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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR NEPAL*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
1986-1990	IPF for 1986-1990	58 391 000
	Other resources programmed	12 992 000
	Total	71 383 000

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*Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; (e) distribution of new country programme by sector.

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I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Nepal emerged from isolation in 1951 and began experience with planned economic development in 1956. Since then, significant progress has been made in the development of the socio-economic infrastructure, particularly in human resources, health services, irrigation and power, transportation and communications. The literacy rate increased from less than 3 per cent in 1956 to 23 per cent in 1985; hospital beds from 670 to nearly 3,000; the road network from 600 to about 5,800 kilometres; power supply from 3 to 170 megawatts; and the area under irrigation from about 15,000 to 270,000 hectares. The Government infrastructure, which in the 1950s was limited mainly to the Kathmandu Valley and major towns, now covers most of the country. Notwithstanding these achievements, the economy remains weak and continues to face seemingly intractable development problems. The gross domestic product (GDP) per capita of the Kingdom in fiscal year 1984/1985 was Rupees 2,511 (Rs.), (equivalent to \$123). The population is 16.6 million, and its rapid growth rate of 2.7 per cent per year has virtually offset the annual increases in national income of 3.2 per cent during the last ten years.

2. The performance of the agricultural sector, which contributed 59 per cent of GNP in 1984/1985, has been disappointing in spite of achievements in institution building, the use of modern inputs and the improved performance of a few crops such as wheat and vegetables. Production was increased for the most part by the extension of cultivation into new areas, mainly in the plains, known as "Terai", while productivity has remained stagnant. In view of the scarcity of arable land in the hills, cultivation has been pushed into increasingly marginal areas which, combined with the continuing removal of the forest cover for fuelwood and fodder, has caused environmental degradation and ecological problems, including severe soil erosion, land-slides and flooding. As a result there is considerable seasonal and permanent migration from the less developed hill areas to the "Terai" and abroad by individuals and families who can no longer support themselves in the hills.

3. The employment structure of the economy has remained virtually static for the last two decades, with agriculture employing more than 90 per cent of the labour force. A survey made in 1977 estimated that two-thirds of the labour force was either unemployed or underemployed. The growth of the manufacturing sector has been very slow and at present employs less than 1 per cent of the country's labour force and contributes only 4 per cent of the GDP. The favourable balance of payments which Nepal traditionally enjoyed has been reversed since 1982/1983 due to mounting trade deficits and declines in the growth of invisibles such as services and remittances. The total export earnings in fiscal year 1984/1985 was Rs.2,765 million, against an import bill of Rs.7,825 million. The deterioration in the balance of payments led in December 1985 to the decision of the Government to devalue the Nepalese currency by 14.7 per cent against all foreign currencies. This underscored the need, inter alia, to increase import substitution and the growth of exports.

4. The low level of domestic financial resource mobilization, due to the modest economic and tax bases, represents another constraint to the development efforts of Nepal. This has led the Government to depend increasingly on external assistance, which reached the level of 70 per cent of the annual development budget in 1984/1985. Despite an increase in the ratio of capital formation to GDP from 14 per cent in 1974/1975 to 18 per cent in 1984/1985, the domestic savings rate has remained almost static at 10 per cent. Moreover, the deterioration in the productivity of capital as reflected in the increases in the aggregate capital-output ratio has offset increases in capital formation.

5. Major discrepancies exist between planned programmes and targets and achievements. Progress has been slow in almost all sectors; delays in project implementation have resulted in a backlog of undisbursed assistance and delays in the accrual of benefits. His Majesty's Government is acutely aware of the need to improve performance: the Basic Principles of the Seventh Plan states that: " ... it has become quite clear that the pace of economic development of the country cannot be intensified until the development administration machinery is strengthened and made more efficient. In the absence of such an administrative structure, the formulation and implementation aspects of the economic development policies and programmes will continue to be weak and incompetent."

6. Nepal's development efforts are inhibited by difficulties of access to most of the Kingdom, the attendant disparities in economic growth and development, a limited natural resource base and the low level of mobilization of the nation's human resources. Similarly, her land-locked position and the consequent high costs of transit transport place Nepal at a disadvantage in her efforts to increase international trade and to obtain the inputs needed for development.

B. National development strategies

7. The Government has conducted its development efforts since 1956 on the basis of a series of national development plans, usually of five years' duration. The Seventh Plan, which covers the fiscal years from 15 July 1985 to 14 July 1990, spells out a set of objectives, strategies and working policies. The three principal objectives of the Plan are: (a) to increase agricultural, industrial and energy production; (b) to increase opportunities for productive employment and develop the nation's human resource potentials; and (c) to increase the provision of the population's basic needs, including food, clothing, energy (fuelwood), drinking water, health care and sanitation, primary and skill-oriented education and minimum rural access facilities. The Seventh Plan defines seven major intersectoral strategies to achieve its objectives. These are: (a) development and conservation of natural resources; (b) reduction in the rate of population growth; (c) balanced regional growth and the economic integration of remote areas; (d) decentralization of the development process; (e) strengthening the development administration capacities of the Government; (f) an investment programme emphasizing the completion of ongoing priority projects, the consolidation of past investments, and the selection of quick-yielding new projects; and, (g) stimulation of the private sector.

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8. The target rate of growth in GDP for the Plan period is 4.5 per cent per annum. This entails annual rates of growth of 3.5 per cent in the agricultural sector and 5.6 per cent in the non-agricultural sectors. Planned sectoral development allocations provide 34 per cent to agriculture, irrigation and forestry, 30 per cent to the social sectors, 14 per cent to transport and communications, 11 per cent to industry, mining and power, and 10 per cent to the remaining sectors. External financing is expected to account for approximately 70 per cent of total public sector development expenditures. This represents a significant increase over the Sixth Plan, during which external financing did not exceed 56 per cent of annual development expenditures.

9. The success of the Seventh Plan, and thus the nation's development, depends primarily upon the translation of the policy prescriptions of the Plan into a co-ordinated programme of well-specified and phased development programmes and projects which simultaneously address the development constraints and the objectives and strategies. It will also require major improvements in the implementation capacity of the Government to effectively accommodate the rate of growth in development expenditures envisaged under the Plan.

C. Technical co-operation priorities

10. The formulation of the fourth country programme was based on the above objectives, strategies and working policies of the Government for the five-year period from mid-1985 to mid-1990, as spelled out initially in the Basic Principles of the Seventh Plan and later in the Seventh Plan itself. Further guidance came from the assessment of prior experience relating to UNDP assistance to Nepal, and the Resident Representative's note on the country programme. Since the Government does not undertake the systematic identification of its external development assistance requirements in the context of its national planning process, it was decided to: (a) review with the National Planning Commission, as well as with the Ministry of Finance, the co-ordinating body for external assistance activities, the overall thrusts and strategies to be employed in meeting the objectives of the Seventh Plan and the socio-economic, physical, resource and institutional constraints that the Government would be confronting in meeting these objectives; (b) examine the relevance and effectiveness of prior and ongoing UNDP assistance in Nepal and assess the role of UNDP in the national development process; (c) identify in subsequent discussions with the sectoral ministries of the Government their external assistance requirements, both capital and technical, in relation to the Seventh Plan; (d) consult with specialized agencies of the United Nations system and other multilateral and bilateral organizations and non-governmental organizations (NGOs) operating in Nepal as to the role of UNDP in relation to their activities; and, (e) consult with the National Planning Commission and the Ministry of Finance to obtain a synthesis of discussions held with the other Government agencies and the donor community and to agree on the content of the fourth country programme.

11. The external technical assistance requirements that were identified in the country programming process by the Government, United Nations specialized agencies, international development banks, UNDP and other organizations amounted to approximately \$173 million, in the form of 218 projects. Of these, 107 have

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been included in the country programme at a cost of about \$71 million; the remaining projects will be considered for joint, parallel or independent financing by other donors.

D. Aid co-ordination arrangements

12. External assistance is an important contributor to the development of Nepal. Capital assistance, both in grants and loans, amounted on average to \$185 million annually over the last five years. Technical assistance amounted to about \$72 million in 1984. The major bilateral aid donors are Australia, Canada, China, the Federal Republic of Germany, India, Japan, Kuwait, Saudi Arabia, Switzerland, the United Kingdom and the United States of America. The principal multilateral sources include the World Bank, the Asian Development Bank (AsDB), the European Economic Community (EEC), the International Fund for Agricultural Development (IFAD) and the Organization of Petroleum Exporting Countries (OPEC) Fund, as well as UNDP, the United Nations Children's Fund (UNICEF), the United Nations Fund for Population Activities (UNFPA), the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO) and the World Food Programme (WFP). In addition, some 40 other bilateral donors and NGOs provide assistance. In 1984, the United Nations system financed technical assistance valued at \$28 million, of which UNDP, UNICEF, WHO, UNFPA and FAO were the major sources. Food aid and capital assistance made available through WFP and the United Nations Capital Development Fund (UNCDF) accounted for an additional \$7.5 million.

13. External assistance was provided mainly for irrigation, hydro-power and drinking water development, accounting for 60 per cent of capital assistance committed in 1984; transport and communications accounted for 19 per cent; and agriculture, livestock and forestry for 10 per cent. Technical assistance had a wider focus, with 26 per cent of recorded disbursements in 1984 for agriculture, livestock and forestry; 18 per cent for health; 14 per cent for natural resources; and 13 per cent for population. Planning, trade and finance, employment, social conditions and culture combined accounted for only 6 per cent.

14. In 1976, a Nepal Aid Group was established under the aegis of the World Bank with the membership of Austria, Canada, France, the Federal Republic of Germany, Japan, Switzerland, the United Kingdom, the United States of America, the Asian Development Bank (AsDB), World Bank/International Development Association (IDA), the International Monetary Fund (IMF) and UNDP. This group meets every two years. More recently, because of the recognized need for co-ordination, the Government established a local aid group with the support of the World Bank and UNDP. This group met three times during 1984 and 1985 and discussed issues relating to programme monitoring, forestry, agriculture, decentralization and integrated rural development.

15. While the predominant role of the Government in aid co-ordination was underscored, the UNDP role in facilitating aid co-ordination vis-à-vis the Government and the other aid donors was clearly defined in the country programming process. This may be described as follows: (a) through the country programme activities, UNDP assistance will be utilized to support the further development of Government policy and programme planning, budgetary, co-ordination and

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execution processes and systems in order to provide a better development framework and to strengthen aid co-ordination; (b) UNDP technical co-operation will be utilized, wherever appropriate, as a catalyst for activities to be undertaken by the Government, as well as those supported by other aid donors, through the financing of project identification and formulation activities and pre-investment studies, and through investment and post-investment support and other institution-building activities; (c) the office of the UNDP Resident Representative for Nepal will continue to facilitate, as appropriate, the development support activities of other multilateral and bilateral donors through the identification and formulation of project proposals for either joint or independent financing by others; (d) UNDP, in co-operation with other United Nations organizations, will continue to support the Government in conducting meetings with members of the local aid donor community for the purpose of facilitating Government policy/programme formulation and aid co-ordination; and (e) the UNDP Resident Representative, in his role as resident co-ordinator of the United Nations system operational activities for development in Nepal will continue to pursue the increased coherence, co-ordination and integration of the development activities of the various United Nations organizations operating in the country.

II. THE COUNTRY PROGRAMME

A. Assessment of previous country programmes

16. The third country programme (mid-1980 to 1985) was almost coterminous with the Sixth National Development Plan, which aimed to increase agricultural production, promote afforestation, increase industrial productivity, create employment opportunities and satisfy the population's basic needs. In support of the Sixth Plan, the third country programme concentrated on pre-investment and investment support for rural and agricultural infrastructure development, on technical education and training, and on natural resource development and environmental protection. Projects included, where necessary, sizeable equipment and construction components and whenever possible utilized national expertise.

17. The assessment of prior experience carried out early in 1985 found that UNDP technical co-operation activities had been generally consistent with the development priorities of the Government. Integrated rural development projects performed below expectations for a variety of reasons, including insufficient inter-sectoral co-ordination and a lack of local participation in planning and implementation. Significant achievements in community participation were, however, achieved in relation to forestry, labour-intensive public works and cottage industries. If consolidated and expanded on a nation-wide scale, they could achieve national impact in the medium- to long-term.

18. Operational delays were experienced with projects having large equipment and construction components. The assessment found that the use of UNDP resources for the purchase of major items of equipment and for construction was not justified in view of the priority needs for technical co-operation and the greater attractiveness of capital development opportunities to international banks and bilateral donors. UNDP technical support of capital investment programmes

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assisted by the World Bank and the AsDB was also sizeable and had considerable impact. In some instances, however, this emphasis on investment-oriented technical support activities proved inadequate in relation to the need for strengthening the institutions responsible for maintaining the operations of the projects after the investment was completed. The investment support requirements were in most cases relatively straight-forward and could in retrospect have been financed out of the credits themselves, leaving UNDP resources free to focus on institution-building and catalytic activities.

19. The use of national consultants proved to be cost-effective in those fields where local expertise existed and within a framework in which expatriate experts or consultants provided the necessary technical and administrative backstopping; they will continue to be utilized wherever possible. The use of associate experts and volunteers also yielded excellent results, particularly for operational support activities in remote rural areas. While short-term experts and consultants often provided valuable advice and guidance in relation to specific situations, their overall usefulness was nevertheless more limited than in countries which have achieved a higher level of development.

20. Although the assessment of the third country programme found that UNDP assistance was both relevant and effective, in that most projects achieved their immediate objectives, the linkages between project targets and achievements and the broader development objectives were less effective. This was attributed to difficulties of synchronization with related development activities, in the absence of sectoral policy and programme frameworks on the part of the Government, inconsistencies in the decision-making processes and the recognized inadequacies in the development administration capacities of the Government.

21. The Government and UNDP, as well as other multilateral and bilateral assistance organizations, had therefore to resort for the most part to a project-oriented approach, as distinct from a programme approach. As a result, projects in the same field tended to take on separate identities and espouse approaches and methodologies which in some cases were inconsistent with one another. This made it difficult for the Government to co-ordinate the projects, to adopt or incorporate the methodologies and institutional capabilities which were developed, and to replicate or expand such activities.

22. On the basis of the assessment, it was concluded that the main thrust of the fourth country programme should be to improve the Kingdom's capacity to mobilize and use domestic and external resources, with emphasis on the strengthening of national capacities to prepare and implement strategies and programmes. The Resident Representative's note accordingly proposed that the fourth country programme focus on such specific areas as: (a) programme planning, implementation and monitoring at the central, sectoral and regional levels; (b) strengthening the development administration capacities, manpower planning and human resources development; (c) labour-intensive development of productive infrastructure through local participation; (d) community forestry and soil and water conservation; (e) local-level human, financial and natural resources development and mobilization; and, (f) the stimulation of domestic and foreign private investment in productive endeavours. In order for this approach to be

effective, the Government was prepared to make basic policy decisions and take action in such fundamental areas as pricing strategies and other private sector incentives; revenue generation and tax regulation; and reorganization and management in Government departments, including improvement of civil service conditions.

B. New programme proposal

23. The fourth country programme extends over the five-year period from January 1986 to December 1990, conforming closely to the Seventh Plan (July 1985-July 1990). The resources available for the 1986-1990 period through UNDP-administered sources amount to an estimated \$71.4 million, resulting in a projected annual resource availability during the programme period of about \$14 million. The bulk of this amount, or \$58.4 million, will come from the 1987-1991 UNDP indicative planning figure (IPF) for Nepal. Additional resources totalling \$13.0 million are available from various other funds administered by UNDP. A breakdown of the resources taken into account for programming purposes is provided in the Annex.

24. In the light of the technical co-operation needs identified for the implementation of the Seventh Plan, of the socio-economic context and the constraints to national development, and taking into consideration areas of interest of other major donors, the opportunities for collaboration which arise therefrom, and the comparative advantages of UNDP in relation to other sources of assistance, the Government has decided to utilize the available UNDP resources to strengthen its institutional capabilities to: (a) mobilize domestic human, financial and natural resources; (b) improve its development processes and the absorptive capacity of the country; and (c) pursue the accelerated and balanced growth of the economy.

25. In domestic resources mobilization, UNDP assistance will emphasize the enhancement of the capacities of the Government to design, construct and maintain large- and medium-scale power and irrigation schemes. Co-ordination with expected capital assistance from UNCDF in irrigation and energy resources will be maintained. Financial resource generation and mobilization at the central and local levels will be woven into other programme components with a view to stimulating private investment, improving revenue generation and collection, enhancing the management of local governments and public enterprises, developing a capital market, and improving the access to credit. In the area of human resource development, the strategy is to provide for the strengthening of domestic education and training capacities, especially at the intermediate and lower levels. Increased co-ordination will be sought between UNDP and UNFPA programmes in integrating population activities with other development projects.

26. In order to strengthen the development administration and increase the absorptive capacity of the country, the fourth country programme lays out a co-ordinated strategy involving the central, sectoral, regional and local levels. At the central level, the emphasis will be on the policy and plan formulation and monitoring processes, on data processing and analysis, on manpower planning and on improving the performance of the civil service system. At the sectoral level, the country programme provides for strengthening the programme planning and

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implementation capacities, for the consolidation of past investments and for intersectoral co-ordination. At the regional and local level, the focus will be on the implementation of the decentralization policy and of selected integrated rural and local development programmes, with emphasis on increased local participation in the preparation and execution of district-level development plans.

27. In the pursuit of the Government goals of accelerated and balanced economic growth, the fourth country programme emphasizes increases in productivity and efficiency in agriculture, forestry, industry, and supporting infrastructure and services. In agriculture, the programme includes the strengthening of food production and supply activities, primarily in the hills; improved food security; crop diversification in selected less-developed areas; and the strengthening of agricultural price and marketing information systems designed to reach the farmer. In forestry, governmental capacities to programme and implement community and commercial forestry activities to increase the supply of fuelwood, timber and fodder will be strengthened. In industry, the emphasis will be to develop the capabilities of public and private institutions responsible for small-scale industries development, particularly in rural areas; to upgrade the quality of industrial products, to provide industrial support and information services; to improve credit facilities and incentives; and to promote import substitution and export opportunities. In support of these and other development activities, particularly in the hills, the programme provides for the consolidation of past investments in transport and communications, with the aim of integrating isolated regions through the further development of the trail and road networks and the extension of air transport operations. Appropriate soil and water conservation measures will be taken.

28. Within this framework, UNDP resources will be utilized to play a catalytic role in complementing the activities of other partners, including national and international NGOs. In particular, the programme will aim at stimulating the replication of successful private and community-based schemes in agriculture, irrigation, cottage industry and fuelwood production, where the investment requirements are such that governmental and donor resources are insufficient. Investment support activities undertaken during the third country programme period will be consolidated through appropriate institutional and human resources development activities to ensure the proper operation and maintenance of the infrastructure developed upon completion of the investment project. The provision of buildings and other physical facilities and equipment which can be covered by other donors and through credits or loans will be kept to a minimum. However, limited capital inputs of a productive and catalytic nature may be provided on an exceptional basis. In addition, the fourth country programme will encourage, where appropriate, Government execution of projects and the use of local expertise, national training institutions, United Nations and bilateral volunteers, including executive services, and Technical Corporation for Developing Countries (TCDC).

Development planning and administration

29. After three decades of national development planning, the major

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discrepancies between the development plans and programme implementation are viewed by the Government and its donor partners with rising concern. A number of constraints affect the administration of the development programme. First, national development policies, plans and strategies are not translated into specific sectoral targets which can be continuously monitored. Second, there is a lack of sufficient integration of medium-term planning, annual budgeting and project implementation. Third, there are weaknesses in the revenue-generating and disbursement policies. Fourth, there are fundamental problems affecting the efficiency of the civil service, characterized by a concentration of decision-making at high levels in the Government and little delegation of authority. There is an absence of effective personnel policies, procedures and incentives, as well as manpower planning, resulting in the inefficient utilization of human resources. Finally, there is a lack of inter-departmental co-ordination, which results in the misallocation of resources, inconsistencies of approach and overlapping responsibilities.

30. Most of the issues and constraints relating to the effectiveness of the development planning and administration processes are well known and remedial measures have been recommended. In this context, the Seventh Plan calls for decentralization in the process of local-level development planning, decision-making and implementation, strengthening the development administration capacities and training of manpower in development planning, finance and administration. The strategy of the fourth country programme, therefore, focuses on training and institution-building. This will entail concerted efforts at the central, sectoral and local levels in the fields of programme planning, budgeting and management, including performance monitoring and evaluation.

31. At the central level, assistance will be provided by NEP/86/001, the Strengthening of Programme Planning, Monitoring and Evaluation, for the National Planning Commission, the Ministry of Finance and selected line ministries, with the aim of improving the development planning and implementation processes. Assistance will also be provided by NEP/86/002, Manpower Planning. In accordance with the Government intention to review and strengthen its administrative and personnel management policies, UNDP will provide assistance to the Ministry of General Administration through NEP/86/003, Strengthening of Public Administration, in co-operation with the World Bank, following a UNDP/World Bank needs assessment mission. Consideration will be given to providing an operational research and consulting component to the Nepal Administrative Staff College (NASC) to complement large-scale assistance by the United Kingdom/Overseas Development Assistance (UK/ODA) and EEC.

32. UNDP will continue its ongoing assistance to the National Planning Commission and through NEP/84/045, National Accounts, Phase III; NEP/81/008, Agriculture Census; and NEP/84/047, National Computer Centre (NCC). These projects will provide a data base for co-ordinating planning, monitoring and evaluation. Both UNDP and UK/ODA provided support for the establishment of the NCC and future UNDP support will concentrate on management development and the training of NCC personnel. A limited number of officers in key areas of the Government will continue to receive post graduate training abroad under NEP/80/051, Multi-disciplinary Advanced Training. UNDP will also continue to

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support the development of manpower in the field of tax administration under NEP/80/036 and NEP/84/046, Revenue Administration Training Centre, Phases I and II. Assistance in local resource mobilization will be continued through NEP/85/010, Management Support to Town Panchayats. UNDP will also continue its assistance to investment project facilitation and support through NEP/86/010, Project Identification and Formulation; and NEP/86/009, Programme Support for UNCDF, Phase II. NEP/85/002, Disaster Preparedness and Prevention is to provide assistance on the basis of an earlier project identification and formulation mission funded under NEP/80/006, Programme Support Services. The UNDP-assisted activities in this subsector total \$7.5 million or 10.5 per cent of the total programme resources.

Decentralization, rural and urban development

33. Institutionalized and self-sustaining rural development has been a national objective of increasing priority over several plan periods. The main thrust of the Decentralization Act is to ensure local-level participation in the planning and implementation of development activities so that development efforts become more responsive to the people's needs, and rural populations become more responsible for their own development. Thus, the Seventh Plan aims to create increased employment opportunities and production, especially food production, through the mobilization of local resources; to provide for the basic needs of the rural population; and to restore the environment in the rural areas.

34. Integrated rural development projects (IRDPs) have become a significant part of the programmes of the Panchayat sector (local administration). There are currently eight IRDPs underway, covering 23 of a total of 75 districts, financed by various donors, including the United States Agency for International Development (USAID), the Swiss Association for Technical Assistance (SATA), UK/ODA, the World Bank, the Federal German Republic (FRG), the Canadian International Development Association (CIDA) and UNDP. Basic problems of planning, management, co-ordination and execution continue to impede the successful implementation of IRDPs. The decentralization policy is aimed at alleviating these problems.

35. Based, inter alia, on the conclusions of the May 1985 local aid group meeting on decentralization and rural development, UNDP will assist district and community level involvement in development activities through institutional support to the National Planning Commission, the Ministry of Panchayat and Local Development, and the Ministry of Finance under NEP/84/040, Decentralization. UNDP will also continue to support IRDPs, by projects, including NEP/86/004, Rasuwa/Nuwakot Integrated Rural Development, Phase II; NEP/85/039, Seti Integrated Rural Development; and NEP/85/010, Lumbini Integrated Rural Development, in collaboration with the World Bank, AsDB and a bilateral donor, respectively.

36. An urbanization strategy linked to the development of commerce and industry is seen as crucial for the modernization of the economy; for increasing employment opportunities; and for reducing the pressure on the dwindling land resource base. Government policy during the Seventh Plan is to develop regional centres in order to check migration to the main urban centres; to prepare masterplans for urban land use; to co-ordinate the activities of institutions concerned with town

planning; and to complete the infrastructural works of the Lumbini development project. As part of this strategy, UNDP, in co-operation with other interested donors such as USAID, the World Bank and the FRG, is providing assistance through NEP/86/013, Management Support to Town Panchayats, which will encompass the socio-economic planning of infrastructure, land use, employment, social services and industry. The UNDP-assisted activities in this subsector amount to \$4.5 million or 6.4 per cent of the total.

Human resources development

37. Human resources are potentially the most valuable asset of the country, yet they remain largely undeveloped. In 1983, only about 40 per cent of school-age children were attending school regularly; the enrolment rate was 56 per cent for boys and 22 per cent for girls. The problems include a lack of educational facilities; inappropriate curricula; shortage of adequately trained teachers; high dropout rates; socio-cultural traditions and taboos; and the economic conditions of households. In view of the low literacy rate and the constraints described above, the Seventh Plan places emphasis on two areas: (a) increasing the level of literacy through the expansion and improvement of primary and non-formal adult and vocational education; and (b) increasing the supply of trained manpower needed for national and local development.

38. A variety of educational and technical and vocational training activities has already been undertaken with external assistance from the UNDP, the World Bank, UK/ODA, USAID, and others. Because of the lack of the necessary manpower data and projections, skill standards, and an overall policy and programme framework, there has been little co-ordination, however, resulting in inconsistencies in the methods and standards applied in various training institutions. UNDP assistance is therefore requested to conduct NEP/84/036, Study on Technical and Vocational Training, to recommend an appropriate policy and institutional framework for future UNDP and other multilateral and bilateral support. This study has been made a prerequisite for AsDB financing of a major vocational and technical education project and is also needed to bring uniformity to the ongoing certificate level technical education programmes supported by UNDP, the World Bank and UK/ODA.

39. UNDP assistance for human resources development will emphasize job-oriented training, more practical short-term courses and the development and increase in the use of local training institutions. UNDP will also provide selective support in expanding primary and secondary education, particularly in the rural areas. With complementary assistance from UNICEF, and the Arab Gulf Fund (AGFUND), UNDP will continue to support NEP/78/022, and NEP/86/008, Education for Rural Development in the Seti Zone, as a pilot programme in the development of the primary education system. This programme is being replicated by World Bank and UNICEF-financed primary education projects in six other districts of the country and by NEP/82/006, Strengthening of Secondary Science Education, in association with AsDB. At the post-secondary level, UNDP will continue to provide complementary technical assistance to the investment programmes of the World Bank through NEP/79/007, Institute of Engineering of Tribhuvan University, and through NEP/81/003, Technical Assistance to the Second IDA Education Credit, at the Pokhara campus of the Institution of Engineering. UNDP/International Labour

Organisation (ILO) assistance is to be provided in association with an AGFUND grant for vocational training in carpentry, plumbing, masonry, electrical work, tailoring and cottage crafts through NEP/84/039, Basic Vocational Training. An allocation has also been made for NEP/86/014, Technical and Vocational Training, as a follow-up to the UNDP/ILO Study on Technical and Vocational Training described in paragraph 38. The UNDP-supported activities in this sector amount to \$6.1 million or 9.4 per cent of the total.

Agriculture, livestock and fisheries

40. More than 90 per cent of the country's population is directly or indirectly engaged in agriculture, which in 1984/1985 produced 59 per cent of the GDP. This is predominantly a subsistence-level activity, in which traditional cultivation methods are used on increasingly small plots of land. With the number of people dependent on agriculture increasing by more than 350,000 each year, declines have been recorded in recent years in per capita food availability. Livestock production has also been decreasing owing to population pressure on pastures and forests. Fish are in heavy demand and since water is available there has been a considerable increase in fish production over the last decade. Increases in cropping intensity and agricultural productivity have been relatively minor because of the long gestation period of irrigation projects; the lack of adequate tertiary and on-farm water distribution facilities and water management; weak institutional support in the areas of input supply; credit; storage facilities and producer price incentives; and the lack of transportation infrastructure.

41. The Government continues to accord highest priority in the Seventh Plan to increasing food production. In order to strengthen the development administration capacities in the agricultural sector, especially for the hills, efforts will be directed at strengthening and co-ordinating the planning, budgeting and management processes and mechanisms to improve programme coherence and performance.

42. In view of the overall importance of the agriculture sector, most donors are in one way or another supporting the Government's efforts in this field. USAID is expanding its assistance in agricultural research, hitherto concentrated on rice, wheat and pulses, to cover hill crops such as maize, millet and barley. The AsDB will continue its support to the development of livestock and fish culture, while initiating new activities in vegetable and fruit production in the more accessible hill areas. The World Bank is involved in agricultural extension and its links with adaptive research. IFAD and EEC support the small farmers development programme begun with UNDP and FAO assistance.

43. UNDP-assisted projects initiated during the third country programme which will continue during the fourth country programme comprise: the establishment of NEP/78/019, Agrometeorological Service; NEP/80/035, Farm Management Study; NEP/80/002, Fruit Processing in Mustang; NEP/80/008, Strengthening of the Nepal Food Corporation; NEP/80/019, Food Production in the Hills; NEP/79/033, Agricultural Extension in the Terai; the promotion of the use of improved inputs and appropriate technology by farmers through NEP/80/013, Institutional Support to the Agriculture Development Bank of Nepal; NEP/79/026, Animal Health and Livestock Production in the Terai; and NEP/79/030, Development of Aquaculture in the Terai.

44. Additional UNDP resources will mainly be used to consolidate and build on the achievements of past activities and, in conjunction with the Government comprehensive food-production and supply master plan, to strengthen the planning, programming and implementation capacities of the central institutions, and to fill gaps in the present programme. Projects designed to implement this strategy include NEP/85/015, Agriculture Marketing Information; NEP/85/014, Agriculture Price Policy; and NEP/85/005, Agriculture Development Communication. A fourth project, NEP/85/003, Planning, Monitoring and Implementation Capacities of the Ministry of Supply will strengthen the ability to maintain attractive farmgate prices through the operation of reserve and security stocks established with bilateral and WFP assistance. A fifth project, NEP/85/004, Agricultural Co-operatives, to be designed in conjunction with an AsDB loan, is intended to revitalize the co-operatives. These five projects are part of an integrated package based on the conclusions and recommendations of the UNDP/FAO supported farm management study and are integral parts of the Government food security policy, developed with FAO support within the framework of the master plan.

45. NEP/85/023, Cotton Development, which is based on a previous UNDP/FAO pilot project and is linked to an AsDB loan, is intended to support a significant increase in cotton production, provide employment opportunities and help to reduce cotton imports. Further support will be provided to strengthen the programming and implementation capacities of the Livestock Department of the Ministry of Agriculture by NEP/85/031, Developing Livestock Production in the Terai and Middle Hills, and by NEP/85/007, Improving High Altitude Pastures. NEP/85/034, Aquaculture Division in the Department of Agriculture, will be further strengthened to expand fish production, in association with the Regional Network of Aquaculture Centres (RAS/76/003) project. To assist the Agriculture Development Bank of Nepal in establishing appropriate regional technology promotion units, in improving food processing technologies and storage facilities and in increasing its operational capabilities to reach the small farmer, support will be provided through NEP/85/027, Appropriate Technology, a government-executed project which is to stimulate private investment and resource mobilization in the sector. The UNDP-supported activities in this subsector amount to \$9.0 million or 12.6 per cent of the total programmed resources.

Forestry and watershed management

46. Population pressure has increased the need for agricultural and forest products, producing extensive deforestation. Over the past decade, the forest is estimated to have declined by 24 per cent, leading to shortages of fuelwood, fodder and timber for domestic use and negative impacts on agricultural and livestock productivity. Deforestation has also caused serious environmental degradation, leading to widespread soil erosion, downstream flooding and decreasing water availability during the dry season. At the present rate, it is estimated that the remaining accessible forests will be largely depleted within fifteen to twenty years. The sectoral strategy of the Government is to increase the production of fuelwood, fodder and other forest products to meet the basic needs of local communities; to restore the ecological balance through soil conservation, improved watershed management and better land use; and to rationalize the use of forest resources while ensuring the protection of the

environment. The magnitude of the programme required to meet afforestation and forest management needs cannot be undertaken with the present capacity of the Government to finance and implement such programmes. Responsibility for afforestation and rational forest use must therefore be progressively assumed by the local population if the country is to achieve self-sufficiency in essential forest products and restore the environment.

47. UNDP assistance will support the development of a nation-wide afforestation programme of sufficient size and scope to counteract present depletionary trends. This programme will link the resources and activities of the various donor agencies. Consequently, in 1986, large-scale follow-up activities are planned to mobilize rural populations and to consolidate and extend NEP/85/017, Community Forestry and NEP/85/008, Watershed Management and Soil Conservation, which both support activities nation-wide. UNDP will also finance the technical assistance component of an AsDB-supported programme to increase fuelwood production in the "Terai" and provide raw materials for a proposed paper mill through NEP/85/022, Commercial Forest Plantation Establishment. In addition, UNDP will continue its support to NEP/79/007, Cultivation of Medicinal and Aromatic Plants. NEP/85/011, National Parks and Protected Areas, is another follow-up project; it will help to develop and implement management plans for the existing and proposed protected areas and to enlist local participation in these efforts. The UNDP-supported activities in this subsector total \$4.8 million or 6.7 per cent of the total resources.

Water resources development

Energy

48. Traditional, non-commercial sources of energy, mainly firewood, account for about 90 per cent of the nation's energy supply. Commercial sources of energy, including coal and oil (which are mainly imported) and hydro-electricity, provide the remaining portion. While the rapidly depleting forest resources meet the bulk of today's energy requirements, the nation's exploitable hydro-electric potential is estimated at 25,000 MW, of which only 130 MW are developed. Other commercial energy sources such as coal, oil and gas offer few prospects. Accordingly, the objectives of the Seventh Plan for energy development are to harness the available water resources; develop hydro-electricity as an exportable commodity; and develop alternative sources of energy.

49. While UNDP assistance will continue to focus on community afforestation and the alternative sources of energy described above, the pressure on forests must also be relieved by consolidating institutional capabilities in hydro-power development and electrification. NEP/80/011, Strengthening of the Small Hydro-Power Department, in association with AsDB, supports the installation of six mini-hydel power plants in remote hill areas. A UNCDF project, NEP/78/C03, Rural Electrification, is establishing five mini-hydel power plants in five communities in Eastern Nepal, and is backstopped in the fields of design and construction supervision financed from NEP/79/024, Programme Support to UNCDF. NEP/79/027, Strengthening of the Electricity Distribution Network in Eastern Nepal, and NEP/81/020, Strengthening of the Electricity Distribution Network in Western

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Nepal, support AsDB loans to install transmission lines. In addition, NEP/82/001, Fourth Power Training Project, provides short-term specialized training in distribution networks. NEP/84/006, Technical Assistance to the Water Resources Ministry, provides technical advice to the Ministry in policy formulation and financial planning. To meet long-term national requirements in the field of hydro-power development, a United Nations Department of Technical Co-operation for Development (UNDTCD) project, NEP/80/024, Electrical and Civil Engineers, is training 250 engineers.

50. In addition to the above ongoing projects, support will be provided to the newly-established Nepal Electricity Authority through NEP/85/035, Pre-feasibility and Feasibility Studies, in conjunction with assistance provided by CIDA and other donors. Further support will be provided to the Agriculture Development Bank through NEP/85/027, Regional Appropriate Technology Units for the development, inter alia, of micro-hydel and bio-gas facilities by small private entrepreneurs. The UNDP-supported activities in this subsector amount to \$4.0 million or 5.6 per cent of the total resources.

Irrigation

51. Of an estimated potential irrigable area of 1.9 million ha., representing 13 per cent of the national land area, only about 500,000 ha. are irrigated. This includes 400,000 ha. covered by traditional systems, which are for the most part unable to provide year-round irrigation, and 100,000 ha. developed and managed by the Government. In view of the constraints on cultivable land, the first priority of the Government for increasing food production is on the expansion and more efficient utilization of irrigated areas, particularly in the hills.

52. Although external assistance for irrigation is extensive, major constraints to development remain, including inadequate institutional capabilities in planning, implementation, management and co-ordination. The objectives of the Seventh Plan are to expand community-owned and operated small-scale irrigation schemes in the hills, using local skills and improved technologies and to bring large- and medium-scale irrigation in the "Terai" to fruition by improving distribution systems, water management and maintenance. The sectoral strategy for the use of UNDP assistance is (a) to strengthen institutional capacities, and (b) to encourage labour-intensive construction of irrigation schemes in the hills and to mobilize public participation in their development and maintenance.

53. UNDP assistance in this field is closely linked to AsDB and World Bank endeavours and is complementary to activities supported by CIDA, USAID, the Netherlands and other bilateral donors. Projects which will continue include technical backstopping for three large-scale irrigation schemes: NEP/80/012, Western Region (First Hill) Irrigation, NEP/82/005, Far-Western Seti Region (Second Hill) Irrigation and NEP/81/021, Irrigation in the Terai Command Area, all of which receive financing from AsDB and the EEC. NEP/80/033, Medium Irrigation, is studying the feasibility of 12 medium-sized irrigation schemes. Concurrently, NEP/78/020, Operational Hydrology is upgrading the procedures through which hydrological data are gathered, processed and made available to users, and

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NEP/80/023, Training of Irrigation Engineers, provides training in India to 47 civil and mechanical engineers. In addition, UNCDF provides assistance for the implementation of NEP/78/C01, Khutiya River Irrigation and NEP/78/C04, Marchwar Lift Irrigation, the latter with technical assistance provided through NEP/79/024, Programme Support for UNCDF. Finally, NEP/81/014, Labour-Intensive Public Works, with \$3.5 million in supporting bilateral trust funds has been assisting the Government during the third country programme in the construction of three medium- and numerous small-scale community irrigation schemes in remote hill districts. The innovative approaches introduced under this project were replicated in a United Nations Emergency Operations Trust Fund (UN/EOTF), NEP/84/U02, Flood Rehabilitation Project for Far-Western Nepal, which in 1985 completed the reconstruction of 69 village irrigation schemes within a 14-month period.

54. New projects developed as a result of the experience gained through completed and ongoing projects will concentrate on the strengthening of institutional capabilities both within the Department of Irrigation, Hydrology and Meteorology (DIHM) for schemes in excess of 50 ha. and the Ministry of Panchayat and Local Development (MPLD) for schemes under 50 ha. As a follow-up to project NEP/81/014, a new project will be initiated in 1986: NEP/85/009, Strengthening the Planning, Design and Intermediate-Level Training Capabilities of MPLD, to implement programmes, elaborated at the district level as a result of the decentralization process, for the labour-intensive construction of community irrigation schemes: the programmes will include the construction or upgrading of trails, suspension bridges, drinking-water systems, schools and health posts. This project will also be responsible for backstopping a new UN/EOTF-financed project NEP/85/U01, Rehabilitation of Productive Infrastructure in Sindhuli District. A large-scale project, NEP/85/013, Planning and Design Capabilities for Irrigation of DIHM, will strengthen this area and help to prepare an irrigation master plan. Assistance will also be provided by NEP/85/036, Mapping the Irrigation Command Area of the Bagmati River. The UNDP-supported activities in this subsector amount to \$11.4 million or 15.9 per cent of the total resources.

Industry and commerce

Industrial and technology development

55. Manufacturing employs roughly one per cent of the labour force and consists largely of agro-based industries. The larger establishments are mainly publicly owned, while the private sector consists of medium- and small-scale enterprises. Development is constrained by the limited domestic market and the lack of export opportunities. Industrial development is further hampered by the lack of infrastructure, the shortage of skilled manpower, high transportation costs, lack of quality control and, especially in the public sector, inefficiency and low capacity utilization. In addition, the sector is subject to cumbersome regulations which tend to discourage potential investors and entrepreneurs. The Seventh Plan stresses the stimulation of domestic and foreign investment in industries producing cloth, food, medicine and educational and construction materials, as well as agro-industries and those with export potential. The working policies of the Plan include the development of stock exchange

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operations, the streamlining of licencing and other procedures, the provision of adequate incentives for investment, and the development of a single-window arrangement to deal efficiently with foreign investors.

56. UNDP assistance will focus on the objectives of the Seventh Plan to strengthen institutions and facilitate private investment. This involves four priority areas. First, the development of industrial support services for quality control, standardization and productivity through NEP/84/031, Assistance to the Nepal Bureau of Standards, Phase II. UNDP will also assist the Government in strengthening the stock exchange through NEP/85/041, Development of the Capital Market. The second area of emphasis is investment facilitation through the strengthening of agencies which deal with the policy, planning and promotion of foreign and domestic investment, the identification of investment opportunities and the conducting of feasibility studies through NEP/85/048, Investment Facilitation and Feasibility Studies. In addition, assistance is to be provided to develop and strengthen the promotion and appraisal capabilities of the national focal point for foreign investment through NEP/86/006, Assistance to the Foreign Investment Promotion Division. In view of the interest shown by foreign investors in joint ventures, NEP/85/030, Advisory and Training Services on Dealing with Transnational Corporations, will provide assistance to the Government in reviewing the mechanisms affecting foreign investment, the acquisition of technology and joint venture agreements. The third priority area is to support such sub-sectors as cottage and small-scale industries, agricultural tool manufacturing and pharmaceuticals, which will be assisted mainly through ongoing projects including NEP/80/044, Processing of Medicinal Plants and NEP/80/003, Strengthening of the Royal Drugs Research Laboratory. A follow-up to NEP/80/016, Cottage Industry, Phase I, will be undertaken in collaboration with the World Bank through NEP/86/007, Cottage and Small-Scale Industries' Commercial and Technical Services. Fourthly, NEP/86/005, Assistance to Industrial Planning and Monitoring will strengthen the development, planning and administration capacities of the Ministry of Industry while NEP/85/042, Industrial Manpower Development and Technology Transfer will assist the Government to establish a central body capable of formulating policy and co-ordinating programmes for skilled manpower development and technology transfer in the industrial sector. Two ongoing projects will be completed: NEP/79/001, Pilot and Demonstration Foundry; and NEP/80/026, Industrial Statistics.

57. The Government accords high priority to the development and upgrading of domestic technologies and skills and to the adaptation of suitable technologies from abroad. This was emphasized by the formation in 1982 of the Royal Nepal Academy of Science and Technology (RONAST), under the Chancellorship of His Majesty the King, for planning and policy making in science and technology development. The ongoing United Nations Financing System for Science and Technology for Development (UNFSSTD) funded project, Application of Science and Technology, (NEP/81/T01), is assisting the Research Centre for Applied Science and Technology to develop and disseminate appropriate technology prototypes in rural areas and in the establishment of a technology information and documentation system. UNDP involvement in this field includes research and development activities in bio-gas, micro-hydel, food processing, herbal medicine and water-pump technology. UNDP will also assist RONAST through NEP/85/044, Science

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and Technology Information Network, to improve the availability of information and its utilization. In addition, NEP/85/047, Indigenous Rural Technologies, will assist in upgrading this area. The UNDP contribution to this subsector totals \$9.0 million or 12.6 per cent of the total.

Tourism, trade and commerce

58. Tourism is increasing and has considerable potential in terms of employment generation and as a major source of foreign exchange earnings; its development is constrained by inadequate promotional activities, supporting services and infrastructure, and a concentration of facilities in the Kathmandu Valley. UNDP assistance will focus on manpower development and investment support. A follow-up project NEP/85/020, Hotel and Catering Training, will upgrade the training capacities of the Hotel Management and Tourism Training Centre, which was established with UNDP/ILO assistance in 1972. In addition, feasibility studies for the development of tourism in areas outside Kathmandu will be made under NEP/85/048, Investment Facilitation and Feasibility Studies, (see Industry above). Lumbini, the birthplace of Lord Buddha, is likely to become a tourist attraction of international importance and numerous bilateral donors and NGOs are contributing to its development. UNDP is providing technical assistance through both regional and national projects, RAS/84/002 and NEP/82/007, Lumbini Development, which support the design and construction phases of the programme.

59. The country suffers from a chronic trade deficit as a result of the narrow export base and mounting import requirements, in the form of both development materials and consumer goods. Major constraints facing the trade sector include the country's landlocked position; the frequent trans-shipments of cargoes resulting in increased costs, losses and delays; cumbersome transit and customs procedures and regulations; a lack of adequate warehousing facilities, shortages of skilled manpower; and the high cost of internal distribution. Under the Seventh Plan, products with export potential will be selected for increased production and quality improvement, while transit facilities and procedures, including customs clearance mechanisms, will be improved. The focus of attention of the UNDP country programme will be provided by NEP/85/029, Strengthening of the Trade Promotion Centre, to develop institutional capabilities in trade information analysis and in the planning, implementation and monitoring of specific export development programmes. In addition, assistance will be provided by NEP/84/017, Information Services in Jute Technology and Marketing. Technical assistance will also be provided by NEP/85/045, Nepal Oil Corporation, to upgrade import management and quality control. The UNDP-supported activities in this subsector amount to \$1.7 million or 2.3 per cent of the total programme resources.

Transportation and communications

Transportation

60. Despite significant progress made in road building, serious transport constraints remain. Most of the nation's rural areas are without modern means of transportation and many locations are many days' walk from the nearest road. The objective of the Seventh Plan is to provide a minimum of transport facilities

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throughout the country. Priority programmes include construction of the remaining portion of the Mahendra Highway and a north-south road network; preparation of a 20-year transportation master plan; development of rural access including feeder roads, mule tracks, bridges and foot trails; extension of bus services; and studies of the feasibility of alternative modes of transport such as waterways, ropeways and railways. The Plan also places emphasis on the facilitation of transit traffic, effective road maintenance and the encouragement of the private sector to invest in public transportation services.

61. The country programme will focus on a national transportation plan; the institutional capabilities of the Government agencies responsible for the transportation sector; the expansion of transportation networks to remote areas; and the facilitation of transit transport. NEP/86/015, Transportation Planning, and NEP/86/016, Remote Area Access Pre-investment Studies, will help to update the national transportation master plan and to conduct pre-investment studies for access to selected remote areas. The resulting programme will provide a framework for mobilizing national resources (including labour) and resources from international financing institutions, bilateral donors and various United Nations organizations such as UNDP, UNCDF and WFP for the development of crucial transportation facilities which would otherwise be difficult to finance because of their small scale and wide dispersion. NEP/85/046, Technical Assistance to the National Transport Corporation, is to strengthen the operations, management and maintenance procedures of the Corporation. In addition, NEP/84/002, Multi-modal Container Services, a techno-economic Feasibility Study of such services between ports of entry in India and destination points in Nepal will be completed and an investment programme prepared for international bank financing with the co-operation of the World Bank.

62. Air transportation is the only modern means of access to many of the hill districts. There are currently 40 airfields in the country, including one international airport. Most airfields are only suitable for small short-take-off-and-landing (STOL) aircraft. The priorities of the Seventh Plan are to develop the Tribhuvan International Airport to accommodate the projected increase in traffic; to expand the facilities at internal airports especially in remote areas, and to make the Royal Nepal Airlines Corporation more capable of providing dependable services.

63. UNDP supports two ongoing projects: NEP/79/020, Strengthening the Department of Civil Aviation, Phase II, which assists the Department in developing an administrative, operational and manpower base for operating a safe, efficient and reliable air transportation system; and NEP/82/009, Air Transport Support, which is assisting the Department in establishing a flight operations unit to undertake monitoring and control functions. UNDP assistance under NEP/85/028, Strengthening the Department of Civil Aviation, Phase III, will focus on institutional development in such areas as flight safety, air-worthiness, fire and rescue systems, communications and overall management.

64. Assistance under the ongoing project, NEP/82/009, Air Transport Support, will be extended to complete the institution-building process within the Department of Civil Aviation and to integrate the operations of the project with

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the domestic services of the national carrier and other air transport operations. UNDP assistance is designed to complement the programmes of other donors including AsDB, CIDA, Australia and Japan. The strengthening of rural airport facilities is expected to be supported by Japan: if this should not be the case, UNDP may be requested to assist in conducting the required pre-investment studies.

Communications

65. Telecommunications are important in Nepal, most of the territory being mountainous and transportation facilities being inadequate for the needs of Government and the private sector. However, the national average of only 1.2 telephones per 1,000 inhabitants is among the lowest in the world. About 57 per cent of the existing lines are concentrated in the Kathmandu Valley, where 2.7 per cent of the population resides; 94 per cent of the population does not have direct access to a telephone.

66. The Government is currently implementing a telecommunications expansion programme involving investment of approximately \$130 million from the International Development Agency (IDA) and a number of bilateral sources, including Belgium, Denmark, Japan, Finland and France. Local telephone networks are being upgraded and expanded and isolated areas of the country are to be linked through a microwave system. As a complement to these capital inputs, UNDP assistance through the ongoing project, NEP/81/027, Telecommunications Maintenance and Management, is to strengthen the planning, installation and maintenance practices and management capabilities of the Nepal Telecommunications Corporation (NTC).

67. The UNDP-supported activities in the transportation and communications sector total \$11.1 million or 15.5 per cent of the total programmed resources.

Health and other social services

Health

68. The Government supports the WHO-declared goal of health for all by the year 2000, a commitment reflected in the Long-term Health Plan (1975-1990) and in the Seventh Plan. However, the health situation has not improved significantly. Infant and child mortality remain high and malnutrition prevails in many parts of the country. Since 96 per cent of the population live in the rural areas, the Government strategy is to deliver basic health services through an integrated approach involving the active participation of rural communities. Major constraints to the implementation of the health programme include the lack of adequate financial resources, insufficient trained manpower at all levels, inadequate planning and management of programme implementation and the lack of supportive infrastructure. Under the Seventh Plan, integrated health services are to be extended throughout the country by the expansion of health posts, the strengthening of drug and medical supply services, and the training of medical and para-medical personnel and health administrators. The health sector has received considerable support from bilateral donors (USAID, India, Japan, the Netherlands,

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Canada), the United Nations (WHO, UNICEF, UNFPA), volunteer agencies and NGOs such as the United Mission to Nepal and the Save the Children Fund. UNDP involvement in the health sector, although limited in scale, has been through NEP/78/009, Primary Health Care Support. This project, which included cost-sharing by the Netherlands Government, has four principal elements: training community health leaders for the delivery of primary health services; improving the drug supply and delivery systems; developing ayurvedic medicines; and the local manufacture of essential drugs. In view of the heavy involvement of other donors, UNDP activities will be limited to the delivery of basic health services to rural areas through NEP/86/017, Strengthening of the Planning and Management Capacities of the Ministry of Health.

Drinking water and sanitation

69. The primary causes of death and ill-health in Nepal are water and insect-borne diseases. The Government, therefore, is fully committed to the goals of the International Drinking Water Supply and Sanitation Decade (IDWSSD) as reflected in the objectives of the Seventh Plan: (a) to augment the supply of potable water in urban and rural areas and stimulate local community participation in their construction and maintenance; and (b) to install sewerage and waste disposal schemes, on a progressive basis, in the main urban areas. UNDP will maintain its support through a second phase project, NEP/80/022, Training of Manpower for the International Drinking Water Supply and Sanitation Decade, which will be extended until 1990 under project NEP/86/011, Manpower Training for DWSS, Phase II. Collaboration is also envisaged in the implementation of feasibility studies for large-scale drinking water supplies and sanitation schemes to be undertaken through World Bank financing. UNDP assistance will be provided for a sector study under NEP/79/023, Water Supply and Sewerage. UNCDF has been funding the completion by UNICEF of two community water-supply projects in the Far-Eastern and Far-Western Regions and is considering assistance for new community water supply projects in the Eastern, Mid- and Far-Western Regions.

Other social services

70. The social and participatory aspects of development are receiving increasing attention and several bilateral and multilateral agencies as well as NGOs, (for example, the United Mission to Nepal, the Save the Children Fund and the Co-operative for American Relief Everywhere (CARE), are already involved in this sector. UNDP will support the efforts of the Social Services National Co-ordination Council (SSNCC) to increase national NGO activities, especially in the rural areas, in accordance with the objective of stimulating local participation in development. In particular, the UNDP-funded regional project, RAS/82/016, Domestic Development Services, is providing volunteers to work with local communities on various development activities. As a complementary activity, UNDP is providing assistance through NEP/84/007, Training of Trainers in the Water Decade and Training Cells of SSNCC.

71. The UNDP-supported activities in the health and other social services sector amount to \$1.7 million or 2.4 per cent of the total programmed resources.

Concluding observations

72. In retrospect, UNDP technical co-operation in Nepal has been evolving in what might be considered as three phases. Prior to country programming and during the first country programme cycle, UNDP was reacting mainly to ad hoc requests from the Government within the context of its medium-term development plans and strategies. During the second and third country programme cycles, efforts were made to adopt a more coherent and co-ordinated approach with respect to the application of UNDP and other United Nations system assistance, particularly at the sectoral level. Even then, most of the UNDP efforts, as well as those of the other major donors, were focused mainly on specific technical, sub-sectoral and physical objectives. The third phase, which UNDP is now entering with the Government, will address the overall institutional and organizational constraints to development, including the planning, management and implementation aspects of the development process, without which the technical and physical development activities in the various sectors cannot be successful. This new programme is the outcome of extensive consultations between UNDP, the Government and other development partners, demonstrating the role of UNDP in assisting the Government's aid co-ordination efforts, and it will undoubtedly contribute substantially to the realization of the development goals of the Kingdom over the next five years.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. <u>UNDP-administered sources</u>	\$	\$
Third cycle IPF balance	12 110 000	-
Fourth cycle IPF (1987-1990)	46 281 000	
Subtotal IPF		58 391 000
Special Measures Fund for Least Developed Countries	2 067 000	-
Special programme resources	-	
Government cost sharing	3 390 000	-
Third-party cost sharing	250 000	-
Operational funds under the authority of the Administrator	7 285 000	-
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		12 992 000

B. Other sources

Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, others sources		-

TOTAL ACTUAL RESOURCES TAKEN INTO
ACCOUNT FOR PROGRAMMING

71 383 000
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II. USE OF RESOURCES

Ongoing projects	31 847 000	
New project proposals	36 241 000	
Programmed reserve	3 295 000	
Subtotal, programmed resources		71 383 000
Unprogrammed reserve		<u>-</u>
TOTAL USE OF RESOURCES		<u>71 383 000</u> =====
