

Nepal's Three-Year Plan

A Mid-Term Review

Y P Pant

The First Five-Year Plan started Nepal off on planned development. While certain important advances were made by the economy during the Plan period, the investment target could not be achieved, nor were any significant structural changes initiated.

The First Plan ended in 1960-61 and the following year was devoted to a review of the progress made and to creating conditions for the execution of the Second Plan.

The Three-Year Plan, launched in July 1962, is a preparatory plan which will lay the foundations for more ambitious effort in the future.

The Plan will complete its second year in July 1964. An attempt has been made below to make an appraisal of the impact of the Plan on the basis of the progress made so far.

WITH the launching of the First Five-Year Plan in September 1956, Nepal began the process of planned development. The first few years following the revolution of 1950-51 did not appear to have produced any appreciable changes in the national economy. In the First Plan out of the projected 330 million rupees only 210 million rupees could be expended. After the completion of the Plan, there was an interim year (i.e. fiscal year 1961-62) which was devoted to review the current progress and creating appropriate conditions for the execution of the Second Plan.

Preparatory Plan

The Three-Year Plan launched in July 1962 is a preparatory plan to create the proper foundation for more ambitious efforts in subsequent periods and it will complete its second year in July 1964. The main priorities of the Plan include the development of industry and mining, transport and communications, agriculture, social services and electric power facilities and the improvement of organization, surveys and statistics. Priorities have been laid down in the Plan with a view to achieving the central purpose and long-term objectives of the Plan. Top priority has been given to acquiring a proper knowledge about the country's economy, effecting reforms in the different fields and creating the fundamental pre-requisites of future development.

In physical terms the current Plan has the following targets of production. The Plan, even with lower investment both in total as well as in agriculture as compared to the First Plan, has the target of increasing food production by one million maunds per annum. The target for the increase of production of milk and milk products has been put at 9.0 million pounds. Food production during the First Plan

period is estimated to have increased by 6.5 lakh maunds or 27,000 tons per year and the annual production of milk and pasturised milk by 1.3 million pounds. Similarly, the Plan aims to increase sugar production to an annual rate of 30 thousand tons and cement production to 50 thousand tons per annum, as against not more than 2,500 tons annually previously. The target of jute production has been put at 17,200 tons per annum as against an annual production of 10,000 tons annually previously. A total of only 564 miles of road were constructed during the period of the First Plan, while the target of the Second Plan is to construct 924 miles of additional roads. Compared to 127,000 acres of land provided with irrigation facilities, the Three-Year Plan will bring water to additional 116,000 acres. In the spheres of education, health and village development, the achievements were quite impressive even during the First Plan and the Second Plan seeks to emphasise more properly their development.

Assistance to Private Sector

The Plan will complete its second year in July 1964. On the basis of the progress made so far, that is almost during its first half, (for which statistical data are available) some appraisal of the working of the Plan has been attempted below.

Generally speaking, some increase in the tempo of development activities has been achieved. This is reflected in the increased assistance given to industrialists in the form of loans etc, the gradual increase of banking facilities and the expansion and diversification of trade. To the private sector credit has also been provided by the Nepal Industrial Development Corporation which was organized in 1958. Since it started operations until 1962, the Corporation disbursed 3.4 million rupees in loans, participated in the

common stocks of other companies amounting 1.5 million rupees, invested 1.3 million rupees in industrial estates, and guaranteed loans for slightly more than 0.2 million rupees.

Structural Changes

More important aspects of growth relate to institutional or structural improvements. It is very essential that in a country like Nepal with a variety of land tenure, any land reform measure should be based on proper records. Therefore, the new Agricultural Reorganisation Act (1963) seeks to bring about land reforms first on an experimental basis in selected districts extending it later on with necessary amendments to other parts of the country. Under this Act an individual or his family may, as a land owner, hold only 25 bighas (almost 40 acres) of land in the Terai. The Act has already been introduced on an experimental basis in the districts of Jhapa and necessary preparations for introducing it in Chitwan and Palpa are underway. Cadastral survey is another basic prerequisite. The Plan has a target of surveying 4.7 million acres both in the terai and hilly regions in twenty districts. Though during the first year only about 400 thousands of acres could be surveyed and recorded, it is felt that in the second year and onwards, because of the completion of all necessary preliminary work more concerted efforts will be made. A new Survey Act was passed in December 1963 which has, above other things, systematised uniformly the field activities; there are also other provisions for speeding up the activities.

The Co-operative Bank set up in October 1963 seeks to provide credit facilities to the cultivating tenants. It has started in a modest way by providing credit in places where land reform measures under the Act have been

initiated. This has been done to create suitable conditions for land reform, since provision of agricultural credit in adequate amounts is one of the important preconditions of land reform. Alongside, out of the target of 2,000 primary co-operative societies and 14 market and credit unions, about 300 such societies and five market and credit unions have been established in various districts.

To mobilise local initiative, panchayats have been formed at district, zonal and national levels. The Plan aims at providing panchayat training to 150 workers and 7,000 members. During the year 1962-63 training was, accordingly, given to 71 panchayat development officers, 670 panchayat development workers and 800 panchayat members.

The Plan aims to divide survey work into two phases: general survey of natural resources and pre-investment survey of an individual project. Accordingly, preliminary survey of the Chitwan forests was conducted over an area covering 800 square miles during the first year, as also a detailed survey of 88,440 acres of forests in Birganj, Kanchanpur and Biratnagar.

Soil surveys over an area of three square miles at Baneshwar (Kathmandu), 3,200 acres at Rampurtar (Palpa), 2,100 acres in the newly-settled area in Nawalpur, and 120 acres at the Parwanipur Agriculture Centre have been completed. A preliminary survey of the Karnali river in Jhapa has been completed and water resources surveys were also carried out to assess irrigation possibilities of Chapakottar. An aerial survey of the Karnali and its tributaries and other work have been almost completed.

In minerals, survey of iron ore deposits of Phulchoki was completed in the first year. The Plan proposes surveys at the Ladhi Khoia, the Those iron mines, Bhojpur, the mica deposits in East No 1, and copper deposits at Baglung and East No 2. The preliminary geological survey of the Churia ranges for petroleum deposits has also been completed.

Under the Plan, collection of statistical data has also shown satisfactory growth. The compilation and tabulation activities of the population census were done and the final report will be published during the Plan period. The preliminary report of the agricultural survey has been published recently,

The listing of the family budget survey has been completed along with this and preliminary preparations for estimating national income and production will be made by the end of this year, i.e. the second year of the Plan. A sample survey of cottage industries has been conducted. A questionnaire for an industrial survey was completed. Some work has also been started on a survey of family budgets in selected areas in three towns of the Kathmandu Valley and hilly regions and six other areas.

Transport and Communications

It is only through a well co-ordinated system of transport and communications that an integrated economy can gradually evolve and the entire process of economic development can be accelerated over time. Nepal's transport problem is made more difficult by her lack of access to any sea-port and by the land-locked position of the country. That is why, transport accounts for about 40 per cent of the total estimated outlay of the First Plan and 35 per cent of the total outlay in the current Plan. During the first year of the Plan 384 miles of pioneer road, 6 concrete bridges, a few miles of metalled roads and a few miles of mecadamised roads were constructed and alignment for 40 miles were completed. Out of the estimated 520 miles of seasonal road to be completed during the Plan period detailed survey and estimates have been done

in the first year and construction has also started at certain points. The Kathmandu-Trisuli Road was widened at various places and in addition to improvement of roads in the Kathmandu Valley about 15 miles of roads were completed according to schedule—both in the tarai and the mountainous areas. The construction of a few other important roads such as the Kathmandu-Janakpur road (in April 1964 an agreement was signed with the USSR), the Sunauli-Pokhara road and the Raxaul-Bhainse road, have been started by the Regional Transport Organization. In these projects much progress could not be made. Besides, certain roads like Dakshinkali Road and Budhanilakantha Road were repaired during the first year. Out of 520 miles of fair weather roads to be constructed during the plan period, in the first year earth work on 45 miles of the alignment and construction of 384 miles of pioneer roads were completed.

The expansion of the Kathmandu Gauchar aerodrome with the object of converting it into an international airport continued during the year. It is planned to construct an all-weather cross runway 600 ft long and 150 ft wide. Other existing internal airports like Pokhara, Bhairawa, Janakpur, Simra and Biratnagar were further improved and arrangements to provide navigation aids were made in a few airstrips. Efforts were made to con-

Table 1 : Achievements of the Three-Year Plan

Description	Unit	Target of the Plan	Achievements in 1962-63
Cadastral survey	Acres	4,783,000	5,23,000
Cooperative societies	Number	2,214	289
Public radio listening centers	"	125	30
Documentary films	feet	66,000	27,000
Low grade technicians	Number	8,943	1,688
Roads	miles	924	398
Post offices	number	26	6
Food grains and fruits development centres	"	27	3
Animal husbandry centres and veterinary hospitals	"	33	5
Agricultural extension centres	"	9	3
Forest boundary demarcation miles	"	4,935	800
Fire line	"	393	37
Forest tracks	"	245	98
Afforestation	Acres	10,000	1,527
Primary schools	number	1,200	400

Source: "The Economic Affairs Report" November 1963, Ministry of Economic Planning, H M C, p 44-45.

struct new airstrips at Jhapa, where the pilot project of land reform has been implemented this year.

The construction of the Kathmandu-Hitaura ropeway with a capacity of 25 tons per hour was well under way with staff quarters and godowns complete and about 75 per cent of the ropeway ready. This was handed over to His Majesty's Government in April 1964 and regular service has started already.

Irrigation and Power

In the field of communications, satisfactory progress was made in improvements and extensions. Out of the projected 26 new post offices, during the first year 6 post offices were set up. The training centre for the postal system was also set up. As a sufficient number of post offices has already been established during the First Plan period, the Three Year Plan has placed special emphasis on strengthening the existing ones and providing them with necessary facilities. In the field of telephone and wireless, 6 area control stations were set up and other improvements made. A plan for installing 300 c u exchange lines at Biratnagar was scrutinised. Most of the projects initiated in the First Plan were completed during the first year of the Three Year Plan.

The Plan has set a target of generating about 22,000 kW of electricity and also of installing transmission lines of 200 miles. Some improvements were made in the Kathmandu Valley electricity supply arrangements whose existing capacity is 4,750 kW. To cope with the growing demand, a target has been set to instal two new plants of 1,470 kW capacity each. Towards that end, much progress in construction work in Patan was made during the first year. A building for the 1,470 kW plant was started. Preliminary works were completed in the Hetaunda and Birgunj diesel plants. In addition, improvements were also made in the central administrative services connected with electricity and power. It is also planned to construct a workshop within the compound of the central office in Kathmandu. Necessary surveys for installing 4 diesel plants of 100 kW each and 4 small hydro-electric power houses were completed at Palung, Tehrathum, Barangadi and Ham.

Major irrigation projects, such as the Kamala and the Rapti, and a few new projects will be completed only during the third Plan Period. However, several

projects which are either already under way or are yet to be started have been included in the present Plan. During the first year of the Plan, surveys and designs of the Kamala Project (to provide irrigation facilities in the districts of Mahotari and Saptari) were completed and 1500,000 cubic feet of earth was excavated for the main canal. With regard to the Pasupati Irrigation Project in Kathmandu, which has a target of irrigating 1,092 acres of land under the Bagmati Irrigation Project the construction of the dam was completed in the first year. In the Dundara Project (in Banke, in the tarai, which will irrigate 1,000 acres of land) 2,700,000 cubic feet of earth was excavated. With regard to the Tinau Project (in Palhimajhkhanda in western Nepal to provide irrigation facilities to 50,000 acres of land) in the first year 700,000 cubic feet of earth work on the embankment was cleared. Under the Manusmara Project (Judha Canal at Rantahat) 200,000 cubic feet of earth has been dug and earth work on nine miles of main canals on either side has been completed for the Hardinath Project in Mahottari. Under Khutti Project (which will irrigate 10,000 acres in

Saptari) nine miles of canals were dug in the first year. On the Godavari irrigation Project (expected to irrigate 3,000 acres of land at Godavari in Kathmandu) necessary construction work has started. Besides, some progress in the construction of the minor irrigation projects has also been made.

Agriculture

In agriculture, some progress was achieved in the programmes for farm centres organization offices and other institutions. Efforts to increase agricultural production have continued though in the initial stages much progress was not possible in the context of the old institutions and the almost primitive techniques. During the first year a total of 516,244 lbs of improved seeds were produced. Some progress was also made in livestock development and poultry farming. With regard to fish farming some repairs were made in the Taudaha, Ikhapokhari, Kamal Pokhari and Balaju ponds. In the field of dairy farming, additional machinery and equipment were installed at the Central Milk Center.

The Agricultural Extension Programme was launched in order to convey

Table 2: Sources of Finance

(Millions of Rupees)

(1) Foreign Aid			500
(2) His Majesty's Government's Contribution			100
Excess of income over expenditure	45		
Profits from Government undertakings	5		
Loan	10		
Deficit	40		
Loans			
External Loan			60
Internal Loan			10

Source: Three-Year Plan.

Table 3: Allocation of Investment

(Millions of Rupees)

Categories	Amount Allocated	Per cent of Loan	
		Total	
Transport and communications	234.5	35.0	
Power industry & tourism	102.0	21.68	50.0
Social services	102.07	15.34	
Agriculture, forest & irrigation	81.6	13.67	10.0
Organisation, management survey statistics, publicity and training	79.2	13.31	
	600.00	100.00	60.00

Source: Three-Year Plan.

the results obtained at the Agricultural Research Section to the peasants and to appraise research workers with the problems of the peasants. So far, more than 500 villages in different district panchayat areas have been selected for propagating improved methods of cultivation. Activities such as demonstration of processes and results, community services, youth programmes, and village leader training programmes, made considerable progress during the first year of the Plan. With regard to crop protection measures, apart from holding demonstrations of methods of controlling diseases, surveys, studies and experiments with regard to insects and crop diseases have been completed in Kathmandu. Other measures taken include: Studies of agricultural marketing, evaluation of agricultural development projects and standardization of weights and measures. During the first year of the Plan 2,285 soil samples were analysed, and manures for wheat, sugarcane, mustard, paddy, maize and apples were tested at Parwanipur, Rapti, Kakani and Biratnagar. Under the programme of surveying water resources, installing wells and tubewells and repairing dams during the first year surveys were completed at ten places including Sarlahi, Mahotrari, Saptari, Bara, East No 1 and Kathmandu and 15 miles of canals and irrigation channels constructed. Satisfactory progress was maintained in training junior technical assistants as well as field men and field assistants. Preliminary measures were taken for the establishment of a food laboratory and seven godowns including two in Hitaura and one each in Doti, Biratnagar, Amlekhganj, Bharatpur and Nepalganj have been constructed. A planned re-settlement scheme was executed in the Rapti Valley under the First Plan. During the first year of the Three Year Plan survey teams for finding out lands suitable for re-settlement were deputed to Bardia, Bankee, Nawalpur, Butawal, Kahchanpur and Kailali.

Industrial Production

In addition to mineral surveys and collection of data on industries, several factories, construction of which has already been commenced, will be completed during the Plan period. The following are the targets for industrial production in terms of annual capacity at the end of the Plan: sugar, 30,000 tons; cement, 30,000 tons; paper, 6,000 tons; jute, 17,200 tons; textile, 20,000,000 yards; and timber, 320,000 cubic feet. On the basis of

the working of the Plan so far annual production has reached 3,400 tons in sugar, 18,500 tons in jute, and 1,50,000 cubic feet in timber. In sugar with the going into production of two factories in the fall of the current year, the Plan target will be easily achieved. Target of cigarette production will also be achieved when a new factory goes into production.

A leather and shoe factory is being set up with Chinese aid. So far the construction of the building has been completed and the factory is estimated to start production from the end of the year. In the case of the cigaree factory in Janakpur, most of the construction work has been completed. Since the factory needs tobacco of good quality, the Nepal Tobacco Research Centre has been established at Delachavi, and fertilizers and interest free loans have been provided. The Centre will cultivate tobacco on 70 acres of land. Arrangements have also been made for the cultivation of tobacco in Saptari, Mohotari and Sarlahi. The main building of the sugar factory in Birganj is also almost complete and it will commence production from September 1964. Arrangements have been made to encourage the cultivation of sugarcane on about 600 acres of land. Regarding the cement factory, some geological surveys at Hitaura have been completed. The Patan industrial estate set up with Indian aid was inaugurated by His Majesty, King Mahendra in September, 1964.

Small Industries

In addition to the large industrial establishments, the progress achieved in the field of cottage industries during the first year of the Three-Year Plan included more extensive training in cottage industry training centre, improvement of the jail centre, extension of the activities of the cottage industries and handicrafts sales emporium and more loans and investments to provide financial assistance to skilled workers.

In the field of tourism, propaganda and publicity were improved and accommodation facilities in Pokhara, Kakani, Nagarkot and Daman were expanded. Besides, since it is essential to increase the number of hotels for the development of tourism, and since existing hotel facilities are inadequate for the growing number of tourists, the construction of the 110-bed Soaltee Hotel, which will be equipped with modern amenities, has been started with a loan of 4.8 million

rupees from the Nepal Industrial Development Corporation,

In the field of social services the progress achieved during the first year of the Second Plan is encouraging. Four hundred primary schools were opened during the first year as scheduled, and four hundred teachers have been upgraded. Four schools were converted into multi-purpose schools and vocational training was imparted to 65 teachers. Necessary forms and pamphlets were printed and distributed to district inspectors for collecting educational statistics, processing them scientifically and then publishing them. Apart from providing financial assistance for stipends and scholarships for various purposes, more than one million rupees was spent during the first year on the improvement of colleges. Extensive construction work is under way in the Tribhuban University.

Social Services

In health services, the plan has the objective of having at least one hospital in every zone. During the first year sixty-six beds have been added to the Bir Hospital in Kathmandu with modern equipment. With the objective of opening health centres in ten districts, arrangements were made in the first year to establish one health centre in each of the four development districts of Rasuwa, Bajura, Tibrikot and Dolpa,

Education in matters relating to health is being imparted through class work, radio, pamphlets and bulletins. Malaria eradication and the small pox control pilot project, the leprosy survey and control pilot project and public health laboratory works also continued. In addition, work on several water supply projects was also maintained.

Since the preliminary preparation with regard to the formulation of the next plan, which will be a Five Year Plan has already been started careful advance thinking is necessary for getting better results from the Third Plan. On the basis of our experiences of planning so far of almost one decade the Third Plan must ensure that performances keeps pace with planning in all respects. This is some thing which is entirely different from attaining the overfall targets in various sectors during a given time. "Our basic problem is not only what comes first and what comes afterwards but also when a number of things come together ,how much of each would make a correct mix,"

On the basis of our experiences so far, more careful consideration needs to be given to the following aspects. First in a welfare state higher incomes and restraints on consumption can be achieved only with the willing and active co-operation of the citizens. Such matters involving sociological approaches are very important in a growing economy. Second, though the actual rate of growth of the private sector could not have been realised so far, it is quite necessary to have a better understanding of the relative positions of public and private sectors. "What tasks are to be assigned to each sector needs reconsideration strictly on the basis of what each sector is capable of doing." For example, in spite of the somewhat inhibitory character of the industrial policy resolution, procedural and operational bottlenecks, foreign exchange shortage and shortfalls in basic facilities especially transport and power, in India the first decade of planning has witnessed an increase in the value of private sector output in diverse fields by two or three times and even more; in India during the four years ended 1960, as many as 188 new lines of manufacturers were taken up by the private sector of which a very large number consisted of capital-intensive and relatively complex industries such as chemicals and engineering. More than the need for devising ways of co-operation between the sectors, there is the need for more sympathy and support for the private sector from the Government in completing the tasks assigned to that sector in the Plan. Of course, private sector, as in a country of land-lordism and one century of family rule was almost non-existent except in the fields of petty commercial enterprises. It is only during the last few years that this sector is slowly evolving. In the initial stages, it is quite essential that from the governmental side this sector gets more initiative and encouragement.

Third, there should be consolidation of projects in execution so that we get the benefits of the capital investment as quickly as possible. Fewer new projects should be taken up, since our resources will not permit quick completion of projects in execution and the undertaking of all new projects brought forward. Consolidation also implies giving priority to projects which are linked with completed projects,

Another programme which should receive importance in the Third Plan

is advanced technical training for making available the necessary manpower for all Plan projects. Though some beginning in this direction has been made recently, more attention will have to be given. The requirements should be forecast long in advance; planning can have no meaning if we do not make all the preliminary arrangements in advance and in time.

Removing Bottlenecks

More efforts at the same time will have to be devoted to removing the bottlenecks in the process of implementation of the Plan. This would, among other things, require a more effective central evaluation and review wing of the National Planning Council. Some work has, of course, started in this direction also. In all important fields project studies should be undertaken as part of continuing programmes of work. Early strengthening of technical organisations for project studies, and designs is essential for ensuring that changes in cost estimates are kept to the minimum and construction schedules are maintained. This will also facilitate advance action in relation to future projects and make for greater continuity in planning.

Of course, the working of the Plan so far has shown that, above all other things, there has been a gradual increase in the rate of absorption or spending capacity. The actual development expenditure for the first year (1962-63) has been put at 57 per cent of the Plan estimate and this is expected to go up to 70 per cent in the current year, which will end in July 1964. This is, of course, encouraging against the experience of the first Plan which ranged between 10 and 46 per cent of the estimated expenditure. This obviously shows that though the Three Year Plan is sound and realistic in its overall approach, the total outlay of 670 million rupees over-estimates both the absorptive capacity of the economy and even resource availability. As a result implementation will probably fall behind targets though of course, actuals are likely to come progressively closer to the targets each year as the country's administrative machinery improves.

In any developing economy there is always pressure on the general level of prices. The importance and urgency of adopting a sound price policy and defining the ends of such a policy should, therefore, receive proper recognition. Prices in 1961 were estimated to be just over 13 per cent higher than those in 1957. However

since then the upward trend has been more serious. For example, during the last three years the national average prices of certain domestically produced (essential) commodities rose by 13 per cent, while the prices of the same commodities in the Kathmandu Valley rose by 26 per cent. A number of factors like the impact of prices of goods imported from India, pressure of population in the capital town, its emerging international character and so on are responsible for this. However, the more important factors are rising developmental expenditure in Kathmandu and its neighbourhood (almost 45 per cent of the total developmental expenditure in 1962-63) and, of course, the production strategy. This has recently made the Government feel that there should be some changes in the planning strategy — dispersing development projects in various parts of the country instead of concentrating them at a few places and placing greater emphasis on income-oriented projects.

Lastly, since the statistical data available for planning are quite inadequate and other basic conditions are not favourable to planning either, the planning could be much more successful if it were based on individual projects within the framework of general directives.

Without an efficient and co-ordinated economic and administrative structure oriented to developmental activities, the economic development plan cannot be effectively implemented. In addition to other measures for administrative reforms being undertaken by the Government, it is reassuring that the Panchayat system enunciated by His Majesty King Mahendra in April 1961 has gradually started bearing fruits at all levels.

Since December 15, 1960 His Majesty's Government has found in the Panchayat system an appropriate medium for the development programme. It is sought to entrust the local people with the responsibility of initiating, guiding and directing all development works designed to meet their needs. As a result of the working of the Panchayat system during the past more than three years, the inhabitants of the smallest unit in Nepal's political, social and administrative set up, viz, the village, are having an increasing say both in farming and executing the plan. The Panchayats are the instruments through which the primary objective of replacing the feudal system with a prosperous, modern economic system can best be achieved.

