capita:** Increase per capita gross national income not only for the overall prosperity of the country but also to sustain the progress made in Human Asset Index and Economic and Environmental Vulnerability Index. Since Nepal is the only least developed country that has been approved for graduation without meeting the per capita gross national income criteria, it is necessary to increase the per capita gross national income and maintain its sustainability with full preparation for graduation into a developing country.

**2) Formulation and implementation of macro and sectoral policies:** Although problems that cropped up since 2020 such as low economic growth and high price increase, reduction in the scope of public finance, high interest rate in the financial sector and the lack of investable capital have been addressed, their impacts have not been resolved fully. Taking into account the effects of graduation, especially in sectors like development, employment, poverty, inequality, health and education, it is necessary to formulate and implement appropriate sectoral policies and adjust fiscal allocation and tax policies.

**3) Minimizing impacts on international trade:** Address potential contraction in Nepal's total export trade due to non-availability of duty free, quota-free market access facilities currently being received from developed and developing countries after Nepal's graduation from LDC status. Various studies have shown that graduation will affect exports, especially to the European Union, United Kingdom, China, Japan, Canada, Australia and South Korea. Graduation is likely to affect exports of ready-made garments, textiles, carpets, perfumes and cosmetics, leather and leather products, metal products.

The government should either sign preferential trade agreements with these countries or diversify exports by improving competitive capacity, and thereby preparing base for export diversification.

**4) Management of impacts on financial resources available for development and service delivery:** After graduation, the cost of loans provided by development partners will increase; there will be low access to the resources available through funds dedicated to the LDCs; there will be an increased cost of borrowing in terms of higher interest rates and shorter maturity periods instead of concessional loans. The country will have to bear a gradual loss in receipt of foreign grants, lose a number of scholarship provisions for study abroad and face shortfall of financial support for welfare projects. To address the above challenges that emerge after graduation, Nepal should increase mobilization of internal financial resources or identify alternative sources of financial assistance. As Nepal has to enter a new phase of international finance mobilization, it calls for reforms in the internal investment environment and improvement in the investment infrastructures that are weak.

**5) Creation of employment opportunities:** Potential impacts on export trade, foreign assistance and development management will have implications on employment opportunities also. Create more employment opportunities through study, research and development of goods and services with export potential. Increase investment in professional skills and capacity-building of labor force that enters the labor market every year on the basis of demand of the labor market. Formulate and implement a national human resource development plan that deems necessary for Nepal.

**6) Availability of resources:** There is a significant gap in availability of financial resources to achieve Sustainable Development Goals. Mobilize both domestic as well as external resources to meet the required financial resources, technology and human resources for the attainment of Sustainable Development Goals. Emphasize on mobilization of international assistance to ensure resources for sustainable development. Conduct effective economic diplomacy. Mobilize finance based on the Integrated National Investment Framework for attainment of Sustainable Development Goals.

**7) Localization and mainstreaming of Sustainable Development Goals:** Taking into consideration the fundamentals of SDGs, implement programs to achieve Sustainable Development Goals by federal, provincial and local governments, private sector, civil society, non-governmental organizations, educational institutions, and social organizations. Improve investment and build capacity for implementation of SDGs and results-based monitoring. By internalizing Sustainable Development Goals and indicators in the periodic plans and budgets of the three levels of government, accelerate implementation with balance across goals to achieve SDGs.

**8) Enhancing collaboration and partnership for Sustainable Development Goals:** As achieving sustainable development goals and the indicators therein is not possible with the efforts of the government alone, enhance cooperation, coordination and collaboration among the government, private sector, cooperatives, development partners, civil society and the people at large, as well as strengthen global partnership programs. Effectively mobilize the private sector through improvement of investment climate and financial incentives for achievement of SDGs.

**9) Generation of data required for Sustainable Development Goals and progress monitoring:** Due to lack of various types of disaggregated data required for the Sustainable Development Goals, it is difficult to assess its actual progress. Generate necessary disaggregated data related to the Sustainable Development Goals, develop an overall data system and monitor progress.

## 14.4 Transformative Strategies

**1) Effective implementation of policies related to smooth and sustainable graduation:** Implement Smooth Transition Strategy, 2024, which carries necessary policy and institutional arrangements to address the impacts on trade, development assistance and technical assistance following graduation. Implement the Trade Policy, 2015, Trade Logistics Policy, 2023, Nepal Integrated Trade Strategy, 2023 through programs. Formulate a time-bound action plan for implementation of the Trade Facilitation Master Plan and Trade Logistics Policy and implement it. Formulate a financial strategy for mobilization of financial resources required for implementation. Carry out regular monitoring and evaluation of performance indicators. Participate in preferential trade agreements.

**2) Increasing per capita national income:** Expand income-earning opportunities through entrepreneurship development and internal employment creation. Increase per capita national income by concentrating foreign employment in high-income countries and sectors, thereby increasing inflows of remittances. Improve production and productivity of the agricultural, industrial and service sectors. Transform unskilled and semi-skilled human resources into skilled and competitive human resource by providing short-term and medium-term skill development and technical training. Increase employment opportunities through production, quality improvement and export promotion of high value goods and services.

**3) Maintaining macroeconomic and financial stability:** Maintain policy coordination and harmony among the three tiers of government through federal economic policy. Harmonize fiscal policy with monetary policy. Improve the investment base by managing public debt and internal and external finance in the productive sector. Increase per capita

income by mobilizing domestic finance and international finance for projects in the infrastructure and manufacturing sectors. Maintain a balanced relationship with international power centers.

**4) Enhancing competitiveness of exportable goods and services:** Strengthen institutional capacity and infrastructure related to the trade sector to address potential impact on Nepal's total export trade after graduation from the least developed country. Promote export of goods and services with comparative advantage and competitiveness. To address price rise of Nepali goods after cut in duty free and quota free market access, make reforms in customs, improve trade infrastructures and their expansion, lower cost of transit and take other suitable measures to reduce the cost of trade. Improve quality and productivity in order to increase competitiveness of products, emphasize on production according to demand of the world market. Develop and expand industrial infrastructure such as industrial villages, industrial corridors, special economic zones, international export processing zones.

**5) Graduation-focused trade negotiations and agreements:** Explore new opportunities and increase production and supply capacity of goods and services in order to offset potential losses in international trade after graduation of Nepal from least developed country category by 2026. Export Nepali goods and services to the international market. Diversify export and promote trade by integrating into global supply and value chains. In order to get market access after graduation through Generalized System of Preferences (GSP), which is provided by various nations to developing countries, emphasize on collaboration and coordination with relevant countries and group of countries.

**6) Promotion of service trade:** Since Nepal is a landlocked country, give emphasis on service trade. Develop Nepal's capacity to claim due share of global electronic economy which is a growing phenomenon with changes in economic structure. Formulate information technology infrastructure and human resource development plans and implement them. Address basic utility needs and investments in the IT sector through concessional rates or fiscal incentives. Attract the Nepali diaspora to this sector. Promote export of services related to tourism, electricity trade, information technology and financial services. Expand electronic commerce.

**7) Protecting intellectual property:** In addition to copyright, patents, designs and trademarks, make legal arrangements for the protection of other intellectual property rights (geographical indications, genetic resources and traditional knowledge, traditional cultural expressions, trade secrets, integrated circuits) and develop capacity of related organizations for implementation.

**8) Efficient disbursement of development assistance:** Emphasize on economic diplomacy to address potential impacts on mobilization of international development cooperation. Identify alternative sources of international finance and increase access, acquisition and mobilization.

**9) Social inclusion and integration:** Consolidate social inclusion and integration programs in line with National Integrated Framework, involving coordination and collaboration of the three levels of government.

**10) Localization of Sustainable Development Goals:** Internalize SDGs in policies, plans, budgets and programs of the federal, provincial and local levels. Localize SDGs by enhancing coordination and cooperation between different levels of government and stakeholder agencies. Orient the provincial and local levels to bring the concept of Sustainable Development Goals to the community level. Implement SDGs through policy, institutional and programmatic improvement of provincial and local levels.

**11) Identifying and mobilizing resources:** Make assessment of expenditure needs and resource estimates and determine investment framework for implementation of the SDGs. Identify and mobilize alternative sources in addition to traditional sources. Study financing of the SDGs and use alternative and new financial instruments in overall government investment. Determine priority areas for private and cooperative sector investment mobilization for SDGs. Create an investment environment, attract domestic and foreign investment in production enhancement and job creation, and mobilize resources for implementation of SDGs. Mobilize more foreign investment through public-private partnerships.

**12) Enhancing partnership and coordination:** Make private and household investment partnerships targeted to sustainable development. Develop effective partnership and collaboration between all three levels of government, the private, cooperative, community, non-governmental sectors and development partners for implementation of SDGs.

**13) Regular monitoring and evaluation:** Conduct regular monitoring of progress based on action plan on the Sustainable Development Goals indicators. Ensure effective implementation of the national data portal for regular monitoring of the progress made by the federation, provinces and local levels towards achievement of SDGs. Conduct achievement evaluation on the basis of integrated report, provide feedback for effective implementation in case of indicators with low progress. Encourage a voluntary review of the progress made by the provinces and local levels in SDGs achievement.

## 14.5 Major Programs

**1) Skilled labor production program:** Development of labor skills according to market demand, development of skills for internal and foreign employment, and development of a labor demand and supply information system. Increase investment in public health and education. Strengthen and expand technical and vocational education to produce skilled labor force with necessary skills for Nepal. Emphasize technical education right from school, and adopt a policy of inculcating skills in students from school education onwards based on their individual abilities, interests and skills. Increase investment in the physical and teaching infrastructure of schools accordingly. Prepare a sectoral plan for national human resources development to address the needs of Nepal's long-term development. Conduct skill testing and skill enhancement program of the labor force in the labor market in order to address the demand of national labor needs.

**2) Investment promotion program:** Increase the activity of Nepali diplomatic missions abroad in economic issues, including promotion of foreign direct investment to Nepal and growth of export trade. Attract multinational companies for foreign direct investment. Make necessary arrangements for reforms in regulations, institutions and technology, simplification of procedure, security assurance, reduction of corruption. Identify potential countries for bilateral investment agreements and avoidance of double taxation agreements and conduct negotiation with them.

**3) Export promotion program:** Mobilize concessional loans for export-oriented industries, improve the quality of exportable goods and operate quality certification laboratories. Diversify products and markets to increase exports. Study demand, production and supply chains of the global market for goods and services, and increase access of Nepali goods and services to the international market, and manage imports. Conduct programs to promote the export of traditional skills, artifacts and products based on Nepali raw materials; promote micro, small and medium enterprises. Develop human resources and infrastructure for the export of services such as hydropower, information technology based services, tourism, higher education, health services.

**4) Program for diversification of export destination countries:** Diversify exports of domestic goods and services. Generate and distribute hydropower and renewable energy for domestic use and export to neighboring countries. Develop and improve tourism infrastructure. Improve national highways and airways to reduce risks. Increase the number of foreign tourists and foreign currency receipts from tourism by improving the quality of services at the tourism destinations. Diversify export to new destinations such as Gulf countries, South-East Asian countries, Latin American and African countries along with traditional export markets. Enhance trade negotiations with key trade destination countries and countries with market potential. Assert Nepal's economic interest in SAFTA.

Take initiative and activism for special arrangements in favor of countries which have graduated from LDC status and for participation in other regional trade agreements.

**5) Program for enhancement of production and productivity:** Give priority to the program to increase production and productive capacity of the government and private sectors in the budgets of all the three levels of government. Increase public and private investment in the productive sector by emphasizing increased mobilization of internal and external resources. Modernize, commercialize and diversify the agricultural sector. Conduct programs for identification, development and promotion of local products (goods) for export. Address supply side constraints. Promote healthy, competitive collaboration between the provincial and local governments. Consolidate establishment and operation of industrial villages, establishment and expansion of special economic zones and export processing zones. Develop a system of guaranteeing the quality, storage and price of farmers' produce through state intervention.

**6) Market Access and industrialization promotion program:** Join the supply chain of auxiliary raw materials or auxiliary materials used in the manufacturing industry of the two huge neighboring economies. For important products with high value addition and low weight, allow import of raw materials and provide incentives to such manufacturing industries, whether they are native or established with foreign investments. Implement production-oriented physical infrastructure development and extensive networking of transport and communication infrastructure. Increase investment in infrastructure development, ensuring interconnectivity with the real sector development along with its main base and sectoral priorities.

**7) Private sector promotion program:** Mobilize mixed finance and co-financing by mobilizing the private sector in development projects in a bid to reducing initial investment risk. Important measures for private sector promotion comprise: continuous reforms of the labor market, supply of clean energy at subsidized rates; enhancing financial access to all geographic regions and populations and collaborating with the private sector for production, processing, and marketing of items that reflect the uniqueness of Nepal. To increase efficiency and capacity of the information technology and information technology-related service sector, encourage the production of highly skilled human resources and export of services. Ensure the flow of priority sector credits from the financial sector and investments from capital funds for management of exports and imports at concessional rate.

**8) Program for initiatives and negotiations for continuation of concessions:** Since concessions and facilities provided to LDCs by the European Union under 'Everything but Arms' initiative will be continued for Nepal only until 2029, make necessary preparations for obtaining concessions under the Generalized System of Preferences plus (GSP+).

Conduct detailed studies on bilateral free trade area agreements with the United States, China and other major trading partner countries. Take initiatives for continuation of duty free facilities received as the least developed country from Australia, Canada, Japan, Norway, Korea and Switzerland. Take initiatives to continue the Nepal Trade Preference scheme specially provided by the United States after its expiry date in 2025. Make arrangements for negotiations with the World Trade Organization in cooperation with the group of the least developed countries to continue the duty free, quota free and other facilities available to the least developed countries for a certain period of time even after graduation. Also negotiate with SAFTA member countries for continuation of LDC concessions under its regime. Enhance trade negotiation skills and build capacity accordingly in the public and private sectors.

**9) Value chain development and quality testing program:** Develop value chains for goods and services of export potentials identified by the Nepal Trade Integration Strategy. In order to comply with the difficult conditions for entry into the international market, including the stringent provisions related to the Rules of Origin that must be fulfilled for export after graduation, implement programs related to the use of new technology and capacity development in sectors like apparels and ready-made garments with the participation of the private sector. Strengthen market and trade intelligence functions. Build and improve internationally accredited laboratories to test the sanitary and phytosanitary measures (SPS) of exportable agricultural produce. Ensure effective implementation of accreditation laws. Build quality testing and certification facilities for industrial goods of export importance potentially to be affected after graduation. Encourage and support the private sector to establish and operate laboratories of international standards.

**10) Localization of Sustainable Development Goals:** Empower the federation, provinces and local levels to implement SDGs. Mainstream SDGs into federal, provincial and local level plans and policies. Provide policy and technical assistance to the provinces and local levels. Raise awareness of the Sustainable Development Goals through formal and informal means. Reduce the socio-economic risks of all marginalized and backward groups and weak sections of society, including *Dalits*.

**11) Coordination and partnership program:** Promote cooperation of the federation, provinces and local levels in the formulation and implementation of sustainability- friendly local periodic plans. Mobilize the public, private sector, cooperatives, community organizations and non-governmental organizations towards achievement of SDGs. Enhance the institutional capacity of Nepali missions abroad and other related bodies to obtain support in accordance with the commitments made by development partners and to increase access to the financial and technical funds to achieve SDGs. Take diplomatic initiatives focused on sustainable development.



**12) Sustainable management of resources:** For economic development through sustainable, high and broad-based economic growth supported by growth in revenue, expand the sectors and bases of revenue. Identify, access and mobilize alternative resources. Restructure challenge funds, mixed funds, green bonds, climate change funds, green environment facility, non-resident Nepalese investment, foreign direct investment and private investments in the interest of Nepal. Mobilize resources from the Global Climate Fund, Adaptation Fund, Global Environment Facility and other multilateral, regional and bilateral funds in all areas related to climate change, and make special preparations to secure easy and meaningful access to such funds.

**13) Targeted programs:** Conduct additional programs targeted at sectors and communities with low progress in achieving Sustainable Development Goals.

## 14.6 Quantitative Targets

S. N.	Indicator	Unit	F.Y.2022/23 actual	F.Y.2028/29 target
1	Gross national income per capita	US Dollar	1027	2200
2	Human Assets Index	Index	74.9	78.6
3	Economic and Environmental Vulnerability Index	Index	24.7	22.4
4	Population below the national poverty line	Percent	20.3	12.0
5	Maternal mortality ratio (per 100,000 live births)	Number	151	100
6	Gross enrolment ratio in secondary education (Grade 9 to 12).	Percent	83.4	95
7	Gender Inequality Index	Index	0.452	0.05
8	Population with access to basic drinking water facility	Percent	94.9	99.0
9	Per capita electricity consumption	Kilowatt hr.	380	700
10	Households residing in safe houses/housing	Percent	54	80

<sup>1</sup> United Nations.

Appendix I

# Plan Implementation, Monitoring and Evaluation Framework



# Appendix 1

## Plan Implementation, Monitoring and Evaluation Framework

S.N.	Sectors of structural transformation	Agency responsible for implementation	Monitoring and evaluation mechanism	Time period
1	Vision of Plan: “Good Governance, Social Justice and Prosperity”	<ul style="list-style-type: none"> <li>• Ministries and agencies of the Government of Nepal</li> <li>• Court</li> <li>• Constitutional bodies</li> <li>• Provincial and local governments</li> <li>• Public, private, cooperative sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• Office of the Auditor General</li> <li>• Civil society</li> </ul>	Annual progress review
2	Strengthening of macroeconomic fundamentals and accelerated economic growth	<ul style="list-style-type: none"> <li>• Ministry of Finance</li> <li>• Ministry of Industry, Commerce and Supplies</li> <li>• Nepal Rastra Bank</li> <li>• Provincial and Local Governments</li> <li>• Private sector, cooperative sector</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> </ul>	Semi-annual progress review
3	Production, productivity and competitiveness capacity enhancement	<ul style="list-style-type: none"> <li>• Ministry of Agriculture and Livestock Development</li> <li>• Ministry of Energy, Water Resources and Irrigation</li> <li>• Ministry of Industry, Commerce and Supplies</li> <li>• Ministry of Culture, Tourism and Civil Aviation</li> <li>• Ministry of Communication and Information Technology</li> <li>• Ministry of Labor, Employment and Social Security</li> <li>• Provincial and local governments</li> <li>• Private sector, cooperative sector, banking sector</li> <li>• Public enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> </ul>	Quarterly, half-yearly and annual progress reviews
4	Productive employment, dignified labor and	<ul style="list-style-type: none"> <li>• Ministry of Labor, Employment and Social Security</li> <li>• Ministry of Foreign Affairs</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> </ul>	Quarterly, half-yearly and annual

S.N.	Sectors of structural transformation	Agency responsible for implementation	Monitoring and evaluation mechanism	Time period
	sustainable social security	<ul style="list-style-type: none"> <li>Ministry of Home Affairs</li> <li>Provincial and local governments</li> <li>Private sector, cooperative sector</li> </ul>	<ul style="list-style-type: none"> <li>Office of the Prime Minister and Council of Ministers</li> <li>National Planning Commission</li> </ul>	progress reviews
5	Building healthy, educated and skilled human capital	<ul style="list-style-type: none"> <li>Ministry of Health and Population</li> <li>Ministry of Education, Science and Technology</li> <li>Ministry of Communication and Information Technology</li> <li>Ministry of Youth and Sports</li> <li>Universities</li> <li>Public Service Commission</li> <li>Provincial and Local Governments</li> </ul>	<ul style="list-style-type: none"> <li>Federal Parliament, Parliamentary Committees</li> <li>Office of the Prime Minister and Council of Ministers</li> <li>National Planning Commission</li> <li>University Grants Commission</li> </ul>	Quarterly, half-yearly and annual progress reviews
6	Quality physical infrastructure development and intensive inter-linkages	<ul style="list-style-type: none"> <li>Ministry of Physical Infrastructure and Transport</li> <li>Ministry of Urban Development</li> <li>Ministry of Energy, Water Resources and Irrigation</li> <li>Ministry of Culture, Tourism and Civil Aviation</li> <li>Ministry of Communication and Information Technology</li> <li>Ministry of Water Supply</li> <li>Provincial and local Government</li> </ul>	<ul style="list-style-type: none"> <li>Federal Parliament, Parliamentary Committees</li> <li>Office of the Prime Minister and Council of Ministers</li> <li>National Planning Commission</li> <li>National Vigilance Center</li> </ul>	Quarterly, half-yearly and annual progress reviews
7	Planned, sustainable and resilient urbanization and settlement development	<ul style="list-style-type: none"> <li>Ministry of Urban Development</li> <li>Ministry of Physical Infrastructure and Transport</li> <li>Ministry of Land Management, Cooperatives and Poverty Alleviation</li> <li>Ministry of Energy, Water Resources and Irrigation</li> <li>Ministry of Home Affairs</li> <li>Ministry of Water Supply</li> <li>Provincial and local governments</li> <li>Private sector</li> </ul>	<ul style="list-style-type: none"> <li>Federal Parliament, Parliamentary Committees</li> <li>Office of the Prime Minister and Council of Ministers</li> <li>National Planning Commission</li> </ul>	Quarterly, half-yearly and annual progress reviews

S.N.	Sectors of structural transformation	Agency responsible for implementation	Monitoring and evaluation mechanism	Time period
8	Gender equality, social justice and inclusive society	<ul style="list-style-type: none"> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• Ministry of Women, Children and Senior Citizens</li> <li>• Ministry of Home Affairs</li> <li>• Constitutional Commissions</li> <li>• Provincial and local governments</li> <li>• NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• Civil society</li> </ul>	Quarterly, half-yearly and annual progress reviews
9	Strengthening and balanced development of provincial and local economy	<ul style="list-style-type: none"> <li>• Office of the Prime Minister and Council of Ministers,</li> <li>• Ministry of Finance</li> <li>• Ministry of Federal Affairs and General Administration</li> <li>• National Natural Resources and Finance Commission</li> <li>• Provincial and local governments</li> <li>• Private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• National Coordination Council</li> <li>• Inter-provincial Council</li> </ul>	Quarterly, half-yearly and annual progress reviews
10	Reducing poverty and inequality and building an equitable society	<ul style="list-style-type: none"> <li>• Ministry of Land management, Cooperatives and Poverty Alleviation</li> <li>• Ministry of Home Affairs</li> <li>• Ministry of Agriculture and Livestock Development</li> <li>• Constitutional Bodies</li> <li>• Provincial and local governments</li> <li>• Private, cooperative and non-governmental sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> </ul>	Quarterly, half-yearly and annual progress reviews
11	Effective public finance management and capital expenditure capacity enhancement	<ul style="list-style-type: none"> <li>• Ministry of Finance</li> <li>• Line Ministries and project heads</li> <li>• Ministry of Forest and Environment</li> <li>• Provincial and Local Government</li> <li>• Private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• Office of the Auditor General</li> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Comptroller General</li> <li>• Public Procurement Monitoring Office</li> </ul>	Quarterly, half-yearly and annual progress reviews

S.N.	Sectors of structural transformation	Agency responsible for implementation	Monitoring and evaluation mechanism	Time period
12	Governance reforms and promotion of good governance	<ul style="list-style-type: none"> <li>• Office of the Prime Minister and Council of Ministers,</li> <li>• Ministry of Federal Affairs and General Administration</li> <li>• Ministry of Law, Justice and Parliamentary Affairs</li> <li>• Supreme Court</li> <li>• National Vigilance Center,</li> <li>• Commission for the Investigation of Abuse of Authority</li> <li>• Election Commission</li> <li>• Financial sector and political parties</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• Office of the Auditor General</li> <li>• Office of the Comptroller General</li> </ul>	Quarterly, half-yearly and annual progress reviews
13	Biodiversity, climate change and the green economy	<ul style="list-style-type: none"> <li>• Ministry of Forests and Environment</li> <li>• Ministry of Finance and other relevant ministries</li> <li>• National Planning Commission</li> <li>• Provincial and local governments</li> <li>• Private and non-governmental sectors and development partners</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> </ul>	Quarterly, half-yearly and annual progress reviews
14	Smooth graduation from least developed country status and implementation of Sustainable Development Goals	<ul style="list-style-type: none"> <li>• National Planning Commission</li> <li>• Ministry of Industry, Commerce and Supplies</li> <li>• All relevant ministries and central agencies</li> <li>• Provincial and local governments</li> <li>• Private and non-governmental sectors and development partners</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Parliament, Parliamentary Committees</li> <li>• Office of the Prime Minister and Council of Ministers</li> <li>• National Planning Commission</li> <li>• Sustainable Development Goals National Steering Committee</li> <li>• National Coordination and Thematic Committees</li> <li>• Provincial and local level committees</li> <li>• United Nations</li> </ul>	Quarterly, half-yearly and annual progress reviews

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