

4. THE MACRO POLICY AND INSTITUTIONAL ENVIRONMENT

4.1 Development Strategy

4.1.1 An overview

Until the Fifth Plan (1975-80) accelerating economic growth remained the primary objective of development planning in Nepal. Poverty reduction as a goal was implied because of the expected trickle-down effect of rapid economic growth. Experiences over the period, however, showed that the trickle-down effect did not percolate beyond the urban areas. Even after 25 years of planned efforts, 36 percent of population was living in poverty. Recognising this, the Sixth Plan in 1980 explicitly included poverty reduction as one of its goals, yet poverty kept on increasing, growing to 42.5 percent in 1995. The Seventh Plan then formulated a separate programme termed 'The Basic Needs Fulfilment Programme' for poverty alleviation. The objective was to eliminate poverty within 15 years, but the Programme did not succeed and was abandoned following the political changes of 1990. Against the background of the restoration of multiparty democracy, the Eighth Plan (1992-97) was formulated with poverty reduction as one of the main objectives. This Plan also failed to make any notable progress in reducing poverty, and the Ninth Plan set poverty reduction as its sole development goal.

Nepal had virtually no industries at the start of the First Five Year plan, and until the Seventh Plan, development strategy emphasised Import Substituting Industrialisation (ISI). This resulted in the establishment of 63 public enterprises by the end of the Seventh Plan. Adoption of the ISI development strategy had some impact on the economy, as it helped to develop domestic capacity for increased supply of some manufactures, but the share of the industrial sector in GDP did not grow to more than 10 percent and the incidence of poverty did not fall. Nor did the food security situation improve: in fact the country changed from a net cereal exporter to a net importer.

4.1.2 Structural adjustment

Prior to the 1980s, the State exercised considerable control over economic management. Such policies resulted in large budgetary deficits and an adverse Balance of Payments (BOP) situation. To correct such distortions a Structural Adjustment Programme (SAP) was introduced in 1987 with the assistance of the World Bank. The main objective was to foster economic growth while maintaining macroeconomic stability by correcting structural rigidities on the supply side of the economy. The specific objectives included sustaining a real annual economic growth rate of 4-5 percent, restricting the external current account deficit to about 8 percent of GDP on average, and achieving an overall BOP surplus. The SAP also emphasized reforms in public sector policies to cover fiscal policies, public enterprises, credits, external sectors and sectoral priorities. Measures were introduced to increase mobilization of internal revenues, contain Government's regular expenditure, increase its development expenditure, reduce budget deficits to a sustainable level, and limit net financing of budget deficits through internal borrowing. Under public enterprise policy, emphasis was placed on the profitability of non-financial institutions by reviewing their pricing policies and through organizational restructuring.

In the banking sector policy reforms included limits on domestic credit expansion, particularly to the public sector, and the introduction of measures to promote a competitive financial system. Other reforms included better exchange rate and external borrowing management, limits on credit expansion, extension of the Open Generalised Licensing list, and reform of public sector corporations. Despite the fact that the implementation period of the programme coincided with a prolonged trade and transit dispute with India, the Programme had some positive impact on several macroeconomic indicators, such as real GDP growth, the BOP situation, net domestic financing of deficits, revenue generation and government financing.¹

This success and its positive impact on the economy encouraged the government to implement an Enhanced Structural Adjustment Facility (ESAF) during 1992-95. Although the objectives were the same as those of SAP, the envisaged reforms were more comprehensive, extending beyond the fiscal-monetary-external sector to include reforms in the civil service, human resource development, poverty alleviation and environmental protection. The major macroeconomic targets of ESAF included 4-6 percent annual growth of real GDP,² reduction in consumer price inflation, reduction in net domestic financing of the budget deficit, keeping the external current account deficit down to 11 percent of GDP, containing the budget deficit to within 6-8 percent of GDP, and increasing revenue annually by 0.5 percent. Economic performance during the implementation of ESAF is reported to have been satisfactory except for 1993/94, a year characterised by bad weather condition (Sapkota and Sharma, 1999).

4.1.3 Long-term visionary sector planning

One of the major strategic shifts introduced in the Ninth Plan was adoption of 'long term visionary' concept. This meant consolidating such visionary plans and programmes as had been developed for different sectors of the economy and in other sectors defining long-term concepts to guide the Ninth Plan. Thus the Ninth Plan has fully taken into account the strategies, policies and recommendations of the Agriculture Perspective Plan (APP), and the Master Plans for Forestry and Irrigation. It is believed that such a strategic shift in the planning approach will bring consistency between the Ninth Plan and its successors.

4.1.4 Macroeconomic policy

In the recent past the major **fiscal policy** reforms adopted through implementation of economic stabilisation and structural reform programmes include increasing the ratio of internally generated resources to GDP through increased reliance to direct taxes, implementation and expansion of the Value Added Tax system, and more efficient revenue administration. Import duties have been standardised and simplified and made compatible with WTO and SAFTA provisions. Reforms in the pipeline will reduce share of GDP taken by the government, including reduction in the size of the Civil Service and rationalisation of government institutions. Public enterprises are being privatized, subsidies are being reduced, and efforts are being made to create an enabling environment for the private sector in areas that include education, health and agriculture (deregulation of the fertilizer trade, leasing out of government farms, and adoption of a polycentric approach to agricultural research and extension). A summary of these reforms is presented in Appendix Table 7. Further details can be found in Acharya et al 1998.

Systematic use of the instruments of **monetary policy** in directing economic activities began only with the establishment of the Nepal Rastra Bank (NRB) in 1956. The NRB has been shifting its monetary policies gradually from direct to indirect approaches since 1984. In 1989/90 the Bank fully deregulated interest rates, abolished credit ceilings and started to rely fully on indirect instruments such as Open Market Operations. There is now no direct control on either the volume or the price of loans by commercial banks. Several reforms in the financial sector are ongoing. These include the removal of entry and exit barriers for commercial banks and finance companies, the introduction of prudential norms on financial institutions, deregulation of interest rates, the establishment of a Credit Information Bureau, reform of the capital market and the strengthening of government-owned banks to encourage them to lend to rural areas and sectors (Acharya et al 1998).

Policy on **trade and foreign exchange reserves** changed radically in the mid 1980s, when import substitution was de-emphasised, quantitative restrictions on imports were abolished and policy was switched to export promotion. Measures were adopted to promote competition, attract foreign investment and attract imports of machinery and capital to boost exports. These included drastic reduction in import duties, reduction in the number of tariff ‘slabs’, removal of additional duties on imports from third countries, and preferential tax treatment on imports from countries of the South Asian Association for Regional Co-operation (SAARC). A new trade policy was announced in 1992 which further shifted emphasis from import substitution to export promotion. Exchange rate reforms in the 1990s introduced partial (1992-93) and later full (1995) convertibility of the Nepalese rupee and permitted currency devaluation. Individuals were allowed to maintain foreign currency accounts and retain all foreign currency earnings.

4.2 Economy-wide Policy on Poverty Alleviation and Food Security

The Ninth Plan (1997-2002) recognized that poverty is high and widespread and accordingly adopted poverty alleviation as its sole goal. Strategies outlined in the Plan:

- Achievement of high, sustainable, and pro-poverty alleviation growth led by agriculture and forestry through their integrated development.
- Reduction in existing economic and social inequalities among various sectors and communities, especially through agricultural and social programmes.
- Streamlining development and expansion of the modern sector through liberal market-oriented economic policies while maintaining active role of the government in developing and building social and rural sectors.

The basic strategies of the Plan document for poverty alleviation are as follows:

- successfully implementing the APP to achieve high rates of growth in agriculture and other rural sectors (see 4.3.1 below);
- increasing public investment in social sectors, particularly education and health, with programmes designed to increase access of the poor and the poorest to these facilities;
- integrating poverty alleviation programmes with population control measures and targeting the poor and the poorest;

- focusing the poverty reduction programme on the ultra poor living in remote areas;
- opening up employment opportunities abroad and making such opportunities available to the poorest through special skill development programmes;
- introducing legislation to protect the destitute and downtrodden from various forms of exploitation;
- increasing the access of the poor and poorest to banking services by extending them to areas with high concentrations of poverty;
- focusing on women's empowerment through skill development, promoting the educational, economic and legal rights of women, and increasing women's access to basic services, including credit for income generation activities; and
- emphasizing labour intensive technology and agro-based industries that are pro-poor and export-oriented through provision of incentives such as tax holidays.

Each of the above strategies and policies has implications for food security. Other Plan policies with a bearing on food security are as follows:

- acceleration of the economic growth rate through further consolidation of the economic reform process and economic and social empowerment of backward and downtrodden castes and communities through decentralization, local development and human resource development, using people's participation as the main approach;
- creation of employment and self-employment opportunities through human resource development, technical support and expansion of credit facilities;
- expanding income and employment opportunities through extension of cottage and small-scale industries, rural tourism development and agricultural growth;
- reducing income inequality and poverty by focusing investments on those areas which give greater return within a short period, are employment-oriented, and contribute to equitable distribution (agriculture, small and cottage industry, tourism, construction);
- implementing an integrated employment promotion programme to be executed by public, private, local, banking and the non-governmental agencies;
- expanding and diversifying exports on the basis of comparative advantage and competitive capability; and
- developing and expanding economic and social infrastructure to increase production and the productivity.

The Ninth Plan identified five priority areas for poverty alleviation and food security. These are: (i) agriculture and forestry, (ii) water resources, (iii) human resources and social development; (iv) industrialization, tourism and international trade, and (v) physical infrastructure. The following sub-sections describe the broad strategies and policies in these five areas.

4.3 Sectoral Policies and Strategies for Poverty Alleviation and Food Security

4.3.1 The agricultural sector: the Agriculture Perspective Plan³

The APP is designed to increase agricultural growth whereby per capita AGDP will grow by six-fold from its current level of 0.5 percent to 3 percent per year. This growth is expected to stimulate non-agricultural growth in employment-intensive goods and services in both urban and rural areas. This would open up job opportunities for the poor, particularly poor women, and thereby help reduce the number of rural poor. With implementation of the APP the incidence of poverty is expected to come down from 49 percent in 1991/92 to 14 percent in 2014/15, whereas the latter figure without the APP would have been 29 percent. The increase in agricultural productivity is also expected to help protect the environment by removing the most fragile land resources from agriculture and putting them under suitable forest cover and other sustainable uses. The overall objectives of APP are as follows:

- accelerate the growth rate in agriculture through increased factor productivity;
- alleviate poverty and achieve significant improvement in the standard of living through accelerated growth and expanded employment opportunities;
- transform agriculture from subsistence to commercial orientation through diversification and realization of comparative advantage;
- expand opportunities for overall economic transformation by fulfilling the preconditions of agricultural development; and
- identify immediate, short-term and long-term strategies for implementation, and provide clear guidelines for preparing future periodic plans and programmes.

The APP strategy is to accelerate the agricultural growth rate sufficiently to obtain strong multiplier effects on growth and employment, in both the agricultural and non-agricultural sectors. This growth would occur through technological change to be achieved through investment in research and extension. The APP aims for a broad-based participatory growth across regions and income classes and emphasizes sub-sectors particularly important to women.

The following six strategic thrusts are identified as essential to achieve APP objectives:

- a technology-based green revolution in agriculture which becomes the initial engine of accelerated growth;
- accelerated agricultural growth which creates a demand-pull for the production of high-value commodities in agriculture, as well as for non-agricultural commodities, with consequent large multiplier effects on other sectors of the economy;
- broadly based high employment growth, which then becomes the mechanism for achieving societal objectives;
- public policy and investment focus on a small number of priorities, building on past investment in human capital and physical and institutional infrastructure;
- a package approach to development, which would be different for the Tarai, Hills and Mountains and would recognize the powerful complementarity between public and private investment and priorities, and would ensure their co-ordination; and

- a regionally balanced and gender-balanced approach that explicitly ensures the participation of women and therefore achieves broad participation.

4.3.2 The agricultural sector: The Ninth Plan

In addition to adopting poverty alleviation as its main goal, the Ninth Plan formulated a clear and concrete implementation strategy to meet this end. Poverty-focused sector-specific and targeted programmes are articulated for implementation in a co-ordinated, integrated and effective way. In agriculture the Plan adopted the recommendations of the APP for long-term sectoral development. Accordingly, its objectives are guided by the APP's overall framework for poverty alleviation. In the areas of agriculture, food security, employment and income growth, the objectives of the Ninth Plan are to:

- alleviate poverty by increasing the productivity of resources and inputs and by generating employment opportunities through accelerated growth in the agricultural sector;
- prevent environmental degradation by encouraging balanced use of external inputs and natural resources in agricultural production systems;
- strengthen the foundation of agro-based industry and industrialization through diversification and commercialization of agriculture;
- develop leadership of women by involving them and increasing their participation in agricultural development and production programmes; and
- promote food security and improve the nutritional status of the people by increasing production of foodgrains and other food items.

The Plan recognizes the need to implement APP programmes more effectively and to ensure long-term sustainability of the chosen path of development by strengthening the fragile interrelationship between agriculture, forests and the environment. The basic policy is to treat agriculture as the lead sector for economic development and poverty alleviation through its impact on employment opportunities and income levels. The policies to guide agriculture during the Plan period are:

- streamlining budgetary and human resources towards meeting the priorities of the APP;
- emphasizing land reform programmes to eradicate problems of dual ownership, squatting and bonded labour;
- promoting food security by emphasizing foodgrain production, livestock raising, vegetable production and fruit cultivation;
- ensuring adequate and timely supply of inputs, services and credit to priority sub-sectors by removing subsidies, strengthening institutions and bringing the private sector – including the farmers and their groups – and NGOs into the business;
- reorienting agricultural extension and information services towards catering to production systems, promoting agro-business, and strengthening market information systems;
- making the agricultural research system more responsive to the need for location-specific technologies and enhancing the productivity of agricultural research farms by disposing of surplus research farms and promoting optimum utilization of remaining resources;

- emphasizing tubewell development programmes in the Tarai, rehabilitating and maintaining existing irrigation systems, developing feasible small-scale surface systems, developing sprinkler irrigation, and constructing ponds for rainwater harvesting in the hills and the mountains; and
- safeguarding farmers' investments in the crop and livestock sub-sectors by initiating or strengthening insurance services.

4.3.3 Water resource development for irrigation

The Ninth Plan recognizes that water resources have multiple uses, including irrigation, power generation and drinking. Plan objectives, strategies and policies are shaped by the Irrigation Master Plan of the late 1980s, the 1992 Irrigation Policy (as amended in 1997) and the irrigation component of the APP. The objectives are to:

- increase agricultural productivity in presently rainfed areas by providing irrigation;
- raise water use efficiency in both groundwater and surface water irrigation; and
- reduce government involvement in operation, repair and maintenance by devolving these responsibilities to water user groups.

The basic strategy for irrigation development is to emphasize groundwater development in the Tarai, promote small and medium surface water schemes in the Hills and Mountains and develop large-scale multipurpose projects following the 'basin development' approach. The Plan articulates four major policies on groundwater irrigation development. These revolve around the need to:

- remove subsidies on shallow tubewell installation;
- cluster tubewell installation in areas served by roads and electricity transmission lines and promote integrated development of tubewells, roads and electricity in areas with potential for commercial agriculture;
- enhance well-drilling capacity in the Tarai by identifying appropriate drilling techniques for different areas and then training drillers in these techniques; and
- install deep and shallow tubewells in command areas of big irrigation projects and promote conjunctive use of water resources.

The Ninth Plan policy for surface water development for irrigation also has four major elements:

- prioritize demand-led small and medium irrigation projects (both in the construction of new schemes and in the rehabilitation of existing ones) in the Hills and the Mountains;
- introduce mandatory user participation in planning, operation, repair and maintenance of irrigation projects, through the handover of (a) small and medium schemes to user management and (b) large schemes to joint management;
- adopt a 'basin approach' to water resource management in large-scale multipurpose irrigation projects; and
- make the collection of irrigation fees effective and efficient through user awareness programmes.

4.3.4 Human resources and social development

The Ninth Plan accepts as one of its five priority areas for poverty alleviation the need to develop human resources by strengthening basic social services like health, education, nutrition and safe drinking water and by making access to them more equitable.

The Ninth Plan outlines a long list of policies and implementation strategies for attaining the education sector objectives of strengthening education as an effective means of human resource development and a vehicle for national development by way of preparing citizens' consciousness of, and devotion to, democracy. The goal is to make citizens individually capable, productive and disciplined, to make them accept responsibility for human rights, socially accountable and sensitive to nationality. The major thrusts are to:

- emphasize universal literacy and basic primary education for all areas and sections of society, including women, the disadvantaged, the disabled and oppressed groups, with special attention being given to those previously bypassed;
- mobilize NGOs (including INGOs), local elected bodies and local communities in enhancing literacy and basic education levels of people from all sections of society through formal and informal education programmes;
- rationalize and promoting private sector participation in education through timely reviews and evaluations of private educational institutions and by providing the necessary policy and legislative support;
- enhance educational quality at all levels through timely reviews and revisions of curricula and syllabi and by reorienting policies on appointment, evaluation, promotion and career development for teachers, thus making teaching a respectable and responsible profession;
- introduce a more career-oriented educational system at all levels by reorienting technical, vocational and skill-oriented education and training programmes towards employment and income generation;
- rationalize allocation of public sector resources on the basis of need and capacity;
- gradually decentralize school management to locally elected bodies;
- encourage the establishment of universities for higher education in all five development regions while emphasizing the need for technical universities; use public financial resources as grants or matching funds to promote cost sharing in higher education among students, local communities and others as a means of improving standard in higher education; and
- develop appropriate educational policies, including information management, higher education and library development and management.

In the health sector the Ninth Plan lists a number of policy initiatives to improve the service delivery system. The main thrusts are to:

- make basic health services accessible to all by strengthening public health service delivery institutions at district, sub-district and local levels, and by integrating the efforts and resources of public, private and NGO sectors;
- make planning, management and implementation of health services more effective by delegating implementation functions to appropriate decentralised levels;

- gradually integrate health, nutrition, drinking water and sanitation services;
- produce basic, medium and high level human resources, investing in high cost health service infrastructure, and encouraging the private sector to provide specialist level health services while monitoring private sector activities to ensure standards are maintained; and
- make reproductive health services effective through implementation of programmes for reducing maternal and infant mortality, expanding coverage of family planning services and promoting the concept of the small family, especially in rural areas.

Food and nutrition policies were formulated for the first time in the Eighth Plan. The Ninth Plan continues these policies and strategies, aiming to improve nutritional standards and thereby contribute towards the national goal of poverty alleviation and human resource development. Major policy prescriptions of the Ninth Plan include emphasis on the production of nutritious foods to increase food availability at the household level and reduce malnutrition. In compliance with international commitments, there is now a policy of distributing micro-nutrients in problem areas, introducing nutrition programmes in primary schools, and launching nutrition awareness programmes in conjunction with the private sector and NGOs.

The drinking water and sanitation sector did not feature in previous plans. The Ninth Plan sets the objective of providing safe drinking water to all, and basic sanitation facilities to 40 percent of the population, during the plan period. Policy involves:

- formulating a long-term policy vision and district-based long-term sector plans;
- providing integrated drinking water and sanitation facilities with the active participation of communities and beneficiaries;
- standardizing procedures, including eligibility criteria for scheme identification, and decentralizing planning and implementation with the active participation of women;
- reducing government's direct investment by soliciting user participation in bearing part of construction costs and full costs of organization and management;
- emphasising technological options that are less costly to install and can be maintained and repaired by the users;
- strengthening and mobilizing NGOs and CBOs to provide drinking water and sanitation facilities and limiting the Government's role to policy-making, monitoring and evaluation;
- emphasizing the need to view drinking water supply within the context of the whole water resources sector and ensuring effective water right administration;
- in the urban areas promoting private sector involvement in water supply through an appropriate policy and legislative framework; and
- integrating sanitation with water supply, establishing and managing water testing labs, installing on-site sanitation systems, enhancing personal hygiene levels, strengthening water quality surveillance, providing urban sewerage and drains, reducing adverse environmental impact of sanitation schemes, mobilizing local institutions and emphasizing the use of low cost sanitation technology.

4.3.5 Industrial policy

The Ninth Plan stresses the need for effective implementation of the 1992 Industrial Policy, which emphasized the liberalization of the sector. The Plan envisages extending and diversifying industrial production through commercialization of sectors like agriculture, mines and forests. It emphasizes the need to:

- encourage direct and indirect foreign investment;
- continue to privatize public sector firms;
- introduce measures to protect the interests of domestic industries, particularly small industries, while continuing the liberalization process;
- provide technical assistance and other support for small and cottage industries;
- promote industrial establishments in special areas served by the necessary facilities;
- promote industrial exports through export processing zones, technology parks and commodity-centred industrial villages; and
- minimize adverse environmental impact of industrialization through appropriate legislation.

4.3.6 Tourism development policy

The Ninth Plan recognizes tourism as a sector with tremendous development potential and has accordingly set the objective of diversifying and promoting tourism to increase its contribution to employment and income opportunities at village level. The Plan outlines the following thrust areas:

- development and expansion of tourist sites to make more destinations available to both domestic and international tourists;
- development of tourist-related infrastructure through active participation of local communities with government support;
- expansion and diversification of the industry into areas such as eco-tourism, medical tourism and educational tourism;
- identification of new international tourist markets and adoption of strategies to promote Indian and domestic tourism with a view to creating a year-round industry;
- expansion and standardization of international and domestic air transportation with the active participation of the private sector;
- protection of the environment in general, but particularly that in tourist sites, with the full involvement of the public and private sectors and local communities; and
- provision of adequate incentives for private sector involvement in all aspects of tourism.

4.3.7 Physical infrastructure policy

The Ninth Plan recognized the importance of physical infrastructure not only for integrating all areas and sectors into a single and strong economy, but also for reducing poverty, accelerating growth and developing rural communities. Accordingly the Plan places special emphasis on developing physical infrastructure through:

- actively involving the private sector;
- seeking technologies that are simple to maintain and repair;

- helping minimize transportation cost and environmental damage; and
- harnessing the development potential of other sectors of the economy.

4.3.8 Gender and development policy

The Ninth Plan, recognizing the vital, but widely unacknowledged, role that women play in economic life, aims at integrating them into the development mainstream through gender equality and women's empowerment. Its goal is to enhance women's status in society by increasing their participation in every sector of the economy, promoting their rights and interests and by eliminating violence, exploitation, injustice and atrocities against them. The Plan has therefore laid down three major policy-thrust areas for gender and development:

- it emphasizes mainstreaming women in national development by (a) ensuring that sectoral policies and programmes adequately address gender issues, (b) instituting a system of national accounting that recognizes women's contribution to the national economy and (c) making institutional arrangements that promote and protect women's concerns and rights;
- it aims at (a) eliminating gender inequality by reviewing existing laws and regulations as a prelude to making the necessary reforms, (b) formulating an effective programme of economic, social and other policies that promote gender equality and (c) effectively mobilizing government and non-government organizations at national and local levels in a co-ordinated effort to control crimes and violence against women; and
- it aims at empowering women by (a) emphasising their access to productive resources and social services and (b) targeting development interventions to women in a way that prepares them for greater participation in economic, social and political activities.

4.4 Institutional Framework for Planning, Development and Policy Implementation⁴

The apex body responsible for preparing periodic development plans is National Planning Commission (NPC). The National Development Council (NDC), through approach paper, directs NPC in preparing the periodic plans. Planning cells in the various line ministries prepare the relevant segments of the development plan. Plans of various district level political institutions are co-ordinated by the Ministry of Local Development (MLD). The Prime Minister formally chairs the NPC, but day-to-day leadership is provided by the Vice Chair, assisted by about half a dozen Members responsible for specific sectors/or thematic areas of development and three senior civil servants (Chief Secretary, Finance Secretary and the Member-Secretary of the NPC). The NDC consists of representatives of all national level parties, the various Parliamentary committees, the five development regions, and the private sector. Although the NDC and NPC are only advisory bodies, such is their composition that their views carry considerable weight.

Laws are passed by Parliament and other policy instruments (such as Regulations) are approved by Cabinet, but responsibility for developing these policies lies with the various line ministries. Eight ministries are directly involved in policy setting in areas related to poverty and food security:

- Ministry of Agriculture and Co-operatives (MOAC): research and extension in agriculture and livestock, agricultural co-operatives;

- Ministry of Forests and Soil Conservation (MOFSC): forest conservation and development, community forestry, wildlife management, soil conservation;
- Ministry of Finance (MOF) : development and regulation of financial institutions;
- Ministry of Industry Commerce and Supplies (MOICS): foodgrain procurement and distribution, promotion of industries including agro-industries;
- Ministry of Local Development (MOLD): the Government's liaison point for contact with local government and conduit for the flow of resources from central to local level;
- Ministry of Land Reform and Management (MOLRM): development of policies, laws, rules and regulations concerning land, including land reform;
- Ministry of Water Resources (MOWR): remit includes on-farm water management; and
- Ministry of Education (MOE): primary, secondary and tertiary education.

The implementation of national policy is the responsibility of four types of national level public institutions, which must translate government policies into operational rules, plans, programmes and projects. The most important of these are the line departments under the various ministries. There are four departments under the MOAC (Agriculture, Livestock Services, Food Technology & Quality Control and Co-operatives). The Ministry of Industry, Commerce and Supplies (MOICS) with three departments (Department of Industry, Department of Cottage and Village Industries and Department of commerce) is related to food security. The MOFSC has four departments, two of which (Forest and Soil Conservation & Watershed Management) have a direct impact on poverty and food security (farmers depend heavily on forests for fuel, fodder and bedding materials for their animals). The MOWR's Department of Irrigation is responsible for development and management of surface irrigation systems and a few deep tubewell systems and for supporting on-farm water management. The MOLRM's Department of Land Revenue holds all official and legal records of ownership and tenancy of land, while its Department of Land Reform is mandated to deal with the issues related to tenancy rights. The MOLD has a Department of Local Infrastructure Development and Agricultural Roads that was created in 1998 following a recommendation of the APP. The Department of Education under the MOE implements government policies on primary and secondary education and is responsible for the recruitment and placement of teachers. The Department of Cottage and Village Industries (MOICS) is of potential concern, as its mandate includes promotion of rural industries including agro-industries.

The other three types of implementing agencies are autonomous development boards, affiliated corporations and affiliated companies. In essence they are the implementation arms of the ministries, including those just mentioned. The departments perform the line functions and are an integral part of the government. Development boards, while still a part of Government, are given a degree of flexibility in terms of operational procedures, personnel policies and some other management practices. In principle they are supposed to be interim institutional arrangements to meet particular needs of a specific development programme. In reality some boards continue in being for decades. A range of other 'autonomous' boards and councils deals with specific aspects of policies and promotion of sub-sectoral or commodity-specific programmes. Under the MOAC there are the Nepal Agricultural Research Council (NARC), the Nepal Veterinary Council (NVC), the National Co-operative Development Board (NCDB), the National Dairy Development Board (NDDB) and National Tea and coffee Development Board (NTCDB). In practice such bodies have much less autonomy than their official status implies.

Affiliated corporations and companies are autonomous legal entities established under the Corporations Act 1964, and the Companies Act 1964 respectively. Those affiliated to the Ministry of Agriculture and Co-operative mainly serve three purposes, all of which are very important for the purpose of poverty alleviation and food security. Some of them, such as the Dairy Development Corporation, Cotton Development Board and Kalimati Fruit and Vegetable Market Development Board, were created either to provide or to facilitate provision of market outlets for farm produce. Others, such as the Nepal Tea Development Corporation, the Agricultural Lime Industry, the Animal Feed Development Board and the Agriculture Tools Factory, were created to produce and market specific commodities. Firms in the third category, which includes the Agricultural Inputs Corporation (AIC)¹, were established to procure and distribute such critically important inputs as seeds, fertilizers, farm tools and pesticides. The *Guthi* (Trusts) Corporation, which is not under MOAC, is very important, as it administers all *Guthi* land, i.e. the land legally belonging to various religious institutions, and their tenants. The NFC under MOICS has direct link to food security as this is the only public corporation dealing with procurement and subsidized distribution of food grain in remote and inaccessible areas.

Of the various public institutions outside of government, four institutes affiliated to Tribhuvan University are important, because they produce the technical graduates required for addressing various aspects of food security and poverty. These are the Institute of Agriculture and Animal Science, the Institute of Applied Science and Technology, the Institute of Forestry and the Institute of Medicine. Recently some of the institutions affiliated to the two private sector universities, namely Pokhara University and the Kathmandu University, have also began producing technical graduates.

4.5 The NGO Sector

A number of social institutions in Nepal have been established by communities to perform specific economic, social and religious activities. Many of them have existed since time immemorial. Examples institutions include *mela-parva* or *parma-painch*⁵, *thakalis*⁶ and *guthi*⁷). In addition, the country has a long tradition of creating trusts to build temples, shrines, inns and shelters and establish schools, orphanages and poorhouses. Traditionally, the deeds establishing such trusts would identify trustees to organize and manage the establishment on a voluntary or nominal payment basis. Agricultural land or cash would be set aside to provide for their operation and maintenance. Specific process and rules were established to use the resources and perform specified functions. Thus, the entire establishments are operated as a voluntary trust, also called *Guthi*⁸.

In contrast to these indigenous institutions, officially registered NGOs are of recent origin. The pre-1951 regime did not encourage the organization of NGOs or CBOs, fearing that they might indulge in political activities or religious conversions. It did not oppose either the establishment of genuinely community-based institutions or the perpetuation and expansion of existing philanthropic organizations. On the contrary, the available evidence shows that the State or the ruling class sponsored a number of

¹ AIC has now been split into National Agricultural Inputs Company Ltd. and National Seed Company Ltd..

Guthis, by contributing both in cash and in kind. They covered a wide variety of activities addressing the needs of the poor and the destitute. Viewed in absolute terms and from a purely food security and poverty alleviation perspective, it could be said that traditionally the situation was not so negative. Yet the regime did not recognize the right of the poor to food security. Nor was there any legal instrument that ensured equality – which is also valid today to a great extent.

Nowadays the legitimacy or otherwise of an NGO is based, it seems, purely on registration and subsequent renewal and many local and international NGOs (INGOs) now operate in Nepal. Some INGOs have opened branches or national or local chapters as part of their networks. Reliable information on the actual number of INGOs operating is unavailable⁹. The same is true of national NGOs, and information on their activities is also fragmentary. Although not explicit, the existing regulations expect the INGOs to operate in co-operation with, and through, local bodies and organizations. This has created extra demand for local or national NGOs. In response, individuals or a group of a few like-minded individuals may register an NGO under the Registration of Association Act 1977. This is not to say that all NGOs have been created to meet the demand created by INGOs, but proliferation of NGOs started after the political changes of 1990. Between 1997 and 1999, for example, the total number of registered NGOs increased by about 50 percent.

The available information on the number of different types of NGOs is summarized in Table 4.1. These figures do not include a variety of legally recognized community-based organizations such as forest users' groups or water users' groups. These entities are generally registered under their respective sectoral statutes such as Forests Act and the Water Resources Act. More than nine thousand Forest Users' Groups are registered with District Forest Offices. Similar information on the number of water users' group was not readily available. Also excluded is information on various types of groups formed for the purpose of disbursing credit, and various groups formed for the purpose of dissemination of technology by entities under the MOAC's departments.

Table 4.1: Growth of NGOs by type: 1992-97

Activity/Type of NGOs	1992	1997	1999	% change
Child welfare	14	122	202	65.6
Health services	46	157	200	27.4
Handicapped and disabled	12	106	125	17.9
Women development	34	572	842	47.2
Youth activities	203	1298	1906	46.8
Moral development	64	177	210	18.6
Environment protection	16	386	575	49.0
Education	2	56	83	48.2
AIDS and abuse control	6	28	36	28.6
Community Development	179	3076	4702	52.9
Total	576	5,978	8881	48.6

Sources: HMG, *Ninth Plan (1997-2002)* p. 700; and Social Welfare Council, 1999.

The Ninth Plan recognizes the proliferation of NGOs, their contributions and associated problems¹⁰ and has aimed at mobilizing the sector to complement government development activities. In

furthering this objective, the Plan outlines a number of policy initiatives. First, it envisages a more streamlined NGO sector by categorizing them by their nature, scope of activities, resources, capabilities and geographical area of operation. Second, it emphasizes the need for NGOs to co-ordinate their activities with the local governance system and directs them to work with backward communities, especially those in remote areas. Third, NGOs are to be made responsible to work as facilitating local institution in collaboration with local government bodies and line offices of central ministries and other local level institutions. Fourth, the Plan envisages developing effective systems for monitoring and evaluation of NGO activities and for supporting their activities.

There is no doubt that NGOs have tremendous potential for assisting the government in carrying out its development functions, particularly in covering those communities and areas which government has not been able to reach. However, lack of clarity and uniformity in the roles and functions of NGOs and in their mode of operation has often resulted in duplication of efforts and inefficiency of resource use and at various times has created confusion about the government's development approach. Recognizing these problems, the Ninth Plan policy framework for streamlining the development potentials of the NGOs in the broader national interest and in forging effective partnership in local development is very positive.¹¹ The Plan proposes a number of measures, such as the removal of ambiguities and contradictions in the existing legal, regulatory and administrative procedures, and greater transparency and accountability in the operation of these organizations. However, concrete actions to translate the objectives and policy initiatives of the Plan into action, and to forge meaningful collaborative actions between governmental and non-governmental organizations are still missing.

A study conducted recently for MOAC (MRSC, 2000) found many NGOs and CBOs to be working on both on-farm and off-farm activities. The study indicated that NGOs were most effective in:

- providing services to the target groups in concentrated geographical areas;
- group mobilization, often reaching poor and marginal people; and
- responding quickly to people's felt needs, even in remote and difficult areas.

Another finding of the study was that collaborations between the DADOs and NGOs tended to be of an informal nature, except in those donor-supported programmes where DADOs were required to collaborate with NGOs with funding provided separately to both. The same study indicated that NGOs, despite being enthusiastic about establishing close linkages with DADOs, preferred to work separately because of lack of clarity about collaboration modalities, particularly when collaboration entailed loss of autonomy, freedom and flexibility. Another recent study (NLA, 2000) supported these findings, indicating that because of lack of clarity about roles and responsibilities of, and modalities of collaboration between, local government bodies (DDC and VDC) and NGOs/CBOs, local government bodies are largely bypassed by NGOs and CBOs in planning and implementing local level development activities. This has resulted in work duplication, resource use inefficiency and unequal distribution of development activities¹². Thus there is an urgent need for roles, responsibilities and modalities of GO-NGO collaboration to be defined and clarified.

4.6 The Private Sector

The private sector in the agriculture of Nepal consists primarily of millions of small, medium and large farmers, and a number of agro-enterprises engaged in provision of inputs and services, and in the processing and marketing of agricultural products. Thus private sector organizations in the agriculture sector comprise of households engaged in subsistence and or semi-commercial production, small and large scale processors, food processors and manufacturers, traders. There are a few large-scale commercial enterprises engaged in production, processing or marketing.

Over the years increasing efforts have been made to form formal and informal private sector organizations in agriculture. These include user groups centered around protection and utilization of natural resources (forestry, irrigation, drinking water, etc), farmer groups centered around production and marketing of agricultural commodities (commodity specific production groups, farmers groups engaged in marketing of fruits and vegetables, milk, etc). Similarly in the input supply side, there are number of traders involved in the import and distribution of fertilizers, a large number of registered fertilizer traders, seed growers, etc. While such groups are formed and or operate mainly at local level, the tendency now is to form larger organizations at the district and national levels (District Cooperative Unions, national commodity specific federations like that of National Federation of Milk Producers Cooperative and Federation of Community Forestry Unions, Seed Entrepreneur's Association of Nepal (SEAN) and so forth.

With a view to promoting the interests of private firms engaged in the commercial and industrial ventures and thereby help commercialization and industrialization, traders have organized themselves at the district level into District Chambers of Commerce and Industry and these are federated at the national level into the Federation of Nepalese Chambers of Commerce and Industries (FNCCI). Under FNCCI, an organization called Agro-Enterprise Centre (AEC) has been formed and among other things it lobbies on behalf of private agribusiness and supports commodity based organizations in areas such as tea, sericulture, floriculture and apiculture.

Although major planning and policy document of the government has stressed the policy of greater private sector participation across all sectors of the economy, no specific measures have yet been pronounced to promote and support the private sector. As suggested by the mid-term review of the Ninth Plan, there is a need to include a separate chapter in the Tenth Plan dealing with government programmes to promote and support the private sector. In fact, the approach paper of the upcoming plan has allocated a separate chapter on this.

4.7 Important Legal and Customary Institutions

A few national level legal and customary institutions that have implications for poverty alleviation and food security are briefly considered here under two sub-headings: economic and social institutions.

4.7.1 Economic institutions

Two influential economic institutions directly affecting poverty and food security are those related to property and contracts. An individual's access to property is governed by a variety of laws. But the most influential seem to be the sections concerning inheritance in general, and the inheritance right of women in particular, in the Civil Code. The former defines individuals' access to inherited property, while the latter provides for protection of women's property while recognizing limitations on their right of access to parental property. The latter aspect of the law has become a subject of debate in the recent years. Indeed a bill to amend the Civil Code to as to provide equal legal access to parental property is under debate in the Parliament. However, since these provisions are influenced by the age-old traditions, their influence tends to override any legal provisions.

There are a number of other legal provisions of varying degrees of importance to the topic of this report.. An example is the provision relating to land reclamation which establishes the legal right of person who constructs or spends his or her own resources to construct a canal. Some other legal provisions from the same statute are largely ineffective. Examples include provisions relating to wages and to economic transactions. The former provision makes it illegal to employ anyone without paying wages unless the person concerned has agreed to volunteer. The latter bars charging excessive (compound) interest rates. Both of these reforms were introduced in 1963, but they are yet to become effective in changing economic behaviour – so much so that even government-owned banks and other public institutions violate these provisions, for example by charging compound interest. This shows that mere legal provision is not adequate, especially when it comes to reforming long established institutional arrangement of society or going against market forces.

4.7.2 Social institutions

Among the social institutions which influence poverty and food security issues, perhaps the most influential are the legal provisions and social practices concerning, the caste system, marriage, responsibility accorded to women regarding upkeep of their children, and in certain areas, those related to *guthi*. Although the caste system is now illegal, Nepalese society is still caste-ridden and there are taboos against certain food items along caste line. Extravagant expenditure during marriages and on account of marriage is on the rise, and is leading to heavy indebtedness, especially among the poor. Although legally in force, the law barring such extravagance is yet to become effective.

4.8 Decentralization and Poverty Reduction

Decentralization has been pursued in Nepal for quite some time, although its form and modality have varied depending upon the legal provisions made. The present concept of decentralization, which came into being after the restoration of democracy in 1990, is governed by the Decentralization Act 1992.¹³ This made few fundamental changes but did make some changes, including altering the names of district, municipal and village bodies from *panchyats* to Development Committees. The Ninth Plan emphasized people's participation in the decision-making process, and the Plan's decentralization

objectives are to enable local bodies to undertake development planning and management, and to form a system of local self-government which is strong, empowered and responsive to the needs of the people. To help achieve this, policy emphasises delegation of authority and allocation of the necessary budgets, human resources, technical capacity and information. At the same time the Plan envisages making local institutions autonomous, competent and fully accountable to local people, as well as capable of effective mobilization of local resources and technologies for socio-economic development of the rural areas.

The decentralization policy framework of the Ninth Plan is silent on the subject of poverty-decentralization linkages, but this subject is explicitly addressed in the Local Self-Governance Act (LSGA) 1999 in the context of prioritization of local plans and allocation of resources. Village Development Committees (VDCs), municipalities and District Development Committees (DDCs) are to prioritize programmes that can increase productivity, provide quick returns, contribute to upgrading living standards, and generate income and employment opportunities, thus contributing to poverty reduction. The Act also requires that local programmes should provide direct benefits to women, children and disadvantaged groups. The situation in this respect is to be regularly monitored by HMGN, but no records exist of such monitoring having been undertaken, nor are there any evidence of local government bodies considering poverty and equity concerns in their planning and service delivery arrangements. Inadequate compliance of local government (LG) with the LSGA is due to:

- lack of proper communication and co-ordination mechanisms between central and local levels;
- absence of requirement for the LGs to address national goals and targets in their planning and resource allocation processes;
- inadequate interface between national and local planning;
- unavailability of resources to help LG deal with poverty issues;
- the lack of sensitivity among local elites to poverty concerns; and
- the government's practice of running poverty reduction programmes outside of LG.

In the absence of the an overall strategic and operational framework, poverty reduction at the local level is addressed on a sectoral basis, either through the existing line agencies or through programmes implemented with special institutional arrangements that are not co-ordinated with LG. The agriculture roads initiative is considered to be an important contributor to poverty reduction, yet this has very weak linkages with LGs. So far the only programme to have been implemented through the DDCs is the Rural Infrastructure Development Programme (RIDP), which focuses on reducing poverty facilitating access by poor people to employment opportunities. There are, however, a number of donor-funded programmes that mobilize LG in poverty reduction activities. These have generated positive results and good experiences, but in the absence of appropriate communication and institutionalization mechanisms they face problems of ownership and sustainability, and their achievements do not seem to impinge on central government.

4.9 Institutional Adequacy and Gaps

4.9.1 Major issues

For a policy to produce results it has to be stable and clear. If it is to build on experience and institutional memory, personnel turnover must be minimised. The opposite seems to be the rule in Nepal, with the result that there is a widening gap between expectations and performance. Several factors may be responsible for this unfortunate situation, but instability is at their source, fuelled by a combination of short-sightedness on the domestic front and impatience on the part of Nepal's development partners. The resultant failure to perform manifests itself in several forms, including a constantly changing policy paradigm, high personnel turnover rates and excessive tempering with the organizational structure of institutions. Creation, abolition and re-creation of institutions has emerged as a substitute for efforts to address the issues confronting existing structures in discharging their responsibilities. Instability may be the single most detrimental factor in planning and implementation of development work, especially those related to food security and poverty alleviation. A short historical review of the underlying factors seems appropriate.

Fragmentary Approaches to Institution Building. Organized efforts to build institutions in Nepal started with the political change of 1951. Two important domestic factors influenced the process. First, the country of nearly 8.4 million inhabitants then had extremely limited stock of trained human resources and physical infrastructure. Second, the feudalism of previous regimes and the attitudes thus engendered did not die with these regimes, and resulting contradictions and anomalies are frequently encountered today. Two exogenous factors also played a decisive role. First, political ideologies followed by the then two 'superpowers' and their allies influenced the process through their foreign aid. Second, the donors and the persons working on their behalf had limited experience in actually assisting other countries and societies. As a result they brought ideas and advised in favour of those institutions and strategies which they had seen in their own countries and surroundings. This resulted into experimentation with various institutional models. Despite the fact that the Cold War has ended, international influence in the institutional development process continues in different guises and formats, leading to the adoption of a piecemeal and fragmentary approach to institutional development.

Frequent Organizational Restructuring. Frequent change in the organizational structure of institutions is a common phenomenon in Nepal. Rather than being concerned with impact, planners in Nepal have consistently set only physical targets and allocated financial resources accordingly. Even attaining physical targets is difficult in a context of sudden changes in the organizational structure and mandate of the implementing agency. The problem is seems to be especially pronounced among institutions responsible for poverty alleviation and food security. What is now the Ministry of Agriculture and Co-operatives provides an example of the problem. Since 1967 this ministry, which is the lead agency for alleviating poverty and food insecurity, has experienced no less than nine major changes in its organizational structure, affecting both the Ministry itself and the departments and public corporations under it. (Refer to Annex 2 for further details.) The Agricultural Development Bank, which evolved from an earlier Co-operative Bank, was at one time under the Ministry of Agriculture and was transferred to the

Ministry of Finance in mid-1980s. The Department of Co-operatives was transferred from the MLRM to the MOAC. The Department of Agriculture has undergone several changes since its creation in 1924. In the 1960s there were five separate departments, one each for agricultural education and research, agricultural extension, livestock, horticulture, and fisheries. These were merged into a single Department of Agricultural Development in 1972/73, split again into two departments (Agriculture and Livestock) in 1979, merged again in 1990, and split again in 1992. A Horticulture Department was created in 1990, but it was dissolved only a few years later. The erstwhile Department of Food and Agricultural Marketing Services (DFAMS) lasted for nearly two decades before its various units were split between the Ministry of Agriculture and Department of Agriculture in 1992. The Department of Irrigation was merged with the Ministry of Agriculture in 1973, but later transferred to the Ministry of Water Resources. This process of creation, splitting, merging and restructuring of key public sector organizations serving the agricultural sector has resulted in loss of continuity and effectiveness. Almost none of the above organizational changes was preceded by a proper institutional analysis and there was little appreciation of their implications. They have been guided largely by the preferences of individuals at the policy level, or influenced by sectoral/sub-sectoral lobbying pressure.

High Personnel Turnover. Public sector institutions in Nepal have always been characterized by high personnel turnover. Even after the political change of 1990, this form of destabilization of the administrative machinery continues. Every time a minister changes, a wave of personnel changes takes place at all levels, starting with the Secretary of the concerned ministry and then on to the lower echelons until it pervades the entire organization. For example, in the five years' period between the approval of the APP in July 1995 and mid 2000, eight different individuals were at the helm of the Ministry of Agriculture as Minister or Minister of State. Five different individuals have been appointed as Secretary, one of whom was moved twice. There were five changes at the level of the Director-General of Agriculture. The rate of turnover was equally high in other entities of direct concern to the APP. Similar changes in institutions such as the AIC, the Agricultural Development Bank (ADB), and the Department of Irrigation are also observed. Considering the fact that the institutions created for the purpose of development management are relatively young, and that personal attention and attitude of the managers still heavily influence most of the development activities, the effects of such turnover is highly detrimental.

Changing Policy Paradigms and Approaches. A stable institutional and personnel base would have enabled Nepal to absorb and internalize the various approaches to development that have been in vogue since the country launched the economic development process in the early 1950s. In the absence of this the country has witnessed experimentation with all sorts of 'development' approaches regardless of their relevance. These shifting policy paradigms and approaches are especially pronounced in rural development, which is clearly related to the twin issues of poverty and food insecurity. Examples include the experiments with the 'Tribhuvan Village Development Programme' initiated in the mid-1950s and terminated in the early 1960s, the 'Co-ordinated Agricultural Development Approach' of the 1960s, the 'Integrated Rural Development Programmes' initiated in the mid-1970s and terminated in the mid-1980s. The 'Training and Visit System' initiated in the 1980s and discontinued in the early 1990s with the adoption of group approach to extension, is yet another example. A number of common themes can be discerned.

- Each of the above is an approach to specific development issues, not a phase of development in itself.
- Each one was replaced by a new model or approach.
- All of them were terminated at a time when the institution(s) concerned had just adjusted themselves to the approach.
- All of the replacements were introduced at the behest of donors. The same can be said of the shifting paradigms in development.

The rapid shift from an interventionist mixed economy to that of a free market capitalist approach (also enacted at the behest of a few donors) at best requires a dramatic change in the institutional framework. While the price to be paid is enormous, the benefits are at best uncertain, especially considering the geographic realities of the country and her level of development vis-à-vis those of its major trading partners. If the past is any guide, one should be prepared for another shift in the donors' approach almost as soon as the country has familiarized itself with the current paradigm. To expect rapid positive change under such internationally guided milieu would be a little too optimistic.

Creation and Abolition of Institutions. Another result of these shifting approaches to development and the ever-changing paradigms has been a tremendous wastage of human and other resources in the form of creation and destruction of institutions. A few examples include the Land Reform Savings Corporation in the mid 1960s, Rice Exporting Companies in the mid-1970s, the Agricultural Lime Factory in the mid-1970s and the separation of Agricultural Inputs Corporation into a Seed Company and a Fertilizer Company. Yet another vivid example is the present status of the Independent Analytical Unit created in 1997 within NPC to monitor implementation of the APP. The unit was supported from AsDB TA for two and a half years and was transferred to MOAC when the TA support was terminated. It has remained almost non-functional at MOAC for lack of external support until recently. The DFID has now approved a programme to support district and national implementation of APP and the project is in the process of formal agreement.

4.9.2 The nature of the institutional gap

The lack of much-needed institutional stability on the domestic front is not countered by the institutional offerings received from donors and other collaborators, as these reflect their own background and experience without Nepal-specificity. Lack of institutional memory and experience in indigenous organisations, together with the country's dependence on donors for development resources, effectively means that the latter's position always ultimately prevails. At the heart of this problem lies the above-mentioned piecemeal and fragmentary approach to institutional development.

An important requirement is to strengthen the country's key institutions and develop its internal capacity to recognize the changing internal and external milieu and adjust itself accordingly. This includes the development of internal capability to redefine the role of existing institutions rather than to destroy them to create yet another unsustainable (and hence temporary) institution. Unfortunately, destruction of existing institutions, mostly at the behest of the donors, has become a predominant feature of the recent past.

If one were to be guided by the APP, the institutional arrangements for its effective implementation need to follow the priority inputs and outputs identified in the Plan. The APP in fact proposes a number of organisational reform measures that would play a key role in implementation. However, these reforms remain largely unimplemented. In fact, several government moves and policy decisions have gone contrary to the recommendations of the APP. For example, in 1999 the government created the Department of Rural Infrastructure and Agricultural Roads in keeping with the recommendations of the APP. Yet this Department has largely been ineffective for want of adequate human and financial resources. On the other hand, no attempt has been made to transfer any of the existing resources from the well-established Department of Roads, a move which is implicit in the relevant APP recommendation. Similarly, the APP put great emphasis on the role of technology development and dissemination in the agricultural transformation process. Consequently, it suggested far reaching reforms in the agricultural research system. The Nepal Agricultural Research Council (NARC) is not very different now from how it was at the time of its creation in 1990, although the statutory autonomy granted to it holds great potential. NARC is still groping to find its institutional identity in a changed national and international context, and has yet to come up with a clearly articulated vision and mandate. One nagging issue related to NARC is whether it is to serve as a policy making and co-ordination body, or an implementing agency. At present it has responsibility for both these functions, giving rise to inherent conflict.

Notes on Chapter 4

¹ Real GDP growth was in the range of 4-5 percent. Current account deficit was reduced in 1989/90 compared to 1988/89. Net domestic financing of the budget deficit was reduced by 1.5 percent in 1989/90, revenue share in GDP was increased in 1998/90 compared to 1988/89 and total government expenditure share of GDP was increased with decreased share of regular expenditure.

² Initially it was set at 6 percent but was revised later as 6 percent for 1992/93 and between 4.2-4.8 percent thereafter.

³ Implementation status of sub-sector specific policies and programmes of APP has been dealt in detail in Annex 1.

⁴ The implementation status of various institutional reforms suggested by APP for agriculture development is discussed in Annex 2.

⁵ A tradition of pooling labour in a community for the rice transplanting or for carrying other peak agricultural operations.

⁶ A system of pooling financial resources and of using the resources so generated to finance loans to its membership on a rotational basis at agreed interest rates.

⁷ A social institution which determines the rights and obligations of a person vis-à-vis his or her community and is created to ensure the continued observance of that community's social and religious customs and ceremonies.

⁸ Elaboration on the evolution, types and state interventions in this institution has been presented in Annex 2.

⁹ Lack of reliable information on INGOs is coupled to lack of transparency and accountability in their operations.

¹⁰ Major problems of the NGO sector are: rapid growth in number, limited scope and area coverage, lack of co-ordination of their activities, lack of integration of their activities with those of local government, defects in their activities in terms of suitability to local economic, social and cultural situations, and poor record keeping systems for effective monitoring (Ninth Plan 1998).

¹¹ The objective of the Ninth Plan for NGO development is stated as: 'To develop NGOs as partners of development and to conduct the programme of NGOs in a co-ordinated manner in order to make their activities effective' has enshrined collaborative effort between GOs and NGOs in undertaking local development activities.

¹² In many areas, activities of different NGOs and CBOs were concentrated within the confine of relatively small geographical areas leaving many in larger areas without any services.

¹³ This comprises three acts: one each for VDC, municipality and DDC.