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Country and intercountry programmes and projects

COUNTRY PROGRAMME FOR NEPAL

UNDP assistance requested by the Government of Nepal for the period 1980-1985

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*/* This document will be derestricted upon approval of the Country Programme. See document DP/526 which will be issued in June 1981.
INTRODUCTION

1. In order to make the economic and social sectors of the United Nations system more responsive to the needs of developing countries, the General Assembly of the United Nations in Resolution 32/197 affirmed the principle that assistance provided by the United Nations system should be in conformity with the national objectives and priorities of recipient countries and called for the systematic co-ordination at the national level of the various assistance programmes carried out by United Nations organizations and Agencies. In conformity with this resolution His Majesty's Government (HMG) decided to closely co-ordinate the planning and implementation of the third UNDP Country Programme with the formulation and implementation of HMG's Sixth Five-Year Plan (SFYP); and to the extent possible, utilize the UNDP Country Programming exercises as a vehicle to co-ordinate the assistance provided by other United Nations Agencies and multilateral organizations.

The Country Programming Exercise and Methodology

2. An initial meeting was held in April 1980 chaired by the Secretary of the Ministry of Finance, at which the methodology of what has been called the "joint programming of resources" (JPR), but could perhaps be more accurately described as "co-ordinated programming of resources", was discussed and agreed to. The meeting was attended by the Secretaries of the line Ministries and Directors of major Departments, representatives of the Planning Commission, the UNDP Resident Representative, the FAO Representative, the UNICEF Representative, the WHO Co-ordinator, representatives of ILO, UNESCO, the World and the Asian Development Banks, and the Senior Industrial Adviser, the UNFPA Co-ordinator and the WFP Adviser.

3. This meeting was followed by a series of sectoral meetings chaired by the Secretary of the Ministry concerned together with representatives of the Ministry of Finance and the Planning Commission and representatives from UNDP, United Nations Agencies and the World Bank.

4. At these sectoral meetings each project proposal was reviewed by the JPR Group with the appropriate line Ministry and/or Department in order to determine its priority and source of funding and, where appropriate, to ascertain the possibility of joint funding and implementation. As a result and in addition to the large number of pre-investment and investment support projects planned to be undertaken by UNDP with the Asian Development and World Banks and also in one case with IFAD, a number of projects were identified for joint programming and co-financing by United Nations Agencies. These include, for example, the Computer project (UNDP/UNFPA), Water Supply projects (UNICEF/UNCDF-IPF), a Primary School Support project (UNESCO/UNICEF/UNDP-IPF), Primary Health Care (WHO/SMLDC/Multibi) and Rural Education for Development (UNDP/UNCDF/UNICEF/UNESCO).

5. The first phase of the JPR exercise was completed in August 1980 and was embodied in a preliminary draft document, or "compendium of project proposals", which contained all projects brought forward at the sectoral meetings both by HMG and the United Nations system. The total proposed UNDP contribution for these projects was over $213 million. On the basis of this document further consultations were held between the Ministry of Finance and the Planning Commission with line Ministries and major Departments and with UNDP as to which projects to include in the final document. The decisions reached were incorporated in November 1980 in the first draft of the Nepal Country Programme (CP). This was referred to UNDP Headquarters, the Executing Agencies of the United Nations system and to the Development Banks for their further views and was then finalized in the light of comments received for submission to the UNDP Governing Council.
6. In keeping with HMG's strategy of continuous programming and project identification on the basis of Annual Reviews of the Development Plan, the UNDP CP is only project specific for an initial one-and-a-half year period, namely from July 1980 to December 1981. Subsequent selection of projects and programmes and assignments of priorities will be undertaken at the yearly Annual Review of the CP, which will be closely articulated with the Annual Review of the SFYP. During the Annual Review it is also intended to review the programming of the resources of the other Agencies of the United Nations system which have major regular programmes, such as UNICEF and WHO which are made available on different time schedules from that of UNDP; and to co-ordinate UNDP resources which are allocated on an annual, or an ad hoc basis such as SMLDC, UNCDF, UNFSTD, etc. The JPR exercise will thus be a continuous, evolving process embracing, to the extent possible, the total resources of the United Nations system available to Nepal and closely linked to the annual programming under HMG's Development Plan.

7. Perhaps the most significant and innovative aspect of the third Country Programme is the programming methodology on which it is based. The JPR exercise established close and substantive linkages between HMG's SFYP and the UNDP CP, which, in turn, was co-ordinated with the activities funded by other United Nations Agencies and organisations such as UNFPA, UNICEF, WHO and such multilateral funding institutions as the AsDB and the World Bank.

8. As regards the programme and project content of the CP, special mention may be made of the following:

(a) High priority is accorded to pre-investment feasibility studies and investment support projects. Towards this end HMG encouraged UNDP to co-operate closely in programming and project formulation with AsDB, IFAD and the World Bank.

(b) To overcome the critical shortage of skilled manpower in all sectors and at all levels large-scale training projects will be undertaken using both national facilities and in co-operation with countries in the region. An example is the already operational project under which a total of 250 engineers will be trained at Roorkee University in India.

(c) The CP also gives priority to the enhancement of the capacity and capabilities of national institutions and expertise to improve their planning and operational capacities, both in relation to HMG's own Development Plan and to maximize assistance extended to Nepal by bilateral and multilateral donors.

(d) The design of projects and programmes will, where appropriate, include under UNDP, or other external financing, the provision of essential equipment and commodities and, where necessary, the construction of offices and buildings which are essential and integral parts of the project.

(e) More national expertise will be used both in the planning and execution of development projects. This will include Government execution of selected projects.

(f) In addition to projects directed specifically at the protection of the environment, such as Community Forestry and Soil Erosion, other projects, such as for example, the Integrated Rural Development projects have important environmental components. Environmental factors will, where appropriate, also be taken into consideration in the planning and execution of new projects.

I. DURATION, TIME FRAME AND ANTICIPATED RESOURCES

9. The third Country Programme covers a five-and-a-half year period from July 1980 to December 1985 and coincides substantially with HMG's SFYP. The additional six months over and above the period of the SFYP has been included for two reasons: firstly to act as a bridging operation between the end of the present Five-Year Plan and the beginning of the next Five-Year Plan; and secondly, to facilitate accounting of resourc
from the UNDP and other Agencies in the United Nations system which are made available on a calendar year basis.

Anticipated IPF Resources

10. The balance available from the IPF from the Second Cycle is $14.07 million. The IPF for the Third Cycle (1982-1986) is $98 million. Of this, however, only $56.862 million is available for programming for the third CP as: (a) $5.5 million has already been borrowed for use in 1980 and 1981; (b) as advised by UNDP Headquarters 20 per cent of the IPF has been set aside for the present; and (c) the resources available for 1986, the final year of the IPF Cycle, have also been excluded. Accordingly, the total IPF resources presently available for the third CP are $70.93 million.

Additional Resources anticipated from Funds administered by UNDP

11. These include the UN Capital Development Fund (UNCDF), the Special Measures for the Least Developed Countries (SMLDC), the Special Fund for the Landlocked Developing Countries (SFLLDC), the UN Revolving Fund for Natural Resources Exploration (UNRFNRE), the Interim Fund for Science and Technology for Development (IFSTD) and assistance from the Regional, Interregional and Global IPFs.

12. By 1980 Nepal had become a major recipient of UNCDF assistance with grants totaling about $11 million. It is expected that UNCDF will continue to expand its programme in Nepal and that resources will be in the order of $2- to $3 million a year. Under SMLDC $4.6 million was received during the five years 1975-1980, with allocations averaging $650,000 over the last three years. A similar level of funding has been projected for the period of the third CP for a total of about $1.0 million. Under SFLLDC an amount of $80,000 has to date been allocated and in view of the low level of donation to this Fund no significant increase is anticipated. Project proposals have already been submitted for IFSTD funding, but projects cannot be made with any certainty until the future level of contributions to this Fund becomes known. However, Nepal can reasonably expect to receive relatively substantial assistance from IFSTD.

13. Significant assistance is also anticipated from the Regional, Interregional and Global Programmes of UNDP. The direct benefits of these programmes to Nepal have much increased since the Regional Bureau for Asia and the Pacific (RBAP) launched, in 1979, a special programme for Least Developed Countries (LDC). But it is not possible at this stage to assign a monetary value to the anticipated assistance over the next five years.

Anticipated Resources from other United Nations Agencies and Funds

14. UNICEF is expected to provide about $17.2 million under its regular budget and an additional approximately $9.1 million from multi-bi sources. The UNFPA programme has increased rapidly. The level of assistance to Nepal as approved by the Governing Council of the UNDP in June 1980 will be $26.5 million over the five years July 1980 to July 1985. Of this $15.5 million will come from UNFPA's regular programme and $11 million from multi-bi sources. WHO assistance under its regular programme and multi-bi sources is expected to reach $13.4 million for the calendar years 1980-1985. The level of WFP assistance, which was considerable during the Fifth Plan, is expected to increase during the SFYP, to the equivalent of about $48 million.

15. The technical co-operation programme of FAO is estimated to remain at about $400,000 a year, or about $2.0 million for the period of the third CP. Contributions under the regular programmes of other United Nations Agencies are expected to continue. These include assistance from UNIDO under SIS and the Industrial Development Fund and from UNESCO, UNCTAD and ITC. In aggregate they may reach $1.0 million over the period of the third CP. During the second Country Programme assistance was also received
from UNESCO and ILO under multi-bi arrangements and this is expected to continue and increase. But it is not possible at this time to give an estimate of what the total might be over the next five years.

16. In 1980 preparations were started for the forthcoming United Nations Conference for LDCs which is being co-ordinated by UNCTAD. But at the time the third CP was prepared it was too early to anticipate what resources might become available to Nepal as a result of this Conference.

17. HMG did not participate to any extent in the TCDC programme during the Fifth Plan, but greater co-operation in this field is foreseen during the SFYP.

**Total Anticipated Resources Available from the United Nations System**

18. The total resources of the United Nations system for the SFYP are expected to reach about $230.11 million which is more than three times the amount provided during the Fifth Plan. Of this the UNDP share, including IPF and other Funds administered by UNDP (but excluding UNFPA) is estimated to be $111.11 million. Details are given in a separate Financial and Statistical Appendix, which also lists approved and anticipated assistance as of 1 January 1981 from the AsDB, IFAD and the World Bank.

**II. DEVELOPMENT PERSPECTIVE**

19. Nepal is a landlocked country and has been designated by the United Nations as being among the "Least Developed Countries" (LDC). The estimated population in 1980 was about 14 million. Infant mortality is 150 per thousand, one of the highest in the world. The average life expectancy is as low as 45. Nearly 50 per cent of the population is under 15 years of age. Population pressure is critical and with the current annual growth rate of about 2.3 per cent it is estimated that the population will reach 22 million in the year 2000.

20. Nepal's Gross Domestic Product (GDP) at 1976 market prices is equivalent to $1,548 million and the annual per capita income is about $110. The country is predominantly agricultural. More than 90 per cent of the labour force is employed in agriculture, which accounts for two-thirds of the GDP.

21. Nepal has an area of 145,000 square kilometres, but of this only about 19 per cent is suitable for agriculture. There is a serious imbalance in the distribution of the population. Two-thirds of all people live in the Hills on one-third of the arable land, while in the Terai one-third of the population has two-thirds of the total arable land at its disposal. The average population density is one of the highest in the world, averaging 600 per square kilometres of arable land for the country as a whole and reaching, 1,050 per square kilometres in the Hills.

22. Forests and hydropower are Nepal's principal natural resources, but the forests have been over-exploited and are rapidly being depleted. The vast hydropower potentials remain to a large extent unutilized, principally because of the high cost of development. However, large-scale reafforestation programmes with popular participation have now been started and the development of hydropower has been accelerated.

**Past Plans and Performances**

23. HMG adopted systematic development planning in 1956. Between then and mid-1980, when the SFYP started, five development plans were implemented. Although not all objectives were achieved and not all expectations met, considerable progress was made, particularly in providing a basic economic infrastructure and basic services in the social sectors.

24. The road network increased from 600 kilometres to about 4,700 kilometres; power supply from 3 to 80 megawatts; airfields, including STOL strips, from 5 to 42; tele-
phone connexions from 335 to 12,000 and the area under irrigation from 15,000 to 200,000 hectares.

25. In the social sector, literacy increased from 4 to 19 per cent of the population and 70 per cent of children of school age presently attend classes. Secondary and University education also progressed comparatively rapidly. The number of hospital beds increased from 670 to 2500. Significant advances were made in the provision of water supply schemes and health facilities. There has been a measurable expansion in the provision of services such as banking and trained managerial and technical manpower has greatly increased.

26. Despite these very tangible achievements, the average annual growth of the GDP was less than 3 per cent which was almost completely offset by the population growth. The performance of the important agriculture sector, the backbone of the economy, was disappointing. Although the area under irrigation was increased and improved farm practices including the use of improved seeds, fertilizers and pesticides were introduced, there was a shortfall in the production of basic foodstuffs and the amount of grain available for export decreased. Cash crops in the Terai did reasonably well, but the Hill economy deteriorated further. Marginal land was pressed into cultivation and pastures and forests were put under crops. This aggravated the ecological imbalance and accelerated soil erosion, caused floods and landslides and the drying up of springs. Migration from the Hills, both permanent and seasonal, increased.

27. During the Fifth Plan the performance of the industrial sector, which is predominantly agro-based and concentrated almost entirely in the Terai and the Kathmandu Valley, was also less than satisfactory. Industrial employment remained relatively static and private investment was negligible. The gross industrial output remained virtually stagnant increasing at an annual rate of about only 0.4 per cent at constant prices. A beginning was, however, made to accelerate the development of small-scale and cottage industries, which are particularly suitable for conditions in Nepal, where in most regions markets are fragmented and transportation presents major difficulties.

28. Tourism achieved impressive and continuous growth. The number of tourists visiting Nepal increased from 7,000 in 1963; and 46,000 in 1970 to 160,000 in 1979, but benefits have been largely confined to the Kathmandu and Pokhara Valleys. Efforts are now underway to attract more tourists who come for trekking. This type of tourism also gives a proportionately higher return to the economy and brings additional income to people living in remote and rural areas.

29. Considerable success was achieved in diversifying foreign trade. But the balance of trade as such deteriorated and during the four years since 1974/75 the trade deficit increased by 72 per cent from Rs.930 million to Rs.1,590 million. During the fiscal year 1978/79, Nepal’s export earnings were sufficient to finance only about 45 per cent of the import bill. This was in great part due to the decline in rice exports, because of the need to feed the increasing population and poor production which was partly caused by long periods of bad weather. The increased need for foreign exchange was consequently largely met by invisible earnings such as receipts from tourism, increased external development assistance, remittances from people working abroad and from services pensions.

30. As a result of the indifferent performance of the economy together with the high rate of population growth, the living standards of the majority of the population remained static, or declined. More than 40 per cent of the population are below the poverty line, which has been defined as Rs.720 or about $60 a year. It is estimated that six per cent of the labour force is entirely unemployed while about another 60 per cent is under-employed. Despite significant achievements in economic and social
overheads many people, particularly those living in the Hills, do not have access to such basic needs as clean and sufficient drinking water, health services, primary education and minimum transport facilities.

**Objectives of the Sixth Five-Year Plan**

31. The SFYP addresses itself to overcome, or at least ameliorate the economic and social problems outlined above. The Plan stresses the need for a strong rural bias in development planning and execution. It is intended to increase agricultural production and reforestation, maximize industrial productivity and create employment opportunities wherever possible. Special emphasis will be given to meet people's basic minimum needs such as sufficient food and fuel, drinking water, health care, sanitation and primary education. Rural development programmes in the Hills will be extended to as many Districts as possible and cottage, village and small-scale industries will be given priority. The Panchayat sector will be closely involved in the planning and execution of development schemes. Private sector participation will be encouraged and the performance of public sector enterprises improved. A special effort will be made for formulate and implement multi-sectoral population programmes.

**Resources Mobilization**

32. The total planned development expenditure for the SFYP is Rs.33,940 million ($2,852.1 million); of this the public sector accounts for Rs.20,490 million ($1,721.8 million), the Panchayat sector for Rs.1,800 million ($151.2 million) and the private sector for Rs.11,650 million ($978.9 million).

33. In the Panchayat sector a considerable contribution to development will continue to be made by the population, particularly in such fields as education, rural development, water supplies, small-scale irrigation and the construction of roads, trails and bridges. Many of such development projects are implemented on a voluntary or partly voluntary basis, and some also with WFP-supported Food-For-Work programmes. The total monetary value of these voluntary contributions and labour has been estimated at the equivalent of Rs.1,200 million ($100.8 million). In addition, the Panchayat sector will receive a financial contribution from the public sector amounting to Rs.600 million ($50.4 million).

34. Rs.13,050 million ($1,096.7 million) or 60 per cent of the development expenditure in the public sector is expected to be mobilized from external sources: Rs.6,790 million ($570.6 million) in the form of grants and Rs.6,260 million ($526.1 million) in the form of loans. The anticipated contribution of the United Nations system (including UNDP) is expected to be $230.1 million or nearly 21 per cent and that of UNDP (IPF and other sources) $111.1 million or nearly 10 per cent of the total external assistance.

**III. DEVELOPMENT OBJECTIVES, STRATEGIES AND UNDP ASSISTANCE**

35. While the general development perspective has been outlined in Chapter II, each of the following Sectoral Chapters contains a short summary of HMG's development objectives for the sector under discussion and of the strategies laid down in the SFYP to achieve these objectives. This is followed by a brief description of assistance from external sources, including from the United Nations system. This section is not intended to contain a detailed and comprehensive summary of all assistance received and does not attempt to describe every project, or programme which has received, or is receiving external assistance; but rather to put proposed UNDP assistance into perspective.

**UNDP Assistance**

36. The initial JPR exercise identified 213 possible project proposals which called
for a total UNDP contribution of $231 million. On the basis of further selection and in the light of anticipated resources this was reduced to 105 projects and proposals. Their estimated cost, including on-going projects is $117.74 million. In addition new, unforeseen projects will be introduced at the Annual Reviews of the CP. However, the presently anticipated resources under the IPF are only $85.11 million, and an additional $32.63 million will therefore be required to fund the balance of the planned programme. Considerable additional resources are anticipated from Funds managed by UNDP other than IPF such as UNCDF, SMLDC, etc. It is estimated that these may amount to as much as $26 million, but there will nevertheless be a significant short-fall.

37. In keeping with the methodology of continuous, annual programming and in view of the resources position described above, definite allocations have only been made to On-going Projects and New Projects which have started, or are to be started during the period 1 July 1980-30 December 1981. No "Reserve List" as such has been included. Instead the Subsequent Programme for the period 1 January 1982-31 December 1985 constitutes a "pool" of project proposals from which, together with additional new project proposals which may be brought forward, a selection will be made in the light of HMG's evolving development priorities and available UNDP resources at that time.

38. The respective breakdown of the above three project categories is as follows:
(a) On-going Projects: $12.51 million of which $7.55 million is funded under the IPF;
(b) New Projects: $58.48 million of which $49.77 million is proposed for IPF funding; and
(c) Subsequent Programme: $46.75 million of which $27.79 million is presently available from the IPF.

A. AGRICULTURE AND FORESTRY

Agriculture

39. The Fifth Plan attempted to meet the country's food requirements through specialization of production in the two major regions of Nepal having different resources endowments and agro-climatic conditions. In the Hills and Mountains efforts were concentrated on high value activities such as horticulture and tea and livestock development. The Terai was to produce food grains to meet the deficit in the Hills and Mountains and sub-tropical cash crops for exports. However, apart from the 1975/76 season, agriculture output was disappointing. Food grain production declined from 3.8 million tons in 1974/75 the last year of the Fourth Plan, to 3.2 million tons in 1979/80, the last year of the Fifth Plan. Oil-seeds and tobacco showed little improvement. Horticulture and livestock remained generally constant and only the production of jute and sugarcane increased. In the Hills and Mountains per capita production declined in absolute terms and the living conditions of farmers deteriorated. In some of the more remote Hill districts the deficit is currently estimated to be as much as 160 days at average subsistence level. The increasingly severe food deficit in the Hills resulted in increased migration to the Terai and in over-exploitation of grasslands and forests, which has accelerated soil erosion.

40. Insufficient progress in the Terai and the failure to attain targets for the delivery of agricultural inputs and services, particularly in the Hills, has led to the reformulation of the agro-climatic specialization strategy emphasized during the Fifth Plan. While the SFYP recognizes that production patterns in agriculture must largely continue to be characterized by specialization, the Plan attaches the highest priorities to (a) increasing food production in deficit areas, particularly in the Hills to make them self-sufficient to the extent possible; (b) expanding agricultural production through improved utilization of existing and the construction of new infrastructure and irrigation networks, particularly in the Terai; (c) promoting livestock and horticulture in the Hills; and (d) developing high value, but low weight crops such as tea,
ginger and cardamom for export.

41. To attain these objectives the following strategies will be implemented:
(a) In the Hills, small irrigation schemes will be constructed and existing schemes improved. Farmers will be encouraged to increase productivity with improved farming techniques, including the use of fertilizer and insecticides; (b) In the Terai agricultural development will concentrate in irrigation areas and emphasis will continue to be placed on the provision of new and the improvement of existing irrigation facilities; (c) The agricultural inputs and services delivery system will be strengthened. This will include the use of women as extension agents; (d) Commercial horticulture will be concentrated in areas where road transportation is available to ensure marketing possibilities; (e) Livestock farming will be promoted in the Hills, together with pasture development to reduce overgrazing.

42. The public sector allocation to the agricultural sub-sector is Rs.2,300 million equivalent to $193.2 million.

Assistance from External Sources

43. USAID has provided assistance in crop research, crop development and manpower development, and will also assist HMG in the establishment of an Agricultural Resources Inventory through a Remote Sensing Centre. Denmark, New Zealand, Switzerland and WFP are assisting dairy development. More recently, Integrated Rural Development Project (IRDP) with large agricultural inputs have been started with the assistance of the United Kingdom, Canada and Switzerland, the World Bank, the AsDB and UNDP. In the Terai farm seed processing plants are being established with assistance from the Federal Republic of Germany. The United Kingdom is assisting tea development in Eastern Nepal and has provided agricultural research and extension centres in West and East Nepal, respectively. Switzerland will assist the expanded national Potato Development Programme. Horticultural farms and veterinary services are being strengthened with assistance from India. The World Bank is assisting resettlement. Commodity aid in the form of fertilizer and food has been provided both by bilateral donors and the United Nations system, particularly by Japan, the Federal Republic of Germany and FAO. WFP has provided food assistance for resettlement in the Terai, for dairy development and to assist people affected by the 1979 drought.

44. Large-scale irrigation projects are being undertaken with loans from the AsDB and IDA credits. UNDP is providing technical assistance through FAO in Hill agriculture, cotton development, fisheries and small farmers development. The AsDB and IFAD are also assisting and will continue to assist small farmers development.

UNDP Assistance

45. Two IPP-financed projects have been continued from the second CP. The Hill Agriculture Development Project which is phasing out in December 1980, was designed to improve farming methods and horticulture in the Hills and to introduce new crops. As part of the effort to become self-sufficient in industrial crops the Cotton Development Project was started in 1975. It has proved the technical feasibility of cotton growing, both on an industrial and small holder basis. The present project will end in March 1981 and will be followed by a second phase. The total UNDP contribution to these projects is $3.118 million of which $761,000 falls within the third CP period.

46. In addition, two on-going projects are funded under SMLDC. The Foodgrain Wholesale Market Development Project aims to increase the efficient marketing of rice, wheat and other food grains. Under the Storage Development Pilot Project facilities of improved design are being constructed. Both projects were scheduled to end in December 1980. The total UNDP contribution to those projects is $626,000, of which $208,000 falls within the third CP period.

47. Emphasis has been given to investment support and other production-oriented projects which will produce immediate, tangible benefits. The total allocations to new projects starting during this period is $7,640 million from the IPF and $0.98 million from SMLDC.

48. The Livestock Development Project will provide technical assistance to a large-scale investment programme funded by the AsDB, Australia and the EEC. The AsDB is also funding a loan to increase fish production in the Terai, including the construction of fishponds, for which the Aquaculture Development and Production Project will provide technical support. A project of Institutional Support to the Agricultural Development Bank of Nepal is designed to assist the Bank to disburse the Fourth Agricultural Credit from the AsDB. The purpose of the Grain Storage Project is to provide technical assistance to a large-scale IDA Credit to construct and manage warehouses as part of HMG's food and security policy. A Hill Food Production Project will provide advisory services and fellowships to a project funded under an IDA credit directed at increasing food production in selected districts in the mid-Hill region. A National Farm Management Study will be undertaken to analyse the cost benefit ratio and relationship of major crops to one another and to provide data and information for regional and national planning bodies. The Agricultural Extension Project will provide technical assistance to an IDA-funded project to strengthen extension services in eight districts in the Terai and examine what changes and improvement may be required in the national agricultural extension services. The Small Farmers Group Development project, funded under SMLDC, which started in September 1980 for a period of one year, is designed to backstop a loan from the AsDB. HMG has recently established a Cotton Development Board as part of the effort to become self-sufficient in cotton production. To help institute the Cotton Board and to initiate investment in cotton production, a second phase of the Cotton Development project will be implemented.

Subsequent Programme, January 1982-December 1985

49. In addition, a further seven project proposals were identified during the JPR exercise to be given consideration to start during this period, depending on their priority and availability of resources at that time. The total estimated UNDP contribution is $5,707 million.

50. It is proposed to increase Mushroom Cultivation both for home consumption and for export. A Vegetable Production and Marketing Project is intended to assist vegetable growing near highways connecting the Hills to the Terai and to establish collection, grading and marketing facilities. Under the Horticulture Development Project it is planned to establish horticultural stations, train staff and prepare investment feasibility studies for fruit production. In order to minimize wastage a Rural Food Grain Saving Project will be implemented. In line with the policy to strengthen agriculture in the Hills it is intended to start a comprehensive Hill Food Production Project in the Karnali Zone. To make up a recurrent shortfall, it is planned to increase edible oil production, both from traditional and new sources by means of an Oil-Seed Production and Development Project. It is proposed to strengthen the capacity of the Ministry of Agriculture to plan and implement development programmes by means of an Agricultural Planning Project. This project will have a strong training component.

Forestry

51. During the last three decades population pressure resulting in increasing need for agricultural land and forest products such as firewood, fodder and timber have led to nation-wide deforestation. If the present rate of encroachment on forests continues it is estimated that remaining accessible forests could completely disappear in the
next 15 years in the Hills and in 25 years in the Terai. Deforestation has caused serious ecological imbalance leading to widespread soil erosion. The problem is particularly acute in the Hills. Agriculture has encroached on land unsuitable for cultivation and the removal of groundcover has contributed to erosion and increased flooding.

52. Against this background it is planned to: (a) rationalize the utilization of forest resources to make a maximum contribution to the national economy and to protect the environment; (b) increase production of fuel, fodder and other forest products to meet the basic needs of local communities; (c) restore ecological balance and environmental stability through soil conservation, flood control and better land use; and (d) carry out a land use survey of reserved forests in the Terai to determine which areas of land should be released for agricultural settlement, which exploited for industrial and commercial use and which should remain under protected forest.

53. In order to meet these objectives it is planned: (a) to continue the Community Forestry Development Programmes in the Hill regions, which enlist the participation of rural people, to protect and manage existing forests and to plant new trees. All Village Panchayats in the Hills are expected to come under this Programme within the next 20 years; (b) in the forest divisions of the Terai, to pursue intensive management of existing forests, expanded afforestation and strengthen the forest administration structure in order to increase timber production for internal use and for export; and (c) to undertake soil conservation measures particularly through Integrated Rural Development projects.

54. The allocation from the public sector to Forestry is Rs.850 million, equivalent to $71.4 million.

Assistance from External Sources

55. Among bilateral donors, Australia, Canada, the Federal Republic of Germany, Switzerland, the United Kingdom and the United States of America have major programmes in this sector and significant assistance is also provided by the AsDB, the World Bank, FAO and UNDP.

56. Australia started providing support for the establishment and maintenance of nurseries in the Central Development Region in 1966. Under a subsequent five-year agreement (1978-1983) Australia will assist with the implementation of the National Forestry Plan in the Chautara Division, the construction of a tree seed unit in Kathmandu and possibly with charcoal production. India has assisted in the establishment of the Institute of Forestry at Hetauda. The United States of America has supported the National Forestry Inventory and is now planning to embark on a major Resource Conservation and Utilization Programme, which inter alia, will assist reforestation in the Gorkha, Mustang, and Myagdi districts and will strengthen watershed management. CIDA is financing aerial photography of all land below 15,000 feet. The United Kingdom has completed an aerial survey of a south-north corridor from the inner Terai at Hetauda to the Himalayan foothills as a prerequisite to the establishment of forest management research plots. The AsDB is assisting HMG in the Sagarnath Forestry Development project and the World Bank through an IDA credit in the Community Forestry Development project, for which UNDP, through FAO, is providing technical assistance.

UNDP Assistance

57. In the past UNDP/FAO have provided technical assistance to most aspects of Forestry, including erosion control and watershed management and this will continue under the SFYP. Afforestation and soil conservation are also important components of the Integrated Rural Development Programme. Only one project, namely Watershed
Management and Land Use Development has been continued from the second CP. This project was started in 1977 and is due to be completed in December 1980. The total UNDP contribution was $1.238 million of which $640,000 falls within the period of the third CP. The purpose of the project is to strengthen the Department of Soil and Water Conservation, particularly its planning and implementation capacity, and to carry out demonstration activities in the Phewa Tal watershed. A second phase started in January 1981.


58. Emphasis has been given to forest development, watershed protection and management and wildlife conservation. Five projects will be or have been started during this period with a total estimated UNDP contribution of $7.730 million. The projects are action-oriented and designed to produce concrete results.

59. In order to replant and conserve depleted forests, particularly in the Hills, a Community Forestry Project was started under preparatory assistance in 1979. The main phase became operational in July 1980. The project, which backstops a large IDA credit and covers the first five years of a proposed 20-year programme, seeks to enlist the participation of local people in establishing nurseries and planting and managing forests in 340 Panchayats. During the initial five years of operation it is proposed to plant 52,000 hectares. A second phase of the Watershed Management Project started in January 1981. The purpose of the project is to make the Department self-sufficient, to fully develop the Phewa Tal watershed and to carry out development activities to protect the important Kulekhani watershed for the large-scale Kulekhani Hydroelectric Project. The cost of these watershed development activities is estimated to be $4.0 million. IF UNCDF funding can be obtained for this the money presently earmarked from the IFP will be applied to other projects. The National Park and Wildlife Conservation Project Phase II is the continuation of a project which was operational from 1977 to June 1980, and which assisted in the establishment of four National Parks and three Wildlife Reserves, both in the Hills and the Terai. The second phase, which will be Government-executed, will further strengthen the Department of Wildlife Conservation and consolidate the development of Parks and Reserves which, apart from their intrinsic value, are important tourist attractions. This project will be co-ordinated with a project to Propagate Endangered Species in Captivity. Under the project Medicinal Plants for the Pharmaceutical Industry an extension programme for the cultivation and collection of medicinal herbs and plants, both for use within Nepal and for export, will be established.

Subsequent Programme, January 1982-December 1985

50. In addition to the projects described above a further two projects were identified during the JPR exercise to start during the period January 1982 to December 1985 depending on their priority and availability of resources at that time. The total estimated cost of these project proposals is $1.5 million.

51. It is intended to carry out conservation and development work on the Shivapuri Watershed which is of major importance to the water supply of the Kathmandu Valley. IF UNCDF funding can be obtained for this purpose the money presently earmarked will revert to the IFP. In order to further strengthen forestry development and to enlist the support of the population a project in Development Communication Support is proposed.

B. HEALTH, DRINKING WATER AND SANITATION

Health

12. During the SFYP emphasis will be given to: (a) the prevention of communicable diseases; (b) the regulation of population growth through family planning and other population activities; (c) the provision of basic health care, particularly in rural
areas; and (d) improving nutrition, particularly of children.

63. To attain these objectives basic health services will be expanded, existing hospitals and health posts improved and new facilities established. A comprehensive Primary Health Care Programme will be launched with the participation of the local people. It is planned to have at least one 15-bed hospital for each District, one health post for each 'Ilaka', and one health worker for each Village Panchayat. Within each Panchayat there will be a number of ward level volunteers. Family planning and maternal and child health care programmes will be implemented with the active participation of the rural population. In addition to the Ministry of Health and the Population Commission, population education programmes will be carried out on a multi-sectoral basis by the Departments of Labour and Co-operatives, the Home and Panchayat Ministry, the Ministry of Local Development, the Women Services Co-ordination Committee and through Small Farmers Development Programmes. Prevention of communicable diseases will be undertaken through the Health Services network. The development of epidemiological services will be strengthened. The activities of vertical projects such as control of tuberculosis, leprosy and malaria will be integrated into the basic health services. The immunization programme against major infectious diseases will be extended. Health education and nutritional services will be promoted and iodisation plants will be installed to control endemic goiter and cretinism. A major programme will be launched for the prevention of blindness. Ayurvedic medicine will be developed as part of the general health services.

64. To meet the manpower requirements of the health sector, efforts will be made to improve the enrollment and output capacity of the Institute of Medicine. Training programmes will be undertaken to increase the number of health assistants, laboratory technicians, radiographers, nurses, pharmacists, midwives, auxiliary health workers and ayurvedic practitioners. The planning and managerial capabilities of the Health Administration, particularly at the intermediate and peripheral levels, will be strengthened. The production capacity of the Royal Drugs Limited will be increased and the supply and distribution of drugs improved.

65. The public sector allocation for the health sector is Rs.1,060 million, equivalent to $89.0 million.

Assistance from External Sources

66. Assistance has been provided by both bilateral and multilateral donors including Australia, Canada, India, Japan, the Netherlands, the United Kingdom, the United States of America, UNICEF, WHO, UNFPA and UNDP.

67. Australia is assisting the Blood Bank project. Canada is supporting Auxiliary Health Centres, has constructed training facilities for health workers in Surkhet and is about to start another project in Dhankuta. India is assisting the Goitre Control Programme. Japan is providing assistance for the construction of a regional hospital in Pokhara and the training of medical personnel. A large share of the United States assistance is devoted to health and population programmes, including the Integrated Rural Health and Family Planning Services. WHO, USAID, and the United Kingdom are assisting in malaria eradication and control programmes. The Netherlands is assisting in primary health care and the provision of hospital services in Eastern and Far Western Regions. The Netherlands also plans to support a programme aimed at the reduction of eye diseases. WHO is assisting in the improvement of Community Health Services and in comprehensive Primary Health Care. UNICEF is providing basic drugs and will provide ward level health volunteers with simple medicine kits. UNFPA will support the Community Health project at the central level and assist in health manpower training. WHO is providing assistance to the Institute of Medicine. UNDP, with funds made available by the Netherlands and under SMLDC, is assisting in a comprehen-
sive Primary Health Care project and in the production and distribution of basic
drugs and ayurvedic medicines. UNFPA as well as WHO and UNICEF are increasing
their assistance to family planning and maternal–child health care. The
Tuberculosis Control Programme is receiving financial assistance from Japan and
technical assistance from WHO. Leprosy control activities are supported by WHO,
Japan and the Netherlands. In health education, HMG is receiving assistance from
WHO, UNFPA, UNICEF and USAID. WHO and UNICEF are providing assistance to improve
health laboratory services and UNFPA is providing facilities and equipment for
surgical methods of contraception for 39 district hospitals. The expanded
programme of immunization is receiving support from WHO and UNICEF.

UNDP Assistance

68. As HMG mainly relies on WHO, UNFPA, UNICEF and bilateral donors for the health
sector, UNDP involvement is comparatively small. Only one project Assistance to the
Institute of Medicine has been continued from the second CP. Under the project,
for which the total UNDP contribution is $44,700 consultants will make a cost-
benefit study for a 500-bed hospital.


69. A major project in Primary Health Support Services started during this period.
The project seeks to establish health care at the village level with popular
participation and to produce and distribute basic medicines, including ayurvedic
drugs. The total cost is $1,405 million of which $1.0 million is a cost-sharing
contribution from the Netherlands and $405,000 from UNDP under SMLDC.

Subsequent Programme, January 1982–December 1985

70. Three projects were identified during the JPR exercise to start during this period,
depending on their priority and availability of resources at the time.
The total estimated UNDP contribution is $3.367 million.

71. Under the second CP, DDT for malaria control in the Terai was supplied. A
similar programme is envisaged to procure Insecticides for Malaria Control. Consider-
ation will be given to strengthen the Department of Health to control Zoonotic
Diseases such as rabies, encephalities and brucellosis. It is also proposed to
further Strengthen the Expanded Programme and Immunization which has received and
is receiving support from WHO and UNICEF.

Drinking Water and Sanitation

72. HMG fully supports the United Nations International Drinking Water Supply and
Sanitation Decade 1980–1990. Specific priorities for the period of the SFYP are:
(a) to provide adequate and safe water supply facilities to as many people as possible;
(b) to provide water-borne sewerage systems and low cost sanitation facilities in
selected urban areas and to schools, hospitals, health posts and Government build-
ing and (c) to improve sanitation facilities in rural areas.

73. During the decade 1980–1990 it is intended to carry out comprehensive programmes
in the area of water supply and sanitation. The three main agencies involved will be
the Water Supply and Sewerage Board (WSSB), the Department of Water Supply and
Sewerage (DWSS) and the Local Development Department (LDD). The Panchayat sector will
play a major role in the planning and implementation of water supply and sanitation
projects, particularly in rural areas. Urban water supplies will be upgraded and
improved and coverage will be increased from 83 per cent to 94 per cent of the urban
population. It is planned that by 1990 rural water supply schemes will cover 60 per
cent of the rural population as compared to 6.6 per cent in 1980. Urban sanitation
will be expanded and sewerage facilities will be provided to the core areas of
selected urban areas. Efforts will also be made to improve rural sanitation.
74. The public sector allocation for this sub-sector is Rs.1,000 million, equivalent to $84 million.

**Assistance from External Sources**

75. The Federal Republic of Germany is assisting in the improvement of water supply and sanitation facilities in Bhaktapur and is expected to fund a waste disposal project in Kathmandu. The Federal Republic of Germany, Japan, the Netherlands, the United Kingdom and Switzerland are providing volunteers and/or staff for rural water supply projects throughout Nepal. UNICEF has since 1971 assisted the LDD to construct small gravity water supply schemes in the hills. This will continue and be expanded. UNICEF plans to provide assistance to a shallow tube well programme in the Terai. WHO has assisted the LDD and DWSS in the planning and implementation of long-term comprehensive national programmes for community water supply and waste disposal facilities. UNCDF has approved a large-scale water supply project in Western Nepal which is expected to become operational in 1981. The World Bank has since 1974 provided major assistance to improve and extend water supply and sewerage in Kathmandu the Pokhara Valley and selected urban centres in the Terai. Water supply and sanitation are also important components of the several integrated rural development projects, which are described in more detail in Chapter C.

**UNDP Assistance**

76. During the second CP, HMG relied mainly on WHO, UNICEF and bilateral assistance for development projects in this sub-sector and UNDP was not involved.

**New Projects, July 1980-December 1981**

77. In order to backstop the third IDA credit for this sector, technical assistance will be provided under a Water Supply and Sewerage Project with an estimated UNDP contribution of $650,000.

78. UNCDF has approved a project to assist Community Water Supply in the Far Western Region. This project, which will be executed by UNICEF, is estimated to cost $1.9 million and will start in early 1981.

**Subsequent Programme, January 1982-December 1985**

79. The JPR exercise identified three additional projects for further consideration depending on their priority and availability of resources at that time. The national allocation from the IPF for these projects is $3.7 million.

80. A Water Supply Feasibility Study in ten towns outside the Kathmandu Valley is envisaged in preparation for an anticipated IDA credit. The Construction of Shallow Tube Wells in the Terai would make water easily and cheaply available to rural communities, and a project in this field is under consideration. A major constraint in the implementation of water supply schemes is the shortage of technical personnel, particularly in rural areas. It is therefore proposed to hold intensive In-Country Training Courses in water supply and sanitation under the auspices of the Ministry of Local Development. In addition to the above-mentioned projects and project proposals, major assistance from UNCDF is anticipated. Proposals for UNCDF funding include Community Water Supply in the Eastern Region and Rural Drinking Water Supply in the Far Western Region. The estimated cost of these two projects, which will concentrate on rural areas in the Hills, is $3.93 million.

C. WATER RESOURCES DEVELOPMENT

**Hydropower**

81. The main objectives in developing Nepal's vast hydro-electric potentials are: (a) to meet the growing internal power requirements; (b) to preserve soil and forest resources; and (c) to earn foreign exchange.
82. It is planned to meet the power requirements of such priority sectors as agriculture and industry by increasing the generation of hydro-electric power. It is also intended to progressively substitute hydropower for firewood, which currently accounts for more than 90 per cent of all rural energy consumption. This will also minimize deprivation of forest resources and erosion and to reduce the amount of imported diesel oil used for power generation which now accounts for 35 per cent of the total power supply. In the long run it is planned to export surplus hydro-electric power to neighbouring countries. The total electric power supply in Nepal in 1980 was about 64 megawatts. To meet future power requirements, which are expected to reach as much as 200 megawatts by the end of the SFYP, it is planned to develop first the power potential of the Central Development Region and then that of the Western and Eastern Development Regions. Medium and large-scale hydro-electric dams will be constructed to meet the growing industrial demand in urban areas such as the Kathmandu Valley and the Hetauda-Birgunj corridor. Mini- and micro-hydel power plants will be installed to provide electric power to remote rural and hill areas.

83. It is planned to complete the construction of the Kulekhani power plant (60 megawatts), the Devighat hydro-electric power plant (14 megawatts), and the Marsyangdi dam (50 megawatts). In addition, HMG is reviewing such projects as the Kali Gandaki (60 megawatts), Kulekhani II (33 megawatts) and Seti (17 megawatts).

84. In the Eastern Region the consumption is about 5 megawatts out of which 3.4 megawatts is met by diesel generating stations and the balance imported from India. In the Far Western Region the present power consumption of 1.5 megawatts is entirely met by imports from India. HMG will therefore carry out feasibility studies for the construction of hydro-electric dams on the Sarada and Seti rivers. A major project under consideration in the Far Western Region is the Karnali project which has a potential installed generating capacity of more than 3,600 megawatts. Electric power generated by these projects would not only meet Nepal's industrial, commercial and domestic power requirement, but could also be exported.

85. In the Mountains and Hills, it is planned to build numerous mini- and micro-hydel plants with a capacity of 100 to 1000 kilowatts to provide villages with electric power which can also be used for cottage industries, to lift drinking water and water for small-scale irrigation schemes.

86. The public sector allocation to hydropower development is Rs.3,800 million or about $319.3 million.

Assistance from External Sources

87. Assistance is currently received from the World Bank, the ADB, OPEC and UNDP; and among bilateral donors from the Federal Republic of Germany, India, Japan, Kuwait and the United Kingdom. CIDA is providing advisory services in water and natural resources development. The project started in March 1978 and is expected to continue until 1983. CIDA will also undertake a detailed feasibility study of a multi-purpose hydro-electric and irrigation project in the West Rapti river.

88. The first Kulekhani hydro-electric dam is receiving assistance from the World Bank, the Kuwait Fund, OPEC, Japan and UNDP. Japan is assisting HMG to establish transmission and distribution systems. To meet long-term power requirements HMG, with the assistance of UNDP, has completed a study for the development of the Kali Gandaki river basin. A feasibility study for a multi-purpose dam on the Kankai river in the Eastern Region has been completed with assistance from the Federal Republic of Germany, which has also, since 1978, assisted in carrying out feasibility studies for the Bagmati multi-purpose project. The Federal Republic of Germany, in co-operation with the World Bank, is assisting in the development of the Marsyangdi hydro-electric project. Detailed engineering studies will be completed in 1981. This project is
comparable in size to Kulekhani and has high priority. India has provided assistance in the construction of the Trisuli hydro-electric power station. It will construct the Devighat hydro-electric project, which is designed to generate 14 megawatts.

89. HMG is building and extending the power transmission lines from Hetauda-Biratnagar, Butwal-Nepalgunj and Bharatpur-Pokhara with the assistance of the AsDB, UNDP and other sources. For the construction of mini- and micro-hydel plants in the Hills and remote rural areas, Nepal is receiving assistance from Switzerland and UNCDF. UNCDF has also provided assistance to construct a new Phewa Tal dam.

**UNDP Assistance**

90. Only one project under the IPF has been continued from the second CP. This is the Kulekhani Hydro-electric Project which is the largest so far undertaken by HMG. UNDP is providing $6.1 million for consultant services to supervise the $126 million contract which is funded with assistance from the World Bank, the Kuwait Fund and Japan. The project is scheduled for completion in December 1981. The UNDP contribution falling within the third CP period is $1.51 million.

91. In addition, there are two on-going UNCDF projects. The Phewa Tal Dam will provide electricity to the town of Pokhara and also water for a small irrigation project. The project is scheduled to be completed in mid-1981 at a cost of $2.8 million. Under the Rural Electrification Project five mini-hydel plants will be constructed to provide rural communities in the Eastern Hills with electricity, both for light and power. The total UNCDF contribution to this project is $1.9 million.

**New Projects, July 1980-December 1981**

92. Three new projects have been identified to start during this period with a total UNDP contribution of $2.260 million.

93. The Mulghat Feasibility Study will ascertain the feasibility of constructing a hydropower project on the Tamur river in Eastern Nepal to be funded with an anticipated AsDB loan. The project of Technical Assistance to the Electricity Department and Eastern Electricity Corporation will backstop and provide operational supervision for the construction of the Hetauda-Biratnagar transmission line and for the stabilization of the Eastern electric grid system in support of an AsDB loan. This project was approved in July 1980. The project to Strengthen the Small Hydel Development Board will provide technical and other assistance to backstop an AsDB loan for eight mini-hydel projects in the Hills.

**Subsequent Programme, January 1982-December 1985**

94. A further four proposals were identified during the JPR exercise to start during this period, depending on their priority and availability of resources at that time. The total estimated UNDP contribution is $4.850 million.

95. It is proposed to carry out detailed engineering studies for the Butwal-Nepalgunj and the Bharatpur-Butwal Transmission Lines to meet the increased power demands of the Western Terai and the Dang Valley. A project to Strengthen the Nepal Electricity Corporation will support an IDA credit designed to upgrade the institutional capacity of the Corporation to operate the additional power projects to be implemented under the SFYP. The Kosi and Karnali basins are two of Nepal's three major river basins with a total power potential of 22,000 megawatts. It is planned to assess the water resources and power development potentials of both basins to evaluate alternative development sequences and possible options for each basin. The Karnali Loop Feasibility Study, calls for an estimated UNDP contribution of $3.0 million.
Irrigation

96. The main objectives under the SFYP are to: (a) expand available cultivable land; and (b) increase crop intensity and multiple cropping. It is planned to double the amount of irrigated land from 250,000 to 500,000 hectares. It is also intended to increase crop intensity and to introduce multiple cropping in the Terai and, where possible, in the Hills and Mountains.

97. Large and small-scale irrigation projects will be implemented with assistance from bilateral donors and multilateral organizations such as the World Bank, AsDB, IFAD, UNCDF and UNDP. In the Terai these projects will include Sikta (36,000 ha.), Jamur-Nalla (13,600 ha.), Mohana (3,500 ha.), Bakura (23,500 ha.), Marchwar (10,800 ha.), Bagmati-Phase I (68,000 ha.), Babai (13,500 ha.), Mahakali (12,500 ha.) and Kamala (25,000 ha.). In the Hills, the Government will provide support services for such comparatively large-scale irrigation projects as Vijayapur (1,800 ha.), Phalebas (800 ha.), Hyanja (500 ha.), Bulingtar (200 ha.) and Chapakot (1,200 ha.). Numerous small projects from 10 hectares upwards will also be implemented in the Hills with the participation of the local people. In the irrigated areas it is intended to bring about optimum use of water by constructing canal networks, drainage and improve on-farm irrigation practices and management. Existing canal facilities will be rehabilitated and expanded and farm access roads and small hydraulic control structures will be built. Multiple cropping will be introduced wherever feasible and crop intensity will be increased.

98. The institutional capacities of the Department of Irrigation, Hydrology and Meteorology and other institutions concerned with planning and implementing irrigation projects will be strengthened. Large-scale training programmes will be undertaken both in Nepal and abroad to increase the availability of technical manpower, including extension and managerial personnel.

99. The public sector allocation to irrigation is Rs.3,060 million, equivalent to $257.10 million.

Assistance from External Sources

100. The feasibility studies for the Sikta and the Babai irrigation projects were executed by AsDB and the World Bank respectively with UNDP financing. Both projects are now ready for implementation. IFAD and UNDP will assist in the feasibility study for the Kamala Irrigation project. For the implementation of the Khutiya and the Marchwar Irrigation projects, UNCDF is providing capital funds and UNDP technical assistance. AsDB is expected to fund a substantial number of hill irrigation projects after their feasibility has been established with UNDP technical assistance. The World Bank with IDA credits is expected to implement irrigation projects in the Far Western Region including Mahakali. Among bilateral donors, Indian assistance includes the construction of the Western Kosi Canal and the rehabilitation and extension of the Candra Canal. Intensive training programmes will be carried out with UNDP assistance in the fields of irrigation and drainage, hydro-geology, drilling, extension services, inventory and water management, maintenance or irrigation facilities and crop diversification.

UNDP Assistance

101. The one project under the IPF which has been continued from the second CP is Sikta Irrigation under which a feasibility study was carried out in support of an AsDB loan for large-scale irrigation in the Banke District in Western Nepal. The total UNDP contribution to this project is $620,000 of which about $100,000 falls within the third CP period. There is also a virtually completed project funded under SMLDC which provides assistance for Feasibility Studies for Hill Irrigation in five Hill Districts in Western Nepal in support of an AsDB loan.

102. It is planned to start ten IPF projects during this period with a total UNDP contribution of $7.815 million.

103. The feasibility of selected Hill irrigation projects was established under the SMLDC project described in paragraph 97 above. Under the project of Technical Assistance for Hill Irrigation detailed engineering studies will be prepared preparatory to construction with assistance under an AsDB loan. Additional irrigation schemes in the Hills will be studied under the Feasibility Study for the Second Hill Irrigation project. This study is intended to provide a package programme in bankable form including the provision of irrigation facilities, micro-hydel stations and agricultural support services. The Irrigation Training project will train through seminars, study tours and overseas fellowships national staff engaged in three IDA-funded irrigation schemes; Sunsari/Morang, Narayani and Bhairawa/Lumbini. A Feasibility Study for Command Area Development, which will include agricultural support services, will be undertaken preparatory to an anticipated AsDB loan to improve and rehabilitate existing major irrigation schemes. The Feasibility Study for the Kamala Irrigation and Drainage project will be co-financed with IFAD in anticipation of an IFAD loan to develop about 25,000 hectares. The potential of selected smaller areas in the Hills and the Terai will be investigated by the Feasibility Study of Medium Irrigation Projects. Assistance will be provided to set up a Hydraulic Laboratory and a Mechanical Workshop for the Department of Irrigation. The Agrometeorology and Instrument Maintenance project will assist in setting up agrometeorological stations throughout Nepal to gather climatic and other information for agricultural development and studies. The National Hydrological Services will be strengthened under a project for Operational Hydrology.

In addition to these IPF-funded projects two UNCDF-funded projects will become operational during this period. These are Marchwar Lift Irrigation under which about 5,800 hectares will be irrigated and Khutiya River Irrigation which will provide water for about 5,000 hectares. The total estimated cost of these projects is $3.960 million.

Subsequent Programme, January 1982-December 1985

104. Four further project proposals were identified during the JPR exercise to start during this period depending on their priority and availability of resources at that time. It is proposed to carry out a feasibility study for the Rehabilitation and Improvement of Minor Irrigation Schemes throughout the country. Construction projects for which UNDP funding is proposed include the Chamri Irrigation project in Parsa District (570 ha.) and Improvement of Small Irrigation Projects under which it is intended to supply material to local communities to improve their irrigation facilities. A larger project proposal is Mohana Irrigation under which 6,500 hectares would be irrigated. The total estimated UNDP contribution to these projects, part of which would be suitable for UNCDF funding, is $5.8 million.

D. INDUSTRY, COMMERCE AND TOURISM

Industry and Commerce

106. The Fifth Plan attempted to encourage industrial development through protection, government loans and other incentives, including tax and customs concessions. Despite these measures, however, industrial development was disappointing. Private investment in industry was negligible and was instead attracted to such areas as real estate, tourism and trade which gave a higher and more immediate return. The industrial labour force remained virtually static and the annual growth rate of industrial output at constant prices was only 0.4 per cent. Mineral exploration was continued and intensified, but results were disappointing.
107. In the light of these developments the industrial strategy for the SFYP has been reoriented. Emphasis has been placed on the development of cottage and small-scale industries on a nation-wide scale; the development of export-oriented and import-substituting industries and the creation of agro-industries, where possible in support and as part of integrated rural development programmes. Private sector and Panchayat sector participation will be encouraged. Attention will be given to technological improvements in energy resources utilization and labour-intensive methods of production. The capacity for mineral and geological investigations and mapping will be further strengthened.

108. The public sector allocation to industry and commerce, including mining is Rs.1,720 million, equivalent to $144.4 million.

External Assistance

109. Bilateral donors included China, the Federal Republic of Germany, India, Japan, the Republic of Korea, Switzerland, the United Kingdom and the Union of Soviet Socialist Republics. China has assisted in setting up a textile mill at Hetauda. India is assisting in establishing industrial training institutes and it is also supporting the Patan Industrial Estate. Japan is assisting in cottage industries. The United Kingdom is providing a diesel electric generator to supply electricity totally 10 megawatts. Korea is assisting the Silk Production and in appropriate technology. The World Bank is embarking on a major loan project in cottage industry for which UNDP is providing technical assistance. UNDP, through UNIDO, and UNIDO with funds under its regular programme, is providing technical assistance in a number of other areas. UNCTAD and ITC are providing advisory services in trade promotion and transport economics, which are, in part, funded under the UNDP regional programme.

UNDP Assistance

110. Four IPF and one SMLDC projects have been continued from the second CP. A fifth project is funded partly under the IPF and partly under SMLDC. The project of assistance to the Industrial Services Centre which was designed to develop the institutional capacity of the Centre is terminating in December 1980. Assistance has been and is being extended to the Institute of Standards. Technical assistance is also being provided to backstop an IDA credit to the Nepal Industrial Development Corporation which provides loans to the private sector. The Pilot and Demonstration Foundry project is designed to demonstrate and transfer modern techniques to established foundries throughout the country. The purpose of the Mineral Exploration Phase II project which is scheduled to terminate in March 1981 was to assist in establishing an independent national capacity to carry out mineral exploration.

111. The total IPF contribution for these five IPF-funded projects is $2.686 million, of which $1.489 million falls within the third CP period. The SMLDC contribution is $0.35 million.


112. Seven new projects, including one funded under SMLDC, will be started during this period with a total UNDP contribution of $4.805 million.

113. In order to assist in the implementation of cottage and village small-scale industries in the Bagmati and Gandaki Zones, the Cottage Industries Preparatory project, which was approved in August 1980, will prepare a large-scale project to start in 1982, which will provide technical assistance, including training to backstop an IDA credit. Two small-scale projects funded under the IPF and SMLDC are assisting to set up Industrial Statistics, Documentation and Information Units in the Department of Industry and the Industrial Services Centre, respectively. In Consonance with the intention of the SFYP to develop agro-industry, a Pilot Fruit Processing
Plant is to be established in Mustang in the Northern Hills. Linked with the project for the cultivation of medical plants described under the Forestry sub-sector will be a Pilot Project to Process Medicinal Herbs and Essential Oils for home consumption and exports. At the same time the capacity of the Royal Drugs Research Laboratory to produce a wider range of herbal medicines and ayurvedic drugs will be strengthened. A further project in support of the Department of Mines and Geology is under consideration with the object of making it self-sufficient in its operations, including geological mapping.

Subsequent Programme, January 1982-December 1985

114. In addition to the projects described above a further six projects were identified during the JPR exercise to start during this period, depending on their priority and availability of funds at that time. The total estimated UNDP contribution to these proposals is $3.678 million.

115. The Royal Drugs Company will be further strengthened and upgraded to increase its capacity to supply essential drugs especially in connexion with the Primary Health Care Programme described in Chapter B. The main phase of the technical assistance project to support the Gandaki and Bagmati Cottage and Village Industry programme as well as the main or construction phase of the Fertilizer Bulk Blending Plant project will be started. To strengthen and diversify the export trade, Assistance to the Trade Promotion Centre is envisaged. It is also intended to strengthen the Industrial Extension Services through training and technical assistance to enable it to provide effective consultancy services. In the light of the progress made by cottage industry in the Bagmati and Gandaki Zones, further large-scale Cottage Industry projects will be undertaken in other parts of the country.

Tourism

116. Tourism is a major foreign exchange earner. During the past five years the number of tourists visiting Nepal increased at an average annual rate of about 18 per cent, reaching 162,000 in 1979 and generating Rs.340 million in foreign exchange. It is expected that this rate of increase will be maintained, or even accelerated during the period of the Sixth Plan.

117. During the SFYP it is intended to: (a) expand tourism to increase foreign exchange earnings and generate employment opportunities; (b) increase the period tourists stay in the country and diversify the places they visit; and (c) make tourism, to the extent possible, a component of more general development projects, especially in rural areas. To attain these objectives the Government will continue the preservation and restoration of historical monuments and shrines, open new trekking routes, develop the National Parks and encourage the establishment of tourism facilities in the provinces in such places as Pokhara, Chitwan, Lumbini and Khumbu and in rural areas generally.

118. During the Fifth Plan assistance from external sources was negligible. Some advisory services were provided both under bilateral and multilateral funding and a certain amount of assistance was obtained for fellowships, training and equipment, in particular through an ILO-executed UNDP-funded training project.

119. As most investment in tourism will come from the private sector, the public sector allocation to tourism is only Rs.60 million, or $5 million.

UNDP Assistance

120. No projects were carried over from the second CP.
121. A project to study the Tourism Potential of Western Nepal, with a UNDP contribution of $8,500, was approved during this period.

Subsequent Programme, January 1982-December 1985

122. An additional project was identified during the JPR exercise for a possible start during this period. In order to train entrepreneurs and staff in remote trekking areas, Tourism Trade School Wings will be attached to existing vocational schools in Mustang, Solu Khumbu and possibly other mountain areas. The estimated UNDP contribution for this project is $300,000.

E. TRANSPORT AND COMMUNICATIONS

Transport

123. Basic transport facilities will be provided to the rural population and the construction of the remaining portion of the East-West Highway in the Far Western Region will be completed. In view of rapidly rising cost of petrol and petroleum products, the possibility of developing alternative transport systems based on hydro-electricity will be explored. In the area of civil aviation, it is intended to consolidate, improve and reinforce both the international and domestic air services to facilitate the further development of tourism and to support development, particularly in rural areas and in the Hills.

124. The rural transport network in the Hills consists of some 15,000 to 20,000 kilometres of trails which are the primary means of transport and communication for two-thirds of the population. Hill trails will be upgraded and new suspension and other types of bridges and trails and mule tracks will be constructed. Local people will be encouraged to participate in construction activities and will be provided with financial and technical support by the Central Government. In view of the high cost of maintenance and repair of roads and the high and increasing cost of petrol and petroleum products, new highways will be constructed on a very selective basis and relatively economical construction standards will be employed for roads which do not have a high traffic density. The feasibility of developing transport based on hydro-electricity such as trolley buses, trolley trucks, ropeways and railways and the possibility of developing water transport will be explored.

125. In the major towns it is proposed to expand public transport services by attracting private investments. In the development of the internal airways system emphasis will be on consolidation and reinforcement rather than on expansion. With a view to attracting more tourists, policies in regard to international air transport will be reviewed and, if necessary, modified. The feasibility of opening a second international airport at Lumbini will be studied.

126. The public sector allocation to the transport sector is Rs.3,880 million or $326 million.

Assistance from External Sources

127. HMG has received considerable external assistance from multilateral agencies including UNDP, the World and Asian Development Banks and from bilateral sources, notably Australia, India, Canada, China, Japan, Switzerland, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics.

128. UNDP financed a number of major feasibility studies including those for a countrywide feeder road network and of the Kathmandu-Raxaul corridor, and also funded feasibility studies for hill trails, suspension bridges and ropeways. In the construction of the 1,023 kilometre East-West Highway several bilateral donors, including India, China, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have provided assistance. More recently India has assisted in the construction of the Eastern sector of the East-West Highway,
the Butwal-Nepalgunj road and with the feasibility study of the Dolalghat-Dhamkuta road, which is the eastern section of the proposed mid-hill highway.

129. A number of north-south roads have been constructed with bilateral assistance. The Dharan to Dhankuta road is under construction with assistance from the United Kingdom. China is constructing the Narayanghat-Gorkha road and is expected to provide assistance for the construction of the Pokhara-Surket road. The AfDB is assisting in upgrading the Hetauda-Narayanghat road, and the World Bank the northern section of the Tribhuvan-Rajpath and the road from the Dang Valley to the East-West Highway. WFP is providing food assistance for the construction of hill trails, mule tracks and jeepable roads in different parts of the country totalling 610 kilometres in length. The Swiss Association for Technical Assistance (SATA) and the United States of America have assisted in the construction of suspension bridges and the United Kingdom the major Dubi bridge on the Biratnagar-Dharan road. The United Kingdom gave an AVRO aircraft in 1979 and the provision of a second AVRO is under consideration. Canada has given three Twin-Otter aircrafts to RNAC. Japan will provide 35 buses for use in Kathmandu and seven 15-ton trucks for the Calcutta-Raxaul link and will also assist in the construction of an automobile repair shop. Assistance in the procurement of transport equipment has also been received from the RBAP intercountry programme. Australia is assisting with the establishment of VHF stations for the communication network and with a location beacon for Tribhuvan airport.

UNDP Assistance

130. Only two projects have been continued from the second CP. These are: Reinforcement of the Department of Civil Aviation which started in 1975 and is scheduled to be completed in December 1980. A second phase is scheduled to start in January 1981. Technical assistance was provided to supervise an AfDB loan project to enlarge the Tribhuvan International Airport. The total UNDP contribution to these projects is $2.328 million, of which $597,000 falls within the period of the third CP.


131. Three projects will be started during this period with a total UNDP contribution of $3.847 million under the IPF.

132. The East-West Highway Feasibility Study will prepare engineering specifications for the construction of the last remaining link of the East-West Highway between Kohalpur and Banbasa in Western Nepal, to be financed under a possible IDA credit. The project was approved in September 1980. To assist in highway maintenance a project to train Heavy Equipment Mechanics will start in early 1981. The equipment component on this project will be co-financed with the World Bank. The second phase of the project of Reinforcement of the Civil Aviation Department is scheduled to start in January 1981. It will provide extensive technical, operational and management training and support. The project also has a large equipment component including navigational, communication and air safety equipment.

133. In addition to the projects funded under the IPF, the UNCDF has approved a grant of $1.188 million for the construction of the Nepalgunj-Khumber road which links the Zonal centre of Nepalgunj to Bardia District where there are extensive land settlement schemes and the UNDP-supported Cotton project described in Chapter A.

Subsequent Programme, January 1982-December 1985

134. A further two projects were identified during the course of the JPR exercise to start during this period, depending on their priority and availability of resources at that time. The total estimated cost of these projects is $0.850 million.
135. The construction of 22 new feeder roads is included in the SFYP and a Feasibility Study will determine the respective costs and priorities of a selected 10 roads. It is also intended to further strengthen the maintenance capacity of the Roads Department through a Mechanic Training Programme. This project will, in part, backstop an IDA credit.

Communications

136. Prior to 1968 telecommunication facilities were mainly limited to Kathmandu and Biratnagar. With the installation of modern microwave systems many places in Nepal and also abroad are now linked by telephone and telex and during the SFYP it is intended to further improve the internal system. The international communication network will also be extended, but this will be predicated on the basis of expected returns on investments. The Postal Services will be improved.

137. The quality of broadcasting will be upgraded and the medium and shortwave radio networks will be expanded. This will include the provision of two regional 100 kilowatts medium wave broadcasting stations in Kathmandu and Pokhara.

138. The public sector allocation is Rs.350 million, equivalent to $29.4 million.

Assistance from External Sources

139. External assistance in the development of communication system has been and is sizeable. The World Bank under IDA credits has since 1969 financed three major telecommunications projects. The United Kingdom is assisting in the establishment of an earth satellite station. UNDP/ITU are supporting a large Telecommunications Training Centre which in part backstops the IDA credits.

UNDP Assistance

140. No projects were continued from the second CP and only one new project has presently been included for implementation during the SFYP. This is the second phase of the Telecommunication Training Centre. This project, which has a UNDP contribution of $818,000, became operational on 1 July 1980. Its main objectives are to train trainers to install and operate additional training equipment and to prepare training material.

F. HUMAN RESOURCES DEVELOPMENT

Education and Training

141. The Sixth Plan attaches major importance to education and training, not only to meet the basic minimum education needs of the people, but also to support development in other sectors. Priority will be given to primary education, work-oriented functional adult education, vocational training and technical education at all levels. Curriculum and textbook at all levels will be revised to make them more relevant to existing conditions of life and to national and social values. Special attention will be paid to increase the opportunities for educationally backward areas and groups such as girls and women. Community participation and involvement to expanded general education will be encouraged.

142. In terms of quantitative targets it is intended to increase primary enrollment to 75 per cent of the 6-10 age group; for this 1,250 new primary schools will have to be opened. Lower secondary school enrollments are to be increased to 40 per cent of the 11-12 age group; for this 1,000 lower secondary schools or wings in primary schools will be required. Secondary enrollments will be increased to 30 per cent of the 13-15 age group; for which 400 new secondary schools will be required. A concerted effort will be made to reduce illiteracy. At the university level enrollments in technical institutes will be increased in accordance with manpower requirements. At all levels (except technical schools) physical facilities will, in general, be
provided by the local community with technical advice and assistance from the
Ministry of Education. In particularly poor communities, however, material assist-
ance will be provided for primary school construction. Special "package" approaches
will be used in selected districts to upgrade the quality and relevance of primary
education. For non-formal education, the programme will be concentrated in districts
where the Small Farmers Development Programme is operating; and reading centres will
be widely established to maintain literacy.

143. In order to promote the teaching of science and technology, equipment and mater-
ials will be distributed free to all new lower secondary and secondary schools.
Special teacher training programmes in science and mathematics will be mounted, and
the Science Equipment Centre will be strengthened. The Curriculum Textbook and Super-
vision Development Centre will also be strengthened. In order to increase enrollments
of girls, preference will continue to be given to women candidates in teacher educa-
tion, new schools will be opened or old schools expanded in areas where girls enroll-
ment are low. Additional hostel facilities for girls will be established. In
remote districts free education will be provided to girls up to the secondary level.

144. One of the constraints to development is the comparatively low absorptive capa-
city in some sectors due to the lack of sufficient administrative, managerial and
technical personnel at all levels. Extensive use has been and is therefore being made
of international expertise. Accordingly, the SFYP places great emphasis on the training
of manpower in all areas and at all levels, for which major responsibility has
been assigned to UNDP. Many projects which are listed under other sectors contain
substantial training components. In addition a number of specific, large-scale training
projects have been designed to be implemented during the Plan period.

145. The public sector allocation to education is Rs.1,660 million, equivalent to
$139.4 million.

Assistance from External Sources

146. The volume of assistance from external sources was comparatively low during the
Fifth Plan. By far the largest amount came from UNICEF. This included support to
primary schools in remote areas and provision of textbooks, roofing materials and the
training of female teachers. The World Bank supported the development of the campus
of the Institute of Engineering. AsDB assisted in establishing a campus of the
Institute of Engineering at Dharan and a Trade School in Lahan. The United Mission
assisted trade and technical education and the Institute of Medicine. SATA provided
assistance for technical education, and for functional literacy and primary education
as a part of its Integrated Hill Development project. UNFPA will provide major
assistance to the Institute of Medicine to establish integrated teaching in human
reproduction, population dynamics and family planning. UNFPA will also assist in
the introduction of population education in schools and adult education programmes.
WHO provided support for staff training at the Institute of Medicine. UNESCO and the
Norwegian Agency for International Development (NORAD) are providing funds for hostel
construction in secondary schools for girls. UNDP is assisting the Ministry of
Education in project planning and implementation and to expand equal access of women
to education.

147. Among the bilaterals, the United Kingdom has given considerable assistance to
train Nepalese students in the United Kingdom and, in co-operation with the AsDB and
the World Bank, to upgrade technical education in the university through staff develop-
ment at the Dharan and Kathmandu campuses of the Institute of Engineering. The United
Kingdom is also assisting in the development of Budhanilkantha Boys Boarding School
near Kathmandu and an Agricultural Technical School near Dhankuta. USAID has extended
major assistance to the education sector particularly in the fields of higher educa-
tion, including support for the Institutes of Agriculture and Medicine, training
teachers through radio, development of functional literacy materials, and the training of educational officials. Significant funds for fellowships have been obtained from the Colombo Plan and among other countries, from Australia, India, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics.

**UNDP Assistance**

148. Five projects have been continued from the second CP with a total contribution of $1.386 million, of which $0.32 million falls within the third CP period. In the field of education the Teacher Training project provides advisory services in Primary Education. The project to assist in the Implementation of the Education Plan which is scheduled to end in June 1981, was designed to strengthen the planning and implementation capacity of the Ministry of Education.

149. Specific training projects comprise Fellowships for the Ministry of Finance, and training in Agro-meteorology and Meteorological Services.

**New Projects, July 1980-December 1981**

150. Eight new projects will be started during this period for which the total estimated UNDP contribution is $11.19 million.

151. The first phase of a large-scale project to provide funds for the Training of Nepalese Engineers and Technicians for Hydropower Projects was started in July 1980. The objective of this project is to train 250 students to the Bachelor of Science level in Civil Engineering to provide additional manpower for hydropower development. Under the present phase, 50 students are already in residence at Roorkee University in India. The project for Engineering Education which will start in early 1981, is designed to assist the Institute of Engineering through the provision of experts, equipment and fellowships in such disciplines as electronics, airconditioning and electrical engineering. At the same time the Institute of Science will be strengthened by a Faculty Development Programme. The project for Training of Water Resources Engineers will train 60 students to the BSc. level in Civil and Mechanical Engineering and Agriculture in Universities in countries in the region. This project is specifically designed to backstop large-scale irrigation schemes, including the World Bank-financed Mahakali project. A second phase of the training project for Engineers for Hydropower Projects, which is described in this paragraph above, will be started 1981. In order to implement HMG's programme for the Water Supply and Sanitation Decade, which is described in Chapter B above, a large project will be undertaken to train in institutions abroad Engineers and Technicians for Water Supply and Sanitation Projects. A national allocation of $500,000 has been made for Advanced Training in Other Development Disciplines. The project for Education for Rural Development aims to develop, test and implement in the Seti Zone a project designed to improve the existing system of education and to make the educational system in the Zone a positive force for rural development.

**Subsequent Programme, January 1982-December 1985**

152. A further four projects were identified during the JPR exercise to start during this period, depending on their priority and availability of funds. The estimated UNDP contribution is $5.91 million.

153. A project to given general Support to Primary Education, particularly in the areas of infrastructure and programme support is envisaged and also a project to assist the Functional Literacy Programme. Under a Fellowship project, training will be provided to Personnel in the Health Sector. A large-scale project is under consideration to provide technical assistance to the Institute of Engineering at Pokhara in support of the second IDA Education Credit.
Special Programmes

154. Women, children and disabled persons will receive special attention during the SFYP. Apart from the intrinsic desirability to assist what are still to a lesser or greater extent "disadvantaged groups" the contribution of women and children to general development is being increasingly recognized. They are an important part of the agricultural work force and in rural areas spend long hours in collecting firewood and water. Women are also increasingly moving into employment in industry, particularly the tourist industry. It is estimated that as much as 2.5 per cent of the total population are to some extent handicapped. In keeping with the aims of the United Nations International Year of Disabled Persons 1981, a census of the handicapped will be taken to establish the extent and nature of the problem as a basis for remedial action.

External Assistance

155. UNICEF has since its inception devoted its entire efforts to the development and care of children and will continue to do so during the SFYP with a greatly increased programme which is anticipated to reach $26.3 million. Details are given in the Financial and Statistical Appendix. UNFPA will fund a number of projects specifically directed to assist women play a fuller role in development, including an agricultural extension, small farmers activities, support to the Government-assisted Women's Services Co-ordination Committee. As part of its regular programme WHO has and is extending major assistance in this area, particularly in Maternal and Child Health Care. UNDP was and is supporting a UNESCO-executed project to give equal access to women and girls to education, which is articulated with a UNESCO/NORAD-funded project to construct school hostels for girls in remote areas.

UNDP Assistance

156. Two projects are proposed. The project for assistance to National Plan of Action for the Year of Disabled Persons will start in 1981 to support a wide range of Government activities. This will be followed during the period 1982-1985 by a project of Vocational Rehabilitation of the Handicapped which will provide advisory services, training and specialized equipment. The total estimated UNDP contribution to these projects is $555,000.

G. REGIONAL AND RURAL DEVELOPMENT

157. One of the major problems of and constraints to development is the imbalance between people and land resources described earlier; and the inaccessibility of many population centres in the Hills. Lack of sufficient arable land and such basic necessities as sufficient and clear water, health services and educational and transport facilities have resulted in large-scale migration from the Hills to the Terai. But with the rapidly increasing population, migration cannot be a long-term solution. Vacant land in the Terai is already in short supply.

158. It is therefore intended to strengthen the capacity of the Hill economy to absorb at least part of the growing population. Under the SFYP it is planned to: (a) meet basic minimum needs such as drinking water, communication especially suspension bridges and trails, transport, education and health services; (b) provide productive employment opportunities with emphasis on cottage and small-scale industry; and (c) maintain a balance between population and ecology by preserving and developing natural resources.

159. The major strategy adopted to achieve these objectives is the implementation of integrated rural development projects (IRDIP). These offer a programme package including health, education and training, drinking water, trails, agricultural improvement, soil conservation, forestry development and cottage industries. The local people play a major role in the planning and execution of these programmes. To
facilitate the development of rural and remote areas a Ministry of Local Development was created in May 1980.

160. The SFYP does not make a specific allocation to Rural Development as such. However, most of the allocation to the Panchayat sector amounting to Rs.1,090 million ($91.5 million) is committed to rural development. Additional inputs to rural development will also be made from other sectors such as agriculture, irrigation and education.

External Assistance

161. HMG has received substantial assistance from a number of multilateral and bilateral sources for Integrated Rural Development Programmes. These include the Rasuwa/Nuwakot IRDP funded with an IDA credit for which UNDP is providing technical assistance. The Mahakali Hills IRDP, which is also supported by the World Bank and UNDP started in 1980. The Sagarmatha IRDP, which started in 1979, is supported by the AsDB, IFAD and the EEC. The Kosi Hills IRDP, supported by the United Kingdom, started in 1978. The Rapti Zone IRDP is assisted by USAID, the Karnali/Bheri IRDP is supported by CIDA and the Jiri IRDP by SATA. In addition to integrated rural development programmes, the Government is implementing a number of rural work programmes with United Nations assistance. These include drinking water schemes supported by UNICEF, WHO and UNCDF; tracks and trails supported by WFP; small irrigation schemes, for some of which ILO is providing assistance with multi-bi funds; and school roofing programmes supported by UNICEF. Under the Panchayat training programme, the Ministry of Local Development provides long- and short-term courses to officials and technicians working in rural development programmes. The Ministry has also four training centres for women. Some training activities are financed by UNFPA and UNICEF. Small Farmers Development Programmes, which are an integral part of HMG's Rural Development Strategy, are described in Chapter A. Agriculture and Forestry.

162. UNDP under the Programme Reserve, and WFP and several bilaterals provided assistance in early 1980 to people in drought stricken areas and later in the year together with UNDRO to victims of the earthquake which struck West Nepal in July.

UNDP Assistance

163. Two projects with a total allocation of $1.21 million of which $0.91 million fall within the period of the third CP have been continued from the second CP. These are Integrated Rural Development, Rasuwa/Nuwakot which started in 1977 and Integrated Rural Development, Mahakali Hills, which became operational early in 1980. Both projects provide technical assistance to IDA credits to implement comprehensive rural development programmes of the nature described in the early part of this Chapter. The Rasuwa/Nuwakot Project was the first of its kind and has served as a pilot project and model for HMG's rural development policy and for the IRDPs supported by other bilateral and multilateral donors.


164. No new projects are planned to start during this period, but the Rasuwa/Nuwakot project will be extended for one year at a cost of $100,000.

Subsequent Programme, January 1982-December 1985

165. The JPR exercise identified four additional project proposals to start during this period, depending on their priority and availability of funds at that time. The estimated UNDP contribution is $6.5 million.

166. It is intended to test new approaches and ideas in integrated rural development and carry out the Feasibility Study for Additional IRDPs. Areas not presently included in a specific IRDP will receive support through a project to provide Inputs and Techni-
cal Support to Rural Area Development Programmes. In the past all resettlement has taken place in the Terai. It is now proposed to undertake a feasibility study for Integrated Resettlement Programmes in the Hills with the aim to slow down migration to the Terai and to diversify the Hill economy. If the feasibility study proves the viability of the proposal a full scale Resettlement Project at an estimated cost of $4.25 million will be implemented.

H. DEVELOPMENT PLANNING AND ADMINISTRATION

167. It is increasingly recognized that objectives embodied in Plan Documents can only be achieved if the administrative infrastructure is truly responsive to development. This is of particular importance in Nepal where the role of the public sector is dominant. HMG has therefore over the past years implemented a number of institutional measures designed to make the administrative machinery more development oriented. During the SFYP it is intended to continue and accelerate this process. This will include the development of the technical competence and professional capability of members of HMG's Civil Service particularly those responsible for formulating, implementing and evaluating development programmes and projects through training and fellowship programmes. Administrative and financial procedures, including those relating to land acquisition, award of tenders and contracts, release of budget funds, creation of new posts and recruitment and deployment of staff will be simplified. Efforts will be made to decentralize the decision-making process and bring about greater inter-Departmental co-ordination. The Planning Cells of all Ministries and Departments will be upgraded. The National Computer Centre will be strengthened to enable it to provide better statistical data as a basis for planning and implementing development programmes.

168. The public sector allocation to Administrative Reform and Planning is Rs.160 million, equivalent to $13.4 million.

Assistance from External Sources

169. A number of donors including the Federal Republic of Germany, India, Israel, the United Kingdom and the United States of America have provided fellowships in the fields of development planning and administration. UNDP has also provided fellowships in this area and is assisting in strengthening and upgrading the national accounts system, manpower planning and, in co-operation with UNFPA, computer operations. UNFPA is also supporting the Government's efforts in survey operation and research in demography and population planning. Following the recommendations of a UNFPA Needs Assessment Mission which visited Nepal in April 1979, five data collection and analysis projects out of a comprehensive set of nine such projects have already been formulated and are under implementation. UNFPA is also assisting the National Bureau of Statistics to carry out the 1981 Census.

UNDP Assistance

170. Five IPF-funded projects have been continued from the second CP with a total UNDP contribution of $2.674 million, of which $1.203 million falls within the period of the third CP.

171. The Aircraft Operations project started in 1963 under an FAO-executed project and has since 1971 been funded and operated by UNDP. The project has been instrumental in enabling development activities both those supported by UNDP and by other United Nations Agencies as well as those of HMG in general to be planned and carried out in remote areas. The emphasis on rural development in the SFYP and the greatly increased volume of UNDP assistance under the third CP (and also that of other United Nations Agencies and the Development Banks) will call for additional and increased aircraft support. UNDP has therefore agreed to provide a Nomad STOL aircraft which is both larger and faster than the present Pilatus Porter. A large-scale project which will give support to the National Computer Centre including the provision of a new computer
and staff training was started in 1979 and will continue through 1983. The project is co-financed with UNFPA. A project under which advisory services in National Accounts are provided to the Planning Commission will terminate in June 1981. Assistance is also being extended to the National Planning Commission in Manpower Planning. In view of the importance of UNCDF activities, a project to undertake CDF Feasibility Studies, under which consultant services and studies are funded to identify and prepare projects for UNCDF financing, will be continued. A SMLDC project provides Office Equipment to the Ministries and Departments of HMG and is also assisting in the establishment of a Documentation Centre for the Foreign Aid and Programme Division of the Ministry of Finance. The UNDP contribution to this project is $539,000 of which $260,000 falls within the third CP period.


172. Four new projects have been identified to start during this period and one project will be extended with a total allocation of $2.934 million.

173. Further assistance has been extended to the Survey Department under the Topography Phase II project. A Revenue Training Centre will be established to train junior and middle level staff in order to improve the entire range of accounting and financial practices of HMG. Two projects, which will provide programme support of a multi-sectoral nature are Programme Support for CDF Projects, under which consultants for approved UNCDF-funded projects will be retained to assist in project implementation; and the General Programme Support project which will finance urgent and immediate advisory training and technical services for which no provisions are available under other, approved projects. Additional equipment will be provided to the National Computer Centre.

Subsequent Programme, January 1982-December 1985

174. Only one additional project is presently envisaged during this period, namely Maintenance and Development of Computer Hard and Soft Ware. The estimated UNDP contribution will be $0.2 million.

IV. RELATIONSHIP WITH INTERCOUNTRY PROGRAMMES AND PROJECTS

175. Until RBAP took the initiative in 1979 to formulate programmes and projects of primary relevance to LDCs and Landlocked countries the Intercountry Programmes of UNDP were, with few exceptions, somewhat remote and of limited value to Nepal. Some useful training facilities were provided, particularly by the major UNDP-supported Regional Training Centres and Institutions, but the places made available to Nepal were far less than the country's requirements. Nepal also participated in workshops and seminars financed under Regional Projects. The services of regional advisers were generally of limited value. Apart from the training projects, only very few projects such as for example RAS/73/002 - Development of Lumbini and RAS/72/077 - Assistance to Least Developed Landlocked Countries, provided direct major assistance. It was therefore difficult, if not impossible, to establish any useful linkages between the second CP and the Regional Programmes.

176. HMG therefore welcomed the initiative of RBAP to formulate the Regional Programme and specific intercountry projects in close consultation with Governments and especially with LDCs. The 1979 programming exercise for RBAP resulted in a number of very useful projects being approved and becoming operational. These included RAS/79/094 - Transport and Handling Equipment, RAS/79/093 - Transit Facilities and RAS/79/121 - High Altitude Agricultural Research and Development.

177. During the second half of 1980 a new programming exercise was started to prepare the Regional Programme for the Third IPF Cycle 1982-86. This programme will again give special emphasis to the needs of LDCs. HMG has participated and continued to participate in the programming exercise; and it is therefore confident that the future Regional Programme will be both more useful and more relevant to Nepal's development priorities and goals, and more closely linked to the objectives of the SFYP and third CP.
## ANNEXES

### Table 1

**SUMMARY OF AVAILABLE AND ANTICIPATED UNDP RESOURCES**  
July 1980-December 1985

#### I. Resources taken into Account for Programming (In US$'000)

1. Available Resources
   - Second Cycle IPF Resources July 1980-December 1981: 14,065
   - Third Cycle IPF Resources January 1982-December 1985: 56,862
   - Total: 70,927
   - Anticipated Resources from other Funds Managed by UNDP, Including SMLDC, UNCDF, Programme Reserve, SFLLDC, IPSTD, UNRPNRE, Cost-sharing and Multi-bi: 26,000

2. Provision for Adequate Programming (20 per cent of the total IPF Resources): 14,185
   - Total Resources taken into Account for Programming: 111,112

#### II. Use of Resources

1. IPF and other Funds Managed by UNDP
   - On-going Projects: 12,512
   - Total: 70,994

2. Balance Available for Programming from IPF and other Funds Managed by UNDP for the period January 1982-December 1985: 40,118
   - Total: 111,112

### Table 2

**SUMMARY OF AVAILABLE AND ANTICIPATED RESOURCES FROM OTHER UNITED NATIONS ORGANIZATIONS**  
July 1980-December 1985 (In US$'000)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Available and Anticipated Resources</th>
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<tbody>
<tr>
<td>UNICEF</td>
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<tr>
<td>UNFPA</td>
<td>26,500b/</td>
</tr>
<tr>
<td>WFP</td>
<td>48,000</td>
</tr>
<tr>
<td>WHO</td>
<td>13,400b/</td>
</tr>
<tr>
<td>FAO</td>
<td>2,000</td>
</tr>
<tr>
<td>Others including UNDRO, UNDTCD, ILO, UNIDO, UNESCO, UNCTAD, ITC and etc.</td>
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</tr>
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</table>

Total Available and Anticipated Resources from other United Nations Organizations: 119,000

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a/ The available balance is insufficient to fund proposals identified in the "Subsequent Programme" (1982-1985) let alone any additional new project proposals which might be identified during the course of the third CP. Accordingly, as more fully explained in Part I above, from January 1982 onwards specific projects will be selected each year at the Annual Review of the CP, depending on their priority and available resources at that time.

b/ Includes funds from Regular Programme and Multi-bi sources.
**FINANCIAL DISTRIBUTION OF COUNTRY PROGRAMME BY SECTORS**

*July 1980-December 1985*

<table>
<thead>
<tr>
<th></th>
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<td>Agriculture and Forestry</td>
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<td>11</td>
<td>4,397</td>
</tr>
<tr>
<td>Total All Sectors</td>
<td>31</td>
<td>12,512</td>
<td>61</td>
<td>58,482</td>
<td>92</td>
<td>70,994</td>
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