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INVESTMENT PRIORITY FOR MID AND FAR WESTERN NEPAL

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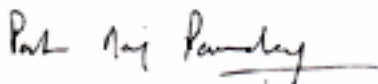
Inputs from various stakeholders during interactions at Advisory Committee meeting, and the regional workshop in Nepalgunj organized by the EPN Focal Unit have been incorporated in the report.

Foreword

Economic Policy Network (EPN) initiated in August 2004 is an undertaking of Government of Nepal (GoN) with an Asian Development Bank (ADB) Technical Assistance (TA) to develop and institutionalize an open, responsive and result oriented economic policy formulation process based on sound economic analysis and dialogues with the partnership of public and private sector, academia, and independent professionals, to support and consolidate the Government's economic policy reforms on poverty reduction strategy. The initial focus has been in the areas of macroeconomic management; trade, investment and employment; infrastructure development; and tourism, agriculture, and regional development through four thematic advisory committees chaired by the secretaries of the respective implementing ministries, and guided by a high-level steering committee. The present study is an outcome of the initiative under the Advisory Committee for Economic Policy on Tourism, Agriculture, and Regional Development chaired by the Secretary of the Ministry of Culture, Tourism, and Civil Aviation.

GoN has recognized the need of development in mid and far western Nepal. This study has reviewed the investment pattern of government in mid and far western Nepal. The study suggests delivery mechanisms for efficient utilization of funds and prioritizes investments in the field of agriculture, health, education, infrastructure development. The recommendations are the outcomes of consensus reached among major stakeholders through various consultations and the EPN workshop. I hope the findings and recommendations will be helpful for policy makers for future reforms.

I would like to thank Mr. Prithvi Raj Ligal for carrying out the study. I also thank all those who have provided inputs for the report during the interactions, the advisory committee meetings, and the EPN regional workshop held in Nepalgunj. The work of the advisory committee for Economic Policy on Tourism, Agriculture, and Regional Development is to be commended for selecting the issue and for following through with the study. I would also like to appreciate the entire EPN team for their hard work. Last but not least, I would like to thank the ADB for supporting this initiative.



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The author believes that the analysis and the recommendations made in the study will be very helpful to all those, including the policy makers and the practitioners, who have keen interest on the all round development of Mid and Far Western development region of Nepal.

PR Ligal
October, 2006

Acronyms

ADB	Asian Development Bank
ADDCN	Association of District Development Committees of Nepal
AEC	Alternate Energy Centre
AG	Auditor General
APP	Agriculture Perspective Plan
CBOs	Community Based Organizations
CBS	Central Bureau of Statistics
DANIDA	Danish International Development Assistance
DASU	Decentralization Advisory Support Unit
DDC	District Development Committee
DDF	District Development Fund
DFID	Department For International Development/UK
DIRC	District Information and Record Center
DVS	Development Volunteer Service
GTZ	German Technical Cooperation
HMGN	His Majesty's Government of Nepal
HRD	Human Resource Development
LBs	Local Bodies
LBFC	Local body Finance Commission
LMs	Line Ministries
MoAC	Ministry of Agriculture and Cooperative
MoES	Ministry of Education and Sports
MoF	Ministry of Finance
MoHP	Ministry of Health and Population
MoLD	Ministry of Local Development
MoICS	Ministry of Industry, Commerce and Supplies
MoWR	Ministry of Water Resources
MOHPP	Ministry of Housing and Physical planning
MOCTA	Ministry of Culture, Tourism and Civil Aviation
MOIC	Ministry of Information and Communications
MuAN	Municipality Association of Nepal
NGO	Non-Governmental Organizations
NPC	National Planning Commission
NAVIN	Nepal Association for Village Development
PAF	Poverty Alleviation Fund
PRSP	Poverty Reduction Strategy Paper
RAC	Reform Advisory Committee
REDP	Rural Energy Development Program
SNG	Sub-National Governments (DDC, Municipality and VDC)
TPC	Trade Promotion Centre
UDLE	Urban Development through Local Efforts
UNDP	United Nations Development Fund
VDC	Village Development Committee
VDF	Village Development Fund
WB	World Bank

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Executive Summary

Introduction

The concept of regional planning was introduced in Nepal during the Fourth Five year plan period 1970-75 with an objective of national economic integration, minimization of inter-regional development, break through in the vicious circle of ineffective economic system and the imbalances in project implementation. This has remained a key policy objective, albeit, with lesser focus in recent years. The spatial disparity between and within regions is still significant. For example, the Human Development Index for the entire country is 0.46, with variations that range from 0.30 in the Mugu district to more than twice this index (0.65) in the capital city, Kathmandu.

Subsequent five-year plans and national development budgets continue to exhibit a strong sectoral bias, through strategies and with programs that are much more fragmented and dispersed. The Five Year Plans and budgets, except for the Ninth plan (1996-2001), did not incorporate explicit policies or programs to address acute spatial disparity, or to exploit comparative advantages at the regional or sub regional levels.

Lack of a sound regional development strategy and programming affected the Mid and the Far-western development region most in terms of the developmental achievements. The regions lagged behind the rest in all aspect of development, socio-economic or infrastructural. This calls for a focus at the policy making level for the development of these regions.

The main objective of the present study is to suggest a priority investment programs for the overall development of Mid and Far-western development region. However, the specific tasks are to;

- Review current HMG investment scenario in the mid and far western regions
- Conduct SWOT analysis for the mid and far western regions
- Prioritize investments in the field of agriculture, health, education, and infrastructure development for the immediate, medium and long-term
- Suggest delivery mechanisms for efficient utilization of funds
- Identify prospects and constraints for public-private partnership for carrying out development works in the mid and far western regions
- Suggest policy-action matrix for effective implementation identifying (a) policy improvements (b) objectives (c) activities/ programs (d) indicators and (e) responsible agencies

As the study is a desk study that is based entirely upon the available data on mid and far western region, the limitation in the data availability and the conclusion drawn upon should be taken with caution and verified before substantial investment program is finalized for the region.

The mid and far western development region together, comprises of 24 districts spreading over 61,817 sq km of land area (42.0 % of the land area of the country). The population of the region was 5,267,637 (22.8% of Nepal) in 2001 and the population density as 85.2/ sq km (as against 157.3 /sq km in the country as a whole). The area is thus thinly populated and

scattered all across the zone. The average size of the Household is 6.3, much higher above the national average. There are altogether 956 VDCs and 14 municipalities in the region together.

Agriculture, livestock and non-timber forestry products particularly, the high value herbal collection is the main stay of the people in the mountain districts of these region. Where as, agriculture and livestock are the main sectors in the hilly districts, agriculture, particularly food grain production is the main occupation in the terai districts. Cottage industry, off-season vegetable growing, goats and sheep rearing for meat products are some of the activities along the main trial in the region. Trade and industrial activities are mostly confined in the terai districts. Most of the hill and mountain districts do not produce enough food grains to eat and as such, food grains has to be airlifted from terai districts annually by spending huge amount of money from the government treasury. Of the 24 districts in the region, almost 14 are food deficit districts and need external support to feed its population.

Except for some districts in terai and hills, most of the districts in the region lacks motorable road. Still about 7 districts in the region do not have a motorable road. Most of the mountain and hill districts do have fair weather Stoll airstrips, but the flights are limited and very much uncertain. Economic activities in the mountain and hill districts are limited therefore; most of the economically active male population goes to nearby Indian States for employment. The income thus earned is extremely important for getting non-agricultural commodities including clothes to the family members.

Compared to the national average, the basic Human Development indicators shows a poor picture in all aspects of Human development components in the Mid and Far-western development region. Low female literacy – at 23.4 % in Far-west and 28.6 % in Mid-west (lowest in some districts such as, Humla 4.8 % and Mugu 5.2 %), chronic malnutrition above average and also above rest of the regions, high poverty concentration (45.9 % in far-west and 46.9 % in Mid-west respectively), is some of the features of the region. The situation is worst particularly in the mountain districts. Even the status of safe drinking water is way below the national average. The HDI and HPI figure shows Mid and far-western regions in the bottom of HDI and highest in HPI. It is also strikingly clear that, within the region also, the mountain districts are worst in all forms of indicators, socio-economic, poverty and human development indicators, than that of the Hills and the Terai.

National Living Standard Measurement Survey (NLSS II) conducted in 2004 shows that the status of the infrastructural and other socio-economic institutional facilities in the two western regions have improved in the last decade but still about 50 % of the people in the Mid-western region and about 55 % of those in the Far-western region have to walk more than half an hour to reach a health post.

Similarly, 43 % of the people have to walk more than three hours to reach nearest bank and 34 % to reach a the nearest telephone booth in mid-west . In the far-west about 55 % to reach a bank and 37 % to reach a telephone booth has to walk more than three hours.

Mid-western and far western region still have more people under poverty trap than that of the rest. NLSS II shows that about 45 % of the people in the Mid-Western and 41 % in the far – west are below the poverty line as against 30.8 % in the country as a whole. The heavy concentration of poverty, low social development, weak governance and high cost of development due to inaccessibility and scattered settlement has compounded the problem of mainstreaming development in the Mid and the Far-western districts of the country.

Government Policies and Programs

As discussed earlier, the concept of regional planning that was introduced in the Fourth Five Year Plan (1970-75) could not get due importance in the subsequent plan that followed it. Lack of commitments for regional planning in the subsequent plan period, make these offices at the regional centers turn out to be like a post office with no authority in planning and programming in its own sectoral activities. With time gone, most of the regional offices are closed down or remained redundant without any important job to function.

The failure at the policy level to translate balanced regional development through budget and programs widens the gap between developmental activities in the region. Where as, Central and Eastern region remained the priority region for the government and as such, most of the programs and projects are confined to these regions, Mid and Far-western regions remained neglected until very recent past. This is well reflected in the socio-economic indicators as well as the infrastructural indicators of the region.

Mid and Far-western development region got emphasis on developmental activities only since late twenties. The precarious economic and social development situation in these regions compelled the policy makers to put more thrust in the development of the region. As such, more emphasis was given in the social sector and infrastructural development of the region. The Ninth Plan (1996-2001) has given emphasis to implement a focused and comprehensive program called "*Special Area Development Program*" in the hill and mountain districts of Mid and Far-western districts as well as other similarly deprived districts.

Focused socio-economic programs related to education, health, child and maternal mortality, malnutrition, drinking water, electrification and also the income generation was implemented in most part of the mid and far-western region only after the restoration of democracy in 1990. But the tempo of implementation could not be due to Maoist insurgency in the hilly districts of Mid-western development region that started in 1995 and later transpired in other districts of Far-western and other regions. Because of the armed insurgency security situation in these districts have worsened and most of the government offices in the district headquarter remained without the key staff including the officer in-charge. This has affected badly at the decision making level as well as in selecting programs and its implementation.

The budget allocation in the regions in recent years shows that the region has been in the highest priority for both infrastructural and socio-economic sectoral investment. Development budget allocation in mid and far western districts has increased at an annual rate of 13.5 percent per annum between the fiscal years 2051/52 to 2061/62. Between these periods, the amount in absolute term has gone up by about 4 times from Rs 1.51 billion in 2051/52 to Rs. 5.49 billion in 2061/62 respectively. In terms of total development expenditures also, the share of mid and far-western region has gone up from 7.2 percent in 2051/52 to 13.3 percent in 2061/62. However, given the socio-economic and infrastructural development of the regions, it is obvious that the allocation is not sufficient and annually much larger volume of budgetary allocation are needed to make the region catch up with rest of the districts or region in the country.

Analysis of the past budgetary allocation in Mid and Far west clearly exhibits a pattern that can be summarized as follows.

- Unfocussed budgetary programs with large number of projects and programs in all sectors.
- Average budget in the region, say in 2063/64 budget is only Rs. 31 crs per district in Mid west and Rs. 36 crs. Per district in the Far west respectively, substantially lower to make any dent in the socio-economic and infrastructural status of the region
- Thinly distributed resources that are making completion of the program/projects uncertain.
- Program and project budget allocation never taking in to consideration of the high cost of development materials, especially in the upper hills and mountain districts.
- Programs and projects not reflecting the need of the people and also the regional comparative advantage.
- Frequent and long absence of government officials in the districts, particularly in the upper hills and mountain districts constraining difficulty in implementing programs and projects.
- Application of a uniform budgetary system through out the country not supporting the working situation in the districts and as a result difficulty in using allocated resources. Because of the severe weather condition in most of the hill and mountain districts of the reason development work can only take place from April thru October. But the budget usually gets approval by October/November and freeze by the end of June and there is no provision for carrying the allocated budget forward in the next fiscal year. This constrains full use of allocated budget in such districts.
- Absence of technical manpower and national level contractors also constrains the use of allocated budget in these districts.
- Moreover, the worsening security situation since 1996 has further constrained use of development budget in the region.

SWOT Analysis

The SWOT analysis of the two regions shows big potential for development of the region. The region possess immense potential for hydro power development, tourism promotion, high value herbs collection, plantation , and processing, plantation of a variety of high value vegetable and flower seeds due to high bio-diversity, rearing of large scale animals etc. However, the Maoist insurgency, lack of basic physical infrastructures and low social sector development and human skill etc., poses some of the weaknesses and the threat in the development of the regions.

Investment Priority and Programs

Talking about the investment priorities in mid and far western development region, the first and the foremost priority should be the investments that are targeted to develop the socio-economic status of the region. As discussed earlier, the region's indicators on education, health, drinking water, level of malnutrition and mortality rates are very low as compared to other regions. Besides, the level of poverty is highest. The lowest literacy rates among women in most of the northern districts of the region contributed in the prevalence of social taboos in the region. Therefore, a large amount of investments will be required to change the situation and to catch up the level achieved by other regions.

Secondly, the poor infrastructural facilities in the region call for a large amount of investments in the sector. For example, Jumla district produces one of the best qualities of apple in the country but it needs huge amount of subsidy to reach the market. In the absence

of transportation subsidy it can not reach the market and as such the farmers have to destroy it in the farm itself, since the local market can not consume the produce even at an exceptionally low price. Similarly, lack of electrification has forced the people to dependent upon the convention sources of energy, both for heating/cooking and for lighting. It is ironical that the region is deprived of basic electricity facility even though it possesses the largest hydro power potential in the country.

The region has the potential to generate tens of thousands MW of electricity at a competitive price. In Karnali River alone such electricity generation potential exceeds ten thousand plus MW. Besides, the west Seti, Pancheshwor and other rivers and its tributary has the capacity to generate thousands of MW of electricity. High priority should be given to harness these resources as it has the potential to completely change the outlook of the region. Investment modality and the possibility of foreign investments in the sector should be explored seriously.

Non-timber forestry products, especially the high value herbs as well as the production of high quality fruits/dry fruits, vegetable and flower seeds are another potential the region possesses. Moreover, the large grassy plains provide possibilities of rearing a variety of livestock in the region. Investments in this sector directly contribute to the level of income of the people and resolved the issues of high malnutrition as well as the high mortality rates. Besides, such investments can also contribute in eradicating poverty from the region.

Tourism development is another potential the region possesses. The scenic beauty of the districts in the region, Rara and Foksundo lakes, Khaptad and other beautiful places are but some places where tourist can be attracted. Besides, as a gateway to Mansarovar and Kailash, the region can attract plenty of religious tourists both from Nepal and India. The large plains in the say Khaptad area that used to be covered by snow in the winter could be developed for winter sports in the region. As tourism sector possesses strong backward linkages, the investments in the sector can promote a whole set of economic activities in the region, creating more employment opportunities.

Compared to the hill and mountain districts, terai districts are the bread basket of the region and beyond. Most of the manufacturing and trading activities are confined in these districts. Investments in irrigation can increase productivity and production of cereal grains in these districts. This will contribute for more investments on trading activities and also on cereal grain related manufacturing investments besides, investments in a series of activities that will be followed once some of the hydro potential is developed.

The proximity to the two of the world's largest and fast growing markets, and the comparative advantage of the region due mainly to natural endowments in terms of hydro potential, high bio-diversity, tourism potential including potential for winter sport development, high value herbs etc., provides the region immense scope for development. What is needed is a serious thinking at the policy level to realize and capitalize it.

Based on the broad priority areas for investment, a medium to long term strategy should be chalked out to provide easy accessibility in the district. For this, it is necessary to expedite the completion of the present road construction in the area such as, the Surkhet- Jumla, pantadi- kalikot, and Chinchu- jajarkot, Simikot -Hilsa or the roads bajhang and darchula. Besides, the local level roads connecting Jufal airport to Dunai in Dolpa and Kolti – Khalanga in Bajura can help ease access to the district headquarter of these districts. Similarly, new road construction to Humla, Mugu, Dolpa and Bahura needs to be initiated.

Tourism development in the region requires a comprehensive investment plan that includes up gradation of airports such as at Dhangadhi (regional air base) and Simikot (gateway to mansarovar and kailash), maintenance and installation of latest navigational equipments in the airports in Bajura, Bajhang (gateway to Khaptad area), Dolpa, Humla and Mugu etc., development of trekking routes to Rara and foksundo lakes , as well as to Khaptad area, training of local people in different activities in tourism such as, Continental and Indian food, hotel and lodge management, cleanliness and hygiene, trekking guides etc., needs to be launched in the area.

As the hill and mountain districts of mid and far west are perpetually a food deficit area, agriculture investment programs should concentrate mainly in making this district food self sufficient, say in the next five to ten years, by improving the locally produce cereal grains and vegetables. Modern technology and research should be confined to improve local cereal grain variety to a high and quick yielding cereal grain variety. This will improve food situation in the district and make it food self sufficient in the coming years.

The main source of protein and other nutrients in the northern districts of the regions have been the meat and meat products from the domesticated animals. A well designed investment program is therefore, urgently needed to increase the number of livestock in the region along with the development of pasture land.

Karnali zone in the mid west and Darchula , Bajura and even Bajhang in the far-west are richly endowed with non-timber forestry particularly a different variety of high valued herbs such as, yarsagumba, pan chaounle, shilazit and many more. A well designed investment program comprising of scientific collection and drying of herbs, processing, training of local people on different aspect of herbs plantation and processing etc., plus a scientific research back up and buy back arrangement is necessary to be implemented in the region.

Considering the precarious situation of the social sector development in the region, an intensive social sector program that includes literacy drive in the region and education of girl child and the children of dalits and poor family, health and nutritional programs to contain mortality rates and high malnutrition, sanitation and cleanliness program, extension of drinking water coverage are some of the programs that is required in a massive scale. Besides, a comprehensive social inclusion program should be launched to empower women, dalits and marginal class or groups of people in the region.

As poverty is concentrated in all the Hill and mountain districts of the region, a comprehensive program for income transfer, employment creation and income generation should be implemented in all the five districts. Employment generation and Income transfer program should be implemented by adopting a labor intensive, small community group approach, with no middleman or contractors, will be adopted in all infrastructure construction. This will help transfer income directly to the beneficiary.

As energy is the source of rapid transformation of a society or a community in to modern era, a large number of energy programs comprising of micro/small hydro, solar/wind energy and biogas should be launched. The target of the program should be to provide non-traditional sources of energy to every household in the district within five-year time frame. Besides, all traditional water mills should be converted into energy efficient water mills. These water mills will also be used to generate electricity at night. Possibility should also be explored to use such energy to run small irrigation scheme and drinking water system.

A program will be launched to install a community information system in all VDCs in a phase wise manner. Such communication center will have facilities for communication within and outside the district and also to overseas. Besides, the center will also provide facilities for internet networking and media coverage as well as a host of other information facilities, such as weather forecast, agric price information, telemedicine, distant learning or education of science, mathematics etc. Similarly, central and local government notification and activities in the districts could be efficiently notified and posted for use. Increasing use of e-governance could improve the efficiency of governance system and deliver better services in these remote districts.

The northern districts of the region are thinly populated and the settlement pattern are very much scattered. This has made development effort and service delivery more difficult, challenging and costly. Therefore, based on a field level survey, a comprehensive program should be launched in some selected districts (where the problem is much severe) to resettle potential VDCs/communities in an appropriate place by providing all basic services. This can improve service delivery to the people and also save significant amount of cost. This should be targeted to complete in a short period of time as a pilot case.

Given the nearness of the northern Indian market, where there is acute shortage of electricity, a medium to long term strategy should be developed to harness these resource potential, both for export and domestic consumption. Study has shown that besides Karnali (10,000 MW + capacity), upper Karnali has the potential to generate 350 MW +, West Seti 750 MW +, Pancheshwor 1000 MW +, Middle Karnali 300 MW + and other small hydro power project such as Chamelia gadhi 35 MW etc. The hydro power sector is an area where large investment from the foreign private/public sector can come as a joint venture partnership, or as a Public-Private Partnership or some big investors even can come solely. Large scale investments in hydro power will create hundred of thousands of job for both skilled and unskilled manpower besides contributing surge in the manufacturing and trading activities. This will change the outlook of the region permanently.

The Mid and far-west terai suffers from lack of irrigation facilities. Although rivers like, Babai, Bheri, Sikta, Rapti, and even Pancheshwor etc., has the capacity to provide irrigation facilities to greater proportion of agriculture land, the hesitation in implementing irrigation projects and slowdown or abandonment of the projects has failed to provide irrigation water in these field. As a result, the yield of the farm remained very low. Strategies should therefore be developed to complete at least some irrigation projects within a short to medium term time frame. This will help improve food production situation in the region.

Strategic Frame-work for Developing Mid and Far-west

To overcome the basic challenges faced by the region and taking it forward, a *Four plus two pillar strategic framework* is suggested here to mainstream the region's development. The *Four pillars* of development are the provision for a rapid completion of north-south connectivity that is construction of inter-district roads in the region including a dependable air link to outside districts, harnessing of hydro power and other natural endowments and resource potential, social sector development and social inclusion and safety nets. The *Plus Two pillars*, which will help improve the tempo of development, are the improvement in the Governance system and development of non-conventional energy, information and communication network (ICT) and new technology injection supported by research and development.

Modality of Investment

The vast potential resource base of mid and far-western region provides investment opportunities in a variety of modality. Investments in the form of public-private partnership, or a joint venture partnership between foreign and domestic private sector, a tripartite partnership between the government and domestic plus foreign private sector or some form of institutional collaboration may all have to be looked upon for investment in harnessing particularly the hydro power sector development of the region. The sheer size of the investments will require any potential investors to look beyond a conventional public-private partnership.

PPPs can be one such modality that can play an important role in investing in a number of infrastructural, hydro power generations, tourism promotion and herbal activities etc., in the region. However, it will require a clear legal base with clear and transparent role of the investment partners. Besides, such investment modality also demands clarity in the kind of incentives including tax incentives the investors will receive, the profit and dividend transfer rights etc. Besides, investment under PPP also requires a clear cut delineation of areas where such investments are sought for and also the readiness of the public sector to invest in the area.

Decentralization, Resource Use and Service Delivery

A strong commitment and action in decentralization can be one of the basic but far reaching strategies for improving resource use, improvements in the service delivery at the grass root level and poverty reduction. This will require besides other things, a downsizing of the government by devolving more function to local bodies including fiscal decentralization, streamlining planning and budgeting system, involving local communities in development activities, encouraging Community Organizations (CO's), Non-Government Organizations (NGOs), and INGO's in community awareness and mobilization..

Conclusion

In view of the extreme disparities among the country's regions and in order to capitalize more effectively on spatially varying strengths and opportunities, the focus on regional strategy and planning appears to be conceptually sound. However, the failure in changing the institutional mechanism and the system and procedure relating with planning and budgeting etc., besides focus on the sectoral approach has but resulted in to an unbalanced development at the regional level. With institutions at sub-national level being very weak and with donor agencies mostly following sectoral approaches, the envisaged focus on regionally specific development strategies failed to generate the desired objective of regional planning in Nepal.

Mid west and Far western region suffered much during this period of regional planning in Nepal. The socio-economic indicators of the region are far below that of other region. Moreover, poverty is highly concentrated in most part of this region. This has made the region away from mainstream development. Although the region possesses vast natural resources as factor endowments, the region never get enough resources to exploit these resources. The lack of development thrust in the region made it heavily dependent upon central government grant and subsidy.

Mid and far west region needs a substantial hike in the annual budgetary allocation. The present size of the budget is simply inadequate to make any dent in the socio-infrastructural status of the region. A sustained and higher level of budget say, a hike by at least 50 % of the present level for next eight to ten years may make some visible improvements in the life of the people in the region and also help the regions to reach the main stream development of the country.

As the region is very much affected by the insurgency, a program should also be launched to rehabilitate the victims of the insurgency. Women and children, whose husband and father are killed in the insurgency, are seen as the measure sufferer of the insurgency. These women and children should be adequately protected by providing educational facilities to their children, skill training and job opportunities for the widow of insurgents and some support for their livelihood.

As the region, mostly the central hill districts of Mid and Far western region, remained the central point of the insurgency for almost a decade and so, most of the infrastructures including government offices, school and health post building, transmission lines and power generation (micro-hydel), communication tower and systems are damaged badly and they need early replacement. A program should therefore, be launched to rehabilitate these infrastructures immediately.

The failure of centralized system in developing the socio-infrastructural status as well as in delivering services in the region is clear that more authority in planning, prioritization, resource allocation and implementation should be given at the local level. In doing so, it is also equally important that the technical backstopping from the centre should continue on a much higher priority basis and a comprehensive program for the capacity development, both human resource as well as the institutional capacity to deliver should be implemented. A program of such nature can contribute in enhancing the status of the region within the shortest possible time frame.

Mid and far-west possesses vast resources that have the potential to turn it way ahead of rest of the development regions within a medium to long term time frame. What is needed is a serious effort to mobilize, implement and monitor. Effort should therefore, be made to identify the resource potential of the region, its comparative advantage, the contribution it can make in the life of the people, not limiting with the people in the region alone. A program should be initiated, with government resources initially and also encouraging private sector, both domestic and foreign, to come forward under PPP or any other modality for the development of the vast resource potential of the region.

Hydro power resources that the region has should be developed as soon as possible. This resource has the potential to transform the status of the region and beyond. To initiate, government should launch a program to develop at least some sizable hydro power projects in the region. At the same time it should provide all sorts of facilities to encourage private investors to invest in the sector. As northern India is facing critical power shortage, the potential in the region can attract Indian investors to come forward and develop power projects.

The Maoist insurgency has affected the overall development of the region seriously. The changing political scenario at the national level has created a much needed ray of hope for the region. If it clicks, investment in the region, both public- private partnership and exclusive foreign private or institutional investment can come in a large scale to tap these resources contributing all round development of the region.

Chapter I

Introduction

1.1 Background

With an objective of national economic integration, minimization of inter-regional development, break through in the vicious circle of ineffective economic system and the imbalances in project implementation, the concept of regional planning was introduced in Nepal during the Fourth Five year plan period 1970-75. Accordingly, the country was divided in to four regional development areas (later it was divided in to five regional development areas) based on the four north-south growth axis consisting of terai, hill and mountain districts. This has remained a key policy objective, albeit, with lesser focus in recent years.

The subsequent five-year plans and national development budgets continue to exhibit a strong sectoral bias, through strategies and with programs that are much more fragmented and dispersed. The Five Year Plans and budgets, except for the Ninth plan (1996-2001), did not incorporate explicit policies or programs to address acute spatial disparity, or to exploit comparative advantages at the regional or sub regional levels. While the sectoral strategies provide a basis for regional planning, there is no clear basis for coordination among central government agencies, which continue to implement sectoral programs without due consideration for the synergies that stem from integrated investment and prioritization within a region.

The half hearted commitment on the part of the government, absence of regional development strategy in the medium term plan, the low priority of the line ministry in designing sectoral programs based on the comparative advantage of the region and its needs, and the weak and less clear regional administrative set up have all resulted in to a wide disparity in the level of development between the regions. The spatial disparity between and within regions is significant. For example, the Human Development Index for the entire country is 0.46, with variations that range from 0.30 in the Mugu district to more than twice this index (0.65) in the capital city, Kathmandu.

The implementation of decentralization policy since 1995 does increase the role of local bodies, but the district development plans remained mostly preoccupied with local issues within geographic jurisdictions that are too small for effective coordination of strategic development. Moreover, decisions relating to the priority and distribution of resources between regions have always remained a central prerogative. However, the lack of focus by the central institutions to comprehensively conduct policy formulation, planning, programming and implementation for effective regional development turn out a more unbalanced growth between the regions.

Lack of a sound regional development strategy and programming affected the Mid and the Far-western development region most in terms of the developmental achievements. The regions lagged behind the rest in all aspect of development, socio-economic or infrastructural. Still, most of the districts in these regions do not have motorable road and the socio-economic indicators as well as human development index are the lowest. Poverty is acute and

concentrated in most of the mountain and hill districts of the region. This calls for a focus at the policy making level for the development of these regions.

1.2 Objectives

The main objective of the present study is to suggest a priority investment programs for the overall development of Mid and Far-western development region. However, the specific tasks are to;

- Review current HMG investment scenario in the mid and far western regions
- Conduct SWOT analysis for the mid and far western regions
- Prioritize investments in the field of agriculture, health, education, and infrastructure development for the immediate, medium and long-term
- Suggest delivery mechanisms for efficient utilization of funds
- Identify prospects and constraints for public-private partnership for carrying out development works in the mid and far western regions
- Suggest policy-action matrix for effective implementation identifying (a) policy improvements (b) objectives (c) activities/ programs (d) indicators and (e) responsible agencies

1.3 Scope of Work

The present study will be focused mainly on the review of the existing investment patterns of the government in the mid and far-western development region and identify some of the viable areas that should be focused in the years ahead including promoting public – private partnership and private sector investments in the region. Based on the review, the study will prescribe a policy package for promoting sectoral investments in some key areas as well as in some infrastructural programs etc., to encourage private sector participation in the overall development of the region.

In suggesting such policy package, the study will also analyze the main strength and opportunities in the region for investment in different sectors along with the weaknesses of the region and the potential threat which should be borne in mind before seriously considering investments in the region.

A policy matrix, at the end of the report, will summaries the actions needed to be taken by respective government ministries and agencies for minimizing the risks and enhancing the opportunities for investments in the region. A time bound action program is suggested for the purpose.

1.4 Study Methods

The study is a desk study, based entirely on secondary data. As such, review of five year plans as well as the government expenditure pattern at the regional and district level for the last several years will be reviewed thoroughly. In this context, development of key socio-economic areas in the region will be ascertained. Similarly, a thorough review of available reports, documents on the development strategy of the region will be made. A SWOT analysis will be carried out to identify the strength, weakness, opportunity and threat in carrying out investments in the region. Based on the SWOT analysis of the region and resource base and its potential contribution in the local economy, sectoral investments on the

region will be prioritized for the short, medium and long term. Analysis will also be made about the possibility of a public private partnership on the prioritized sector investments and steps will be suggested to promote such investments in the region. As one of the basic problem of a historically low level performances in the budgetary expenditures have been the mismatch between the working environment in the region, specially the mountain and the hilly districts of the region, suggestions will be made to reform the existing rules and practices in the government expenditure allocation, disbursement and monitoring mechanism. Finally, a policy action matrix is presented with a clear delineation of the agency responsible for taking action and monitoring these activities in time.

1.5 Study Limitations

As the study is a desk study that is based entirely upon the available data on mid and far western region, the limitation in the data availability and the conclusion drawn upon should be taken with caution and verified before substantial investment program is finalized for the region.

In spite of the fact that the government has been putting lot of resources to build infrastructures and socio-economic status of the people in the region, the security threat caused by Maoist insurgency resulted into low budgetary expenditures on projects and programs. Therefore, the estimated budget data by sector and programs may differ from the actual expenditures and thus the completion of the allocated task. Hence, the unavailability of actual data by programs at the district level makes it difficult to ascertain the level of actual investment by sector in the last several years.

1.6 Organization of the Report

The report is organized in five chapters. Chapter II discusses socio-economic development and poverty issues in the region in light with the resource potential of the region. Chapter III discusses the government policies in the region in the past as well as in recent years. In that context, the chapter highlights the development budget pattern of the government in the last ten years and the prioritization in selecting sector and programs. The chapter concludes with the discussion of key programs and projects at present and its likely impact on the overall development of the region. Chapter IV discusses development potential and constraints in these regions along with the investment prioritization in the areas of agriculture, health, education and infrastructure etc. The chapter also suggests a strategic frame-work for developing the region and reviews the possibility of public- private participation in investing these prioritized sectors. The chapter concludes with a discussion on the role of local bodies, community organizations and NGOs in improving service delivery at the grass root level and in making programs and projects more effective through better prioritization and community participation. Chapter V concludes with the summary of the conclusion. The report also provides an action matrix indicating the responsible agency for implementation.

Chapter II

Socio-economic Development and Poverty Issues

2.1 The Physical Terrain and Development Constraints

The mid and far western development region together, comprises of 24 districts spreading over 61,817 sq km of land area (42.0 % of the land area of the country). The population of the region was 5,267,637 (22.8% of Nepal) in 2001 and the population density as 85.2/ sq km (as against 157.3 /sq km in the country as a whole). The area is thus thinly populated and scattered all across the zone. The average size of the Household is 6.3, much higher above the national average. There are altogether 956 VDCs and 14 municipalities in the region together.

The region consists of 24 districts, of which, 8 are the remotest mountain districts, 11 are hilly districts and 5 are terai districts respectively. The population density figure shows the mountain districts most sparsely populated with an average of 14.5 people per sq. km. in the western region. Dolpa in the mid western region is the most sparsely populated district with 3.7 people per sq. km. Compared to the mid-western mountain districts, Far-western mountain districts are better populated with 50.8 people per sq. km. Similarly, the terai districts of Far-western region are relatively more populated with 205.3 people per sq.km. as against 168.2 person per sq. km. in the Mid-west terai.

Agriculture, livestock and non-timber forestry products particularly, the high value herbal collection is the main stay of the people in the mountain districts of these region. Where as, agriculture and livestock are the main sectors in the hilly districts, agriculture, particularly food grain production is the main occupation in the terai districts. Cottage industry, off-season vegetable growing, goats and sheep rearing for meat products are some of the activities along the main trail in the region. Trade and industrial activities are mostly confined in the terai districts. Most of the hill and mountain districts do not produce enough food grains to eat and as such, food grains has to be airlifted from terai districts annually by spending huge amount of money from the government treasury. Of the 24 districts in the region, almost 14 are food deficit districts and need external support to feed its population.

Except for some districts in terai and hills, most of the districts in the region lacks motorable road network. Still about 7 districts in the region do not have a motorable road. It takes months of walking to reach some of the mountain districts from the terai district in the region. Most of the mountain and hill districts do have fair weather Stoll airstrips, but the flights are limited and very much uncertain. Economic activity in the mountain and hill districts is limited therefore, it could not generate employment opportunity through out the year and as such, most of the economically active male population goes to nearby Indian States for employment. The income thus earned is extremely important for getting non-agricultural commodities including clothes to the family members.

Table 2.1, below briefly summarizes the profile of the regions by district.

Table 2.1 : District Profile of Mid- and Far Western Development Region

Development Region/District	Area	VDCs	Municipality	Population	Female pop %	Pop density pop/sq km	Household size	Economically active pop	Dependency ratio %	Employed outside Home	Self-employed/unpaid HH member	Econ active pop self employed %	Pop gone abroad	Econ active pop gone abroad %
Mid-Western Dev Region	42,378	573	8	3,076,301	49.2	72.6		1,236,364	40.2	260,744	975,618	78.9	94,724	7.7
Mountain	21,351	133	0	309,084	49.2	14.5	5.58	104,121	33.7	11,418	92,702	89.0	1,505	1.4
Dolpa	7,889	23		29,545	50.1	3.7	5.1	13384	45.3	1505	11879	88.8	153	1.1
Jumla	2,531	30		89,427	48.7	35.3	5.6	41489	46.4	4237	37252	89.8	611	1.5
Kalikot	1,741	29		105,580	49.6	60.6	5.7	4909	4.6	2285	2624	53.5	136	2.8
Mugu	3,535	24		43,937	49.4	12.4	5.3	20309	46.2	1603	18706	92.1	444	2.2
Humla	5,655	27		40,595	48.4	7.2	5.8	24030	59.2	1788	22241	92.6	161	0.7
Hill	13,710	324	3	1,536,348	48.8	112.1	5.5	627,206	40.8	98,122	529,083	84.4	62,498	10.0
Pyuthan	1,309	48	1	212,484	53.7	162.3	5.3	98538	46.4	13401	85136	86.4	23510	23.9
Rolpa	1,879	51		210,004	51.6	111.8	5.5	123789	58.9	11155	112635	91.0	13592	11.0
Rukum	2,877	43		188,438	49.4	65.5	5.6	86271	45.8	15734	70537	81.8	3414	4.0
Salyan	1,462	47		213,500	50.0	146.0	5.6	33046	15.5	4302	28744	87.0	1163	3.5
Surkhet	2,451	50	1	288,527	50.5	117.7	5.3	108589	37.6	33154	75435	69.5	10454	9.6
Dailekh	1,502	55	1	288,527	39.9	192.1	5.5	107884	37.4	15738	92146	85.4	9809	9.1
Jajarkot	2,230	30		134,868	49.2	60.5	5.6	69089	51.2	4638	64450	93.3	556	0.8
Terai	7,317	116	5	1,230,869	49.6	168.2	5.9	505,037	41.0	151,204	353,833	70.1	30,721	6.1
Dang	2,955	39	2	462,380	50.5	156.5	5.6	198698	43.0	52227	146472	73.7	16224	8.2
Banke	2,337	46	2	385,840	48.6	165.1	5.7	147549	38.2	51268	96281	65.3	6329	4.3
Bardia	2,025	31	1	382,649	49.7	189.0	6.4	158790	41.5	47709	111080	70.0	8168	5.1

Far-Western Dev Region	19,439	383	6	2,191,330	50.5	112.7		1,019,632	46.5	202,360	819,563	80.4	106,035	10.4
Mountain	7,832	115	0	397,803	51.2	50.8	5.7	220,524	55.4	20,119	200,404	90.9	22,791	10.3
Bajura	2,088	27		108,781	50.5	52.1	5.3	61928	56.9	4031	57897	93.5	5166	8.3
Bajhang	3,422	47		167,026	51.7	48.8	5.8	95427	57.1	10469	84957	89.0	13572	14.2
Darchula	2,322	41		121,996	51.0	52.5	5.8	63169	51.8	5619	57550	91.1	4053	6.4
Hill	6,762	207	3	798,931	51.6	118.2	5.6	409,936	51.3	64,121	345,815	84.4	56,774	13.8
Achham	1,680	75		231,285	52.9	137.7	5.3	127921	55.3	11233	116688	91.2	21707	17.0
Doti	2,025	50	1	207,066	50.0	102.3	5.7	102617	49.6	26950	75667	73.7	15947	15.5
Dandeldhura	1,538	20	1	126,162	51.7	82.0	5.7	61456	48.7	9286	52170	84.9	6794	11.1
Baitadi	1,519	62	1	234,418	51.6	154.3	5.8	117942	50.3	16652	101290	85.9	12326	10.5
Terai	4,845	61	3	994,596	49.3	205.3	6.4	389,172	39.1	118,120	273,344	70.2	26,470	6.8
Kailali	3,235	42	2	616,697	49.4	190.6	6.5	239466	38.8	76274	163192	68.1	17763	7.4
Kanchanpur	1,610	19	1	377,899	49.2	234.7	6.3	149706	39.6	41846	110152	73.6	8707	5.8
Total of Mid and far Western dev region	61,817	956	14	5,267,631	49.7	85.2	6.3	2,255,996	42.8	463,104	1,795,181	79.6	200,759	8.9
Nepal	147,181	39,113	58	23,151,423	49.1	157.3	5.4							
Share of mid & far west dev region	42.0	2.4	24.1	22.8		54.2								

2.2 The Socio-economic development and Challenges

Compared to the national average, the basic Human Development indicators shows a poor picture in all aspects of Human development components in the Mid and Far-western development region. Low female literacy – at 23.4 % in Far-west and 28.6 % in Mid-west (lowest in some districts such as, Humla 4.8 % and Mugu 5.2 %), chronic malnutrition above average and also above rest of the regions, high poverty concentration (45.9 % in far-west and 46.9 % in Mid-west respectively), is some of the features of the region. The situation is worst particularly in the mountain districts. Even the status of safe drinking water is way below the national average. The HDI and HPI figure shows Mid and far-western regions in the bottom of HDI and highest in HPI among 5 development regions of Nepal. It is thus; not surprising that the Mid and the Far-western development regions are far behind the mainstream development of the country. The situation in the mountain districts is more pathetic in nature. Table 2.2 exhibits the comparative indicators of all the five regions.

Table 2.2 : Selected Indicators by Region

Region/ indicator	Literacy	Female literacy	Life expecta ncy	chronic malnutr ition	Access to safe drinking water	Human poverty index	HDI	HPI
Eastern dev region	50.3	37.1	64.9	44.6	82.9	37.1	0.493	0.486
Central dev region	47.7	34.0	62.5	52.3	84.8	39.7	0.490	0.497
Western dev region	52.9	40.7	63	50.3	81.5	36.7	0.491	0.461
Mid-western dev region	42.5	28.6	54.5	53.9	64.3	46.3	0.402	0.393
Far-western dev region	41.7	23.4	54.3	53.7	59.1	45.9	0.404	0.393
Nepal	48.6	34.9	61.0	50.5	79.6	39.6	0.478	0.463

Source: NPC/UNDP, Nepal Human Development Report, 2004

A classification of the indicators by topography shows strikingly the pathetic scenario in the mountain districts of both the regions. From the table, it is clear that, not only the two regions of the Midwest and the Far-west are deprived of the infra-structural development and basic accessibility to the districts, the socio-economic status and the level of poverty are the worst among the five regions.

Table 2.3 : Selected Indicators by Region and Topography

Region/ Indicator	Litera cy	Female Literacy	Life Expectan cy	Chronic Malnutriti on	Access to Safe Drinking Water	Human Poverty Index	HDI	HPI
Eastern Mountain	45.2	32.9	63.9	51.5	75.0	42.0	0.477	0.409
Hill	50.7	37.2	67.5	48.7	67.2	39.7	0.500	0.449
Terai	50.7	37.6	63.7	41.4	91.7	35.8	0.491	0.519
Central Mountain	34.4	21.2	60.6	60.7	81.6	48.9	0.425	0.498
Hill	58.6	44.5	64.5	51.7	80.1	34.0	0.547	0.537
Terai	38.7	25.4	61.7	51.5	88.7	44.5	0.451	0.461
Western Mountain	49.5	36.8	57.0	63.2	87.5	40.0	0.488	0.575
Hill	54.6	43.1	62.1	47.9	78.3	35.7	0.489	0.456
Terai	50.2	36.6	64.8	53.3	87.5	37.7	0.494	0.433
Midwestern Mountain	25.3	7.9	52.9	75.0	61.1	59.3	0.347	0.352
Hill	38.9	23.7	60.0	59.3	55.5	50.0	0.417	0.276
Terai	48.6	36.6	57.3	36.9	87.5	38.9	0.440	0.482
Far Western Mountain	32.6	12.0	50.8	60.6	57.8	54.0	0.355	0.407
Hill	36.8	16.2	57.7	59.1	49.4	52.2	0.403	0.324
Terai	49.2	34.2	57.9	43.3	87.5	37.6	0.405	0.392
Nepal	48.6	34.9	61.0	50.5	79.6	39.6	0.478	0.463

Source: NPC/UNDP, Nepal Human Development Report, 2004

It is also strikingly clear that, within the region also, the mountain districts are worst in all forms of indicators, socio-economic, poverty and human development indicators, than that of the Hilly districts and the Terai districts respectively. Actually, these form of indicators get worst as we move north in both the region meaning, the hill districts indicators are worst than that of Terai but better than those in the mountain districts.

The real challenge in the mountain districts is that it does not have a dependable connectivity with other districts except for an unreliable and seasonal air links to Nepalgunj. It takes days of walk to reach a motor head. This has made the districts isolated from other parts of the country. The inaccessibility of the districts made development costly and governance weak, since most of the government offices are run by junior staff or peon most of the time of the year, because of the absence of the officer. This has affected service delivery badly and the consequence, high child and maternal mortality, low literacy, high concentration of poverty etc.

To quote Jeevan B shahi, ex-president DDC, Humla - "*The real reason the Karnali (mountain districts of Mid-western development region) has not been able to develop is not lack of resources. It is the lack of imagination. Over the decades, the Karnali has been deliberately made dependent on the outside world by keeping it reliant on rice flown in from Nepalgunj. If the money spent on food and airfreight over the past 30 years was added up and invested in irrigation, highways or energy the Karnali would, by now, be feeding the rest of Nepal. Karnali is poor because it is neglected, not because it lacks resources. Our assets include timber, fuel wood, hydropower, eco-tourism, and biodiversity and herbal products.*

Our remoteness means we lack a market for these products. We need a road to the border: to India or China whichever is closer." (Etimes, 12-18 august, 2005)

The cool climate, snow falling during winter, delays crop production and the absence of any serious effort on the part of the government to increase local food production has made the districts perpetually dependent upon the air lifted food from outside. Besides, the cool climate of the district forces livestock to be moved in warm areas in other districts. However, the introduction of community forestry in the hills has caused migration of livestock to other districts costly and as a result, the farmers of mountain districts such as, in Karnali districts were forced to reduce the number of livestock. This has caused serious problems in nutritional level and protein supplement of the people causing malnourishments as high as 90 % in the children of Humla and about 75 % in Jumla, Kalikot and Dolpa respectively.

Analysis on the results of National Living Standard Measurement Survey (NLSS II) conducted in 2004 shows that the status of the infrastructural and other socio-economic institutional facilities in the two western regions have improved in the last decade but it is still not easily available to the people. Still about 50 % of the people in the Mid-western region and about 55 % of those in the Far-western region have to walk more than half an hour to reach a health post. About 61 % of the people in the Mid-western region and 44 % of those in the Far-western region has to walk more than three hours to reach the nearest paved road.

Table 2.4 Distribution of Household by Time taken to reach the nearest facility.

Region	Upto 30 minutes	30 minutes to 1 hour	1 - 2 hour	2 - 3 hour	3 hour +	Total
Mid-western dev region						
Primary school	86.1	8.5	5.5	0.0	0.0	100.0
Health post	49.7	21.4	22.3	5.6	1.0	100.0
Bus Stop	43.3	11.1	17.9	1.2	26.6	100.0
Paved road	26.3	6.4	5.5	1.6	60.3	100.0
Dirt road, vehicle passable	54.3	2.2	15.1	1.9	26.5	100.0
Dirt road , vehicle impassable	87.2	3.8	4.5	1.0	3.5	100.0
Local shop	71.2	4.8	6.3	3.0	14.8	100.0
Hat bazaar	59.2	27.9	5.1	0.0	7.8	100.0
Market centre	32.6	11.7	14.5	7.9	33.3	100.0
Agriculture centre	33.7	16.2	19.3	13.9	16.9	100.0
Sajha/cooperatives	33.9	13.0	13.1	6.9	33.2	100.0
Commercial bank	22.7	10.7	13.1	10.5	42.9	100.0
Drinking water source	96.3	2.5	0.6	0.0	0.6	100.0
Post office	51.5	20.5	22.8	3.0	2.2	100.0
Telephone booth	38.7	13.6	9.6	4.7	33.4	100.0
Far-western dev region						
Primary school	93.1	4.6	2.3	0.0	0.0	100.0
Health post	45.8	28.7	7.8	10.3	7.4	100.0
Bus Stop	30.4	16.0	15.6	9.2	28.9	100.0
Paved road	18.7	18.7	10.7	8.4	43.5	100.0
Dirt road, vehicle passable	55.1	6.6	8.7	1.9	27.8	100.0
Dirt road , vehicle impassable	86.9	1.5	9.1	2.5	0.0	100.0
Local shop	94.9	1.4	2.5	0.8	0.5	100.0
Hat bazaar	79.2	10.4	0.0	10.4	0.0	100.0
Market centre	23.0	21.9	21.9	9.5	23.7	100.0
Agriculture centre	19.3	11.7	29.7	14.0	25.2	100.0
Sajha/cooperatives	14.9	9.6	20.9	7.7	46.9	100.0
Commercial bank	12.7	8.2	14.7	10.0	54.4	100.0

Region	Upto 30 minutes	30 minutes to 1 hour	1 - 2 hour	2 - 3 hour	3 hour +	Total
Drinking water source	97.3	2.2	0.0	0.5	0.0	100.0
Post office	45.0	15.3	15.2	9.3	15.3	100.0
Telephone booth	24.6	11.5	14.8	12.5	36.6	100.0
Central dev region						
Primary school	90.8	7.1	1.7	0.3	0.2	100.0
Health post	68.8	13.8	13.7	2.3	1.4	100.0
Bus Stop	62.5	14.1	15.0	3.5	4.9	100.0
Paved road	45.9	15.5	22.3	6.4	9.9	100.0
Dirt road, vehicle passable	81.4	7.1	6.1	0.7	4.8	100.0
Dirt road , vehicle impassable	98.5	0.6	0.6	0.0	0.4	100.0
Local shop	90.9	4.3	3.8	0.9	0.1	100.0
Hat bazaar	64.6	16.6	12.5	1.8	4.6	100.0
Market centre	37.9	21.2	25.5	7.6	7.9	100.0
Agriculture centre	33.3	26.3	23.8	8.3	8.4	100.0
Sajha/cooperatives	37.3	22.3	22.9	7.2	10.3	100.0
Commercial bank	37.1	15.6	25.6	8.7	13.1	100.0
Drinking water source	98.8	0.8	0.4	0.0	0.0	100.0
Post office	66.7	15.0	14.9	2.5	1.0	100.0
Telephone booth	62.6	11.9	15.0	6.5	4.1	100.0

Source : CBS, 2004, Nepal Living Standards Survey, 2003/04, Vol 1, Kathmandu.

Similarly, 43 % of the people have to walk more than three hours to reach nearest bank and 34 % to reach a the nearest telephone booth in mid-west . In the far-west about 55 % to reach a bank and 37 % to reach a telephone booth has to walk more than three hours. This gives a clear picture about the situation in these regions. Table 2.4, derived from the survey, exhibits a comparative picture of the situation in the Mid and far-west as compared to the Central region districts.

Tables 2.5 and 2.6 provide a comparative picture about the average time taken to reach basic facilities in the entire five regions.

Table 2.5 Distribution of Household to Reach Nearest Facility in 1 Hour or Less

Types of Services	Eastern dev region	Central dev region	Western dev region	Mid-western dev region	Far-western dev region
Primary school	97.7	97.9	100.0	94.6	97.7
Health post	81.7	82.6	82.7	71.4	74.5
Bus Stop	61.7	76.6	64.8	54.4	46.4
Paved road	50.8	61.4	54.3	32.7	37.4
Dirt road, vehicle passable	67.8	88.5	73.1	56.5	61.7
Dirt road , vehicle impassable	94.1	99.1	97.3	91.0	88.4
Local shop	91.9	95.2	95.2	76.0	96.3
Hat bazaar	74.5	81.2	88.6	87.1	89.6
Market centre	49.4	59.1	57.5	44.3	44.9
Agriculture centre	51.9	59.6	53.8	59.9	31.0
Sajha/cooperatives	50.8	59.6	54.9	46.9	24.5
Commercial bank	43.3	52.7	40.4	33.4	20.9
Drinking water source	99.5	99.6	99.9	98.8	99.5
Post office	78.6	81.7	84.8	72.0	60.3
Telephone booth	66.5	74.5	70.1	52.3	36.1

Source : Compiled from CBS, 2004, Nepal Living Standards Survey, 2003/04, Vol 1, Kathmandu.

Table 2.6 Distribution of Household to Reach Nearest Facility in 3 Hours and More

Types f Services	Eastern Dev Region	Central Dev Region	Western Dev Region	Mid-Western Dev Region	Far-Western Dev Region
Primary school	0.0	0.2	0.0	0.0	0.0
Health post	1.5	1.4	3.3	1.0	7.4
Bus Stop	25.3	4.9	19.7	26.6	28.9
Paved road	29.1	9.9	31.0	60.3	43.5
Dirt road, vehicle passable	22.5	4.8	16.9	26.5	27.8
Dirt road , vehicle impassable	1.5	0.4	2.2	3.5	0.0
Local shop	0.8	0.1	2.5	14.8	0.5
Hat bazaar	7.1	4.6	0.0	7.8	0.0
Market centre	18.7	7.9	20.6	33.3	23.7
Agriculture centre	19.8	8.4	22.6	16.9	25.2
Sajha/cooperatives	21.2	10.3	23.6	33.2	46.9
Commercial bank	26.6	13.1	33.2	42.9	54.4
Drinking water source	0.0	0.0	0.0	0.6	0.0
Post office	2.0	1.0	3.3	2.2	15.3
Telephone booth	16.6	4.1	11.9	33.4	36.6

Source : Compiled from CBS, 2004, Nepal Living Standards Survey, 2003/04, Vol 1, Kathmandu.

2.3 Poverty Issues

The Nepal Living Standard Survey, 1996 (NLSS-I), which was conducted across the country estimated 42 % of the population below the poverty line and the poverty concentrated much more in the rural areas. On a regional and topographical basis, the *mid and far-western hills and mountains* as well as in some pockets of the eastern hill and mountain regions are found as the place where poverty was concentrated heavily. The survey estimated the poverty rates at 44 percent in rural areas compared to 23 percent in the urban areas (only 4% in Kathmandu valley) and as high as 72 percent in the far-western hills and mountains

In fiscal 2003/04, a second round of NLSS II was carried out to check the status of poverty and other indicators in the country. A comparison of NLSS I and II shows that poverty in Nepal was much more skewed and concentrated mostly in the western hills. However, NLSS II shows that except for the rural eastern hills (where poverty over these years are actually increased), poverty in all regions and topographic areas has declined and it is no more skewedly distributed. It is rather flat, indicating poverty as a basic phenomenon among the general mass. Poverty in the rural west as well as mid and far western region has gone down by 32 % , 25 % and 36 % respectively, mid-western and far western region still have more people under poverty trap than that of the rest.

Study has shown that the poverty in Nepal ascribes to a combination of many factors such as high illiteracy, poor health and sanitation, low productivity of food grains, high child malnutrition, poor access to basic services and a feudal social structure. The lower caste and the ethnic groups as well as the women of remote areas have bore the major brunt of this high poverty profile.

All these measure of poverty shows poverty in the urban areas declining faster that that in the rural areas both in terms of depth and severity of poverty. This confirms that the poverty in Nepal is more a rural phenomenon.

Table 2.7 Nepal : Poverty Measurement by Geographical Region, 1995/96 and 2003/04

Geographic Region	Poverty Head Count rate (%)		
	1995/96	2003/04	% Change
Urban	21.6	9.6	-56
Rural	43.3	34.6	-20
NLSS Regions			
Kathmandu	4.3	3.3	-23
Other Urban	31.6	13	-59
Rural Western Hill	55	37.4	-32
Rural Eastern Hill	36.1	42.9	19
Rural Western Terai	46.1	38.1	-17
Rural eastern Terai	37.2	24.9	-33
Development Region			
Eastern	38.9	29.3	-25
Central	32.5	27.1	-17
Western	38.6	27.1	-30
Mid-Western	59.9	44.8	-25
Far western	63.9	41	-36
Ecological Belt			
Mountain	57	32.6	-43
Hill	40.7	34.5	-15
Terai	40.3	27.6	-32
Nepal	41.8	30.8	-26

Source: Poverty Trends in Nepal between 1995/96 and 2003/04

Poverty by ecological belts, during the two NLSS survey shows that it has gone down more rapidly in the mountain and terai region than that in the hilly region. Poverty in mountain region has gone down annually by a rate of 5 % plus during the period. The declining rate in the terai was about 4 % per annum, where as, it has gone down by only 2 % per annum in the hills.

The reduction in poverty situation over these years could be explained by the following observations:

- GDP in real term grew by about 5 percent per annum during 1996/01. Coupled with this, a decline in population growth and the size of HH, per capita and per HH income grew sizably between these years;
- Agricultural growth remained sustained at about 3.7 percent during these years, more than the growth of population (2.1 %) resulting into more food availability on per capita basis;
- Crop diversification in agriculture, more towards high value crops such as off-season vegetables, meat and eggs, horticulture products etc., which contributed more income to the rural farm households;

- Growth in remittances by more than 30 percent per annum and the increase in the number of household receiving such remittances (from 23.4% in 1995/96 to 31.9% in 2003/04), particularly from Nepalese workers in overseas countries;
- Improved employment opportunities in the services sector in urban areas; and
- Improvements in the social sector indicators due to increasing government expenditures in health, education and drinking water and also improvements in the awareness about services among the people.

The above improvement levels would not only have levitated and sustained but also would have spiralling effects on other spheres, had the security situation in the country been normal. The insurgency movement and the political uncertainty have obviously negated some gains. Further achievements would thus depend very much upon the resolution of the conflict and improvements in the political scenario for which the recent royal move is expected to contribute.

The heavy concentration of poverty, low social development, weak governance and high cost of development due to inaccessibility and scattered settlement has compounded the problem of mainstreaming development in the Mid and the far-western districts of the country. The hill and the mountain districts of both the region like the much talked about districts in Karnali zone requires a well thought out strategy and missionary zeal in implementation supported, of course, by resources, both human and financial, to lift it from it's precarious position and bring it in the mainstream development.

Table 2.8: Selected Indicators of Karnali Zone Districts

District\ indicator	Literacy	Female literacy	Life expecta ncy	chronic malnutri tion	Access to safe drinking water	Human poverty index	HDI	Ranking
Humla	19.6	4.8	58.4	90.0	35.5	63.8	0.367	68
Jumla	26.6	9.3	50.8	74.2	26.0	56.8	0.348	70
Mugu	24.1	5.2	44.1	68.8	44.9	61.1	0.304	75
Kalikot	33.2	10.7	46.7	74.2	54.5	58.9	0.322	73
Dolpa	29.0	11.7	52.5	74.2	63.8	61.9	0.371	67
Nepal	48.6	34.9	61.0	50.5	20.5	39.6	0.471	

Source: NPC/UNDP, Nepal Human Development Report, 2004

2.4 Child Mal - nutrition

Chronic child malnutrition is a major problem the mid and far-western mountain and to some extent, even the hilly districts are facing at present. Each of the five development region have stunting rate that exceeded 44 percent- indicating that children in Nepal suffer from chronic malnutrition. It is now well established that the improvements in nutritional status play a key role to improve social living conditions via its influence on improving productivity growth and distribution of consumption among the members of the society. Studies on the relationships between nutrition and productivity suggest that improved nutrition directly increases labor productivity by making workers stronger and more energetic, and indirectly by increasing the productivity of time spent in school, which in tern influences long run productivity growth (Behrman 1993).

Table 2.2 Prevalence of Child Malnutrition Among Children 0 to 36 months by Region development Region 1996 – 2001

Malnutrition Indicator	1996					2001				
	Eastern 677	Central 1101	Western 737	Mid western 633	Far western 578	Eastern 852	Central 1055	Western 604	Mid western 525	Far western 752
Underweight										
moderate/severe	38.9	48.6	47.6	49.2	57.1	39.4	50.8	41.8	50.9	53.7
Severe	11.4	17.6	15.2	15.9	22.8	9.8	18.2	13.5	12.8	17.8
Stunting										
Moderate/severe	37.4	50.7	49.7	50.7	53.1	36.4	45.9	41.9	47.7	47.0
Severe	13.4	21.0	19.6	20.9	21.8	12.3	18.1	15.1	16.4	18.4
Wasting										
Moderate/severe	10.3	10.6	11.4	12.1	16.8	9.8	14.2	9.1	10.1	14.5
Severe	1.3	1.0	1.5	1.3	2.8	1.1	1.9	1.5	1.9	1.3

Source : Hutchkiss, David and Eva Silvestre, *Poverty and Child Nutrition in Nepal*, May, 2005

Chapter III

Government Policies and Programs: Then and Now

3.1 Government Policies and Programs in Developing the Region

As discussed earlier, the concept of regional planning that was introduced in the Fourth Five Year Plan (1970-75), could not get due importance in the subsequent plan that followed it. As per the regional concept, districts were grouped in to five development regions, growth centers in each of the region announced and administrative set up were changed to accommodate the role of the regional center. The regional level offices of most of the line ministries were established in the subsequent years. However, the lack of authority in these regional centre based regional offices and the absence of a clear cut hierarchical relationships between the district, the region and the centre limited the role of the regional offices to a mere coordination and monitoring. Moreover, lack of commitments for regional planning in the subsequent plan period, make these offices at the regional centers turn out to be like a post office with no authority in planning and programming in its own sectoral activities. With time gone, most of the regional offices are closed down or remained redundant without any important job to function.

The failure at the policy level to translate balanced regional development through budget and programs widens the gap between developmental activities in the region. Where as, Central and Eastern region remained the priority region for the government and as such, most of the programs and projects were confined to these regions, Mid and Far-western regions remained neglected until very recent past. This is well reflected in the socio-economic indicators as well as the infrastructural indicators of the region. Infrastructure construction, particularly the road network to the district headquarters in the mid and Far-western region is a very recent phenomenon. Although, the road from Dhangadhi to Dandeldhura has a long history, because of the long time taken in its completion, road construction to other districts has started mostly in the late nineties. Even the road connecting Dhangadhi and Mahendranagar etc., in the Far Western terai was completed only in the late nineties.

Mid and Far-western development region got emphasis on developmental activities only since the Eight plan. The precarious economic and social development situation in these regions compelled the policy makers to put more thrust in the development of the region. As such, more emphasis was given in the social sector and infrastructural development of the region. The Ninth Plan (1996-2001) has given emphasis to implement a focused and comprehensive program called "*Special Area Development Program*" in the hill and mountain districts of Mid and Far-western districts as well as other similarly deprived districts. The program was a comprehensive program consisting of income generating activities, development of non-timber forestry products, livestock rearing, food self sufficiency and infrastructural development.

Focused socio-economic programs related to education, health, child and maternal mortality, malnutrition, drinking water, electrification and also the income generation was implemented in most part of the mid and far-western region only after the restoration of democracy in 1990. But the tempo of implementation could not remain due to Maoist insurgency in the hilly districts of Mid-western development region that started in 1995 and later transpired in other districts of Far-western and other regions. Because of the armed insurgency, security

situation in these districts have worsened and most of the government offices in the district remained without the key staff including the officer in-charge. This has affected badly at the decision making level as well as in selecting programs and its implementation. This is quite apparent in the annual district level development budget. The absence of the elected people at the local bodies for a long period of time has aggravated the situation further, as there was no one to take leadership in the district or villages/municipalities to mobilize people for the developmental activities. Although, the situation was more or less the same as far as the development activities at the grass root level are concerned but it remained worst in the mid and far-west region. The regions remained as the most disturbed regions as far as the implementation of government programs and private sector investments are concerned.

3.2 Government Expenditure Pattern and Priorities

As far as the government investments in the two regions for the last couple of years are concerned, the budget allocation shows that the region has been in the highest priority for both infrastructural and socio-economic sectoral investment. As the table 3.1 depicts, development budget allocation in mid and far western districts have increased at an annual rate of 13.5 percent per annum between the fiscal years 2051/52 to 2061/62. Between these periods, the amount in absolute term has gone up by about 4 times from Rs 1.51 billion in 2051/52 to Rs. 5.49 billion in 2061/62 respectively. In terms of total development expenditures also, the share of mid and far-western region has gone up from 7.2 percent in 2051/52 to 13.3 percent in 2061/62. However, given the socio-economic and infrastructural development of the regions, it is obvious that the allocation is not sufficient and annually much larger volume of budgetary allocation are needed to make the region catch up with rest of the districts or region in the country.

However, inter-district roads and other infrastructural programs, which is not captured in the district budget and therefore, not captured in table 3.1, are the major investments the government has implemented in the region. This is discussed separately in the section below.

Table 3.1 : District wise Development budget in Mid and Far-western development Region**Rs. In lakhs**

Region/ District	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	Average growth rate %
Mid- Western	9355.86	14810.23	15023.49	12900.93	16695.34	52572.9	24162.18	30355.95	22621.74	26513.14	33299.00	13.5
Mountain	1928.641	3071.28	3910.93	3637.15	3917.81	5845.12	7034.08	8095.17	6112.45	7719.11	8688.64	16.2
Dolpa	345.16	534.59	672.30	715.44	783.98	770.43	1125.03	1773.11	1023.65	1327.76	1520.55	16.0
Humla	323.12	580.66	1002.63	679.38	761.02	908.18	1698.56	1514.07	1246.79	1904.08	2618.60	23.3
Jumla	358.409	638.34	718.41	702.31	762.38	1064.35	1228.84	1368.86	1198.88	1450.44	1782.99	17.4
Kalikot	463.262	673.34	843.21	759.43	863.95	2250.3	1410.49	1716.53	1379.48	1439.97	1141.81	9.4
Mugu	438.69	644.36	674.38	780.59	746.48	851.86	1571.17	1722.59	1263.66	1596.86	1624.69	14.0
Hill	3948.73	5976.84	6667.17	6059.21	6298.56	11351.45	8466.49	10621.89	8205.52	9446.55	11434.56	11.2
Dailekh	564.19	813.15	942.70	952.30	931.14	3107.66	1303.04	1213.96	1553.41	1681.10	2287.24	15.0
Jajarkot	357.675	734.66	727.29	607.99	816.34	740.9	821.61	1276.60	863.72	1048.18	1340.80	14.1
Pyuthan	629.575	814.36	834.63	717.03	842.81	1693.47	1215.65	1346.64	1087.84	1257.77	1538.11	9.3
Rolpa	471.506	774.26	1029.15	737.74	905.14	1032.31	1085.71	2331.11	1303.26	1639.53	1747.22	14.0
Rukum	584.696	887.84	342.63	797.25	884.10	1171.97	1190.81	1128.25	944.84	1233.24	811.54	3.3
Salyan	567.494	869.46	1557.24	897.52	771.59	1004.33	991.96	1352.43	988.47	1120.30	1595.00	10.9
Surkhet	773.594	1083.12	1233.53	1349.38	1147.45	2600.81	1857.71	1972.90	1463.99	1466.43	2114.65	10.6
Tarai	3478.489	5762.11	4445.39	3204.57	6478.96	35376.33	8661.60	11638.90	8303.77	9347.48	13175.80	14.2
Banke	1023.551	1163.21	1136.46	1122.11	1001.46	19391.18	2162.09	4827.70	1873.82	2460.73	4767.84	16.6
Bardiya	1161.674	3275.51	2033.49	1080.70	4137.58	7460.13	2980.52	3738.99	2171.51	2944.47	3388.00	11.3
Dang	1293.264	1323.39	1275.43	1001.76	1339.92	8525.02	3519.00	3072.21	4258.44	3942.28	5019.96	14.5
Far- western	5823.031	12727.28	12730.38	8034.83	10225.45	36205.52	18892.28	20299.39	15896.36	19053.03	21611.56	14.0
Mountain	1601.933	2666.89	2814.31	2313.93	2368.10	2779.65	6154.76	6094.27	3275.57	4263.39	5116.51	12.3
Bajhang	462.43	936.15	938.18	792.44	854.46	1097.02	1500.44	2885.85	1484.07	1367.15	2091.45	16.3
Bajura	483.59	810.50	776.88	755.20	702.25	651.43	1363.98	1958.27	877.28	1574.86	1334.60	10.7
Darchula	655.913	920.23	1099.25	766.29	811.39	1031.2	3290.35	1250.15	914.22	1321.38	1690.46	9.9
Hill	2671.352	4403.03	4274.16	4032.51	4180.91	8363.63	8052.14	7642.53	6997.81	8522.14	10805.94	15.0

Accham	837.313	1448.74	1176.93	1419.69	1217.58	1809.61	4120.34	2031.31	2501.23	1850.06	2703.10	12.4
Baitadi	661.347	1065.92	936.13	1269.20	1339.82	2283.16	1762.44	1564.25	1676.49	3216.60	3570.86	18.4
Dadeldhura	509.419	839.27	876.93	585.92	763.09	914.56	1011.54	1422.31	1141.23	1445.82	1729.98	13.0
Doti	663.273	1049.10	1284.17	757.70	860.43	3356.3	1157.82	2624.66	1678.86	2009.66	2802.00	15.5
Tarai	1549.746	5657.36	5641.92	1688.38	3676.44	25062.24	4685.38	6562.59	5622.98	6267.50	5689.11	13.9
Kailali	898.601	1266.99	1063.21	902.24	1282.46	6451.14	1585.05	2102.26	2319.61	2022.88	3117.37	13.2
Kanchanpur	651.145	4390.38	4578.71	786.14	2393.98	18611.1	3100.32	4460.34	3303.38	4244.62	2571.74	14.7
Total of mid & far west dev region	15178.89	27537.51	27753.88	20935.75	26920.79	88778.42	43054.46	50655.34	38518.11	45566.17	54910.56	13.7
% of Total Development budget	7.2	9.5	8.5	6.1	7.1	21.2	8.9	10.0	9.9		13.3	
Total Dev budget	211473.99	288262.86	325807.83	340388.48	377411.53	418518.94	481085.89	504702.78	386796.75		413699.00+	

+ Estimated Source : MOF : Red book (different years) and NPC : District programs (different years)

A sector wise classification of the district budget in these regions in the year 2051/52 and 2061/62 shows that budget allocated to the local development activities through lbs shared the highest (28 % in 2051/52 and 31.8 % in 2061/62). In 2061/62 budgetary allocation for the region, this was followed by education (20.6%) irrigation (14.8 %), and agriculture and cooperatives activities (8.8%) respectively. Intra-district roads, which were allocated particularly for the road networks within the districts and not for the roads connecting inter-district connections or for the road access to the district headquarters, share only 5.6 % in 2061/62. Budget allocation for carrying out activities relating to health, forestry, rural electrification, women and child welfare are only marginal and can not be justified given the status of this sector in the region. Since most of this budget is only for the administrative purpose, the lack of program budget can hardly make any dent in the status of low health and social indicators in the region.

The 2051/52 budgetary allocation for the region looks more or less similar - meaning lack of sufficient homework in identifying the regional needs.

Budget allocation to different activities through lbs was the highest (28 %) followed by agriculture (12.9%), education (11.8%), roads (5.9 %) and irrigation (4.9%) etc.

Table 3.3 : Sector wise Classification of Budget in Mid and War-West – 2051/52 and 2061/62

(%)

Region/ District	Agriculture/ co-operative s	Forestry/ Soil Conservation	Rural electrification	Irrigation	Science and technology	Industry	Education/ sports	Health	woman / Child welfare	Supply	Road	Drinking water	Local Development	Labour	Civil Aviation	Tourism	Housing & Physical planning	Communication	Water resources /Water calamities control	Population & Environment	Total Amount
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2051/52

% Share	12.9	6.6	0.9	4.9	0.0	1.4	11.8	4.1	0.0	0.0	5.7	19.5	28.0	0.6	2.5	0.0	0.0	1.2			100.0
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2061/62

% Share	8.8	1.8	2.9	14.8	2.2	0.7	20.6	2.2	0.6	4.1	5.6	2.2	31.8	0.0	0.0	0.1	0.0	0.0	1.5		100.0
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Source : Derived from tables 3.4 and 3.5

Table 3.4: Sector wise Classification of District Budget – Mid and Far-wester Region 2061/62

in lakhs

Region/ District	Agriculture/ co-operative s	Forestry/ Soil Conservation	Rural electrification	Irrigation	Science and technology	Industry	Education/ sports	Health	woman / Child welfare	Supply	Road	Drinking water	Local Development	Labour	Civil Aviation	Tourism	Housing & Physical planning	Communication	Water resources /Water calamities control	Population & Environment	Total Amount	% Share
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Mid-Western	2869.31	648.69	1145.00	6997.83	623.91	246.26	5991.74	662.73	200.78	1990.96	1575.00	630.79	9252.29	0.00	0.00	23.00	0.00	0.00	440.71	0.00	33299.00	60.64
Mountain	827.84	174.87	720.00	133.80	238.65	72.06	1107.52	187.95	63.20	1900.45	100.00	112.00	3010.90	0.00	0.00	0.00	0.00	0.00	39.40	0.00	8688.64	15.82
Dolpa	162.17	72.76	20.00	41.00	35.50	12.05	104.91	56.24	12.49	450.84		23.00	519.09						10.50		1520.55	2.77
Humla	174.94	6.70	510.00	13.00	108.30	13.41	400.45	24.75	12.90	449.74	100.00	22.25	773.76						8.40		2618.60	4.77
Jumla	160.04	42.17	20.00	20.80	39.35	20.35	371.95	31.43	14.51	393.44		21.25	642.70						5.00		1782.99	3.25
Kalikot	166.83	8.21	20.00	38.00	8.50	13.41	131.76	29.24	12.18	194.15		24.50	490.03						5.00		1141.81	2.08
Mugu	163.86	45.03	150.00	21.00	47.00	12.84	98.45	46.29	11.12	412.28		21.00	585.32						10.50		1624.69	2.96
Hill	1229.88	283.29	225.00	549.88	279.39	97.16	3210.90	320.36	93.80	90.51	482.00	408.80	4053.28	0.00	0.00	23.00	0.00	0.00	87.31	0.00	11434.56	20.82
Dailekh	244.07	43.51	30.00	35.50	44.82	12.23	360.52	65.00	15.59	4.47	210.00	128.16	1083.37						10.00		2287.24	4.17
Jajarkot	148.50	13.71	20.00	16.00	8.45	11.33	373.14	28.56	10.25	46.42		83.98	572.46			3.00			5.00		1340.80	2.44

Pyuthan	148.59	42.84	30.00	91.30	136.61	21.81	322.54	32.80	14.85	0.56	37.00	62.16	581.05					1.00			15.00		1538.11	2.80	
Rolpa	150.23	32.54	75.00	38.50	14.72	10.56	596.87	64.74	11.05	5.72	78.00	32.50	626.23								10.56		1747.22	3.18	
Rukum	156.27	40.90	10.00	79.57	14.72	11.27	346.91	35.13	12.75	33.34		26.00	28.93								15.75		811.54	1.48	
Salyan	152.13	46.02	30.00	86.60	12.55	11.01	541.51	40.13	13.13			30.50	630.42								1.00		1595.00	2.90	
Surkhet	230.09	63.77	30.00	202.41	47.52	18.95	669.41	54.00	16.18		157.00	45.50	530.82								19.00		30.00	2114.65	3.85
Tarai	811.59	190.53	200.00	6314.15	105.87	77.04	1673.32	154.42	43.78	0.00	993.00	109.99	2188.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	314.00	0.00	13175.80	24.00	
Banke	303.49	24.81	110.00	2688.70	20.75	30.34	422.00	53.23	13.97		470.00	30.00	491.55								109.00		4767.84	8.68	
Bardiya	248.49	116.28	45.00	1199.65	51.25	23.62	710.92	53.50	13.83		165.00	23.00	657.46								80.00		3388.00	6.17	
Dang	259.61	49.44	45.00	2425.80	33.87	23.08	540.40	47.69	15.98		358.00	56.99	1039.10								125.00		5019.96	9.14	
Far-western	1983.03	347.89	450.60	1113.33	574.85	147.80	5301.97	562.00	124.91	278.14	1519.00	559.56	8206.34	26.39	0.00	6.00	0.00	0.00	0.00	0.00	406.75	3.00	21611.56	39.36	
Mountain	540.99	59.39	135.00	150.00	157.94	37.08	931.87	120.30	41.91	262.04	155.00	83.50	2370.24	0.00	0.00	4.00	0.00	0.00	0.00	0.00	67.25	0.00	5116.51	9.32	
Bajhang	144.41	9.53	10.00	53.00	47.00	12.34	497.50	50.66	14.09	59.89	155.00	32.50	982.43								23.10		2091.45	3.81	
Bajura	134.69	10.17	15.00	19.00	44.87	12.68	180.70	32.18	11.13	181.08		20.50	660.20								4.00		8.40	1334.60	2.43
Darchula	261.89	39.69	110.00	78.00	66.07	12.06	253.67	37.46	16.69	21.07		30.50	727.61									35.75		1690.46	3.08
Hill	928.16	200.04	275.60	283.08	348.66	59.43	2443.36	213.19	52.68	16.10	890.00	347.32	4604.82	0.00	0.00	2.00	0.00	0.00	0.00	0.00	141.50	0.00	10805.94	19.68	
Baitadi	223.56	45.32	155.60	42.57	73.48	18.27	845.53	62.18	13.43	1.21	435.00	31.50	727.70								2.00		25.75	2703.10	4.92
Accham	261.09	16.88	15.00	23.00	107.82	11.62	447.63	63.26	13.11	14.89	405.00	92.25	2056.31									43.00		3570.86	6.50
Dadeldhura	216.42	51.61	70.00	114.21	56.88	10.36	322.67	46.90	13.86		21.00	105.29	670.03									30.75		1729.98	3.15
Doti	227.09	86.23	35.00	103.30	110.48	19.18	827.53	40.85	12.28		29.00	118.28	1150.78									42.00		2802.00	5.10
Tarai	513.88	88.46	40.00	680.25	68.25	51.29	1926.74	228.51	30.32	0.00	474.00	128.74	1231.28	26.39	0.00	0.00	0.00	0.00	0.00	0.00	198.00	3.00	5689.11	10.36	
Kailali	277.65	19.91	20.00	190.10	37.75	22.67	1300.05	113.15	14.38		100.00	102.49	724.83									168.00		3117.37	5.68
Kanchanpur	236.23	68.55	20.00	490.15	30.50	28.62	626.69	115.36	15.94		374.00	26.25	506.45									30.00	3.00	2571.74	4.68
Total	4852.34	996.58	1595.60	8111.16	1198.76	394.06	11293.71	1224.73	325.69	2269.10	3094.00	1190.35	17458.63	26.39	0.00	29.00	0.00	0.00	0.00	0.00	847.46	3.00	54910.56	100.00	
% Share	8.8	1.8	2.9	14.8	2.2	0.7	20.6	2.2	0.6	4.1	5.6	2.2	31.8	0.0	0.0	0.1	0.0	0.0	0.0	0.0	1.5	0.0	100.0		

Source : NPC : District Programs (different years)

Table 3.5 : Sector wise district Budget Classification – Mid and Far-Wester region 2051/52

Rs in Lakhs

Region/ District	Agriculture /co-operatives	Forestry/Soil Conservation	Rural electrification	Irrigation	Science and technology	Industry	Education culture & social welfare /sports	Health	woman / Children welfare	Supply	Road	Drinking water	Local Development	Labour	Civil aviation	Tourism	Housing & Physical planning	Communication	Total Amount	% Share
Mid- Western	1404.25	659.947	0	648.25	0	109.93	955.73	393.38	0	0	413.65	1628.01	2546.5	90.61	325.6	0	0	180	9355.86	61.6
Mountain	245.16	113.682	0	10.85	0	34.3	148.54	96.969	0	0	103.81	409.8	586.03	0	179.5	0	0	0	1928.64	12.7
Dolpa	56.38	42.6		2		7.13	5.24	19.11			16	44.19	127.16		25.35				345.16	2.3
Humla	52.12	7.63		2.5		5.65	5.98	23.3			44.91	45.69	109.03		26.31				323.12	2.1
Jumla	52.05	17.57		2.5		9.07	6.88	18.17			31.9	62.97	119.2		38.1				358.409	2.4
Kalikot	41.5	9.39		1.25		6.19	57.6	18.32				168.25	121.68		39.08				463.262	3.1
Mugu	43.11	36.49		2.6		6.26	72.84	18.07			11	88.7	108.96		50.66				438.69	2.9
Hill	500.64	258.273	0	6	0	51.3	511.58	180.56	0	0	103.24	929.72	1361.3	0	46.1	0	0	0	3948.73	26.0
Dailekh	43.86	22.48				5.24	128.27	20.83			21.1	122.48	199.93						564.19	3.7
Jajarkot	50.26	10.14		4		5.6	11.09	22.24			2.75	94.65	156.95						357.675	2.4
Pyuthan	56.62	37.04				9.96	113.31	24.41			2.31	183.24	202.69						629.575	4.1
Rolpa	51.12	42.86				6.44	8.84	25.41			4.75	114.71	217.38						471.506	3.1
Rukum	50.75	41.22				5.38	81.08	24.95			32.53	103.7	198.99		46.1				584.696	3.9
Salyan	110.64	47.76				5.58	82.36	27.26				99.18	194.72						567.494	3.7
Surkhet	137.39	56.795		2		13.1	86.63	35.459			39.8	211.76	190.66						773.594	5.1
Tarai	658.45	287.992	0	631.4	0	24.33	295.61	115.86	0	0	206.6	288.49	599.15	90.61	100	0	0	180	3478.49	22.9
Banke	87.55	35.87				9.23	212.43	35.211			45	59.54	213.44	45.28	100			180	1023.55	6.7
Bardiya	122.15	179.04		622.9		8.1	8.47	39.409			29	29.92	122.69						1161.67	7.7
Dang	448.75	73.09		8.5		7	74.71	41.24			132.6	199.03	263.02	45.33					1293.26	8.5
Far- western	550.54	339.445	134	94.5	0	101.75	839.97	228.31	0	0	451.74	1324.78	1701.1	0	56.87	0	0	0	5823.03	38.4
Mountain	155.77	84.35	0	5.5	0	45.21	202.9	56.583	0	0	40.4	434.9	576.32	0	0	0	0	0	1601.93	10.6
Bajhang	62.42	14.92		5.5		7.59	39.33	20.92			0.8	109.25	201.7						462.43	3.0
Bajura	52.84	37.94				6.77	38.44	20.03			39.1	107.83	180.64						483.59	3.2
Darchula	40.51	31.49				30.85	125.13	15.63			0.5	217.82	193.98						655.913	4.3
Hill	245.48	135.88	134	4	0	39.51	255.08	88.282	0	0	229.34	651.05	852.82	0	35.91	0	0	0	2671.35	17.6
Accham	64.18	14.01	134	4		6.57	42.57	25.98			44.74	174.57	290.78		35.91				837.313	5.5
Baitadi	46.28	37.82				13.51	78.43	18.43			108.24	121.57	237.07						661.347	4.4
Dadeldhura	45.76	35.77				8.09	89.81	22.09			65	137.25	105.65						509.419	3.4
Doti	89.26	48.28				11.34	44.27	21.78			11.36	217.66	219.32						663.273	4.4
Tarai	149.29	119.215	0	85	0	17.03	381.99	83.441	0	0	182	238.83	271.99	0	20.96	0	0	0	1549.75	10.2
Kailali	82.67	48.79		85		8.23	226.91	42.46			35	153.05	195.54		20.96				898.601	5.9
Kanchanpur	66.62	70.43		1087**		8.8	155.08	40.99			147	85.78	76.45						651.145	4.3
Total	1954.79	999.392	134	742.75	0	211.68	1795.7	621.69	0	0	865.39	2952.79	4247.6	90.61	382.47	0	0	180	15178.9	100.0
% Share	12.9	6.6	0.9	4.9	0.0	1.4	11.8	4.1	0.0	0.0	5.7	19.5	28.0	0.6	2.5	0.0	0.0	1.2	100.0	

Source : NPC : District Programs (different years)

3.3 Key Government Investment Programs

The table below shows some infrastructural and other key projects under construction or implementation in the two regions of Western Nepal. As depicted in the table, inter-district roads construction is the major construction activities going on at present in the region. As most of the districts are still not easily accessible due to lack of district connecting motorable roads, it is easily understood why so many of inter-district roads are under construction in the region. Of these roads project, some have already been completed, in the sense that a track road has been completed and people are enjoying bus service at least during the dry season. Karnali road, which is the longest road construction of them all, is supposed to open up at least some of the remote mountain districts of Mid-Western region. The road linking to Kalikot and Jumla is expected to open up the economy of the region and help accelerate the socio-economic status of the remote districts.

Table 3.6: Some Key Projects in Mid and Far-West Region

Project name	2003/04	2004/05	2005/06 Estimate			Remarks
	Actual	Revised Est	HMG	For aid	Total	
A. Road Projects						
1. Karnali road (Sukhet Jumla)	226.351	356.64	90	275	365	Foreign loan
2. Baitadi - Darchula	56.996	71.76	11	4	15	
3. Sanfebagar - Martadi	6.956	18.277	15	10	25	
4. Sanfebagar - Mangalsen	3.407	12.677	5	2	7	
5. Dasharathchand marg (Dandeldhura - Baitadi)	8.512	4.412	0	0	0	
6. Satbanjh - Jhulaghat			4	0	4	
7. Khodpe - Bajhang	16.102	10.283	12	8	20	oreign Loan
8. Tallodungeshwor - Satkhamba - Dullu - Dailekh	5.054	5.55	5	5	10	
9. Debasthal - Karendada - Chaurjhari - Dolpa		47.985	6	6	12	
10. Kalakate - Godhawa - Sikta		4.862	0	0	0	
11. Gumi - Patihalnachour - Surkhet		3.398	7.5	2.5	10	
12. Holleri - Chunawang	7	0	0	0	0	
13. Tanakpur link road	0	1,196	0.5	10.5	11	
14. Manma - Kalikot	30	0	0	0	0	
15. Musikot - Burtibang	30	30.894	5	5	10	
16. Chakchake - Liwang	8,475	5,494	5	5	10	
17. Chinchu - Jajarkot	29.147	29.6	6	4	10	Foreign loan
18. Surkhet - Ranimatta - Dailekh		4,519	6	0	6	
19. Tulsipur - Salyan		0.5*			0	
20. Ghorahi - Swargadwari		0.5*			0	
21. Ugratara - Melauli (Dandeldhura/Baitadi)		4.5*			0	
22. Tulsipur - Purandhara (Dang/Surkhet)		2.4*			0	
23. Salyan - Musikot (salyan.Rukum)		40*			0	

Project name	2003/04	2004/05	2005/06 Estimate			Remarks
	Actual	Revised Est	HMG	For aid	Total	
B. Irrigation Projects	Actual	Revised Est	HMG	For aid	Total	Remarks
1. Babai irrigation	84.273	83.676	100		100	
2. Rajapur irrigation	5.011	0	0		0	
3. Mahakali irrigation (Kanchanpur)		0	0		0	
4. Praganna irrigation (dang)	86.477	162.3	145		145	
5. Sikta irrigation (Banke)	2.022	138.03	350		350	
C. Electricity Generation and Distribution Projects					0	
1. Pancheshwor multipurpose project		5.86	11.985		11.985	
2. Gamgadhi small hydro (Mugu)		15	30		30	
3. Chameliagadh detail study	5	9	1.7		1.7	
4. Kailali - Kanchanpur rural electrification		60	100	105	205	Foreign loan
					0	
D. Transmission line					0	
1. Sitalpati - Musikot 33 KVA		8			0	
2. Chinchu - Rakam - Jajarkot 33 KVA		6			0	
					0	
E. Agriculture						
1. Karnali Zone Agriculture Development Project		73.149	25.525		25.525	
F. Poverty Program						
1. Western Terai Poverty Program		81.395	2.439	14.104	16.543	
2. Western Hill Region Poverty Program		48.211	12.34	71.846	84.186	
G. Special Area Development Program		117.76	88.7	50	138.7	

Source : MOF : Red book (different years) and NPC : District programs (different years)

Similarly, there are couples of large scale projects on irrigation and electricity generation and transmission line, which are under construction at present. The detail study to Chameliagadh hydro power project, although is in the range of 30 to 40 MW, is expected to breakthrough the hydro power construction in the region. As discussed earlier, the region has immense potential in hydro power generation and private sector investors of Nepal as well as from outside has taken keen interest in developing power projects in the region. The West Seti hydro power projects are supposed to be built by a consortium of Chinese and Australian companies are in its final stage preparation and financial closure. The project will generate about 750 MW of hydro power and is supposed to export all its power to India. Negotiation with India has already been completed and it is said that an agreement for power purchase also have already been made.

Special area development program is a comprehensive program for improving the status of people in the region through better agriculture production, livestock rearing, better collection

and sales of non-timber products , specially the high value herbs, income generation programs etc.

Like roads program in the region, the irrigation projects that were initiated bears extreme importance in raising food production in the bread basket of terai districts in the region. As, Mid and Far-west gets relatively little rain in the monsoon season, the completion of these irrigation projects are of extreme importance. But, any large irrigation project in this region always carries lot of controversy and as such, delays in the completion or abandonment of the project in the middle of its implementation have been a very common phenomenon. Of the irrigation projects listed above, almost all are at different stages of completion, but not fully completed. Sikta irrigation project that was supposed to provide irrigation water to eastern Banke district was dropped in early nineties because of objection from the Indian side. It was tried to be revived several times but failed in each attempt. Even the donor support to the project backed of because of the resistance from India. Once again, the project has been revived and government seems to complete it with its own resources but no one knows how long it will take to complete and fully operationally. Similarly, Babai irrigation project was initiated in 1994 but never completed and the project which once got highest priority now seems to be getting only administrative budget and its completion is equally uncertain.

Likewise, Puncheshwor project, a multi purpose border project with India never saw its daylight. It was initiated in early nineties and negotiation with India was completed. Parliament has endorsed the agreement but the action on the project moved in a snails pace. The project is there but no substantive action has been carried out.

Completions of all these projects are vital for the improvement in the life of the people living there. But, given the level of annual budget allocation in each of these projects and the time already spent in implementation, unless some serious thought in their implementation are not given the completion of these projects will remain uncertain. It is highly recommended that the government take serious note of its importance for the development of the region and take bold measures to complete these projects in the next few years.

3.4 Characteristics of past budgetary programs

Analysis of the past budgetary allocation in Mid and Far west clearly exhibits a pattern that can be summarized as follows.

- Unfocussed budgetary programs with large number of projects and programs in all sectors.
- Average budget in the region, say in 2063/64 budget is only Rs. 31 crs per district in Mid west and Rs. 36 crs. Per district in the Far west respectively, substantially lower to make any dent in the socio-economic and infrastructural status of the region
- Thinly distributed resources that are making completion of the program/projects uncertain.
- Program and project budget allocation never taking in to consideration of the high cost of development materials, especially in the upper hills and mountain districts.
- Programs and projects not reflecting the need of the people and also the regional comparative advantage.
- Frequent and long absence of government officials in the districts, particularly in the upper hills and mountain districts constraining difficulty in implementing programs and projects.

- Application of a uniform budgetary system through out the country not supporting the working situation in the districts and as a result difficulty in using allocated resources. Because of the severe weather condition in most of the hill and mountain districts of the reason development work can only take place from April thru October. But the budget usually gets approval by October/November and freeze by the end of June and there is no provision for carrying the allocated budget forward in the next fiscal year. This constrains full use of allocated budget in such districts.
- Absence of technical manpower and national level contractors also constrains the use of allocated budget in these districts.
- Moreover, the worsening security situation since 1996 has further constrained use of development budget in the region.

Percentage of Development Budget by Region (2063/64)

Eastern Development Region	17 %
Central Development Region	24 %
Western Development Region	29 %
Mid western Development Region	18 %
Far western Development Region	12 %
Total	100 %

Development Expenditure Allocation in fiscal 2063/64

Mid-Western Region

(Rs. in Crs)

<i>Bardia</i>	<i>36.91</i>	<i>Banke</i>	<i>72.04</i>
<i>Surkhet</i>	<i>31.19</i>	<i>Dailekh</i>	<i>32.29</i>
<i>Humla</i>	<i>32.81</i>	<i>Jajarkot</i>	<i>22.14</i>
<i>Kalikot</i>	<i>26.81</i>	<i>Jumla</i>	<i>29.02</i>
<i>Mugu</i>	<i>31.68</i>	<i>Dolpa</i>	<i>22.44</i>
<i>Dang</i>	<i>33.84</i>	<i>Salyan</i>	<i>24.16</i>
<i>Pyuthan</i>	<i>29.14</i>	<i>Rolpa</i>	<i>19.54</i>
<i>Rukum</i>	<i>20.80</i>	<i>Average = 31 crs</i>	

Far-Western Region

<i>Darchula</i>	<i>33.63</i>	<i>Baitadi</i>	<i>36.39</i>
<i>Dandeldhura</i>	<i>39.22</i>	<i>Doti</i>	<i>33.09</i>
<i>Kanchanpur</i>	<i>27.80</i>	<i>Kailali</i>	<i>42.32</i>
<i>Bajhang</i>	<i>31.77</i>	<i>Achham</i>	<i>49.33</i>
<i>Bajura</i>	<i>25.07</i>	<i>Average = 36 crs</i>	

Chapter IV

Development Potential and Private Sector Participation

4.1 Development Potential and Constraints – SWOT Analysis

This section attempts to examine the strengths and weakness of the Mid and the Far-Western development region in terms of resources it poses for development, availability of manpower and working environment, infrastructural situation and market linkage, support of local bodies and central government etc. It also analyzes the opportunities and the possible threats it may confront in future in investing in the region. This analysis has the advantage that, at least, it brings together the weight age of all the potential factors that influences decision making for investment in any sector or place. Given the information as of now, the strengths, weaknesses, opportunity and threats of the two regions are listed as follows:

4.1.1 Strengths

- The two regions are the virgin areas with a variety of resource possession.
- It has a strategic location between the two fast growing economy of India and China.
- Its strength lies because of it's nearness to New Delhi, the capital of India, and Punjab, Himanchal Pradesh and UP. These places are familiar to the people in the region as most the economically active population in the region has found seasonal jobs there in.
- It poses immense hydro power development potential. Actually, the world's number two potential hydro power site lies in the region. The transmission cost to the fast growing Indian market will be much lower than anywhere else.
- The region is the gateway to the religious tourist of India to "mansarovar" and kailash in the Tibetan autonomous region of China.
- The high bio-diversity within a short distance are but the strength of the districts in the region suitable for growing high value crops, Both vegetables , vegetable and flower seeds as well as “Keshar” a high value herb can be grown in the mountain districts of the regions.
- The region is rich in non-timber high value herbal products such as, yarshagumba, panch aunle, sheelajit etc.
- The region has the largest pasture land in Nepal suitable for rearing high value animals.
- The region is also suitable for horticulture activities, such as growing high quality apples and dry fruits such as, kagaji badam and for the best variety of walnuts etc.
- The scenic beauty of most of the mountain and hill districts, Rara and Foksundo lakes, the wild life sanctuary of Bardia and Suklafanta, large slanting plains of Khaptad etc., are some of the beautiful places the region can take pride of.

4.1.2 Weakness

- The region is backward with very high poverty concentration.
- The socio-economic indicators of the region are the lowest compared to other regions in Nepal. Low literacy rates, low life expectancy, high malnutrition among children, high mortality rates are some of the challenges the region faces.
- The difficult terrain makes development of the region very costly.
- Most of the districts in the region does not have motorable road and as such are inaccessible.

- Most of the district does not have electricity and as such, people have to depend on traditional method of lighting such as kerosene lamp. In the mountain district, people also use wooden bark for lighting purpose.
- The communication system is poor and not dependable.
- The thinly scattered population in the villages makes service delivery costly and less effective.
- Because of the concentration of Maoist insurgent in the region, the region is considered most unsecured place for investments.

4.1.3 Opportunities

- The development of the region has been the top most agenda in government since last couple of years and it may remain so in the coming years too.
- The commitment on Millennium development goals and the availability of international resources for the same has emphasized governments to put more resources for the development of socio-economic sector and poverty eradication. As the regions depicts a very low level of socio-economic indicators, high concentration of poverty, high level of malnutrition etc., more resources are expected to be poured in to the regions in the coming years.
- The construction of a number of inter-district roads in the region will open up the region for development and as such, an increase in the volume of both public and private sector investments to tap hydro power, tourism development and herbal processing etc., is expected.
- Similarly, the emphasis of the government in establishing communications net-work in the region and the thrust for rapid rural electrification will create better environment for a rapid social sector development and economic activities in the hill and mountain districts of the region. This is expected to increase the volume of intra-regional trade as well as trade with outside the region including with India.
- The immense potential of hydro power development the region makes it the number one targeted region for large scale future public/private sector investments. This will not only increase the employment opportunity in the region but the resources thus generated with large scale investments in hydro power will also contribute in the rapid development of the region.
- The region possesses vast potential for tourism development. The Humla and Jumla area, Rara and Phoksundo lakes, Khaptad area, the gateway to Mansarovar and Kailash etc., are but some of the places which can attract hundreds of thousands of people in the area. Besides, the large patan areas and the snow fall from December onwards make the places ideal for winter sport development.
- Last but not the least is the positive political development with the Maoist , if materialized will wide open for investment in a variety of sectors in the region contributing a rapid overall development of the region.

4.1.4 Threats

- Political uncertainties and delay in government – Maoist negotiation, the failure can cost development in the mid and far-west region in particular.
- Security problems causing absence of effective government machinery in the region.
- Lack of short and long term region centric development plan and strategy
- Lack of accessibility in most part of the region that is compelling slowdown in government education, health, skill training and poverty programs etc.
- Lack of educated and skill manpower in most of the districts in the region.

4.2 Priority Investment Areas

Any major decision on the allocation of scarce resources is, in essence, a political act. This will certainly be the case when it comes to priority setting which would, one way or another, benefit particular stakeholders in specific regions and disadvantage others. Such decisions are inevitable in any planning process and mature democracies have complex checks and balances for ensuring equitable, fair and transparent distribution of benefits and costs. The extreme disparities in developmental benefits among regions, ethnic groups and gender are in particular the result of a centralized system of decision making. However, such imbalances in the development approach can not remain for long specially, in a democratic political system. With the increasing awareness of the stakeholders, particularly the residents of the region or groups and the political representatives from the deprived region raise their voice for a change and for more balanced approach to development. This is exactly what has happen in the Nepalese case. The Mid and the Far-Western region has remained deprived of for a long period of time. This is evident from the socio-economic indicators of the regions. With democracy in place, the voice of the stakeholders in the region as well as their political representatives forced the policy makers at the government to rethink on the developmental approach it has practiced since many years. The result is a change in the emphasis for a rapid development of the regions.

Talking about the investment priorities in mid and far western development region, the first and the foremost priority should be the investments that are targeted to develop the socio-economic status of the region. As discussed earlier, the region's indicators on education, health, drinking water, level of malnutrition and mortality rates are very low as compared to other regions. Besides, the level of poverty is highest. The low literacy rates in general and the lowest literacy rates among women in most of the northern districts of the region in particular, contributed wide spread gender discrimination, early marriage as well as the prevalence of all forms of social taboos in the region. Where as, the high maternal and child mortality and the prevalence of high malnutrition are some of the challenges the northern part of the region are faced with, the mid hill districts are facing with the rapid expansion of HIV/AIDS. As most of the male population from these districts goes to neighboring country for job and spent almost six to nine months there, they are found bringing these communicable sex related diseases back to their village and unknowingly helping expand it. Low literacy, prevalence of social taboos and the lack of knowledge about HIV/AIDS and the measures to safe guard from it has helped expand it faster in most of the Mid and Far Western mid hill districts. Similarly, the heavy dependency on unsafe drinking water sources and the lack of awareness regarding health and sanitation has compounded the problem of high mortality among mother and children in the region. Moreover, this has also been the contributory factor for the low life expectancy in the region. Therefore, a large amount of investments and a big educated human force will be required to change the situation and to catch up the level achieved by other regions. Since, government is responsible for providing facilities for educational attainment as well as improving the health related indicators and drinking water to its entire people, major portion of the investment has to come from the central government in the coming years.

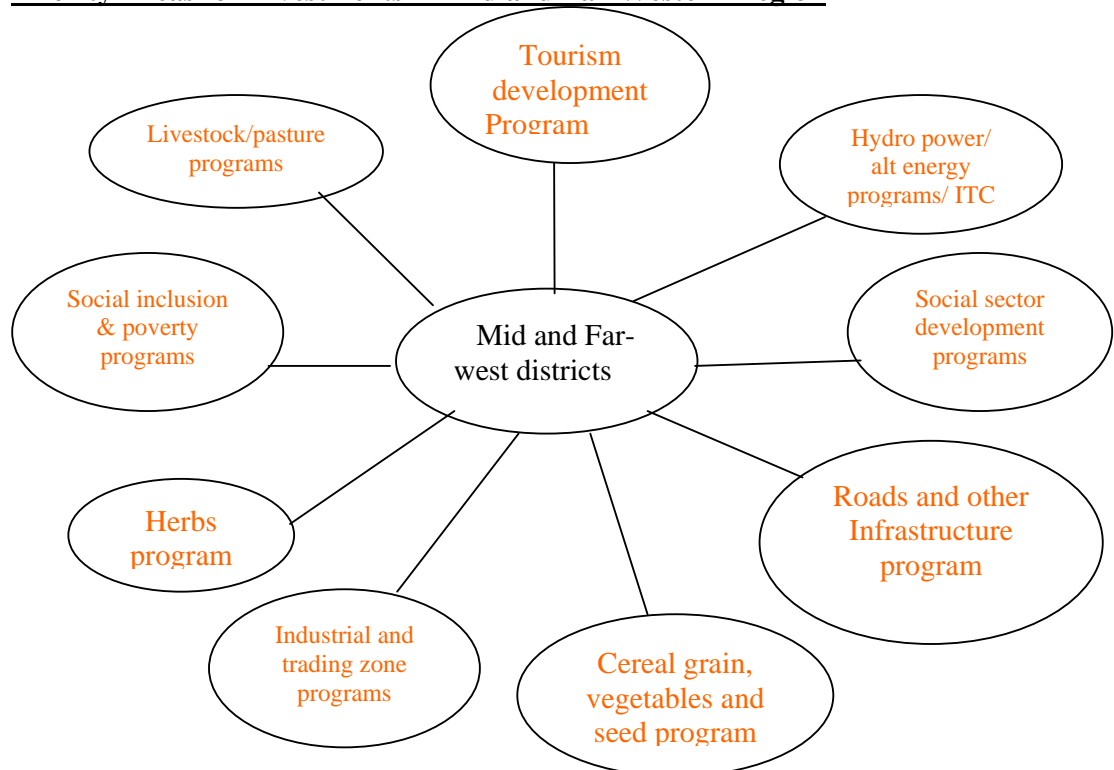
Secondly, the poor infrastructural facilities in the region call for a large amount of investments in the sector. It is noted that most of the hill and mountain districts of the region are still not accessible because of lack of motorable road. This has made development of these districts costlier and the economy confined to it self. For example, Jumla district produces one of the best qualities of apple in the country but it needs huge amount of subsidy

to reach the market. In the absence of transportation subsidy it can not reach the market and as such the farmers have to destroy it in the farm itself, since the local market can not consume the produce even at an exceptionally low price. Therefore, infrastructural development, specially the construction of inter-district road or the road connecting district headquarter commands highest priority as far as the investment priority in the region are concerned.

Besides road construction, the region is also poorly developed in terms of electrification and communication. The lack of electrification has forced the people to dependent upon the convention sources of energy, both for heating/cooking and for lighting. It is ironical that the region is deprived of basic electricity facility even though it possesses the largest hydro power potential in the country. Investments in rural electrification and communication is equally important for the all round development of the region.

Thirdly, the investments for harnessing of the natural resources and the factor endowments are crucial. Such investments will not only create new jobs in the region but also will help accelerate the level of development of the region. A well planned strategy to use natural endowments will also help sustain high growth in the region. The region has the potential to generate tens of thousands of MW of electricity at a competitive price. In Karnali river alone such electricity generation potential exceeds ten thousand plus MW. Besides, West Seti, Pancheshwor and other rivers and its tributary has the capacity to generate thousands of MW of electricity. Harnessing of these potential will require billions of US Dollar equivalent of resources and for this, private sector investments in the sector is a must.

Priority Areas for Investments in Mid and Far-Western Region



Non-timber forestry products, especially the high value herbs as well as the production of high quality fruits/dry fruits, vegetable and flower seeds are another potential the region

possesses. Moreover, the large grassy plains provide possibilities of rearing a variety of livestock in the region. Investments in this sector directly contribute to the level of income of the people and resolved the issues of high malnutrition as well as the high mortality rates. Besides, such investments can also contribute in eradicating poverty from the region.

Tourism development is another potential the region possesses. The scenic beauty of the districts in the region, Rara and Foksundo lakes, Khaptad and other beautiful places are but some places where tourist can be attracted. Besides, as a gateway to Mansarovar and Kailash, the region can attract plenty of religious tourists both from Nepal and India. The number of plains called Patan is another attraction in the region. These plains used to be covered by snow in the winter and as such, are fit for the development of winter sports in the region. Investments in tourism sector are therefore, another priority area that needs serious consideration. As tourism sector possesses strong backward linkages, the investments in the sector can promote a whole set of economic activities in the region, creating more employment opportunities.

Compared to the hill and mountain districts, terai districts are the bread basket of the region and beyond. Most of the manufacturing and trading activities are confined in these districts. Investments in irrigation can increase productivity and production of cereal grains in these districts. This will contribute for more investments on trading activities and also on cereal grain related manufacturing investments. Besides, the wild life sanctuary and national protected forest parks in Bardia and Suklaphanta in the Mahendranagar districts have tremendous potential to attract the nature lover's world wide, a good potential for tourism development in the region.

Based on the analysis of the status of socio-economic and infrastructural development in the region and the resource potentiality, the investment priorities in the region are depicted in the box below.

Priority Investment Areas in Mid and Far western region

- *Education, health , drinking water, Social inclusion and poverty programs*
- *Roads, airports, hydropower development, irrigation structures and ICT*
- *Food self sufficiency, high value vegetable and flower seeds*
- *Non-timber forestry products – high value herbs*
- *Tourism area development and promotion*
- *Livestock and pasture land development*
- *District priority programs-Mid-west*

Similarly, by district, the investment priorities can be grouped as depicted in the box below.

Investment Priority by District in the Mid western Region

Programs	Priority 1	Priority 2	Priority 3	Priority 4
Humla, Jumla, Mugu, Dolpa, Kalikot	Roads, social sector development, poverty/social inclusion progs	Food self sufficiency, livestock dev, herbs processing	Alt energy, ICT, tourism development and promotion	Airport up-gradation Regular air flight, settlement program
Rukum, Rolpa, Jajarkot, Salyan, Dailekh	Social sector development, poverty and social inclusion, roads	Alt energy, rural electrification, ICT, high value agri crops/ horticulture	Airport maintenance/ regular air flights, livestock/dairy and herbs processing	Food self sufficiency Hydro power development, tourism promotion
Dang, Pyuthan	Social sector development, poverty and social inclusion programs	Irrigation structure, alt energy/rural electrification and ICT	Micro enterprise development, high value agri crops/ horticulture, livestock/ dairy	Hydro power development, agriculture productivity enhancement
Banke, Bardia	Irrigation structure, agriculture productivity enhancement, market centre and enterprise development	ICT, rural electrification, Social sector development	poverty and social inclusion programs, airport up gradation	Road extension and maintenance, urban development programs

Investment Priority by District in the Far western Region

Programs	Priority 1	Priority 2	Priority 3	Priority 4
Darchula, Bajhang, Bajura	Roads, social sector development, poverty/social inclusion progs	Food self sufficiency, livestock dev, herbs processing	Alt energy, rural electrification, ICT, tourism development	Airport up-gradation Regular air flight, settlement plan
Achham, Doti	Social sector development, poverty and social inclusion, roads Food self sufficiency	Alt energy, rural electrification, ICT, high value agri crops, horticulture	Airport maintenance/ regular air flights, Livestock and dairy	Hydro power development, tourism promotion settlement program
Baitadi, Dandeldhura	Social sector development, poverty and social inclusion programs	Irrigation structure, alt energy/rural electrification and ICT, Micro enterprise development,	high value agri crops/ horticulture, livestock/ dairy agriculture productivity enhancement	Hydro power development, settlement plan
Kailali, Kanchanpur	Irrigation structure, agriculture productivity enhancement, market centre and enterprise development	ICT, rural electrification, Social sector development	poverty and social inclusion programs, airport up gradation	Road extension and maintenance, urban development programs

4.3 Suggested Programs for Investments

Based on the broad priority areas for investment as discussed in the previous section, attempts have been made here to pinpoint some of the critical projects/programs that should be implemented over a period of medium to long term in the regions.

a. Inter-District road programs

As most of the hill and mountain districts lacks motorable road, a medium to long term strategy should be chalked out to provide such services in the district. It is therefore, necessary to expedite the following road project:

- A. *Completion in the possible short period*
 - 1. *Surkhet – Jumla road*
 - 2. *Pantadi – kalikot manma road*
 - 3. *Jufal Airport – Dunai road in Dolpa*
 - 4. *Simikot – Hilsa road in Humla*
 - 5. *Devasthal – Karendanda- chourjhari in Rukum District*
 - 6. *Kolti airport – Khalanga (headquarter in Bajura)*
 - 7. *Khodpe - Bajhang chaipur connecting road*
 - 8. *Nepalgunj – Baghouda road*

- B. *Completion in Short Period*
 - 1. *Chhichu-jajarkot road*
 - 2. *Roads connecting to Bajura and Darchula*

- C. *Completion in medium term*
 - 1. *Jajarkot – Dolpa road*
 - 2. *Roads connecting to Humla and Mugu*

b. Tourism Development Program

To expedite connectivity with the district through out the year and also in realizing the full potential of tourism in these districts, the following activities relating to tourism should be given top most priority and as such, adequate budget should be allocated in carrying these activities with in the targeted time frame.

- i. Construction and up-gradation of airports with navigational equipments and staff in all the inaccessible districts. At least three airports in Jumla, Humla and Dolpa are made all weather airports. This is because of tourism potential in Dolpa and Humla (mansarovar and kailash visit through Simikot airport) and Jumla because of its strategic location to the northern districts.
- ii. Construction and up-gradation of airports in Bajhang and Bajura. Because of the tourism potential in the Khaptad area, airports in Bajhang and Achham should be well maintained and the regular flight insured.
- iii. Dhangadhi airport may be developed as a future hub airport connecting northern districts. Because of its nearness to the Indian capital, Dhangadhi airport may be the airport cost effectively used by the religious and adventure/trekking tourists to Humla (to mansarovar/kailash) and other northern districts.
- iv. A provision should be made to have regular air flight in all the remote districts of mid and far west.

- v. Most of the mid hill and northern districts of the regions have immense tourism potential; development of programs in realizing tourism potential of the districts should be undertaken. This will include construction of trekking routes in the tourism potential areas such as, to Rara and Phoksundo lakes, and trekking towards Himalayan ranges etc. Skill training for trekking, trekking management and supply, small hotel and lodge management, cooking and bakery training etc., will have to be provided to the young and interested entrepreneur of the districts. A subsidized loan program or a line of credit may be required to attract people in taking up tourism related activities. Development of tourism related activities in the region would greatly help improve the life style of the people in the region.
- vi. Facilities should be enhanced to attract more tourists traveling to Mansarovar area in Tibet through Simikot.
- vii. A tourism promotion campaign highlighting all tourism potential and the beauty of the area should be carried out simultaneously.

c. Agricultural programs

As the hill and mountain districts of mid and far west are perpetually a food deficit area since last many years, agriculture programs should concentrate mainly in making this district food self sufficient, say in the next five years, by improving the locally produce cereal grains and vegetables. Modern technology and research should be confined to improve local cereal grain variety to a high and quick yielding cereal grain variety. This will improve food situation in the district and make it food self sufficient in the coming years. A focused package program in the following line should be developed and implemented.

- i. A fully equipped scientific laboratory should be established, say, in Jumla for developing a high and quick yielding variety of local cereal grains. Besides, attempts should be made to bring in and adapt better variety seed successfully tried in similar condition.
- ii. Trial should be made to introduce better variety of cereal grains that yields more grain per hectare of land.
- iii. Better variety of cereal grains should be distributed at a highly subsidized rate to selected farmers. These farmers should act as a seed grower and chain agent for propagating the advantage of these high variety seed in other districts.
- iv. Nepal Food Corporation should make arrangements for 100 % buyback of these seed grown by the selected farmers and re-sale it in the next cropping season. Nepal government should assist financially to NFC for the work.
- v. Extension services should be provided to all selected farmers for insuring better production of quality seeds.
- vi. A credit facility should also be provisioned for these farmers.
- vii. Campaign for locally produce bio manure should be encouraged and farm training to the selected farmers should be provided for the purpose. Besides, high yielding liquid nutrients should be introduced and demonstrated in the field.
- viii. A special task force of technical person should be formed to carry out the mission and they should be provided with adequate human and financial resources.

d. Livestock development program

The main source of protein and other nutrients in the northern districts of the regions have been the meat and meat products from the domesticated animals. In recent years, especially after the introduction of Community forestry system in the region, people in the region are finding difficulty in keeping their animals because of the high cost due to the requirements of payments to community forestry organizations during winter season when these animals have to be moved down in the lower districts because of severe weather. This has resulted in to a sharp reduction in the number of livestock per family and the consequential effect in the level of protein and nutritional level of the people.

A well designed program is therefore urgently needed to increase the number of livestock in the region along with the development of pasture land. Therefore, a comprehensive program consisting of the following should be implemented in the coming year.

- i. Research and development of local variety of livestock for better production of meat and introduction of a new and better variety of livestock.
- ii. Development of pasture land in all five districts and introduction of a better high yielding variety of grass. High yielding variety grass seed should be distributed at a highly subsidized price to selected farmers for demonstration. Extension services should be provided to these farmers extensively.
- iii. Training of educated youths should be provided free of cost on animal husbandry and veterinary services.
- iv. A mechanism should be evolved to subsidize farm grazing in the main trail community forestry during cattle moving season with out disturbing the spirit of community forestry.

e. Non-timber forestry development programs

Karnali zone in the mid west and Darchula , Bajura and even Bajhang in the far-west are richly endowed with non-timber forestry particularly a different variety of high valued herbs such as, yarsagumba, pan chaounle, shilazit and many more. A pilot project in Jumla successfully verified the potential of cultivating "Keshar" in the district. Collection of precious herbs has been the main source of off-farm income in these districts.

A well designed program comprising of a training plus buy back arrangement is necessary to be implemented in the region. Training regarding plantation of high valued herbs, collection in the wild as well as harvesting of herbs, scientifically drying and extraction of juices of these herbs have to be provided to people in all five districts. Besides, Herbal processing company. local community organizations and NGOs can play instrumental role in propagating the technology to the people in a large scale.

Similarly, a buy back guarantee has to be given to assure people about the income potential from the herbs.

f. Intensive Social sector program

The status of education, health and drinking water are extremely poor in the the northern districts of the region. Not only the literacy rate is poor and far below the national average, the female literacy rate is less than one fourth of the national average. In districts like Humla

and Mugu the female literacy rate is 4.8 % and 5.2 % respectively compared to a national average of 34.9 %.

The chronic malnutrition rate is exceptionally high in these districts with Humla topping the list at 90 %. The malnutrition rate in all districts is above 74 % (except Mugu where it is slightly lower at 69 %). Similarly, life expectancy at birth is about 45 years in Mugu and Kalikot where as it is slightly above 50 years in Jumla and Dolpa. This is again significantly below the national average of 61 years.

The districts also depicts problem in accessing safe drinking water. As against the national average of 20.5 %, 63.8 % of the people in Dolpa do not have an access to safe drinking water. Similarly, 54.5 % of the people in Kalikot, 44.9 % of those in Mugu and 35.5 % in Humla do not have the access to safe drinking water. Considering the Millennium Development Goals, this is very challenging and needs serious attention.

An intensive social sector program in a massive scale is immediately called for in these districts to improve its social sector status. This will require;

- i. Review of existing schools and opening up of new schools.
- ii. Recruitment of new teachers, preferably from the local area. In this regard, replication of UNDP model of all female teacher primary school could be a good idea for generating female employment and literacy drive.
- iii. Supply of text books and other educational materials,
- iv. Construction of new school building and other physical facilities,
- v. Mobilization of local people for better participation in the management of school,
- vi. Mandatory appointment of female teachers in all school level
- vii. More focus should be given to female literacy. This may require some incentive scheme to attract females to be admitted in the school and also in continuing their education. One way may be to provide scholarship but demonstrations in terms of employment opportunities say, as a female schoolteacher, female health worker or a social activist may encourage female schooling in the district.
- viii. A non-formal education should also be launched in at least the poorly literate mountain and northern hill districts, if not in all the districts. This will help eradicate social taboos and also help encouraging child education including female child.
- ix. Innovative mechanism for providing quality education (considering the scattered nature population distribution, a free full boarding high school with all the facilities for quality education in the district headquarter might save overall government cost and at the same time provide quality education in some district)
- x. Posting/recruitment of AHW and female health worker as per the position should immediately fulfill, health post management committee formed in each health post and resources be provided for effectively running all health posts. This will improve the health status in the districts.
- xi. All efforts should be made to effectively run the district hospitals and Ilaka level health center. Required manpower should immediately fulfilled and resources be given to run the hospital and for providing health services.
- xii. Community level participatory drinking water scheme should be launched in a massive scale in all the five districts. A short-term training of mechanics should be launched to train local youths in operation and maintenance of the drinking water system.

g. Social inclusion and safety net programs

Social inclusion program should be focused more to uplift and empower women, dalits and marginal class or groups of people. This should comprise of;

- i. Scholarship for the education of girl child and dalits,
- ii. Women development and empowerment,
- iii. Safety nets for the old people, widows and disables,
- iv. Awareness creation, capacity enhancement and participation in the decision making by women and dalits,
- v. Encourage dalits and other poor concentrated community to form user's group and community organization for receiving benefits from the construction of infrastructure and other programs.
- vi. Programs to expose the disadvantages of existing social taboos in the district such as "Chaupadi" etc.
- vii. As the region is very much affected by the insurgency, a program should also be launched to rehabilitate the victims of the insurgency. Women and children , whose husband and father are killed in the insurgency are seen as the measure sufferer of the insurgency. These women and children should be adequately protected by providing educational facilities to their children, skill training and job opportunities for the widow of insurgents and some support for their livelihood.

h. Income generation, employment promotion and poverty programs

As poverty is concentrated in all the Hill and mountain districts of the region, a comprehensive program for income transfer, employment creation and income generation should be implemented in all the five districts. Employment generation and Income transfer program should be implemented by adopting a labor intensive, small community group approach, with no middleman or contractors, will be adopted in all infrastructure construction. This will help transfer income directly to the beneficiary.

Secondly, income generation activities such as, livestock rearing, milk and milk products, poultry, off season vegetables cultivation, seed growing of high value vegetables, such as, carrot seed, cauliflower and cabbage seed, radish seed and other vegetable seeds plus seeds of a variety of high demand flowers should be grown and scientifically packed and exported from the district. Training and equipments for the purpose should be provided by forming a community cooperative of seed growers. Extension services should be provided for the purpose.

Third, a community level poverty program should be launched in the poverty concentrated VDCs and communities. A social-poverty mapping should be carried out to locate the poverty concentrated VDC and community before the poverty programs are expanded to cover all needed VDCs in the district. The mapping will also help track down the people/family below poverty and their outcome from the poverty trap. The poverty program should be based on a mixture of supply and demand driven concept.

i. Energy related programs

As energy is the source of rapid transformation of a society or a community in to modern era, a large number of energy programs comprising of micro/small hydro, solar/wind energy and biogas should be launched. The target of the program should be to provide non-traditional

sources of energy to every household in the district within five-year time frame. Besides, all traditional water mills should be converted into energy efficient water mills. These water mills will also be used to generate electricity at night. Possibility should also be explored to use such energy to run small irrigation scheme and drinking water system.

j. Community information system

A program will be launched to install a community information system in all VDCs in a phase wise manner. Such communication center will have facilities for communication within and outside the district and also to overseas. Besides, the center will also provide facilities for internet networking and media coverage as well as a host of other information facilities, such as weather forecast, agric price information, telemedicine, distant learning or education of science, mathematics etc. Similarly, central and local government notification and activities in the districts could be efficiently notified and posted for use. Increasing use of e-governance could improve the efficiency of governance system and deliver better services in these remote districts.

k. Settlement and housing program

As discussed earlier, the northern districts of the region are thinly populated and the settlement pattern are very much scattered. This has made development effort and service delivery more difficult, challenging and costly. Therefore, based on a field level survey, a comprehensive program should be launched in some selected districts (where the problem is much severe) to resettle potential VDCs/communities in an appropriate place by providing all basic services. This can improve service delivery to the people and also save significant amount of cost. This should be targeted to complete in a short period of time as a pilot case. If successful, a medium to long term program should be charted out to resettle the scattered VDCs of the region in an appropriate place.

l. Development of Hydro power potential

As discussed earlier, the region is endowed with a vast potential of hydro power generation. Given the nearness of the northern Indian market, where there is acute shortage of electricity, a medium to long term strategy should be developed to harness these resource potential, both for export and domestic consumption. Study has shown that besides Karnali (10,000 MW + capacity), upper Karnali has the potential to generate 350 MW +, West Seti 750 MW +, Pancheshwor 1000 MW +, Middle Karnali 300 MW + and other small hydro power project such as Chamelia gadhi 35 MW etc.

The hydro power sector is an area where large investment from the foreign private/public sector can come as a joint venture partnership, or as a Public-Private Partnership or some big investors even can come solely. Large scale investments in hydro power will create hundred of thousands of job for both skilled and unskilled manpower besides contributing surge in the manufacturing and trading activities. This will change the outlook of the region permanently. The resources thus received by the district/region will provide an opportunity to transform the region in to a developed one.

m. Development of Irrigation structures

The Mid and far-west terai suffers from lack of irrigation facilities. Although rivers like, Babai, Bheri, Sikta, Rapti, and even Pancheshwor etc., has the capacity to provide irrigation facilities to greater proportion of agriculture land, the hesitation in implementing irrigation projects and slowdown or abandonment of the projects has failed to provide irrigation water in these field. As a result, the yield of the farm remained very low. Strategies should therefore be developed to complete at least some irrigation projects within a short to medium term time frame. This will help improve food production situation in the region.

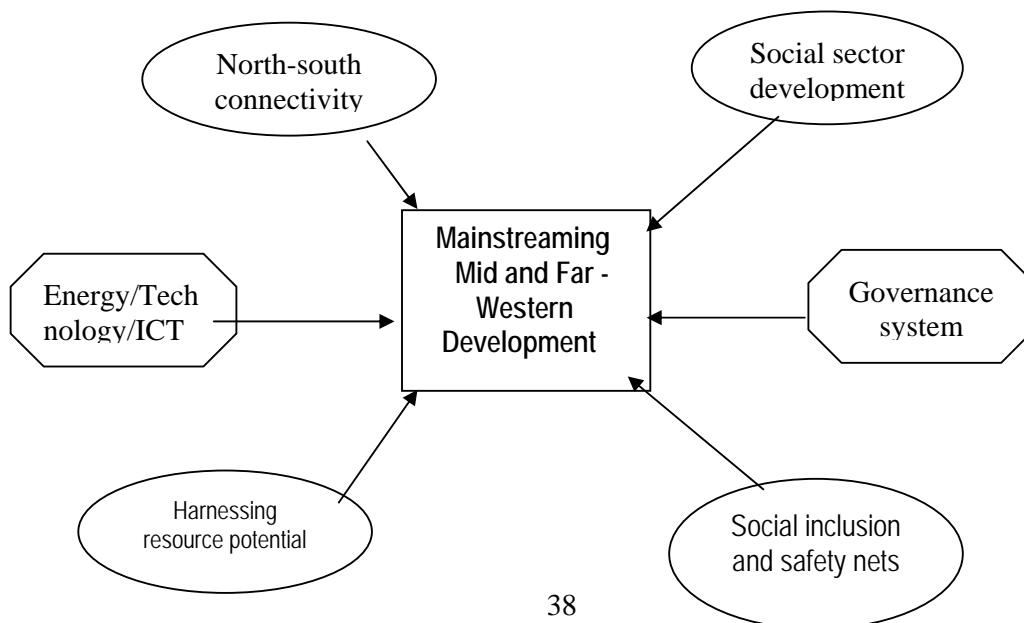
n. Rehabilitation of damaged Infrastructures

As the region, mostly the central hill districts of Mid and Far western region, remained the central point of the insurgency for almost a decade and so, most of the infrastructures including government offices, school and health post building, transmission lines and power generation (micro-hydel), communication tower and systems are damaged badly and they need early replacement. A program should therefore, be lunched to rehabilitate these infrastructures immediately.

4.4 Strategic Framework for Development

To overcome the basic challenges faced by the region and taking it forward, a *Four plus two pillar strategic framework* is suggested here to mainstream the region’s development. The *Four pillars* of development are the provision for a rapid completion of north-south connectivity that is construction of inter-district roads in the region including a dependable air link to outside districts, harnessing of hydro power and other natural endowments and resource potential, social sector development and social inclusion and safety nets. The *Plus Two pillars*, which will help improve the tempo of development, are the improvement in the Governance system and development of non-conventional energy, information and communication network (ICT) and new technology injection supported by research and development.

A Four Plus Two Pillar Frame-Work for Mainstreaming Mid and far-western Region



As the accessibility is the number one constraint for development in mostly the mountain and hill districts at present, it is absolutely necessary to give top priority to the construction of roads connecting district headquarters. Such road connectivity should be given from both north and south. Northern connectivity may provide faster relief to the local people. This is because, first, completion of northern road may be faster and second, it will improve the traditional trade links with the northern border, the Tibetan autonomous region of China. Besides, the possibility of using Tibetan border road may significantly reduce the cost of transportation to the mountain districts. The connectivity to the South will, on the other hand open up the economy thus boosting economic activities and trade. Moreover, such opening to south will also reduce cost of development of the region and open up the possibility of large scale private sector investments, both domestic and foreign on a variety of natural resource harnessing.

Social sector development is another area, which needs quick attention in the region. Innovative as well as focused approach may be needed to improve the educational status of both male and female as well as the health and sanitation status in the districts. As the proportion of people with no access to safe drinking water is unacceptably high in most of the mountain and hill districts of the region, a large number of programs for community drinking water, in line with Drinking Water Fund Board model, are suggested in all the five districts to catch up the deficiency in the shortest possible time.

Studies in mid and far-western region in general and the hill and mountain districts of the region in particular, have shown that the level of education, health and sanitation are poor in most of these districts. It is much worse among dalits and marginal class of people. Poverty is also very much concentrated among these castes and group. Therefore, a comprehensive social inclusion program comprising of education, health and sanitation, skill training and up gradation, employment and income generation should be designed and targeted uplift such vulnerable groups in the district. Incentives program for educating boys and girls as well as for non-formal education of the adults should be carried out intensively to raise the level of literacy among these groups. As the districts are also characterized with high malnourishment/ nutrition, a school meal program along with a food supplement programs should be launched in the districts to bring down the level of malnutrition.

Similarly, a special package program of family health and sanitation plus population programs should be targeted to these vulnerable groups. A safety net programs consisting of a higher level of pension (preferably indexing with the cost of food and clothing), nutrition supplement, free health care system should be launched for the old and disable. Besides, the social inclusion program should also focus on women development and empowerment, education of the advantages/disadvantages of the prevailing social taboos etc.

Energy source development and adoption of new technology in a variety of areas are another strategy suggested for a rapid development of these regions. As most of the hill and mountain districts in the region are perpetually a food deficit districts, it is absolutely essential that the districts be made food self sufficient if not a surplus districts with in a shortest possible time frame. This will both improve the nutritional status as well as the level of poverty in the districts. Therefore, adoption of new agriculture technology for improvement of local variety of cereal grains, introduction of a high land quick and high yielding variety of cereal grains together with an intensive extension service for adoption of new seed variety and bio-manure, plus attractive buyback arrangements may change the food production situation in the districts. Focus should therefore, be made on extensive research and development in bringing

out a locally suitable quick and high yielding variety of cereal grains. Similarly, technology should also be applied extensively in bringing out a good variety of vegetable seed for seed production and export. Attempts should also be made in improving livestock for more meat and dairy products.

Application of new technology is also called for a scientific plantation, collection and drying of high value herbs and also in extracting the juices of these herbal products without damaging the basic ingredients of herbs. Such application of scientific technology in herbs related activities can significantly improve the level of income of the people and also generate large number of employment opportunity in the districts.

Although mid and far-western region together has tremendous potential for hydro power generation and a variety of other non-conventional energy source such as, micro and small hydro, solar and wind energy as well as bio-energy, the region have not yet benefited from these sources of energy and still totally dependent upon the conventional sources for cooking and heating houses. The over dependent upon this conventional source of energy has also significantly contributed in term of respiratory problem and other health related damage to most of the people in the mountain districts. Attempts should therefore, be made in developing clean energy source, as it opens up new vistas for improving the socio-economic status of the districts and also in accessing modern technology for improving the life of the people and most importantly for national integration. It also encourages people for entrepreneurship development. A large program for the development of clean energy can accelerate the process of mainstreaming development of the region.

The improvement of traditional watermills in many parts of rural Nepal have demonstrated that with a simple replacement of traditional wooden water wheel by a modified metal water wheel can improve the efficiency of such water mills by 3 to 4 fold and can also generate electricity for lighting household in the villages. The technology is simple and the cost very low. As there are a number of traditional water mills operating in almost all districts of the region, a program should be launched to modify all traditional mills for generating electricity in the evening and for grinding/ milling etc, at the day time. Such program can quickly change the life of the people at least cost.

A well-placed information and communication system (ICT) can help in many ways the integration of remote districts in the region. Such system will not only help improve basic communication facilities of the districts with in the region and outside, the possibility of telemedicine, distant learning system, agriculture and weather related information's and the exposure to development in other parts of the country as well as in the world will help improve service delivery in the remotest corner of the district. Besides, it will also help broaden the mind set of the people resulting in to doing away with many existing social taboos. Moreover, the communication network will also help improve governance and develop a feeling of national integration. Such feelings also contribute positively the process of mainstreaming development.

Last but not the least, in the strategy, is the importance of governance. An efficient governance system is always critical in improving the well being of the people. The governance system in the past was not serious enough or committed to the development of the region. The frequent absence of government officials in the district remained a regular phenomenon. Such absence of government officials not only hamper development activities in the northern districts but also affected badly the quality of government services and its

efficiency. Similarly, the budget allocation and disbursement process were not compatible to the working environment of these districts. Because of severe cold, working months in these districts used to be between May thru October or till November. Because of the central budget procedure such district can at the most use two tranches and have to accept lapses of one tranche budget. As there is a system of budget freezing in the last week of the fiscal year and no system for a carry forward, the northern districts of the region has to accept the loss of last tranche budget resulting to a delay and cost over run of the project. It is therefore, suggested that the present unified system of budget release system be changed for the benefit of these districts. Perhaps more authority should be given to local level for allocation and disbursement of budget besides giving authority to hire local manpower in the key offices.

4.5 Private Sector Participation and Public - Private Partnership

Broadly speaking, privatization does not refer merely to the transfer of state-owned enterprises to private investors, but also to a shift of public sector activities to the private sector. The term PPP is usually reserved to an undertaking which involves a sizable initial investment in a certain facility (a road, a bridge, an airport, a prison), and then the delivery of the services from this facility.

PPPs are becoming nowadays a major vehicle for investment in public infrastructure and other facilities that provide public services. They cover transportation infrastructures, such as roads, bridges, tunnels, rail, air, and sea ports; water and sewage infrastructures; electricity and gas infrastructure; prisons; hospitals; and others. PPPs can play an important role in enhancing the efficiency of resource allocation. When properly designed, in particular with respect to sharing risks between the public and private partners, PPPs can improve the quality of services previously provided by the public sector, without raising their costs to society as a whole. Their major drawback however, is their complexity, which renders PPP transactions costly in terms of both money and time and makes them impractical for small undertakings.

PPP investments required a clear legal base with clear and transparent role of the investment partners. Besides, such investment modality also demands clarity in the kind of incentives including tax incentives the investors will receive, the profit and dividend transfer rights etc. Besides, investment under PPP also requires a clear cut delineation of areas where such investments are sought for and also the readiness of the public sector to invest in the area. The most common form of PPP investment modality are the BOOT and the BOT etc., where, the private sector build the project, operate it and finally transfer it to the government at a date agreed by both party. The transfer date is usually fixed considering the payback period of the project and such date are normally fixed at 20 top 25 years after the completion of the project. However, in such a modality, public sector remains a sleeping partner and normally share non in the investment. The present act on private sector investment, including the act related to BOT/BOOT, accounts only for such form of PPP. A real PPP, where public sector agrees to share the equity and also are willing to share the risk in proportion to the investments they made are not covered by any act relating to private sector investment. Therefore, either the present BOT/BOOT act needs to be broadening to cover such public/private investments on PPP modality or a new act focusing such investments should be promulgated, if the modality of investment has to consider seriously.

The vast potential resource base of mid and far-western region provides investment opportunities in a variety of modality. Investments in the form of public -private partnership, or a joint venture partnership between foreign and domestic private sector, a tri-

partite partnership between the government and domestic plus foreign private sector or some form of institutional collaboration may all have to be looked upon for investment in harnessing particularly the hydro power sector development of the region. The sheer size of the investments will require any potential investors to look beyond a conventional public – private partnership.

As discussed earlier, private sector investment in different form may be attracted to develop a wide range of activities in the region. The potential resource base of the region that includes hydro power generation, tourism development, high value herbs plantation and processing, live stock farming, high value horticulture products and high quality vegetable and flower seeds etc., may attract all forms of investments in the region. The focus on the development of basic infrastructure and social sector will all the more contribute in attracting investments in the region.

Even though there is possibility of large scale investments in the region, it is not materializing in spite of several previous attempts. This is mainly because of the poor infrastructural development in the region and the growing insecurity due to Maoist problem. The amicable resolution of Maoist problem is expected to boost investments in a variety of sector in the region. This will change the development scenario of the region.

4.6 Mobilizing Local Bodies for Effective Service Delivery

In the last two decades, there has been a worldwide interest in Decentralization of government in all parts of the world. Countries of different size and level of development have increasingly been adopting Decentralization as a process to achieve improvements in the general well being of its people. It is well argued that the success in achieving the Millennium Development Goals (MDGs) hinges very much on how effectively a country follows Decentralization and as such, devolves tasks and functions along with the resources to different layers of government.

As the primary purpose of decentralization is to increase people's influence over the decision of government that affects them, this can be achieved only when government function is assigned at the level closest to the people that can effectively discharge them. Subsidiary is the mainstay of decentralized governance. This principle suggests that, governments closest to the people that can do so efficiently should do public services and functions.

As a step towards accelerating the process of decentralization, Government of Nepal, in 2001/02 devolved management and delivery responsibility of some key services, such as, primary education, primary health care, agriculture and live stock extension services to the local body and the local management committee Center fully backed up these services along with resource requirements. Although the modality of devolvement of these services at the grass root level was not very clear and the authority as well as the responsibility was not very much clear, the transfer of management responsibility of these services to the local bodies and committee have demonstrably improved the quality of services provided.

Encouraged by the improvements in the service delivery in primary school, primary health post and agriculture and extension services which was devolved to the local bodies and communities, government has further devolved the activities relating to rural infrastructures that includes, small irrigation and drinking water projects and rural roads at the grass root

level, to the local bodies. Strong commitments were made to make full devolution of government task and functions in 14 selected districts. However, this has never materialized.

Recognizing the role played by Community Organizations, NGOs and INGOs in creating awareness on environment protection, resource conservation and use, literacy drive, health and sanitation, family health and population planning, extension of drinking water facilities, skill training and income generating activities etc, the Tenth Plan (2002-2007), clearly stated involvement of local communities in development activities at the grassroots level besides, encouraging Community Organizations (CO's), Non-Government Organizations (NGOs), and INGO's in community awareness and mobilization, income generating activities and service delivery.

The experience of Nepal, as else where, has shown effectiveness of local bodies and communities in delivering effective service delivery at the grass root level, provided such delivery responsibilities are fully backed by resources and a technical backstopping is provided. Similarly, Community organisations, NGOs and INGOs have done appreciative work at the grass root level in Nepal in the areas of awareness creation, literacy, income generation, health and sanitation etc.

As the challenges in developing the socio-economic agenda plus poverty reduction is tremendous in the mid and the far western region, devolution of more tasks and function should be given at the local level and community organisations, NGOs and INGOs should be encouraged to play crucial role in the transformation of the socio-economic challenges in the region. Given the frequent absence of the officials and the staff that has been posted particularly, in the hill and mountain districts of the region, such devolvement of the services to the local body and community is all the more necessary. .

Weakness in Regional Planning Approach in Nepal

- Lack of strategy for regional development
- No homework identifying regional comparative advantage and resource potential
- Resource and program allocation not based on regional prospect and needs
- Promoting sectoral approach to development and not regional approach
- Administrative hierarchy not defined to strengthen regional approach
- Line ministry sectoral priority not based on region
- Half hearted commitment to regional planning
- --Resulting to a gap in the main stream development by region—Mid and far west lagging far behind.

However, the devolution plan should also include a package authorising appointments of eligible local manpower by lbs and the training of manpower. A technical back stopping should also be provisioned to ensure quality of services provided.

As discussed earlier, local bodies in the region should also be authorised to select project/programs, prioritise, allocate resources and implement it. This will cut short the time

required to implement projects/programs in the district. Moreover, as the working period in the northern mountain districts and upper hill districts are short due to severe cold at least for 5 to 6 months a year, the budget release process and the system budget freezing should be reconsidered for effective utilization of such resources in these districts and the timely completion of projects/programs.

The failure of centralized system in developing the socio-infrastructure status as well as in delivering services in the region is clear that more authority in planning, prioritization, resource allocation and implementation should be given at the local level. In doing so, it is also equally important that the technical backstopping from the centre should continue on a much higher priority basis and a comprehensive program for the capacity development, both human resource as well as the institutional capacity to deliver should be implemented. A program of such nature can contribute in enhancing the status of the region with in the shortest possible time frame.

Chapter V

Conclusion

5.1 Conclusion

In view of the extreme disparities among the country's regions and in order to capitalize more effectively on spatially varying strengths and opportunities, the focus on regional strategy and planning appears to be conceptually sound. However, the failure in changing the institutional mechanism and the system and procedure relating with planning and budgeting etc., besides focus on the sectoral approach has but resulted in to an unbalanced development at the regional level. With institutions at sub-national level being very weak and with donor agencies mostly following sectoral approaches, the envisaged focus on regionally specific development strategies failed to generate the desired objective of regional planning in Nepal.

Mid west and Far western region suffered much during this period of regional planning in Nepal. The socio-economic indicators of the region are far below that of other region. Moreover, poverty is highly concentrated in most part of this region. This has made the region away from mainstream development. Although the region possesses vast natural resources as factor endowments, the region never get enough resources to exploit these resources. The lack of development thrust in the region made it heavily dependent upon central government grant and subsidy.

Mid and far west region needs a substantial hike in the annual budgetary allocation. The present size of the budget is simply inadequate to make any dent in the socio-infrastructural status of the region. A sustained and higher level of budget say, a hike by at least 50 % of the present level for next eight to ten years may make some visible improvements in the life of the people in the region and also help the regions to reach the main stream development of the country.

It is high time that a comprehensive program be implemented in the region with a timeframe to bring the regions at least very close (if not at par) to rest of the regions. The present study tries to develop a strategy for bringing the region in the main stream of development. In so doing it identifies some priority projects/programs to be implemented in a short to medium term framework.

Mid and far-west possesses vast resources that have the potential to turn it way ahead of rest of the development regions with in a medium to long term time frame. What is needed is a serious effort to mobilize, implement and monitor. Effort should therefore, be made to identify the resource potential of the region, its comparative advantage, the contribution it can make in the life of the people, not limiting with the people in the region alone. A program should be initiated, with government resources initially and also encouraging private sector, both domestic and foreign, to come forward under PPP or any other modality for the development of the vast resource potential of the region.

Hydro power resources that the region has should be developed as soon as possible. This resource has the potential to transform the status of the region and beyond. To initiate, government should launch a program to develop at least some sizable hydro power projects in the region. At the same time it should provide all sorts of facilities to encourage private

investors to invest in the sector. As, northern India is facing critical power shortage, the potential in the region can attract Indian investors to come forward and develop power projects.

The Maoist insurgency has affected the overall development of the region seriously. A new vista may open up for the region if the problem is resolved amicably. The changing political scenario at the national level has created a much needed ray of hope for the region. If it clicks, investment in the region, both public- private partnership and exclusive foreign private or institutional investment, can come in a large scale to tap these resources contributing to the all round development of the region.

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Policy Action Matrix

Policy Improvements	Objectives	Activities / Programs	Indicators	Responsible Agency
<p>1. Focus on regional approach to development for more balanced development of the country and also to capitalize big and rapidly expanding markets in India and china.</p> <p>2. Focus on strength and opportunity to develop the region.</p> <p>3. Priority Investment in Mid and Far - western region</p>	<p><i>Achieving more balanced regional development by focusing on utilizing natural endowments available in the region for capitalizing growing markets in the neighboring countries.</i></p>	<p><i>i. Development of strategic regional plan for development of resource potential and exporting it.</i></p> <p><i>ii. Mobilize resources, both domestic and foreign-under joint venture, PPP or any other form to develop regional resource potential.</i></p> <p><i>iii. Development of infrastructure and social sector indicators in the region.</i></p> <p><i>iv. Launch alternate energy, safety nets, skill training and income generating programs plus poverty programs covering all districts.</i></p> <p><i>v. Restructuring government institution as well as creation of new institutions as per the requirement to focus regional concept of development more effectively and also for capitalizing the neighbor market opportunity.</i></p>	<p><i>Government Program/policy document</i></p>	<p><i>NPC/LMs</i></p>
	<p><i>Develop region to bring at par with other region in the country by designing and implementing programs/projects capitalizing regional strengths and opportunities taking note of weaknesses and threats.</i></p>	<p><i>i. Design strategic plan based on strength and opportunity in the region.</i></p> <p><i>ii. Draw strategy to reduce weaknesses and threats there by promoting environment for private sector investment in the region.</i></p>	<p><i>Government document</i></p>	<p><i>NPC/LMs</i></p>
	<p><i>Identifying priority investment areas in agriculture, education, health and infrastructure for immediate, medium and long term.</i></p> <p>a. Agriculture –</p> <p><i>i. Food self sufficiency in hill and mountain and high yield rates in terai in the medium to long term.</i></p>	<p><i>Priority areas for investment in</i></p> <p><i>1. Agriculture- with long term objective of food self sufficiency in the hill and mountain districts and high yield rate in terai.</i></p> <p>a. Immediate to short term</p> <p><i>i. Collect local variety of cereal grain seed and bring HYV seed suitable for the region from similar climatic zone in other countries.</i></p> <p><i>ii. Develop locally suitable HYV seed.</i></p> <p><i>iii. Pilot test in farmers own field under intensive extension service and support.</i></p> <p><i>iv. Arrange buy back system at attractive price to encourage food production in the hill and the mountain districts.</i></p> <p>b. Medium to long term</p> <p><i>i. Develop locally suitable HYV cereal grains seed and expand coverage.</i></p> <p><i>ii. Provide extensive extension service to farmers.</i></p> <p><i>iii. Continue buy back system at reasonable margin of profit to farmer producer.</i></p> <p><i>iv. Stop buys back arrangement once the district food grain production is stable.</i></p> <p><i>v. Phase out airlifting of food grains in a plan manner tying up</i></p>	<p><i>Government plan and documents</i></p> <p><i>Government documents</i></p>	<p><i>NPC/LMs</i></p> <p><i>NPC/MOAC</i></p>

	<p>ii. Promoting high value vegetables and flower seed for export</p>	<p>with success in the HYV production. <u>Immediate to short period</u> i. Identification of high demand vegetable and flower seed. ii. Identification of pocket areas for vegetable and flower seed growing iii. Supply of HYV seed, credit arrangement and technical support for training of farmers for seed growing, drying, and scientific packaging. iv. Buy back arrangement of seed and establishing export linkage. v. Encourage COs and NGOs in the activities. <u>Medium to long term</u> i. Expansion of seed growers, quality control of seed and establishing buy back and export marketing channel. ii. Establishing farmer cooperatives in all activities. iii. Continue technical support and training of seed growers etc.</p> <p><u>Immediate to short period</u> i. Identification of high demand horticulture products –fruits /dry fruits. ii. Identification of pocket areas for fruit growing. iii. Supply of plants and establishment of nursery initially at the government farms and encourage farmers to do plant nursery. iv. Credit arrangement and technical support for training of farmers for plantation, harvesting, drying, and scientific packaging. iv. Buy back arrangement of fruit/dry fruits and establish export linkage. v. Encourage COs and NGOs in the activities. <u>Medium to long term</u> i. Expansion of fruit growers, quality control of fruits/dry fruits and establish buy back and export marketing channel. ii. Establishing farmer cooperatives in all activities. iii. Continue technical support and training of fruit growers etc.</p>		
	<p>b. Horticulture – Promoting plantation, scientific packaging and export of high value fruits/dry fruits.</p>			
	<p>c. Livestock – Promoting Livestock rearing for local consumption and export.</p>	<p><u>Immediate to short period</u> ii. Identification of livestock and pocket areas for livestock rearing. iii. Supply of high breed locally suitable livestock. Multiplication of locally adapted high breed livestock. iii Development of pasture land and promotion for using high and quick yielding variety of grass suitable in local condition. iv. Encourage domesticating high breed variety of livestock- subsidize cost for promoting such variety of animals</p>	<p>Government documents</p>	<p>NPC/MOAC</p>

	<p>d. Non-timber forestry – Promoting plantation, scientific harvesting, drying, and processing of high value herbs.</p>	<p>v. Provide technical support including regular veterinary services for rearing high breed variety animals.</p> <p>vi. Make necessary changes in Community forestry act/regulation by negotiation with the forestry group for allowing animal grazing en-route to the lower hill with or without nominal fees during winter.</p> <p>vii. Encourage COs and NGOs in the activities.</p> <p><u>Medium to long term</u></p> <p>i. Expansion of livestock rearing for domestic consumption and export.</p> <p>ii. Explore possibility of exporting meat and meat products or live animals to other part of the country or for export.</p> <p>iii. Establish marketing channel for export, ensure mechanism for quality control, scientific packaging etc.</p> <p>ii. Establishing farmer cooperatives in all activities.</p> <p>iii. Continue technical support and training o livestock rearing, treatment of diseases, hygienic meat processing, packaging and export.</p> <p><u>Immediate to short period</u></p> <p>i. Identification of high demand non-timber forestry products (high value herbs)</p> <p>ii. Identification of pocket areas for natural herbs collection, conservation of natural herbs and new plantation.</p> <p>iii. Supply of plants and establishment of nursery initially at the government farms and encourage farmers for establishing commercial nursery farms..</p> <p>iv. Credit arrangement and technical support for training of farmers for plantation, harvesting, drying, and scientific packaging.</p> <p>v. Buy back arrangement of herbs and establishment of export linkage.</p> <p>vi. Review of act/regulation on herbs collection, plantation and export. Review fee/tax structure (both central and local tax and fees) on herb export</p> <p>vii. Encourage COs and NGOs in the activities.</p> <p><u>Medium to long term</u></p> <p>i. Expansion of herb growers, quality control of herbs and establish buy back and export marketing channel.</p> <p>ii. Establishing farmer cooperatives in all activities.</p> <p>iii. Continue technical support and training in high value herb nursery, plantation, collection, drying and processing.</p> <p><u>Immediate to short period</u></p> <p>i. Consolidate educational institute and improve physical facilities in school.</p>	<p>Government documents</p>	<p>NPC/MOFSC</p>
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	<p>e. Education <i>Increasing literacy rates, promoting female literacy, improving quality of education.</i></p>	<p><i>ii. Fill up all the vacant positions preferably by local manpower. Give preference to local educated women.</i></p> <p><i>iii. Hand over all primary school to local management committee and provide more authority as well as responsibility to such committee. Continue government support to school as before.</i></p> <p><i>iv. Increase primary school enrollment targeting the deprived and illiterate family and the girl children.</i></p> <p><i>v. Increase scholarship coverage to attract girls and deprived community children.</i></p> <p><i>vi. Expand adult literacy program to cover deprived community.</i></p> <p><i>vii. Supply all free text books in time.</i></p> <p><i>viii. Improve quality of education.</i></p> <p><i>ix. Revive skill training polytechnic and run it to produce locally demanded skilled people.</i></p> <p><u>Medium to long term</u></p> <p><i>i. Expand education coverage by enrolling all school going age children.</i></p> <p><i>ii. Increase literacy rates, both male and female, at par with the national average.</i></p> <p><i>iii. Introduce on a pilot basis, the concept of free boarding school by integrating thinly populated schools in one place, preferably at the district head quarter. (This may improve quality of education at par with the best school in the country).</i></p> <p><i>iv. Hand over all lower secondary and secondary school to locally elected management committee. Continue government support to school as before.</i></p> <p><i>v. Establish polytechnic and vocational education centre to produce skilled manpower to serve local needs.</i></p> <p><i>vi. Expand and improve higher education centre.</i></p> <p><i>vii. Encourage private sector and trust to provide quality education.</i></p> <p><i>viii. Review policies on private sector participation in education and reform policies to encourage such participation.</i></p> <p><u>Immediate to short period</u></p> <p><i>i. Lunch programs to consolidate health services.</i></p> <p><i>ii. Hand over all sub-health post to local management committee. Give them more authority as well as responsibility. Continue support to sub-health post as before.</i></p> <p><i>iii. Extend community rolling drug scheme to all sub-health post. As per the scheme provide fixed fund to each sub-health post for medicinal purchases based on local needs.</i></p> <p><i>iv. Fill up all health related vacant position preferably from locally</i></p>	<p><i>Government documents</i></p>	<p><i>NPC/MOES</i></p>
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	<p>h. Irrigation program- Complete large irrigation structure to enhance irrigation coverage. Promote effective irrigation program in the potential areas of hills and mountains.</p>	<p>connect all districts in the region and provide electricity. v. Lunch alternate energy programs to cover all districts in the region extensively.</p> <p><u>Immediate to short period</u> i. Allocate resources to complete irrigation projects under construction. ii. Enhance irrigation coverage through completion of small and medium irrigation projects and regular maintenance of completed projects. iii. Review irrigation potential and draw plan for constructing strategic irrigation projects.. iv. Expand small irrigation and alternate irrigation technology programs. v. Explore possibility of constructing small, medium and large irrigation projects.</p> <p><u>Medium to long term</u> i. Allocate resources for completing medium and large irrigation projects such as, Babai irrigation, Pancheshwor Muti purpose projects etc.</p> <p><u>Immediate to short period</u> i. Complete on going inter-district high ways such as, Surkhet-jumla road and other inter-district roads such as, Chincu-jajarkot, khodpe-bajhang, manma-pantadi etc. ii. Complete connecting roads in Dolpa – Jufal airport – Dunai, Bajura – Kolti airport-khalanga, banke- nepalgunj-baghauda etc. iii. Complete strategic roads such as, Simikot-Hisa in Tibetan border etc. iv. Complete inter –regional roads such as, Musikot-dhorpatan-baglung. v. Construct roads connecting Chaurjhari – Dunai, Bajhang-bajura, bajura – Humla, Jumla – Mugu etc. vi. Upgrade Dhangadhi airport as regional airport and Simikot airport as a tourist airport. Upgrade their to an all weather airport. vii. Upgrade facilities in all existing airports in the hills and mountain districts. viii. Explore possibility of constructing airport in the remote districts where there is no alternate accessibility. ix. Regularise flights to these airports. x. Explore possibility of constructing and managing airports and highways under PPP.</p> <p><u>Medium to long term</u> i. Complete road construction providing motorable services to all districts in the region. ii. Upgrade strategic tourism promoting airports such as, Bajhanf</p>	<p>Government documents</p> <p>Government documents</p>	<p>NPC/MOWR</p> <p>NPC/MOHPP/M OCTA</p>
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	<p>j. Information and communication – Install and expand communication system to improve basic telephone services and internet services.</p>	<p>airport for <i>Khaptad</i> area access, <i>Dolpa Jufal</i> airport, <i>Humla</i> and <i>Mugu</i> airport etc.</p> <p><u>Immediate to short period</u></p> <ul style="list-style-type: none"> i. Provide at least two basic telephone lines in each VDC and about 150 lines in district headquarter. ii. Provide internet facilities in all district headquarter at reasonable rate. iii. Establish Rural tele-services centre in all VDCs providing internet, VDO telephone and TV facilities. <p><u>Medium to long term</u></p> <ul style="list-style-type: none"> i. Enhance basic telephone and wireless ICT services in all VDC. ii. Expand telephone lines in the district headquarter as per demand and provide ICT service to all. iii. Expand Rural tele-services centre in all wards of each VDC. iv. Improve quality of services making such services dependable. v. Expand wireless telephone and ICT services on demand at any place in the region. <p><u>Immediate to short period</u></p> <ul style="list-style-type: none"> i. Expand safe drinking water program particularly in the hills and mountain districts where the coverage is still less than 40 %. ii. Enhance hygiene and sanitation awareness program involving COs and NGOs. <p><u>Medium to long term</u></p> <ul style="list-style-type: none"> i. Achieve drinking water target to reach 100 % coverage as committed in the MDGs. ii. Expand hygiene and sanitation program to reach all household. <p>a. Review current delivery mechanism and identify weaknesses.</p> <p>a. Review lesson from past devolved tasks to lbs and devolve more tasks and function to lbs with full resource back up and strengthen its capacity to take up and deliver effectively.</p> <p>b. Promote User's group and community organizations in service delivery.</p> <p>c. Encourage NGOs to involve in service delivery.</p> <p>a. Review the advantage of scrapping, merging, task handing over to some offices at the district etc., ultimately bringing it under the umbrella of DDC.</p> <p>b. Change planning and programming mechanism and give more authority to lbs for making decision on project/program identification, prioritization, resource allocation and</p>	<p>Government documents</p> <p>Government documents</p> <p>Government documents on service delivery mechanism</p>	<p>NPC/MOIC</p> <p>NPC/MOHPP</p>
	<p>k. Drinking water –</p> <ul style="list-style-type: none"> i. Expand safe drinking water facilities. ii. Promote hygiene and sanitation programs. 			

<p>4. Efficient service delivery mechanism</p>	<p><i>. Review current service delivery modality.</i></p> <p><i>b. Develop alternate mechanism to deliver service more efficiently at the grass root level</i></p> <p><i>c. Review current governance system in the district and reform for its effectiveness.</i></p> <p><i>d. Review monitoring and audit system including internal audit.</i></p> <p><i>a. Announcing policy on Public-Private partnership, including incentive scheme.</i></p>	<p><i>implementation coordination.</i></p> <p><i>c. Change budget allocation, release and reporting system. The mountain and hill districts need some reform in the budget release and freeing system. Make provision so that these districts can carry forward unspent balance and continue its activities.</i></p> <p><i>a. Give lbs authority to coordinate programs at the district and monitor them.</i></p> <p><i>b. Establish strong monitoring and information system at lbs.</i></p> <p><i>c. Make lb internal audit section effective.</i></p> <p><i>d. Bring lbs audit under Auditor General's Office and make it as a part of annual AG audit report. For discussion in the parliament.</i></p> <p><i>a. - Review existing policies on BOT/BOOT etc., plus other policies that allows private sector involvement in infrastructural construction activities etc., and bring clear policies on PPP if necessary.</i> <i>- Announce clearly the incentive schemes on PPP including tax incentives, profit and dividend sharing and transfer, public borrowings –if necessary, ownership status plus role of public and private sector investors on such joint projects.</i></p> <p><i>b. Bring necessary act to provide strong legal base for investment under PPP</i></p> <p><i>c. Identify priority investment areas where PPP will be allowed.</i></p> <p><i>d. Specify modality of PPP regarding equity sharing, management and monitoring and supervision system etc.</i></p>	<p><i>Policy document of Government</i></p> <p><i>Public works manual/ lbs act and regulation</i></p> <p><i>Policy document of Government</i></p> <p><i>Government policy document/review report</i></p> <p><i>Policy document of Government</i></p> <p><i>Policy document of Government</i></p> <p><i>Policy document of Government</i></p> <p><i>Policy document of Government</i></p> <p><i>Policy document of Government</i></p> <p><i>ADDN report/MLD /NPC report</i></p> <p><i>AG/ADDN/MO:D reports</i></p> <p><i>Government policy document/AG annual report</i></p> <p><i>Announcement/publication of PPP policy</i></p> <p><i>Announcement in the policy</i></p>	<p><i>NPC/MOLD/LMs</i></p> <p><i>NPC/MOLD/NG</i></p> <p><i>MOLD/LMs/NG</i></p> <p><i>NPC/NG</i></p> <p><i>NPC/MOGA</i></p> <p><i>NPC/MOF</i></p> <p><i>NPC/MOF/FCGO</i></p> <p><i>NPC/MOLD</i></p> <p><i>NPC/MOLD</i></p> <p><i>AG/MOLD</i></p> <p><i>NG/AG</i></p> <p><i>NPC/MOICS</i></p> <p><i>NPC/MOICS</i></p>
<p>5. Public-Private partnership</p>	<p><i>a. Announcing policy on Public-Private partnership, including incentive scheme.</i></p>	<p><i>Specify modality of PPP regarding equity sharing, management and monitoring and supervision system etc.</i></p>	<p><i>Announcement in the policy</i></p>	<p><i>NG/AG</i></p> <p><i>NPC/MOICS</i></p> <p><i>NPC/MOICS</i></p>

	<p><i>b. Bringing necessary act and regulation on Public-Private partnership investments</i></p> <p><i>c. Identifying areas for investment in Public Private partnership investments</i></p> <p><i>d. Clarifying modality on Public – Private partnership investments</i></p>		<p><i>Gazette notification</i></p> <p><i>Policy announcement document/plan document</i></p> <p><i>Policy announcement/Gazette notification</i></p>	<p><i>MOICS/NG</i></p> <p><i>NPC/MOICS</i></p> <p><i>NPC/MOICS</i></p>
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Annex I

Nepal : Human Development and Empowerment Index 2001

District/region	Social Empowerment Index	Economic Empowerment Index	Political Empowerment Index	Human Empowerment Index Rank (HEI)	Gender Empowerment Rank (GEM)	Gender Related DevIndexRank (GDI)	Human Poverty Index Rank (HPI)	Human Development Index Rank (HDI)
Mid-Western region								
Mountain								
1. Humla	0.061	0.220	0.512	70	66	75	75	68
2. Jumla	0.193	0.164	0.554	65	41	70	68	70
3. Dolpa	0.139	0.141	0.485	71	35	75	74	67
4. Mugu	0.050	0.214	0.483	72	70	58	73	75
5. Kalikot	0.218	0.158	0.444	69	7	61	70	73
Hill								
1. Salyan	0.368	0.223	0.418	58	53	85	53	61
2. Rukum	0.228	0.161	0.146	74	54	81	65	64
3. Rolpa	0.184	0.119	0.128	75	68	79	62	65
4. Jajarkot	0.247	0.174	0.421	66	37	73	69	71
5. Dailekh	0.246	0.124	0.636	59	72	79	61	66
6. Pyuthan	0.373	0.295	0.561	49	75	88	52	53
7. Surkhet	0.384	0.269	0.724	32	31	105	44	22
Terai								
1. Dang	0.554	0.337	0.775	10	39	86	32	57
2. Banke	0.437	0.454	0.847	7	19	102	14	29
3. Bardia	0.296	0.343	0.875	18	21	91	38	50
Far-Western Region								
Mountain								
1. Bajhang	0.228	0.195	0.418	67	60	64	72	72
2. Bajura	0.218	0.142	0.479	68	69	61	67	74
3. Darchula	0.279	0.183	0.540	60	71	87	45	52

Hill								
1. Achham	0.293	0.171	0.452	64	62	69	71	69
2. Baitadi	0.355	0.216	0.356	63	63	80	56	63
3. Dandeldhura	0.373	0.394	0.491	46	73	88	49	49
4. Doti	0.210	0.185	0.293	73	67	81	64	60
Terai								
1. Kailali	0.409	0.403	0.647	24	27	95	24	46
2. Kanchanpur	0.430	0.433	0.800	13	52	98	15	39
Nepal	0.406	0.337	0.646	0.463	0.391	100	39.6	0.471
Highest Value	Kaski=0.777	KTM=0.629	Morang=0.919	Ktm=0.660	Manang=.528	Ktm=140	Humla=63.8	Ktm=0.652
Lowest value	Mugu=0.050	Sindhuli=0.100	Manang=0.088	Rolpa=0.144	Pyuthan=.293	Mugu=58	Kaski=24.9	Mugu=0.304

Source: UNDP/NPC, Nepal Human Development Report, 2004

Annex II

Mid and Far West Development Budget 2051/52-2061/62)

Rs in lakhs

Region/ District	2051/52	2052/53	'2053/54	'2054/55	2055/56	2056/57	2057/58	'2058/59	2059/60	2060/61	2061/62
Mid- Western	9,355.860	14,810.232	15,023.494	12,900.928	16,695.339	52,572.900	24,162.177	30,355.949	22,621.742	26,513.140	33,299.000
<i>Mountain</i>	<i>1,928.641</i>	<i>3,071.280</i>	<i>3,910.933</i>	<i>3,637.148</i>	<i>3,917.814</i>	<i>5,845.120</i>	<i>7,034.084</i>	<i>8,095.168</i>	<i>6,112.455</i>	<i>7,719.110</i>	<i>8,688.640</i>
Dolpa	345.160	534.591	672.304	715.442	783.982	770.430	1,125.027	1,773.114	1,023.648	1,327.760	1,520.550
Humla	323.120	580.658	1,002.634	679.380	761.020	908.180	1,698.558	1,514.070	1,246.792	1,904.080	2,618.600
Jumla	358.409	638.338	718.411	702.308	762.383	1,064.350	1,228.843	1,368.860	1,198.879	1,450.440	1,782.990
Kalikot	463.262	673.335	843.208	759.426	863.953	2,250.300	1,410.485	1,716.530	1,379.481	1,439.970	1,141.810
Mugu	438.690	644.358	674.376	780.592	746.476	851.860	1,571.170	1,722.594	1,263.655	1,596.860	1,624.690
<i>Hill</i>	<i>3,948.730</i>	<i>5,976.842</i>	<i>6,667.171</i>	<i>6,059.210</i>	<i>6,298.563</i>	<i>11,351.450</i>	<i>8,466.488</i>	<i>10,621.886</i>	<i>8,205.520</i>	<i>9,446.550</i>	<i>11,434.560</i>
Dailekh	564.190	813.154	942.698	952.299	931.137	3,107.660	1,303.039	1,213.960	1,553.406	1,681.100	2,287.240
Jajarkot	357.675	734.655	727.292	607.989	816.340	740.900	821.607	1,276.600	863.717	1,048.180	1,340.800
Pyuthan	629.575	814.361	834.634	717.030	842.811	1,693.470	1,215.650	1,346.640	1,087.842	1,257.770	1,538.110
Rolpa	471.506	774.259	1,029.145	737.743	905.143	1,032.310	1,085.711	2,331.108	1,303.255	1,639.530	1,747.220
Rukum	584.696	887.840	342.627	797.246	884.096	1,171.970	1,190.811	1,128.247	944.839	1,233.240	811.540
Salyan	567.494	869.457	1,557.240	897.522	771.588	1,004.330	991.958	1,352.430	988.474	1,120.300	1,595.000
Surkhet	773.594	1,083.116	1,233.535	1,349.381	1,147.448	2,600.810	1,857.712	1,972.901	1,463.987	1,466.430	2,114.650
<i>Tarai</i>	<i>3,478.489</i>	<i>5,762.110</i>	<i>4,445.391</i>	<i>3,204.570</i>	<i>6,478.961</i>	<i>35,376.330</i>	<i>8,661.605</i>	<i>11,638.895</i>	<i>8,303.768</i>	<i>9,347.480</i>	<i>13,175.800</i>
Banke	1,023.551	1,163.213	1,136.463	1,122.106	1,001.459	19,391.180	2,162.086	4,827.700	1,873.816	2,460.730	4,767.840
Bardiya	1,161.674	3,275.509	2,033.494	1,080.700	4,137.582	7,460.130	2,980.521	3,738.985	2,171.515	2,944.470	3,388.000
Dang	1,293.264	1,323.388	1,275.434	1,001.764	1,339.920	8,525.020	3,518.998	3,072.210	4,258.438	3,942.280	5,019.960
Far- western	5,823.031	12,727.282	12,730.383	8,034.827	10,225.455	36,205.520	18,892.283	20,299.386	15,896.364	19,053.025	21,611.560
<i>Mountain</i>	<i>1,601.933</i>	<i>2,666.887</i>	<i>2,814.305</i>	<i>2,313.929</i>	<i>2,368.096</i>	<i>2,779.650</i>	<i>6,154.764</i>	<i>6,094.271</i>	<i>3,275.568</i>	<i>4,263.390</i>	<i>5,116.510</i>
Bajhang	462.430	936.154	938.182	792.436	854.460	1,097.020	1,500.442	2,885.852	1,484.075	1,367.150	2,091.450
Bajura	483.590	810.499	776.876	755.203	702.250	651.430	1,363.976	1,958.271	877.276	1,574.860	1,334.600
Darchula	655.913	920.234	1,099.247	766.290	811.386	1,031.200	3,290.346	1,250.148	914.218	1,321.380	1,690.460
<i>Hill</i>	<i>2,671.352</i>	<i>4,403.033</i>	<i>4,274.159</i>	<i>4,032.514</i>	<i>4,180.915</i>	<i>8,363.630</i>	<i>8,052.143</i>	<i>7,642.525</i>	<i>6,997.814</i>	<i>8,522.135</i>	<i>10,805.940</i>
Accham	837.313	1,448.744	1,176.925	1,419.693	1,217.579	1,809.610	4,120.342	2,031.312	2,501.225	1,850.060	2,703.100
Baitadi	661.347	1,065.921	936.130	1,269.200	1,339.815	2,283.160	1,762.440	1,564.248	1,676.493	3,216.595	3,570.860

Dadeldhura	509.419	839.269	876.932	585.917	763.093	914.560	1,011.541	1,422.310	1,141.234	1,445.820	1,729.980
Doti	663.273	1,049.099	1,284.172	757.705	860.428	3,356.300	1,157.820	2,624.655	1,678.862	2,009.660	2,802.000
Region/ District	2051/52	2052/53	'2053/54	'2054/55	2055/56	2056/57	2057/58	'2058/59	2059/60	2060/61	2061/62
<i>Tarai</i>	<i>1,549.746</i>	<i>5,657.362</i>	<i>5,641.919</i>	<i>1,688.383</i>	<i>3,676.444</i>	<i>25,062.240</i>	<i>4,685.375</i>	<i>6,562.590</i>	<i>5,622.982</i>	<i>6,267.500</i>	<i>5,689.110</i>
Kailali	898.601	1,266.987	1,063.214	902.243	1,282.460	6,451.140	1,585.055	2,102.255	2,319.607	2,022.880	3,117.370
Kanchanpur	651.145	4,390.375	4,578.705	786.140	2,393.984	18,611.100	3,100.320	4,460.335	3,303.375	4,244.620	2,571.740
Total	15,178.891	27,537.514	27,753.877	20,935.754	26,920.794	88,778.420	43,054.459	50,655.335	38,518.106	45,566.165	54,910.560
Annual Increase %		81.4	0.8	-24.6	28.6	229.8	-51.5	17.7	-24.0	18.3	20.5
Mid-west %		58.3	1.4	-14.1	29.4	214.9	-54.0	25.6	-25.5	17.2	25.6
Far west %		118.6	0.0	-36.9	27.3	254.1	-47.8	7.4	-21.7	19.9	13.4

Annex - iii

Key Infrastructure programs in Far-western region (2063/64)**Roads**

Baitadi – Darchula	1.50	Sanfebagar – Martadi	7.93
Khodpe – Bajhang	1.98	Tanakpur link road	1.0
Dodhara – Chandni	0.20	Mahendranagar airport-Mahakali	0.20
Satbanjh – Jhulaghat	6.0	Srikot-Puchaudihat	0.10
Sribhwar-Puchoudi-Gokuleshwor	0.10	Dhikgad (Baitadi-Darchula)	0.60
Jamadigad (Baitadi-Darchula)	0.60	Chela-Durgabhawani	0.10

SADP

Ugratara – Meghauli	0.40	Mahendranagar-daiji-jogbudha	0.40
Bhageshwor-bogta-salleri-rupal	0.25	Hatairaj – srikot	0.30
Sahajpur – Dipayal	0.40	Patan – Pancheswor	0.25
Sorad-sinkelek-srikot-pancheswor	0.20	Mangalsen – binayak-rakam	0.40
Mohana river bridge	0.50	Silgadhi – khaptad	0.30
Kulpati – Rajapur	0.15	Budar – Jorayal	0.20

Bridges

Doda river	0.60	Bhujela nala	0.10
Dwari khola bridge (Doti)	0.80		

Rural Electrification/Transmission line/Electricity

Kailali- Kanchanpur rural ele.	10.75	Dandeldhura-Baitadi 33KVA	0.50
Chamelia detail study	1.0		

Irrigation

Mahakali irrigation	1.50	Mahakali irrigation III	1.0
Jajola irrig	0.30	Koiralkhola irrig	0.35
Manekuda irrig (Baitadi)	0.25	Patan bagadi irrig (Baitadi)	0.32
Chuchai irrig (Darchula)	0.15	Uku irrig (Darchula)	0.15
Belaunas Haldisen irrig (Doti)	0.15	Kimuwa khola irrig	0.33

Key Infrastructure programs in Mid-western region (2063/64)**Roads**

Salyan – Musikot	9.03	Surkhet – Jumla	19.0
Surkhet-Ranimatta-Dailekh	2.00	Chhinchu – Jajarkot	10.0
Devasthal-Karendada-Chourjhari-Dolpa	1.20	Musikot – Burtibang	1.0
Ghorapani – Pyuthan – Loharpuri	0.15	Chakchake – Liwang	9.1

SADP

Badichour – Gutu gravel	0.40	Holleri – Swargadwari	0.25
Tulsipur-Purandhara-Surkhet	0.40	Holleri Chunawang	0.25
Jufal-Dunai (Dolpa)	0.40		

Transmission line

Sitalpati – Musikot	0.80	Chhinchu-Rakam-Jajarkot	0.80
Dipayal-Sanfe-Manma-Jumla	0.15		

Irrigation

Sikta irrigation	40.73	Babai irrigation	6.92
Galfagad /Humla	0.30		

Terms of Reference

Study Topic:

Investment Priority for Mid and Far Western Nepal

This assignment is equivalent to effective one man month. The consultant should establish adequate interactions with various stakeholders including the government agencies while conducting the study.

Task Details:

- Review current HMG investment scenario in the mid and far western regions
- Conduct SWOT analysis for the mid and far western regions
- Prioritize investments in the field of agriculture, health, education, and infrastructure development for the immediate, medium and long-term
- Suggest delivery mechanisms for efficient utilization of funds
- Identify prospects and constraints for public-private partnership for carrying out development works in the mid and far western regions
- Suggest policy-action matrix for effective implementation identifying (a) policy improvements (b) objectives (c) activities/ programs (d) indicators and (e) responsible agencies

The consultant will have to submit a draft report to the EN Focal Unit within 30 days from the date of assignment and present the draft at the workshop organized by the Advisory Committee and EPN Focal Unit. The final report should be submitted within 2 weeks of the workshop incorporating all feedbacks from the workshop. One hard and one electronic copy of the draft and final report should be submitted to the EPN Focal Unit.

Assignment given to: Prithvi Raj Ligal

Responsible ministry: MOCTCA

Thematic area: Economic Policy on Tourism, Agriculture, and Regional Development