

8. Agriculture, Industry and Tourism

Agriculture

8.01 In the agro-based country Nepal, a majority of her people still relies on agriculture which has remained the chief mode of employment and income source. Agriculture contributes the largest share in the GDP. Obviously, the country can not steer the trajectory of sustainable development in the absence of agricultural development. In the light of this undeniable fact, the agriculture has been accorded the topmost priority in the previous plans. Also, the agriculture perspective plan has been executed aimed at reducing poverty, raising agro-products and fostering employment opportunities.

Production Status

8.02 The net production of the country's major food crops (paddy, wheat, maize, barley and millet) in FY 2006/07 was 7.33 million MT, witnessing a fall of 4.3 percent (327,000 MT) compared to that in the preceding fiscal year. However, the preliminary estimation of the net production in the current fiscal year stands at 8.07 million MT, a raise by 10.1 percent (740,000 MT). Net farming area in FY 2006/07 was 3.30 million ha, a fall by 1.6 percent compared to the preceding year's level. In the current fiscal year, the net farming area is estimated to have expanded by 3.4 percent (111,000 ha) to 3.42 million ha. In the last fiscal year, paddy production fell sharply due to adverse weather while maize production witnessed a slight rise and the wheat production reached a satisfactory level. Because the paddy constituted 50.22 percent of the food weights, the decline in its production despite increment in the production of other food crops resulted in reduced growth of aggregate food output in FY 2006/07. Due to favorable climatic conditions, food production in the current year registered a positive growth wherein paddy production grew by 16.8 percent, maize by 3.2 percent, wheat by 3.8 percent and millet by 2.1 percent.

Box 8(a): Major Agricultural Activities

1. **One Village, One Product Program:** As per One Village One Product Program 2005/06, different districts are selected to boost the production of the crops with high export potential under public-private partnership scheme. The program has identified Ramechhap and Sindhuli districts for *Citron*, Siraha, Banke and Bardiya districts for *wood apple*, Bhaktapur district for

Plumb/Mombin and Nuwakot and Rusuwa districts for Renbo Trout fish.

2. **Agro-biodiversity Policy:** This policy is inspired with the objectives of poverty reduction and ensuring food security to the present and future generations. The policy stresses on protection and use of food and, agro-products genetic sources, local practices and skills and coordinated and justifiable equal distribution. The policy is functional since 2063 BS.
3. **Agriculture Disaster Management:** A relief fund has been set up to ensure the benefit to the farmers. The fund also makes immediate efforts at different phases to prevent the contraction in the agricultural GDP.
4. **Promotion of Agro-business:** This program aims at making agro-business commercial enough at the regional and global market, creating bases for professional and competitive agricultural system. The program is in effect with the implementation of Agro-business Promotion Policy, 2006.

Source: Department of Agriculture and Cooperatives

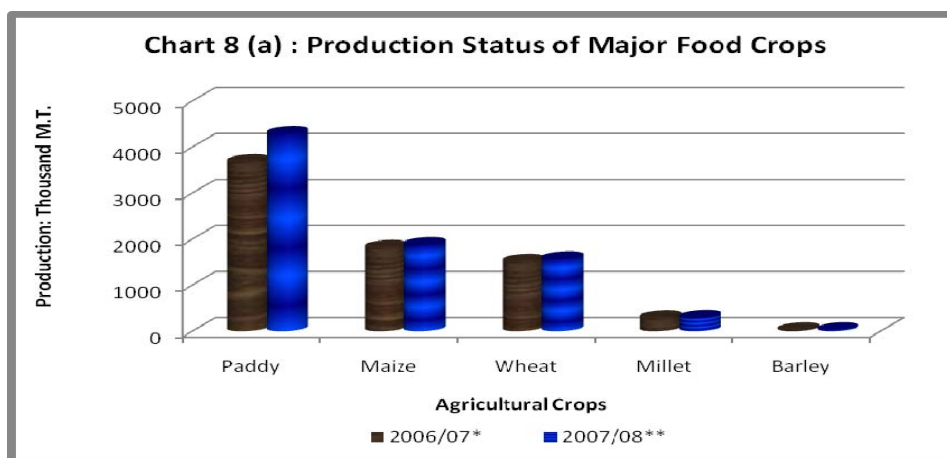
- 8.03 On cash crops, the production of oilseeds (mustard, sunflower etc.) plunged by 2.2 percent in FY 2006/07 to 136,000 MT compared to the previous year's. Preliminary estimations show that the production of these crops will plunge further by 1.5 percent to 134,000 MT this year. The area under cultivation of such crops shrunk by 2.1 percent to 184,000 ha in FY 2006/07. As per the preliminary estimations the area cultivating this crop will further shrink by 2.2 percent to 180,000 ha in FY 2007/08. The forecast is based on two reasons: lack of rain for one month in major districts of Terai region during flowering season and pest infections in some places. Despite growth in the area under cultivation of potato, its production in FY 2006/07 fell by 1.6 percent compared to the preceding years. In the current fiscal year, however, a growth of 1.9 percent in the potato cultivation area, 5.8 percent in its production and 3.6 percent in its productivity is estimated. Area of tobacco farming has fallen in the current fiscal year. While the last fiscal year witnessed a growth in both the area and cultivation of sugarcane, the crop this year is estimated to suffer a shrink in both the aspects. As for the jute crop in this fiscal year, its productivity and production are expected to rise despite reduction in the area of cultivation.
- 8.04 Production of pulses (lentil, mas, pigeon peas, black-gram, soybean, etc.) is expected to fall by 1.7 percent to 269,000 MT this fiscal year as against the production of 274,000 MT in the last fiscal year. However, fruit production is expected to rise by 5.4 percent to 606,000 MT this fiscal year against last year's 575,000 MT. A rise by 11.1 percent is expected in the output of green vegetables. Last year had witnessed a growth of 5 percent in the vegetables output. Continuous increase in vegetable both in

terms of production and cultivated area owes to the fact that farmers are highly drawn to this crop among other cash crops.

- 8.05 As a share of the output of the major agro-products in FY 2006/07, food crops comprised 48.3 percent, cash crops shared 31.0 percent while the rest came to 20.7 percent. Estimates for the current fiscal year show that, of the total crops, food crops share 49.8 percent while the share of cash crop stands at 29.0 percent, the rest sharing 21.2 percent. While the cultivated area in FY 2006/07 had shrunk by 1.6 percent, this fiscal year is expected to see an expansion of 3.4 percent.
- 8.06 As preliminary estimations show, GDP in agricultural and forest sector in the current fiscal year is expected to rise at the rate of 5.65 percent. As per the preliminary estimates based on Agro-production Index, the current fiscal year shall witness a rise in several products as against the last fiscal year's. Food crop is expected to rise by 7.3 percent, green leaves and nursery by 9.6 percent, fruits and spices by 5.4 percent, poultry farming by 3.1 percent, and animal husbandry by 2.6 percent. Similar estimations show that forest and forest products shall witness a 0.2 percent rise.

Production Status of Major Food Crops

- 8.07 **Rice:** Preliminary estimate shows the growth of rice in its area, production and productivity in the current fiscal year. Rice production is expected to shoot up by 16.8 percent to 4.3 million MT as against the last year's production of 3.68 million MT. This rise is the first after three consecutive years of recession in rice production. Similarly, cultivated



area is expected to rise by 7.6 percent (from 1.44 million ha in the last fiscal year to 1.55 million ha). Rice productivity is also expected to shoot up by 8.2 percent, to 2,770 Kg. per ha. Such estimations are made based

on favorable monsoon rains that started early, shedding enough almost throughout the monsoon period.

- 8.08 **Maize:** Maize production in the current fiscal year is expected to rise by 3.2 percent to 1.88 million MT as against 1.82 million MT in the last fiscal year. The preliminary estimate is that maize productivity shall rise by 3.3 percent to 2,160 Kg. per ha. Besides low maize production in that Terai due to excessive rain, better maize production in the hilly and the Himalayan regions and an increase in cultivation area for non-seasonal and Basante (spring) maize varieties, the production of maize increased in this fiscal year.
- 8.09 **Wheat:** Compared to the last fiscal year, wheat production is expected to rise by 3.8 percent to 1.57 million MT. Rise in the wheat production is estimated due to the fact that this crop is doing well in the Terai region despite its poor perspective in the hilly region. Besides, cultivation area of the crop has also increased. As against the cultivation area of 703,000 ha in the last year, the area increased by 0.4 percent to 706,000 ha this year.
- 8.10 **Barley:** Barley production and its cultivation area in this fiscal year are expected to fall. Cultivation area is expected to fall by 2 percent. Total cultivated area this year is estimated at 26,000 ha and the production at 28,000 MT. Farmers more interested in other cash crops and shrinking of cultivation area in the Terai and inner Terai areas stand as the main reasons for the poor performance of this crop.
- 8.11 **Millet:** Millet is estimated to register a growth of 2.2 percent to 291,000 MT this fiscal year as against last year's 285,000 MT. Productivity is also expected to rise by 1.9 percent to 1,090 Kg. per ha as against last year's 1,070 Kg per ha.

Production Status of Cash Crops

- 8.12 **Sugarcane:** This major industrial crop witnessed a shrink in cultivation area by 1.6 percent to 63,000 ha. Production is simultaneously estimated to reduce by 4.4 percent to 2.49 million MT.
- 8.13 **Oil-Seeds:** Production of oil-seeds (such as mustard, yellow mustard, sunflower etc.) is expected to go down by 1 percent this fiscal year compared to last year's, harnessing just 134,286 MT. Preliminary estimations show that cultivation land for this sector shall shrink by 2 percent to 180,000 ha. This estimation is based on lack of rain during flowering season in major districts and due to pest (Lahi kira) infestation on such crops in the Terai region.

- 8.14 **Potato:** Potato production in the current fiscal year is expected to rise by 5.8 percent, with net production estimated at 2.05 million MT. Cultivation area of this crop is expected to rise by 1.9 percent, thus the crop spreading over to some 157,000 ha. Productivity of the crop is estimated at 13,110 Kg. per ha. This estimation is based on the fact that no pocket area this fiscal year is infected with blast disease.
- 8.15 **Tobacco:** This cash crop is estimated to fall by 1.5 percent this fiscal year yielding to just 2,610 MT. Cultivation area for this crop has been on the continuous decline for the past few years. This year, the cultivation area of the crop is estimated at 2,690 ha. Farmers' interest in this cash crop is fading away resulting in its low production.
- 8.16 **Jute:** Cultivation area of this crop farmed in six eastern districts: Jhapa, Morang, Sunsari, Saptari, Siraha and Udayapur, has decreased. Yet, the production and productivity of the crop is expected to rise to some extent.
- 8.17 **Pulses:** The total production of pulses (lentils, mas, pigeon pea, black gram, soybean, gahat, khesari, etc.) in this year is expected to fall by 1.7 percent, yielding to just 269,770 MT. However, slight increase in the cultivated land is estimated, reaching 320,000 ha. Despite a slight increase in the production of mas, soybean, pigeon pea beans, etc., major components of this group, lentils, peas, etc. are expected to fall behind, leading to the overall decrease of this group of crops.

Table 8(a) : Productivity of the Agro-Crops

(Kg/ hectore)

Production	Fiscal Year	
	2006/07	2007/08*
Agro Crops	2218	2361
Rice	2557	2775
Maize	2091	2159
Wheat	2156	2225
Millet	1074	1096
Barley	1064	1076
Pulses Crops	859	842
Horticulture Crops		
Potato	12657	13110
Vegetables	11977	11600
Fruits	9985	10563

* estimated

Source: Division of Agro-business Promotion and Statistics, Ministry of Agriculture and Cooperative

Production Status of Other Crops

- 8.18 **Fruits:** Fruit production is expected to rise by 5.4 percent, thereby reaching 606,000 MT as against last year's 575,000 MT. However, the area of cultivation for this crop is expected to decrease by 0.3 percent, shrinking from 57,595 ha to 57,400 ha. Apple and orange are expected to mark a slight rise. This year, professional banana farming has also been included in the list, thus contributing to the overall production of this group of crops.
- 8.19 **Vegetables:** Vegetable production this year is expected to rise by 11.1 percent. The crop is expected to soar to 2.56 million MT from last year's 2.30 million MT. The cultivation area is expected to be 220,000 ha. This type of crop has been widely accepted by farmers thereby, resulting in the constant rise of the crop's in area coverage and production for the past few years.
- 8.20 **Spices:** Spices like ginger and cardamom have witnessed a slight increase in terms of area coverage and production. Despite the decrease in cultivation area of the crops like turmeric, peppers and garlic ,their production and productivity have remained high.
- 8.21 **Tea, Coffee and Cotton:** Of the industrial crops, tea, coffee and cotton have undergone a significant increase in terms of area coverage and production.
- 8.22 **Honey:** Beehives are expected to remain almost at par with that of last year, i.e. 125,000 in number. Total honey production is also estimated to remain the same as that of last year, i.e., 650 MT. Despite the increase of modern beehives such as Serena and Molifera, the decline in the beehives of wild bees like Mudhe and Khopre would result in no remarkable difference in honey production.
- 8.23 **Floriculture:** The country has some 550 nurseries while Katmandu valley alone has 56 flower show-rooms. Nurseries and show-rooms from around the country are estimated to have a transaction of around Rs. 220 million from flower trade. This amount exceeds the last year's transaction in this crop by some Rs. 3.8 million.

Production Status of Livestock

- 8.24 **Number of Animals/Birds:** The number of cows/oxen is estimated to have increased by 0.7 percent in the current fiscal year, reaching 7.09 million. Of the total number of cows/oxen, the number of milking cows was 915,000, 13 percent of the total. Similarly, the number of male and female buffaloes increased by 3.0 percent to 4.5 million, among which the number of the

milking buffaloes was 1.16 million, 25.8 percent of the total. The number of sheep has fallen by 5 percent to 809,000, that of goats risen by 3.7 percent to 8.14 million, and the number of pigs increased by 2.4 percent to 1.01 million. Similarly the number of fowls rose by 3.0 percent to 24.7 million as against last year's number of 23.9 million. In the last fiscal year, poultry farming could not achieve a targeted growth in the production of fowls as the import of hens from India was banned and there was spread of bird flue in Bangladesh and the Indian states of West Bengal and Bihar. The number of ducks is expected to fall by 1 percent, reaching 3, 90,000.

- 8.25 **Milk:** Current fiscal year's estimate a rise of 2.8 percent in milk production from cows and buffaloes (excluding yak and Nak), the figure standing at 1.39 million MT. Of the total figure, cows contributed 400,000 MT while the share of buffaloes was 988,000 MT.
- 8.26 **Meat:** Total meat production during the current fiscal year is expected to rise by 3.0 percent to 233,900 MT. Of the total production, buffaloes' share would be 151,000 MT, that of sheep 2,733 MT and that of goats 46,188 MT. Similarly, pig's share would amount to 16,000 MT, chicken's share 16,600 MT and duck contributing 229 MT. As stated earlier, the production of meat from fowls has increased nominally due to spread of the bird flu in Bangladesh and India and the import restrictions.
- 8.27 **Eggs:** The number eggs production is expected to rise by 2.7 percent, marking 631.2 million from last year's 614.8 million, of which the hen eggs would make 617.4 million while that of ducks would comprise 13.8 million.
- 8.28 **Fish:** Current fiscal year is expected register a rise in fish production by 7.1 percent to 50,100 MT. Out of the total production, 50 percent is estimated to be produced from fish ponds while the rest being collected from other natural sources.
- 8.29 **Wool:** Wool production from sheep is estimated to decline from 588 MT last year to 585 MT this year.

Climatic Impacts

- 8.30 Thanks to the favorable monsoon condition this year, production of paddy remained high. Monsoon that started early brought enough precipitation till late, enabling paddy plantation in non-irrigated areas and boosting area coverage and productivity of the crop. Adversely, maize production in Terai is low due to water-logging. Reports from the Department of Hydrology and Meteorology state that months ending in mid-June received 98 percent of rainfall, *mid-July* 125 percent, and *mid-August* 101

percent, and *mid-September* 159 percent. Such more than average rainfall except in June brought about positive impact on paddy production.

- 8.31 Climate in the current fiscal year seems unfavorable for winter crops like wheat, barley, pulses and fruits. Rainfall reports of different places state that *September* and *October* received low rainfall and that the rainfall in January was exceedingly low. Even *February*, *March* and *April* recorded less than average rainfall.

Impact of Natural Calamities

- 8.32 The FY 2007/008 witnessed massive impacts of natural disasters like flash flood, landslide, inundation, river-cutting, etc. on summer crops in the Terai region. Impacts of such disasters in other regions of the country, though, were negligible. Most of the Terai districts are affected by inundation and the districts like Banke, Bardiya, Dhanusha and Mahottari suffering the most. Hailstones also caused a heavy damage to fruits and vegetables and minor damage to wheat crop production. Districts most affected by hailstones are Tanahun, Kaski, Makwanpur, Dhading, etc.

Chemical Fertilizers and Improved Seeds

- 8.33 **Chemical Fertilizers:** Agriculture Inputs Company Ltd. (AIC) has been selling and distributing chemical fertilizers to the farmers at affordable cost and as per their demand ever since its establishment. To ensure its non-stop supply, the company has been purchasing fertilizers directly from the manufacturing company, its authorized dealer or specialized fertilizer trading concerns. The company has also started studies on purchasing other types of chemical, fertilizer, micro-fertilizer and compost besides other agricultural products. In FY 2006/007, the AIC had supplied 25,169 nutrients MT (NMT) of chemical fertilizers. In the first eight months of FY 2006/07, the company had distributed 18,149 NMT of chemical fertilizer. The AIC has distributed 5778 NMT of chemical fertilizer in the first eight months of FY 2007/2008.
- 8.34 **Improved Seeds:** As per the policy of enhancing the competitive transactions in improved seeds, the National Seeds Company Limited has been distributing quality seeds through dealers in order to avail the seeds at the farmers' door-steps. To meet its goal of selling and distributing seeds, the Company has started collecting quality seeds from its own farms and that of the farmers under the Seed Promotion Program and selling them at the local market after proper treatment through the disease controlling pesticides and germicides. The company distributed seeds in quantities of 661 MT of paddy, 2476 MT of wheat and 19 MT of maize in

FY 2006/07. In the first eight months of FY 2006/07, the company distributed seeds at 92 MT of paddy, 2451 MT of wheat and 6 MT of maize. In the first eight months of FY 2007/08, the company has sold seeds at 196 MT of paddy and 2870 MT of wheat. Seed distribution of maize and paddy remained below the target. Inability in collecting quality seeds from the farmers despite a set agreement, farmers' growing interest in hybrid seeds of vegetables, and other seeds except the food crops seeds, entry of low quality seeds from the open Indian border, and high transportation cost of the seeds in the hilly regions have been the main factors for not meeting the set target.

- 8.35 **Irrigation:** As in the past years, development projects related to irrigation have been carried out at the government level and also by the ADBL. In FY 2006/07, the irrigation facility managed by the government reached 26,484 ha land and that extended through the ADBL reached 483.5 ha. In the first eight months of FY 2007/08, 3,770 ha of land has been irrigated under government agencies while 56 ha of land has been irrigated under ADBL projects, totalizing the irrigated land at 3,826 ha.
- 8.36 **Agricultural Credit:** Flow of agricultural credit, the factor playing an important role in agro-production, has gained continuity. The ADBL extended a credit of Rs.14.65 billion in FY 2006/07. The Bank recovered Rs.13.79 billion while its arrears in the same fiscal year remained at Rs.24.19 billion. During the first eight months of FY 2006/07, Rs.8.90 billion was extended as credit while, during the same period in FY 2007/08, the credit amount increased by 16.7 percent to Rs.10.39 billion. Of the total loan disbursed, the highest disbursement is on agro-industry, marketing and godown construction comprising almost 50 percent, while the lowest disbursement is on tea and coffee farming.
- 8.37 **Small Farmers Development Bank (SFDB):** The SFDB is involved in uplifting the economic and social status of small farmers and deprived people in the rural parts of the country. It is involved in empowering the small farmers and the downtrodden through the implementation of micro-finance program and promotion of co-operatives in villages for the institutional development of the stakeholders. Social mobilization, livestock insurance program, small farmers' institutional development program and the micro-finance program are the major activities of the SFDB. Under the social mobilization program, small and downtrodden farmers are first identified and groups of 5 to 12 members representing every family are formed. A ward level inter-related group with the representatives of the same ward and a VDC-level board is also formed

selecting one representative from each inter-related group to operate small farmers' cooperative institutions.

The number of institutions affiliated with the SFDB was 219 in FY 2006/07. The number has remained steady till the first eight months of FY 2007/08. The SFDB floated a credit amount of Rs.537.5 million in the first eight months of FY 2007/08 and collected the principal amount Rs.467.4 million while interest collection during the same period stood at Rs.71.8 million. The SFDB also has the provision of livestock insurance in 160 VDCs through the ADBL. A total of 9,013 animals were insured worth Rs.119.3 million in FY 2006/07. In the first eight months of the current fiscal year, total 1,540 animals worth Rs.20.1 million were insured in the initiation of local institutions. The SFDB had conducted Small Farmers' Institutional Adoption Program in 4 VDCs. After enabling the farmers to handle the programs at their own, the management of the program is now handed over to the local level. In the first eight months of the current fiscal year, the SFDB has availed loans to 219 small farmer co-operative firms. A total of 133,000 people have been the beneficiaries of the program, out of whom, males comprise 65,700 and the females stand at 67,600. A total of 129,851 people had enjoyed the facility in FY 2006/07, comprising of them 65,626 males and 64,225 females. In the current fiscal year, Small Farmers' Institutional Development Program is in action at 13 VDCs. Likewise, 2,472 downtrodden and small farmer families are benefiting from the Social Community Program through 140 institutions.

- 8.38 **Nepal Agriculture Research Council (NARC):** The Nepal Agriculture Research Council, established with a view to make the development of agriculture sector, the backbone of the Nepalese economy, more effective through research, has been conducting different research programs focusing on major crops such as paddy, wheat, maize etc. as suggested by the APP. The research programs comprise raising the production and productivity of these major crops, development of nutritive, high value, hybrid, disease and pest-resistant species and development of technologies helping to minimize the loss from disease, pests and herbs, besides raising soil fertility and improving the resource conservation. On the vegetable side, the research is underway especially in identifying suitable seeds of tomato, cauliflower, cabbage, onion, cucumber and appropriate species of fruits for non-seasonal farming, disease and pest control, and improved technology of safe storage. There is a continuous research on improving animal breeds, better grazing, cereals and animal feeds areas etc. The effects on animal health also affects the production of

milk and meat. So, the NARC has formulated plans on different aspects of the animal health. The construction of a gene bank building so as to protect, utilize and promote biological and genetic resources in the future is among its top priority.

- 8.39 **Status of Import and Export of Agro-products:** According to the SITC, the first eight months of FY 2006/07 had witnessed an export of food stuffs, live animals, tobacco and other beverages worth Rs.4.66 billion. In the first eight months of the current fiscal year, export of the goods is estimated at Rs.7.75 billion. Likewise, in the first eight months of the last fiscal year, goods worth Rs.8.34 billion were imported. Similarly, in the first eight months of the current fiscal year, import of goods is estimated at Rs.11.69 billion.
- 8.40 **Cooperative Institutions:** Nepal has adopted the policy of providing impetus to economic and social development through the promotion and consolidation of cooperative system in a qualitative way for encouraging capital formation and entrepreneurship awareness amid weaker sections of the people. Through timely amendments in the Cooperative Act and incorporating proper regulatory mechanism, several activities have been implemented to enhance the efficiency of cooperative in the country. The information as to the number of cooperative institutions, their nature, transactions and the employment opportunities created by them has been updated. Audio-visual programs for the awareness on cooperatives have been produced and disseminated. In the last fiscal year, 600 farmer groups were cooperatized while in the first eight months of this fiscal year, such number has reached 400. In order to enhance the efficiency of cooperative movement and the managerial aspect of cooperatives through skilled cooperative workers or trainers, 6,125 individuals associated with cooperatives and official staffs were trained in the first eight months of the current fiscal year. As per the policy to provide continued support to the socio-economic development under consolidated cooperative system, farmers in Mugu, Jumla and Kalikot districts of Karnali zone have already been grouped and trained on pre-cooperative education.
- 8.41 **Land Reform:** As to the rehabilitation of freed Kamaiyas, 14,459 ex-Kamaiyas have been rehabilitated till mid-April 2008. A book detailing the government and public land in eight districts is released. Efforts at introducing computer-based lands transactions are underway at in Land Revenue Offices of the kathmandu valley and 1 in kaski district. Likewise, 4 Land Revenue Offices at Lalitpur, Bhaktapur, Dillibazar and Kaski have been issuing land certificates through computer. In land

revenue offices at Morang, Belbari, Tikapur and Kailali, initiatives are on for issuing the land certificates within this fiscal year through the support of the Pro-Public in computerization of the land records. As a pilot project, District Land-use Committee has been formed following the drafting of the work schedule at the Lekhanath municipality, ward-1, for implementing the land-use program through the local body.

Industry

- 8.42 Preliminary estimate shows that manufacturing industry GDP is to rise only by 0.18 percent in the current fiscal year as compared to the growth of 2.55 percent last year. Despite positive sign in the growth of products like edible oil, rice, wheat flour, biscuit, sugar, noodle, tea, tobacco, beverages and jute products, a negative trend revolves around products such as vegetable ghee, milk products, soap, plastic products, ready made garments, and woolen carpets. As such, the growth rate in this fiscal year is likely to remain marginal.
- 8.43 **Special Economic Zone:** With a view to reducing the cost of goods to be exported in international market and enhancing their competitive capacity, the concept of Export Processing Zone (EPZ) has been brought up to encourage production practices based on labor value competition through exempting or setting aside different taxes imposed on import of necessary raw materials. In the TYIP , a strategy has been adopted to set up a Special Economic Zone (SEZ) to attract national and international investments in feasible sites for export-oriented industries. The SEZ comprises export-related EPZ, Special Trading Zone, Tourism/Recreation Area and Banking Area. The prime objectives of the SEZ are attracting foreign investment, boosting export earning foreign exchange, and introducing high-quality new technology. As a payback to the facilities availed within the SEZ, the industries inside it are required to produce goods of international quality at 70 to 100 percent of their production.
- 8.44 Studies on establishing and regulating SEZ and activities related to Acts, feasibility study and construction of basic infrastructure had started in FY 2003/04 in the light of attracting foreign investment and achieving high economic growth. As per the studies, Bhairahawa has been identified as an ideal site for EPZ whereas Birjung, Panchkhal and Ratmate Jiling of Nuwakot have been looked upon as the sites for SEZs. Infrastructure development is ongoing in Bhairahawa while works have also been initiated in Birjung in the current fiscal year. Similarly, activities relating to setting up SEZs in other places are proceeding.

- 8.45 **Micro-Entrepreneur Development Program:** Activities since last fiscal year are underway aiming at achieving MDGs, poverty reduction and conflict minimization and resolution. To this effect, local organizations in 21 districts are shaped into Business Development Service Provider Organizations. Special activities are on in four districts (Siraha, Saptari, Sarlahi and Kapilvastu) toward conflict minimization and maintaining sustainable peace. Inter-groups of micro-entrepreneurs at market centers and an association at district level in all the 25 districts have been formed so as to serve the micro-entrepreneurs in safeguarding and promoting their rights and mutual benefits. The micro-entrepreneurs in these districts have been offered assistance through this institutional mechanism.
- 8.46 **World Trade Organization:** Nepal has completed its fourth year as a WTO member. It is the first country to join the WTO from among the LDCs. As per the commitment to the WTO, some new Acts and Regulations have been formulated and come into implementation. Some Acts and Regulations are along the process of revision and refinement in order to make them WTO-friendly. The work of constituting an inter-ministry high level directorate committee has reached the final stage. The committee aims at raising Nepal's trade competency through reforms, optimal utilization of national and international resources and coordination of technical assistance available in the field of trade.

Box 8(b) : Activities being undertaken after the WTO Membership

1. As per the WTO agreement, a member country should establish enquiry points to inform other countries. As such, the Department of Food, Technology and Quality Control under the Ministry of Agriculture and Cooperatives as for Sanitary and Phyto-sanitary-SPS, and Nepal Bureau of Standards and Metrology under the Ministry of Industry, Commerce and Supplies for Technical Barriers to Trade – TBT have been the entry-points. Similarly, Division of World Trade Organization under the Ministry of Industry, Commerce and Supplies serves as the entry point on service related issues.
2. A Focal Point has been formed for inter-governmental coordination in subjects concerned with the WTO. The Focal Point has been working with regular meets for fulfilling the commitment to WTO.
3. WTO Reference Center has been established to inform and disseminate information on the WTO. The center also holds monthly interactions on WTO issues with experts.
4. Different Acts such as Competition and Market Promotion Act, new Company Act, Multi-Modal Transportation Act, Crop Protection Act, Export/Import and Intellectual Property Rights Acts, Insolvency Act and new Customs Act have

been issued. Also, discussions are on with the stakeholders in amending commercial policy and industrial policy.

5. Customs Duties has been accommodated each year as per the commitment to WTO in providing market access to products.
6. Enhancing Nepal's Trade-Related Capacity Project, run by UNDP, has been working in boosting the trade-related capacity of the government and the private sector, involving the stakeholders in the formulation of policies pertaining to business and industries and in trade analysis, in skill development, and creating investment- friendly environment
7. Ever since Nepal's membership in WTO, Nepal has been launching public awareness programs on seizing opportunities by meeting the challenges. Such programs are carried out at the central, regional and district levels through the coordination with private sector.

Source: Ministry of Industry, Commerce and Supplies.

Status of Industrial Production by Groups and Industrial Indices

- 8.47 Compared to the last year, this fiscal year is likely to witness a rise in major food stuffs, beverages, tobacco products, clothing, hides, wood and wooden products, paper products, other chemicals, and mineral products other than metals. In current fiscal year under food products, noodle is likely to go up by 1,423 MT, beverage by 1.28 million liters, sugar by 4,135 MT and tea by 487 MT. Likewise, vegetable ghee is likely to shoot up by 7,528 MT, liquor by 380,000 Liters, paper by 1,256 MT, soap by 1,882 MT, powder soap by 140 MT and cement by 25,773 MT.
- 8.48 The FY 2006/07 had witnessed a rise in aggregate industrial production index by 6.6 percent. That year, vegetable ghee increased by 8.6 percent, milk products by 7.5 percent, cereals and animal feeds by 10.1 percent, other food items by 0.8 percent, wood and furniture by 3.8 percent, paper and paper products by 4.6 percent, other chemicals by 10.8 percent, plastic materials by 4.3 percent, mineral products other than metals by 9.0 percent, fabricated metals by 8.2 percent, and electric equipment by 6.3 percent. Similarly, beverage had increased by 5.4 percent, tobacco by 4.9 percent, clothing by 7.9 percent, and other clothing by 8.2 percent. However, the last fiscal year had witnessed a decline in the output of products like hide, garments and sugar. Variables like the improvement in peace and security environment, income source; saving and consumption capacity, export/import, change in consumption trends, etc. favorably affected the industrial index in FY 2006/07 compared to that in the previous year.

- 8.49 The current fiscal year's preliminary estimates show that the industrial indices increased to 139.16 from last year's 130.04. Likely rise in the indices is expected this year on vegetable ghee, milk products, cereals and animal feeds, publication and recording, other chemicals, mineral products other than metals, fabricated metals and electric equipment. However, fall is expected in the indices of goods such as clothing, plastic goods and other food items.

Foreign Investment in Industry

- 8.50 Amendment to the Foreign Investment and Technology Transfer Act has opened avenues for foreign investment in new sectors. One-Door Committee has been reformed for an easy access to tax exemption and duty drawback facilities for industries. Duty drawback amount due since FY 2000/01 has been refunded. In regard to producing goods in contract, Contract Manufacturing Procedure has been prepared and has already been in effect. Also, issuance of certificate of origin for an easy access to export to India is underway. As per the special provision, business firms can be renewed within six months of the expiry date. With an objective of providing necessary permission, services and facilities to the foreign investors through one-door system for attracting foreign investment, Foreign Investment Promotion Committee Work Procedure, 2062 BS is already in effect.
- 8.51 Though Nepal is rich in natural and human resources, the resources have not been optimally utilized, thereby, Nepalese people sometimes referred to as "poor in a rich country". Foreign investment and technology transfer is essential for leading the nation's economic system toward the attainment of self-sufficiency through building a robust, strong, dynamic and competitive economy on the basis of the optimum utilization of available natural and human resources. Foreign investment fosters capital, modern technology, managerial and technical skills, access to international market, and culture of professional competition. More importantly, the country heads for a strong and independent economy on the foundation of rapid industrialization and higher revenue generation. In this light, 188 industries with fixed capital of Rs.2.65 billion and project cost of Rs.3.43 billion were permitted as foreign investment in FY 2006/07. In the first eight months of the current fiscal year, 127 industries with fixed capital of Rs.12.82 billion and project cost of Rs.15.18 billion have obtained permission for investment.

Table 8(b): Industries Permitted for Foreign Investment in FY 2006/007*(Amount in Rs. Million)*

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Number of Employees
Industrial Production	40	1816.20	1271.33	1808.95	2541
Service Industry	88	1126.92	981.88	1068.33	3119
Tourism Industry	55	315.08	249.72	267.12	1486
Construction	2	41.37	31.13	37.09	95
Energy	1	111.00	107.30	30.30	36
Agriculture	1	5.00	4.20	5.00	20
Mines	1	10.00	5.00	10.00	128
Total	188	3425.57	2650.56	3226.79	7425

Source: *Department of Industries, Tripureshwor***Table 8(c) : Industries Permitted for Foreign Investment in FY 2007/008****(maoun in Rs. Million)*

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Expected Number of Employees
Industrial Production	37	2314.33	1752.16	1092.66	2577
Service Industry	42	3508.51	2205.09	1066.27	1544
Tourism Industry	37	457.23	400.14	425.92	1029
Construction	1	1150.00	1144.00	1150.00	43
Energy	4	6088.12	6055.99	2337.84	482
Agriculture	4	60.40	43.60	51.30	166
Mines	2	1596.00	1217.60	1596.00	204
Total	127	15174.59	12818.38	7719.99	6045

*First eight months

Source: *Department of Industries, Tripureshwor*

- 8.52 To foster foreign investment through adoption of relevant, practical and liberal policy, total of 1,412 industries were given permission up to the first eight months of FY 2007/08. Fixed capital of those industries stands at Rs.93.84 billion while their total project cost stands at Rs.113.03 billion. Records show that these industries have drawn foreign investment totaling at Rs.40.70 billion. Once in operation, these industries would generate employment for 120,968 Nepalese citizens.

Table 8(d): Industries Permitted for Foreign Investment as in mid-March 2007*(Amount in Rs. Million)*

Types of Industry	Nos.	Total Project Cost	Total Fixed Capital	Foreign Investment	Expected Number of Employees
Industrial Production	570	42317.06	30673.28	15435.94	69254
Service Industry	405	21956.66	17863.56	10295.27	23229
Tourism Industry	364	16873.45	15933.46	5416.30	18804
Construction	24	2336.93	2053.77	1841.01	1587
Energy	24	26602.42	24898.76	5914.46	5424
Agriculture	20	505.55	433.00	158.06	1209
Mines	5	2436.02	1980.70	1634.70	1461
Total	1412	113028.10	93836.53	40695.73	120968

Source: *Department of Industries, Tripureshwar*

8.53 Among the 188 industries accorded permission in FY 2006/07, 40 are in industry sector, 88 in service, 55 in tourism, 2 in construction and 1 each in the field of energy, agriculture, and mineral sectors. As for the countries, 38 industries are invested by China, 28 by India, 23 by the USA, 15 each by Japan and South Korea, 14 by UK, 7 each by Germany and France, 5 by Netherlands, 4 by Canada, 3 by Belgium and 29 by other countries.

Table 8(e): Countrywise Foreign Investment

S.N.	Countries	FY 2006/07	First Eight Months	
			2006/07	2007/08
1	India	28	20	26
2	China	38	22	13
3	Japan	15	12	5
4	USA	23	11	7
5	UK	14	8	10
6	South Korea	15	9	15
7	Belgium	3	1	1
8	Germany	7	3	8
9	Iran	-	-	1
10	Netherlands	5	4	3
11	Spain	-	-	3
12	Canada	4	2	2
13	France	7	3	-
14	Israel	-	-	2
15	Others	29	15	31
	Total	188	110	127

Source: *Department of Industries, Tripureshwar*

- 8.54 Of the 127 industries granted permission in the first eight months of the current fiscal year, 37 are associated with industrial products, 42 with service, 37 with tourism, 4 each with energy and agro-industry, 2 with mineral and 1 with construction. Of these 127 industries, 26 are from India, 13 from China, 5 from Japan, 7 from USA, 10 from UK, 15 from South Korea, 8 from Germany, 3 each from Netherlands and Spain, 2 each from Canada and Israel, 1 each from Belgium and Iran, and 31 from other countries. Of the 110 industries granted permission for foreign investment in the first eight months of FY 2006/2007, 20 were from India, 22 from China, 12 from Japan, 11 from USA, 8 from UK, 9 from South Korea, 4 from Netherlands, 3 each from France and Germany, 2 from Canada, 1 from Belgium and 15 from other countries.

Utilization of Production Capacity of Some Industries

- 8.55 Among some selected industries, utilization of production capacity of sugar, cement, cigarettes, beer and shoes was found increased in FY 2006/07 compared to that in FY 2005/06. However, match industries and jute industries were found to have maintained steady production rate. Of the production capacity, cigarette and jute industries utilized 88.0 percent and 72.0 percent respectively in FY 2006/07. Likewise, sugar, beer, shoes and cement industries used their capacity at 34.0 percent, 74.0 percent, 65.0 percent and 42.0 percent respectively.

Current Status of Industrial Estates

- 8.56 Industrial estates were established with objective to support industrial development through provision of physical infrastructures and other services essential for the establishment, operation and promotion of the industries. At present, there are a total of 11 industrial estates located in Balaju, Hetauda, Patan, Nepaljung, Dharan, Pokhara, Butwal, Bhaktapur, Birendranagar, Dhankura and Rajbiraj. Among the 524 industries in the industrial estates till FY 2006/07, 76 have been closed, 59 are still under construction, and the fully operated industries are 389. Among industrial estates under the Industrial Estates Management Limited, it has had fixed capital investment of Rs.186.1 million while the investment from the private sector stands at Rs. 4.49 billion. Of the total 5,680 Ropanis of land occupied by industrial estates. 5,005 Ropanis of land is in a fully developed state of which 3,409 Ropanis of land is on lease to various industries. Industries in the industrial estates have employed a total of 13,508 people. Industrial estates providing high employment include Balaju, Butwal, Pokhara and Patan in that order.

Sick Industries

8.57 Considering the situation of industrial sickness in view of the unfavorable environment during the period of conflict and political uncertainty, the GON had brought out policy and programs in FY 2001/02 towards mitigate the adverse situation of the ailing industries. The monetary policy for the current fiscal year has arranged an amount of Rs.2 billion for the sick industry refinance. By mid-June 2008, two hotels have been provided loan amounting to Rs.60 million. In FY 2006/07, loans under this facility totaled Rs.154.9 million in mid-April, 2008.

Nepal Industrial Development Corporation

8.58 The NIDC was established with the objective of promoting national economy through mediating in providing quality and reliable banking and financial services in the industry, commerce and service businesses. With the annulment of the NIDC Act, 2016 BS under which it had been operating previously, the institution now works as a “B” grade development bank as provisioned under the Banks and Financial Institutions Act, 2063 BS. The NIDC has collected a total of Rs.236.1 million (principal Rs.131.8 million and interest Rs.104.3 million) in the first nine months of FY 2007/08. Similarly, with the sale of promoter share in part at Nabil Bank at Rs.907.5 million including the collection of principal, interest and share income, the NIDC has collected a total of Rs.1.14 billion.

Cottage and Small Scale Industries

8.59 The number of cottage and small-scale industries registered in FY 2006/07 rose by 5.7 percent compared to those registered in FY 2005/06. In FY 2006/07, private firms increased by 3.6 percent, private limited firms by 36.3 percent, and joint firms by 3.5 percent. In the registered cottage and small-scale industries, the fixed capital investment increased by 16.8 percent to Rs.7.83 billion. In the first eight months of the current fiscal year, 5,284 cottage and small industries are registered with an estimated investment of Rs.4.17 billion.

Industrial Enterprise Development Academy

8.60 The Academy has been conducting several programs for industrial and economic development through contributing to the growth of entrepreneurship, techniques, resource, modern technology, quality

management skills and technical manpower. Accordingly, it is conducting activities like creating new business ventures, business management, trainings, counseling research works in industry. In the first eight months of the current fiscal year, the Academy has trained 74 persons in small business venture creation, 46 persons in trainers' training, 37 in counseling the industrialists, 37 in income-generation for a single woman, 18 in income-generating training for conflict-afflicted women, 71 in developing business skills for the Dalit and people from ethnic communities.

Mines and Geology

8.61 With a view to support in the geological survey, geo-engineering and geo-environmental studies, besides running the mineral exploration and mining development work systematically, a physical map of the hilly region of the country covering around 109,000 square km area in the scale of 1: 50,000 and 1: 63,360, is being prepared and would soon be published. An agreement has been reached with the private investors for establishing cement industries based on lime stones in the Baitadi, Udayapur, Dhankuta, Salyan and Arghakhanchi districts. Also, a similar agreement has been made for operating industry based on iron-mine in Ramechhap district. Normal quality coal has been located in Dang, Salyan, Rolpa and Palpa districts. Natural gas deposit of 310 million cubic meters over 26-square km area of the Kathmandu valley has been discovered. In order to conduct earthquake-related studies in the Himalayan region, seismic networks are established across the country so as to continuously monitor and record for collecting data on the basis of which Micro Seismic Epicenter Map and Epicenter Map of Nepal have been published.

Tourism

8.62 While analyzing the number of tourists visiting Nepal, their growth trend and length of stay, the number of tourists had increased by 4.9 percent during calendar year 2006. The number of tourists in the calendar 2007 grew by 33.5 percent. In 2007, the length of tourist stay increased to 10.02 days as against the previous year's average of 9.5 days.

8.63 Most of the tourists arriving to Nepal are found to be pursuing recreation, trekking and mountaineering. Of the tourists visiting Nepal in calendar year 2007, 43.4 percent visited for recreation, 16.5 percent for trekking/mountaineering, 5.7 percent for trade, 4.3 percent

for formal visit, and 11.7 percent for pilgrimage, and 18.4 percent for other purposes. Review of the same statistics for last year shows that the number of tourist arrivals for the purpose of recreation, trekking and other purposes increased while those for formal visit, trade and pilgrimage decreased during 2007.

Table 8(f) : Quantitative Targets and Achievements in Tourism and Civil Aviation

S. N.	Description	FY 2005/06	Target of FY 2009/10	Achievement of FY 2006/07
1	Tourist Arrival (in Thousand)	375	700	526
2	Duration of Stay (in Days)	9.5	13	10.02
3	Foreign Exchange Earning (US\$ in Million)	148	300	181.34
4	Per Day Expense Per Tourist (in US\$)	58.5	63	0
5	Contribution on GDP (in Percent)	2	3	1.2
6	Direct Employment (in Thousands)	83	100	0
7	International Airlines Services having regular Flights to Nepal (in No.)	17	25	20
8	One-way Air Seats in International Sector (in Thousands)	2,850	3,250	1,700
9	Number of International Air Passengers	383,000	1,500,000	

Source: Tenth Plan and Ministry for Culture, Tourism and Civil Aviation.

- 8.64 Sectoral analysis of tourist arrivals in 2007 shows that 53.8 percent of the total tourists arriving were from Asia, 25.7 percent from West Europe, 5.9 percent from North America, 3.1 percent from Australia and the Pacific, 4.9 percent from East Europe, 2.5 percent from Central and South America, 0.4 percent from Africa, and the remaining 3.7 percent from other countries. Of the 53.8 percent tourists arriving from Asia, 18.3 percentage points were from India. Though shares of tourists arriving from Asia, West Europe, and North America have slightly declined in comparison to the figure during the same period in the preceding year, tourist arrivals from Australia and the Pacific, East Europe, Central and South America, Africa, and other countries have increased.
- 8.65 Data as to the number of hotels and hotel beds in 2006 shows that the number of star hotels decreased to 105 while the number of non-star hotels also decreased to 502. During the year, the number of hotel beds in star hotels reached 9,763 while that in the non-star hotels reached 14,497. Percent-wise, the number of hotels and hotel beds decreased by 39.7 percent and 38.4 percent respectively. However, during the first eight months of current fiscal year, there has been

increment in both the number of hotels and hotel beds, signaling significant progress by the end of fiscal year.

- 8.66 Analysis of mountaineering teams, number of mountaineers, royalty, periodic employment, and expenditures of mountaineers shows increment in number of mountaineering teams, royalty to the government, expenditure of mountaineers, and periodic employment in 2007. In 2007, the number of mountaineering teams increased from 133 to 164, that of mountaineers from 986 to 1,128, and that of periodically employed from 4,344 to 4,843 while the royalty collected increased from Rs.145.6 million to Rs.169.8 million, and the amount spent by mountaineers in Nepal rose from Rs.423.9 million to Rs.966.6 million.
- 8.67 Nepal Tourism and Hotel Management Academy (NATHAM) has been carrying out trainings for tourism as well human resource development. With the objective of developing tourism in rural areas, people in rural areas have been encouraged to invest in tourism business and provided with necessary trainings for operating such businesses. To generate skilled manpower for developing both small and large tourism business in urban areas, 3-Year Bachelor in Travel and Tourism Management course has been started since FY 2003/04. Similarly, to develop skilled human resource for tourism development, Bachelor in Hotel Management, various hotel management trainings, guide, tour travel agency and ticketing, cook, leader, water rafting demonstrator, hospitality course, and local site visit trainings are being offered. In FY 2007/08, the Academy had trained 1,330 subjects in various students. Within first eight months of FY 2007/08, a total number of 1,118 students have been trained by the Academy. The total number of manpower trained by the Academy exceeds 24,000.

Box 8(c) : Major Activities under Tourism Sector

- a. Tourism Master Plan: In an effort to give clear direction to the tourism sector, preparation of an integrated tourism master plan and review and timely revisit of tourism policy are at the final stage.
- b. Foreign Investment in Tourism Industry: In accordance with the policy to encourage foreign investment in tourism sector, study on allowing foreign investment in tourism industries has been initiated.
- c. Airport Construction and Improvement: Preliminary work for construction of second international airport in Nijgadh of Bara district under private investment has started. Airport expansion activities at

Gautam Buddha airport, Bhairahawa, and Chhinnedanda airport, Pokhara, have been initiated to convert these airports into regional international airports.

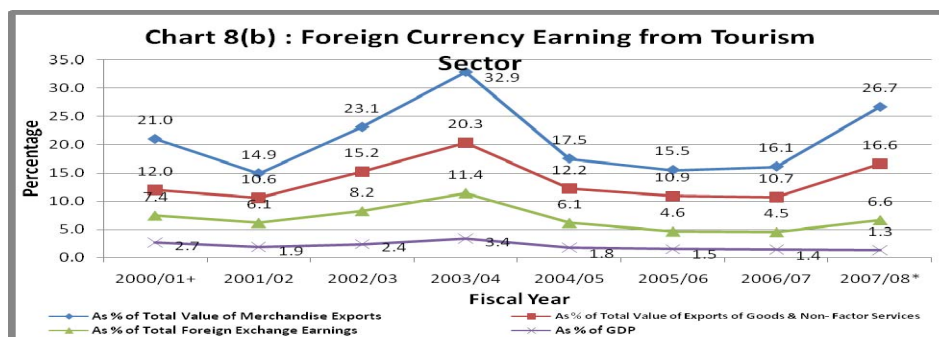
- d. Conservation of World Heritage: In order to conserve world heritage sites, the work of preparing the details of the houses and mapping of the road turns inside the site area is underway.
- e. Three-Year Plan: A three-year plan has been prepared for tourism and sent to the National Planning Commission for approval.
- f. Special Trainings: In order to alleviate poverty, generate foreign and domestic employment opportunities, and for the welfare of victims of conflict, Dalits, indigenous communities, and victimized women, special trainings on hotel and tourism have been continued.
- g. Tourism Promotion Program: Various programs are being conducted focusing on potential tourist markets like India and China and other promotional programs including "Send A Friend Home" are taking place in countries like Japan, UK, Germany, Belgium, etc.
- h. In memory of Tenzing Norgay and Sir Edmund Hillary, the first humans on Mount Everest, May 29, 2008 was celebrated as the International Everest Day.
- i. As sustainable tourism developments could only be achieved through integrated tourism development, selected tourist sites will be developed as pilot programs for integrated tourism development beginning from the coming fiscal year.

Source: Ministry of Culture, Tourism, and Civil Aviation

Foreign Exchange Earnings from Tourism Sector

- 8.68 Foreign exchange earnings in FY 2006/07 had increased by 6.0 percent totaling Rs.10.13 billion. During the first eight months of FY 2007/08, foreign exchange earnings reached Rs.10.89 billion, which is 7.6 percent more than the earnings during the same period in the preceding year. The foreign exchange earned in the first eight months of FY 2007/08 was equivalent to 26.7 percent of total foreign exchange earned from the exports of goods, 16.6 percent of total foreign exchange earned from total exports of goods and services, and 6.6 percent of the total foreign exchange earnings during the period. All the three ratios have increased in comparison to the ratios during FY 2006/07.
- 8.69 Nepal participated in tourism fairs and exhibitions held in India, Bangladesh, China, UK, USA, Canada, Germany, Japan, Benelux, Thailand, Spain, Finland, France, Italy, Indonesia and the UAE. Among the joint tourism promotional programs, Nepal participated in Sakaal Reflections, NATTA Promotional Tour 2008, Introductory Programs, and Sales Mission in India, Dhaka Travel Mart in Bangladesh, Nepal Academy Tour, Business to Business Session, and GITF 2008 in China, "Send Home A Friend" and

“Nepal for All Seasons” as well as Farm Trip in the UK, TITV Everest Exhibition and Multimedia Presentation in Thailand, Golden Jubilee Festival in Egypt, and Nepal Trade and Tourism Promotional Fair in the UAE. Inside Nepal, several programs including activities like the preparation of Annual Operational Plan 2007/08, and Survey of Domestic Tourism Business were carried out, and fairs in different places were held.



Challenges

- 8.70 Despite having abundant water resources, Nepal heavily depends on monsoon for agriculture in the absence of adequate irrigation facilities. Development and promotion of deep and shallow tube-wells and surface canals have become important considerations in reducing the influence of either excess or short rainfall on food production and productivity.
- 8.71 Providing sustainable and long-term solutions to problems like the insufficient availability of improved fertilizers, seeds, pesticides/germicides, inadequate access to agricultural credit and technical services, and lack of agricultural infrastructures such as agricultural roads, storage facilities, and agro-markets are the present challenges for agricultural growth. Additionally, to increase competitiveness of the farmers while reducing cost of production and to encourage farmers to shift from subsistent farming to commercial farming in the context of open border and economic liberalization constitute the major challenges.
- 8.72 Diversification and modernization of agriculture research to encourage farmers invest in high-yielding cash crops, livestock and poultry, horticulture and off-season vegetable farming, etc., leading to self-sufficiency in food and cash crops, becomes essential.
- 8.73 Inability to create conducive environment for foreign investment has remained a serious challenge. Foreign and NRN investments as well

as the remittances need to be attracted toward the development of the industrial sector through encouraging entrepreneurship, using advanced technology, and developing technical abilities for facing challenges and reaping benefits associated with the WTO membership and the framework provided by the SAPTA, SAFTA, and BIMSTEC agreements.

- 8.74 Industrial development with active participation of the private sector and revival of conflict-afflicted sick industries is a major challenge for Nepal.
- 8.75 Nepal faces the challenge of creating conducive environment for domestic and foreign investors to invest in exploration, development, and commercial operation of national mineral endowments.
- 8.76 Measures to increase participation of local bodies and individuals and to identify and archive national cultural heritage and artifacts in an integrated database for conservation of these objects of historic, cultural, and religious values are imperative. Resource mobilization for implementation of Pashupati Area Development and Lumbini Development Master Plans are also necessary.
- 8.77 Besides promoting traditional tourism, Nepal needs to promote adventure tourism, bio-tourism, and other creative tourism. Effective accounting techniques such as the Satellite Accounting to accurately assess the impact of tourism on economy are also essential for tourism promotion and development.
- 8.78 With approaches like the PPP and partnership between local bodies and private sector, necessary activities to improve organizational and professional aspects of the national flag bearer, NAC, and to develop aviation infrastructure should be undertaken. Construction of regional airports at Bhairahawa and Pokhara needs to be expedited.
- 8.79 Renovation and revival of airports and aviation communication devices damaged during the time of political conflict, development of physical infrastructure, modernization, and construction of new airports are pressing challenges.
- 8.80 It is necessary to improve the situations regarding the lack of initiation from the DDCs for entering into contract in time for getting the grants released and also not getting the progress report in time about the use of released grants for the projects run by the local bodies.