Nepal Has a Five-Year Plan

Y. P. Pant

"Nepal is not at the moment, and will be for some time, in a position to produce a regular plan in the true sense of the term." Thin sentence occurs in the Preface to the First Five-Year Plan for Nepal which was announced by a Royal Proclamation by King Mahendra of Nepal on October 10, 1955.

In view of almost complete lack of statistics and of a cadastral survey of the country, this is not surprising. The Plan makes adequate provision for removing this basic limitation to planning and has allotted 7 per cent of the total proposed outlay of Rs 210 million to geological aerial and cadastral surveys.

Transport and Communications, however, get the highest priority and have been allotted 33 per cent of the total—the largest allocation under any one head. This is called for by the special topographical features of the country and almost complete absence of roads.

Nepal's isolation, sedulously preserved under the Rana regime, will soon be a thing of the past. Development of tourist traffic is one of the items in Nepal's First Five-Year Plan.

As we go to press, Nepal Radio has announced the formation of a Central Planning Commission with nine members of whom the author is one. The main work of the Commission will be to draw up the final Plan on the basis of the Draft Outline and to assess the progress of the Plan from time to time.

ON October 10, 1955, King Mahendra issued a Royal proclamation announcing a Five-year Plan for Nepal for attaining self-sufficiency and for establishing a Welfare State. The formation of a seven man Central Planning Commission was also announced, the membership of which was to be decided later.

Under the old regime also, planning had been talked of. For instance, just before the outbreak of the second world war, when Shri Juddha Shamsher was the Premier, the Nepal Darbar had announced a 20 year plan, but, nothing was done about it. In fact, not to speak of planning, Nepal did not have any systematic policy for economic development until the end of 1949.

Again, on October 31, 1941, the Rana Prime Minister Shri Mohan Shamsher, had set up a National Planning Committee which was entrusted with the task of preparing a 15-year plan of economic development for making Nepal completely self-sufficient in all respects. Without any survey of the country's resources, the Committee came out with a plan of which the main features were the following:

1. Expansion of agricultural production.
2. Cultivation of indigenous herbs and plants in the plains.
4. Improvement in means of transport and communications.

It was also broadly emphasized that due regard should be paid to the national, regional and rural needs of Nepal and that provision should be made for adequate finances for implementing the Plan. Nothing, however, was done to give effect to any of these proposals and shortly after the Plan was announced the idea was given up and the Planning Committee was dissolved all of a sudden.

Main Features

In an atmosphere of haphazard and uncoordinated efforts, King Mahendra's desire for the country's planned economic development is much to be welcomed. Before examining the Draft Outline of Nepal's First Five-Year Plan, it is necessary to refer to some of the basic deficiencies of the country's economy, as in many respects, these deficiencies may hinder the working of the Plan.

First and foremost of them is the absence of statistical data. No doubt, availability of statistics leaves much to be desired even in highly developed countries, but in Nepal, even on the Governmental level, collection of economic facts are few and far between and one has to depend on scrappy information.

Secondly, the inadequacy of administrative, technical and scientific personnel required for planning is another severe limitation, which in turn may render any developmental plan somewhat unrealistic. Thirdly, the sources of income are so limited as to present insurmountable obstacles to effective planning. Because of the budgetary deficits (annual deficit being more than one crore of rupees in a budget of about Rs. 5 crores) and lack of capital, the country's internal resources alone cannot provide the base for any substantial long-term economic development, judged by the criterion of expansion.

Economic Limitations

The development of transportation and communication gets the highest priority in it. In every country, economic progress depends on the proper development of transport. This is even more so in Nepal, because of the country's topography, and of its 278 miles of highways. Again, the extremely restricted mail service, small number of telephones and radios, and shortage of news organs make it difficult for the Government to maintain proper contact for the promotion of development programmes and for the proper admi-
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nistration of the country, it is, like­
wise, a tremendous handicap from
the standpoint of defence also.
Thus it is obvious that until the
country's economy is integrated
through a well-developed transport
system, no substantial programme of
development involving a continuous
movement of goods and men from
the centres of production to the cen­
tres of distribution can be success­
fully undertaken. Realising all
these difficulties, the Draft Plan has
quite properly given the first priority
(more than 30 per cent of the total)
to the development of transport and
communications. Highways, airways,
railways, ropeways and waterways
are the main types of transport
which are to be extended during the
Plan period.

Development Sectors for Agriculture

The Plan also aims at increased
production in the agricultural sector
through irrigation and agricultural
extension schemes, and puts ade­
quate emphasis on development from
below. Since 85 per cent of the
total population eke out a precarious
living from agriculture, a concerted
programme of development of agri­
culture needs no special pleading.
The Plan proposes to set up 8 deve­
lopment sectors in 16 districts com­
prising both Hill and Tarai areas in
five years:

Forests. The greatest above-ground
natural resources of the country,
will get about 2 per cent, of the
total outlay envisaged in the Plan.
The Plan-frame seeks to implement
Mr. Chaturbedis and Mr. Robbes's re­
ports and suggests that, a commission
should be immediately deputed in
Tarai to demarcate the forest land,
which could be turned over for colo­
nisation.

Surveys, Geological, Aerial and
Cadstral

As Nepal lacks carefully collected
statistics, which are the fundamental
basis and pre-requisite of planning,
the Draft Plan justifiably allocates
about 7 per cent of the total expen­
diture to basic and cadastral surveys.
It is only after the economic poten­
tials of the country have been sur­
veyed that comprehensive and more
reliable plans can be formulated in
succeeding periods. The Plan pro­
vides for geological, aerial and
cadastral surveys. The cadastral
surveys will enable the country to be
properly mapped for the first time
and to demarcate various types of
land. This will naturally help the
Government to improve the adminis­
tration of forests and other public
lands, to distribute expropriated
lands among the landless, organise
agricultural credit and classify land
according to its productivity for re­
venue purposes.

Medium Sized and Cottage-Industry

Agricultural development, however,
is incomplete without a corresponding
process of industrialisation. There
is a provision for 8 per cent of the
total outlay for the development of
large scale and cottage industries.
In view of the failures of managing
agency In Nepal in the past, the Plan
seeks to reorganise the existing in­
dustries and recommends the setting
up of a high-powered commission to
examine the existing industries and
to recommend ways and means for
reviving them. It is only after the
revival and restoration of the
divertly crippled industries that the
Plan advises establishment of new
industrial units, e.g. a cement
factory, a medium sized pulp mill
and a sugar mill in central Nepal.
The Draft Plan also recommends
that possibilities should be explored,
both in Hilt and Tarai regions, for
setting up various medium-sized in­
dustries through private enterprise
in the Plan period, with emphasis on
processing export goods. A well
planned Cottage Industry develop­
ment Scheme and a financial corpo­
ration have also been mentioned.

The possibility of developing tur­
ism has also been suggested in the
Plan. If properly managed and or­
ganised, Everest, Pokhara, Lumbini,
Muktinath and Kathmandu, because
of their international reputation, can
attract a considerable number of
tourists from all over the world.

Again, pilot projects like the Rapti
Valley Multi-purpose Project
(scheduled to commence from the
end of 1955 and to be completed in
1961) is expected to help in solving
unemployment and food shortage
as well as to demonstrate how, in
future, many Nepalese valleys can
be successfully developed through
multi-purpose projects.

A Pilot Project

Nepal has a number of fertile and
beautiful valleys all of which, except
Kathmandu are malaria ridden and
have remained completely undeveloped
due to lack of transport, irrigation
and drinking water. The develop­
ment of these valleys would not only
greatly increase the quantity of cash
and food crops in Central Nepal,
where the shortage of food has led
to encroachment upon the forest land
of poor fertility, but also relieve the
pressure of population in the hills.
The shifting cultivation practised in
the hills leads to deforestation, land­
slides and flood, both in Nepal and in
India. The development of these
valleys is, therefore, considered im­
perative both for attaining regional
self-sufficiency and restoring the na­
tural ecological balance of the Him­
layan submountain region.

The Rapti Valley is one of the most
beautiful river valleys in Nepal, rich
in natural resources, centrally locat­
ed and easily accessible from Kath­
mandu. An intensive cultivation of
food and cash crops in the Rapti
Valley would also enable the setting
up of industries subsidiary to agricul­
ture. The development of the valley
was scheduled to commence forth­
with and be completed in 1961. Cadas­
tral survey, irrigation, malaria con­
trol, road building, settlement of
landless peasants, introduction of
better farming, setting up of co­
operative credit, extension service,
provision for social welfare and wild
life preservation are the important
features of this Multipurpose Pro­
ject. Besides, finance permitting,
establishment of medium sized indus­
tries like match factory, tobacco
curing, cigarette manufacture, oil
mills, saw mills, and rice mills, lime
kilns, fruit, canning, and power gen­
eration programmes will be taken up.
This will be a pilot project to help
solve unemployment and food short­
ages; it will also be the training
ground for Nepali administrators and
technicians. If it succeeds, it will be­
come the model for future develop­
ment for many parts of Nepal.

Pattern of Allocation

The Plan outlines the following
programmes of development: due
emphasis on statistical data as well as
cadastral and other surveys, agri­
cultural development with due em­
phasis on speeding up the process of
transformation of the social and eco­
nomical life of the villages through
village development and agricultural
extension programme; high priority
to transport and communication and
diversified industrial development,
with greater stress on small-scale
and cottage industries.

The Plan envisages a total outlay
of about Rs. 120 million, to be distri­
buted as follows:

Percentage Distribution of the Pro­
posed Total Outlay on Nepal's First
Five-year Plan

Transport and Communication

Power

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Finance for the Plan
A. Sources which the Government of Nepal can tap to increase internal revenue:
1. Birta Land will be taxed.
2. Agricultural Tax. All land rent should be raised on a graduated scale for development purposes.
3. Cadastre Survey. Land, unregistered or improperly registered, should be brought under record soon.
4. Irrigation. The flow irrigation development programme which the Government has undertaken will fetch a substantial amount of revenue.
5. Nepal gets very little revenue from forest. An organized forest service would result in the increase of forest revenue.
6. Leakage from customs is fairly regular and large. Proper supervision would increase the revenue of the State.
7. Also revenue could be increased by nationalising air transport and from tourist trade. Post offices and telecommunication.
8. Imposition of new taxes betterment tax. income tax, and sales tax.
B. Finance from External Resources.
If a proper plan based on survey reports prepared by experts is available, finances could be obtained from:
1. Member countries of Colombo Plan,
2. United States International Co-operation Administration,
3. S U N F E D
4. World Bank,
5. Ford Foundation, and
6. Other countries which are keen to help development in under-developed countries.
C. Government has Rs. 2.5 crores in reserve for the development of Nepal. There is also an assurance from the Government of India to Nepal to spend Rs 3 crore on the Trisuli Hydroelectric Scheme.
D. It the 5-Year Plan is to be implemented. Nepal will need additional Rs 4 crores per year, to balance her budget and to meet the development expenditure.

Threefold Reforms
The following reforms have been, recognised as "the crying needs of the hour" in Nepal
1. Land Reform. Land Reform Commission has submitted several proposals to Government all of which it may not be possible to implement fit a time. But the recommendations regarding Birta and Land Tenancy right should be implemented in 1956, followed by other measures.
2. Currency Reform. One of the greatest obstacles to the economic development of Nepal is the instability of the Nepali currency. Nepali rupee alone will be made legal tender and a State Bank should be set up to take over the function of the existing Mall Adda. collect revenue and to conduct all foreign exchange transactions. An Exchange Equalisation Fund should be created in order to stabilize the rate of exchange.
3. Administrative Reform.
No Statement of Economic Policy Yet
When we study the present Plan in the light of the existing limitations of the economy, certain glaring deficiencies, stand out. The draft outline appears to be patah-wot-K in which pieces have been collected from here and there, without proper co-ordination. Most of the facts are unrelated and the different targets put in the plan are quite inconsistent. Moreover, the Plan does not give even a rough indication of the Government's economic policy. In fact, it does not indicate the direction in which Nepal is to move in the future. Even annual budgets are more helpful in understanding the basic economic policy of a Government. True, in the Preface to the Plan, the establishment of a welfare state has been stated as the aim; to this, every one in Nepal is pledged. The Plan also aims at national self-sufficiency. But it does not give a clearcut outline of the economic policy of the Government to any extent.

Coming" to the allocation under different heads, the financial provision proposed for social services is extremely inadequate. This is hardly in keeping with the proposed aim of creating an welfare state. Where not more than two per cent of the population are literate the expenditure of about 4 per cent on social services in a mere drop in the ocean. As a matter of fact, the income distribution aspect is certainly not unimportant in the context of development. With expanding investment, profits in a developed or developing economy also tend to increase, and it is only by skimming the increase in profits and taxing capital gains accruing that the State can provide social services by which the conditions of living for the mass of the people can be improved. Unless the corresponding processes in an under-developed economy like Nepal are firmly grasped and resources are tapped at the points where they tend to accumulate, development cannot be continued nor can adequate means be found for social services.

Lastly, the financial provisions in the Plan are not at all impressive. In any plan worth the name, the fundamental question centres on finance. The sources of finance enumerated in the Plan which the Government can tap both internally and externally are hopelessly inadequate and are nothing more than guess-work. How to get the resources to meet the total expenditure that is envisaged in the Plan? The sources indicated, both internal and external, are not adequate. Even the financial needs of the Plan have not been properly set out. In view of these deficiencies one can definitely state that with a little more seriousness, greater care and consolidated effort, it should have been possible to formulate a better Draft-outline, with more accurate estimates, despite the acknowledged limitations of Nepal's economy today.

Bold and Progressive
The Preface to the plan disarms the critics by this moderate confession: "Nespal is not at the moment, and will not be for some time, in a position to produce a regular plan in the true sense of the term".

With scarcely any statistical data, scant financial resources and inadequate administrative personnel, Nepal's First Five-year plan is bound to suffer from many limitations. Its incompleteness, inevitable under the circumstances, can be gradually removed. King Mahendra deserves to be congratulated on boldly putting it up. With it has been initiated a new era in the economic development of Nepal. This is only a beginning find no one should expect miracles. The First Five-year Plan, notwithstanding its limitations, lays the foundation of a new social order and has set Nepal on the road to progress.
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