



# **Observation, Comments and Recommendations**

*On*

## **The Long-term Vision and 15<sup>th</sup> Periodic Development Plan of Nepal**

By

**Nepal Policy Institute**

(Nepal Policy Institute (NPI) is an autonomous global think-tank of NRNA)

**Submitted**

*to*

**National Planning Commission  
Government of Nepal**

April– 2, 2019



# Nepal Policy Institute

(An autonomous global think-tank of Non-Resident Nepali Association)

April 2, 2019

Hon. Prof. Dr. Puspa Raj Kadel  
Vice-Chairman, National Planning Commission  
Government of Nepal

Dear Hon. Prof. Kadel,

I am pleased to send herewith Nepal Policy Institute (NPI)'s formal submission of comments and recommendation on the Long-term Development Vision and 15<sup>th</sup> Periodic Plan as presented in sets of power-point slides provided by NPI Focal Person at National Planning Commission (NPC). Our comments and recommendations are largely but not exclusively or exhaustively based on comments and recommendations received by NPI from a diverse range of Nepali diaspora scholars, experts and students across the globe.

NPI highly appreciates the opportunity for this meaningful contribution to Nepal's Long-term Development Vision and the 15<sup>th</sup> Periodic Plan. We will be happy to provide further explanation or answer any question you may have on our comments and recommendations. We also look forward to and assure you of our even deeper engagement in the next phases in the development of the Long-term Development Vision and 15<sup>th</sup> Periodic Plan.

On behalf of NPI, I would like to express our thanks to NPC and Nepal Government for inviting NPI to contribute to the national vision and plans and also for inviting NPI to participate in the Nepal Development Council Meeting as an observer.

Assuring you of our continued support and engagement.

Sincerely

A handwritten signature in black ink, appearing to read 'Khagendra Raj Dhakal', written in a cursive style.

(Khagendra Raj Dhakal)  
Chair  
Nepal Policy Institute

# **Nepal Policy Institute**

## **Observations, Comments and Recommendations**

**On**

### **The Long-term Vision and the 15th Periodic Development Plan of Nepal**

#### **Introduction**

Nepal Policy Institute (NPI) was formally requested by National Planning Commission (NPC) send comments on their current thinking about Long-term Development Vision and 15<sup>th</sup> Periodic Plan as presented in sets of power-point slides provided.

Subsequently, NPI invited comments directly from a wide range of Nepali scholars, experts and students abroad. Non-Resident Nepali Association (NRNA) also invited comments from Nepali diaspora through various NRNA chapters.

This document is a presentation of NPI's major comments and recommendations on the Long-term Vision and the 15<sup>th</sup> Period Plan. This is largely based on, but not exclusively or exhaustively based on, comments and recommendations received by from a diverse range of Nepali diaspora scholars, experts and students. This also includes the comments and recommendations discussed in an event on 29<sup>th</sup> March 2019 in Bangkok where over 25 Thailand based Nepali professionals listened to and interacted with the NPC Vice-Chair and other high-level official from different Ministries. In the bid to make the feedback to NPC shorter and sharper focused at the larger policy issues (than projects or programme issues) and to keep the feedback propositional, not all feedback received could be included in this paper but NPI is committed to transparently share all the feedback in its public website.

NPI highly appreciates the opportunity for Nepali diaspora to comment and make recommendations towards Nepal's Long-term Development Vision and the 15<sup>th</sup> Periodic Plan and thanks NPC and Nepal Government for the invitation and the opportunity.

NPI recognises that the vision and plan document shared NPC are preliminary ideas without all necessary details and some of the figures and ideas in the document since have already evolved. Therefore, NPI looks forward to an even deeper engagement in the subsequent phases in the process of development, discussions and decisions of the Long-term Vision and Development Plan with details. NPI also looks forward to participating as an observer in the forthcoming National Development Council meeting this month, as promised by the NPC Vice-Chair at the Bangkok event mentioned above.

## Overarching Observations and Comments

NPI recognises and commends the following **overarching major strength and innovations**:

1. Long-term Development Vision and setting the next periodic plans against the Long-term Development Vision.
2. Setting separate and differentiated goals and objectives for twin national goals of Prosperity and Happiness – and, including not only economic but also happiness goals/objectives related to dignity, justice, governance, unity, security, sustainability etc.
3. Aiming for the transformational (as opposed to incremental) vision and plan with the ambitious double-digit economic growth target.
4. The proposed ideas of pride-projects, game-changer projects/programmes and project bank.
5. Wide ranging in-country and international consultations in the process of developing the long-term vision and the 15<sup>th</sup> period plan.

NPI would also like to highlight the following **overarching main gaps, weaknesses and shortcomings** to be addressed:

1. There is no explicit articulation of the external **regional and global context** and future scenarios in which the vision and plans are set.
2. The **projected income growth** of US\$ 1,500 by 2079; US\$ 4,100 by 2087 and US\$ 12,500 by 2100 (using the log of 2 rule for doubling one needs an annual growth rate of 14 percent) seems rather overambitious or unrealistic to achieve given the post past performance, including poor capital investment and management.
3. Despite the fact that the Nepalese economy is so heavily dependent on remittance; foreign employment has become the mainstay of income and employment for millions of working age population and remittance constitutes one third of nation's annual budget and it is a significant component of foreign exchange, the whole presentation of vision and plan is **conspicuously silent about migrant workers and the remittance**.
4. Given the double digit high economic growth target, there is **no explicit recognition or mitigation strategy for the high cost of high growth** in terms of unsustainable exploitation and extraction of nature/natural resources, high degree of inequality in the society and deeper socio-political division and unrest.
5. There is no explicit higher-level vision, plan or strategy for **gender equality and increased economic participation and leadership of women** – gender equality is boxed into only social sector.
6. Under the game changer programs, there is mention of establishing universities of international standards in agriculture, forestry, tourism and medicine. How about science and **engineering, business and entrepreneurship higher education**? More emphasis should be placed on these disciplines as they are the real engine of growth in today's Knowledge

Economy. Nepal is a part of this evolving world economy. We need to learn to play the game by its rules.

7. There is an **ambiguity in the use of definition of poverty**. World Bank defines poverty level below US\$1.90 income per person per day. However, government had grouped definition of poverty into three categories. This is based on availability of self-produced food and wage earnings considered adequate for three months, six months and one year, falling into abject poor, moderately-poor and poor. Thirteenth Development Plan reported poverty level at 21.6 percent, well below 42 percent during the start of the Ninth Development Plan. However, the poverty level was estimated at 28.6 percent by the government by using Multi-Dimensional Poverty Index (World Bank standard) in 2011.
8. Nepal has, in recent years, suffered from economic dependency with **alarming rise in imports of basic food commodities** from India. This concern is not emphasised, and no remedial mechanism specifically suggested in the power-point presentation.
9. The list of pride projects and game-changer projects as presented the documents shared are mainly (only) old projects or old-style projects of the past, thus raising question not only whether their implementations will also remain inefficient, corruption-ridden or incomplete but also if the new plan will be at all innovative, adaptive and flexible.
10. Goals and objectives are set at high levels and are generally without **clear, programmes indicators or time lines**, particularly those related to the Happiness Goals/Objectives.
11. There is no explicit review, recognition or recommendations of the past performance particularly in terms of **implementational in-efficiency and failures**, including misalignment of budget and plans.

## Specific broad recommendations

### 1. Theme:

Give the 15<sup>th</sup> Development Plan the theme “**Build, Produce and Manage**”:

- **Build** physical infrastructure: cross border and cross-regional/province all-weather transport system, hydro-electricity, water resources and systems, solar power systems,
- **Produce** agricultural farm commodities to bridge the gap in supply shortage and food imports to reduce higher prices. The government should, thus, re-examine and review land holdings and promote introduction of farm technology to enhance food production and allow additional investment, including foreign investment, in private farms for food production.
- **Govern/Manage** development with efficient and effective project implementation, monitoring, learning, evaluations and adaptations in continuous basis. This will also require transforming and strengthening the role of NPC.

## 2. Tackling Problems of Poverty and Unemployment

Development Plans of Nepal have consistently set a higher target on eradication of poverty but without achieving set targets. Poverty has been Nepal's the topmost challenge and Fourteenth Development Plan (2073/74-2075/76 BS) target is set at 17 percent. Real progress in reducing poverty level may be complicated because universally accepted definition of poverty is yet to be standardized.

In global ranking of human development index Nepal is 149<sup>th</sup> in the list of 186 countries. Income inequality is seen wide with Gini-Coefficient of 32.8, showing large gap between rich and poor. Sadly, Nepal fairs very high in Corruption Perception Index for doing businesses at 139<sup>th</sup> among 176 countries in corruption index of Transparency International. Without improvements in this perception large capital formation through foreign private direct investment is not likely. Limited domestic investment will limit further prospects for economic development and thus not eradicate rural poverty. This scenario will adversely affect mobilization of meaningful capital for investment even through bilateral and multilateral aid channels.

Development plan strategy and government policy on poverty elimination should continue with investment in specifically targeted program to universally defined poor population who fall below poverty level. This may only be achievable if following problems are systematically tackled:

- i. good governance,
- ii. effective monitoring an implementation of government programs and projects,
- iii. stop political interference in local areas, and
- iv. fiscal discipline with ever rising un-authorized expenditures and absence of internal control as highlighted by the Auditor-General's reports, etc.

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Eliminating unemployment requires sufficiently large capital and increasing the rate of investment is not possible until government seriously considers adopting open, liberal and competitive investments laws in Nepal, thereby

opening foreign investment in all economic sectors without restrictions and restoring administrative capability by demonstrating good governance.

Adequate investment in basic physical infrastructure and manufacturing industries are a must. Without rapid progress in these sectors it is not possible to achieve self-reliant economy, poverty reduction and sustainable growth. The right strategy would be to encourage investments in manufacturing industries. The government must recognise major constraints facing economic development and inadequate physical capital for small and medium enterprises (SMEs). SMEs would have enhanced productive of farmers and capacity of agriculture sector in Nepal's economy. Creation of surplus wealth and adequate capital formation for investment are unlikely.

The government's definition of "poverty" is linked to access to availability of self-produced food grains and incomes earned which are considered adequate for three months' per year. This definition does not include generally agreed United Nations definition on minimum standards of living that comprises other basic needs of quality of life like safe drinking water supply, access to sanitation, health, education, shelter etc. This indicates that governments' inability to identify target beneficiary and those people at the poverty line of the program. No program can be effectively targeted with a murky definition of beneficiary.

### 3. **Migrant Nepali workers:**

Government must recognize this significant contribution of remittances in national economy and declare (a) migrant workers as "***national heroes***" like some ASEAN countries have done;(b) provide positive social rights and legal support to them and their families;(c) organize pre-departure orientation programs, at no costs to migrant, and facilitate pre-departure trainings in language, culture and social norms of destination countries; (d) departure formalities and return to home should be eased and hassle-free as returning Nepali citizen for they are the real economic heroes of Nepal. This should be part of government's prosperity agenda and must be institutionalized.

### 4. **Investment environment:** Explore new opportunities for development and investment, including in Knowledge Economy. Reform pragmatically for liberalisation of capital and stock exchange markets, banking, tourism, mutual fund, insurance, and create favourable environment for foreign and domestic capital mobilization, do away with protectionist policies that have affected investment areas in economic and services sectors for foreign direct investment in the foreign investment and other related laws. Support should be considered for implementation of Public-Private Partnerships projects through project development funds, viability gap funding and user charge reforms, etc. Experiences from other countries demonstrate that such partnerships are successful, and it is widely considered the preferred development pathway in many economic sectors in Asia. Public-Private Partnerships should enhance collaboration with private investors in power,

water, road, health, education, tourism, agriculture, manufacturing, industries, including branding and export marketing in this spirit.

## 5. Translating past lessons into actions:

The National Planning, as practiced in Nepal, has been for six decades and we must translate lessons from the past into actionable commitment for change:

- (a) Reduce the level of development plans on on bi-lateral and multi-lateral aid and loans and carefully open foreign private direct investments in economic growth areas of economic sectors;
- (b) Make Investment laws investment friendly;
- (c) Ensure undue influence from political interest groups are avoided;
- (d) Ensure that the plan and the budget allocation are aligned for effective delivery of planned output and outcomes;
- (e) Ensure that plans are adapted to changing regional or global economic development dynamics and trends;
- (f) Ensure effective integration with the global economy to benefit from access to trading in open world market;
- (g) Ensure Investment laws and regulatory frameworks allow appropriate foreign investment in small and medium size enterprises;
- (h) Ensure effective monitoring of implementation, governance, shifting government priorities, fiscal indiscipline and political instability, etc.

## 6. Transformation of National Planning Commission:

The past challenges of under/inefficient implementation, misalignment, undue politicisation, and mis-management must be addressed in the upcoming development plan. Effective policy reviews, robust monitoring and sanctions should be built-in with the plan. One way of enhancing this would be redefine and reorganize The National Planning Commission (NPC) as a pro-active institution which could and a catalytic role in economic development policy formulation, program design and control, over-all coordination and robust monitoring of implementation of development activities. The new institution could be named restructuring of the National Economic Policy Monitoring Authority (or NEPMA) an important enabler in enhancing government capability inclusive of monitoring of effective program implementation and development progress.

## 7. Modernising planning and the plan:

There should be an explicit recognition that the political, economic and technological contexts have changed and the time of central planning, when state was the only primary actor for guided economic development, is obsolete and gone. Long-term planning for development should not be a static



event in a volatile, uncertain, chaotic and fast changing world economic, political, social and technological environment. Development Plan must serve as the guiding principles in policy setting for state institutions. This requires planning process to be more dynamic, flexible and adaptive, with a rolling document which puts emphasis on effective monitoring, timely implementation, evaluating progress and the process easier to changing scenarios that would be required for timely delivery of output and outcomes.

## **Sector Specific Recommendations**

### **1. Education**

- Devise policy for academic excellence and decentralize curriculum development and evaluation authority to all colleges. Adopt credit system and determine learning outcomes for all courses offered and develop independent quality assurance body to monitor all higher education providers.
- Create innovation fund for college level students and reinforce faculty members with regular research endeavours (minimum one research in two years). Operate collaborative research centres, including by mobilizing diaspora Nepali connections, to enhance the capacity of faculty members.
- Open community colleges to facilitate changes to help higher education transformational approach to address unemployment and social and cultural disparities in Nepal.
- Facilitate international links and cooperation and also to run open universities and e-learning centers even at traditional universities
- Nepal can convert brain drain to brain-gain by channelizing diaspora expertise to complement the reform initiatives taken Nepal's higher education.
- Joint degree programs, International Traineeship/internships exchanges with foreign higher education institutes.
- Consider development of school level curriculum with a good balance of local and global needs. Curriculum should inject values that trains students to respect other's values, perspectives, background and abilities.
- Develop educational standards in both public and private schools ensuring that schools/colleges maintain the quality indicators set by government for all institutions in the country.

### **2. Agriculture, Forest and Natural Resources**

- Recognize the relevance and importance of ecologically evolved smallholding mixed-farming system as the foundation for agricultural development and socioeconomic transformation in Nepal. Recognising the future limitation of productivity and production increase due to HYV or fertilizers, intensification and production/food waste minimizing techniques should see the action plan
- There are relevant strategies on land use planning (land suitability) and land reform yet this is important to emphasize that the near-term effort to have comprehensive land plan and administration for sustainability of production and environmental conservation as success of many sectors (prioritized agriculture, irrigation, forestry, tourism, environment, urban development and

services) depend on sound comprehensive land-use planning. Agriculture development strategy should follow the land capability qualities, which starts on science-based land-use planning and preferences.

- Sustainable and reliable irrigation should consider intensive watershed/catchment management.
- Community forestry in Nepal has been exemplary for forest /biodiversity / watershed conservation and management. Continue and strengthen community based (Upbhokta Samitee) programs and monitor effectiveness in other natural resources.

### **3. Science and Technology**

- Establish Industrial biotechnology hub to link Industry and academia to translate agriculture and natural product research to product development.
- Develop a clear Science and Technology human resources development strategy and scholar exchange program.
- Establish Centre of Excellence and Innovation, Entrepreneurship and Atmospheric Science Centres affiliated with universities and private sectors.

### **4. Food, Nutrition, Hunger and Health**

- Issues of hunger and nutrition on the social should be maintained and aligned with Sustainable Development Goal by reducing the prevailing rate of malnutrition of 3% further downwards and reducing the underweight of children to 3% only by 2030.
- Focus on food productivity, emphasizing health and nutrition, including nutrient quality and consumer awareness aspects. This could be enhanced by considering quantifiable national-level targets related to key variables including agricultural production, irrigation expansion, import reduction, quality improvement, food consumption and nutrition status, especially women and children.
- Use toxin reduction strategies in both low and high moisture foods/feeds by generating national awareness and specifying quality standards.
- Develop national disaster preparedness plan for resilience in food sector. Minimize toxin transfer to high moisture cold chain milk and meat products by improving feed quality. Enable quality stocks for disasters and export.

### **5. Mining**

- Research, development and marketing on high-value low volume minerals e.g. precious metal gold, silver, platinum, palladium, rare earth, Cobalt-Nickle.

### **6. Environment and pollution**

- Climate Change agenda should be aligned with Paris Accord and work with global organizations.
- Trans-boundary pollution should be included in the development plan with focus on science-based solution with community involvement. Waste is a

circular economy and future development plan should encourage and support waste management and recycling.

## **7. Clean Energy**

- Solar and Wind energy are the future of energy generation in Nepal. Most of the country receives a lot of sunshine, and some locations in western Nepal and hilly areas across the country have good wind energy potential. A hybrid of the two, including vertical wind turbines should provide continuous level of energy (day and nights) for the nearby villages. A distributed PV system, and mini-grids for wind and solar could optimize the supply of energy to the rural areas if found cost-effective.

## **8. Urban Development**

- Provision of the basic infrastructure (water, sewer, drainage and energy services) is the key. Pollution control and eventual plans towards some basic elements of smart city concepts (real time traffic management, and water and sewer demand management) should be important parts of urban planning and development. In existing big cities (e.g., those in the Kathmandu valley), transportation management and transit improvement is critical. Provide rapid bus services and explore light rail for Kathmandu.
- Design simple but comfortable and ecologically sustainable residential units, and buildings for commercial and office uses. Encourage the use of local and sustainable building materials. Incorporate passive solar energy elements and when feasible active solar panels in all buildings.

## **9. Gender Equality in Macro-economic Framework**

- State gender equality and inclusion as the overarching goal, objective and strategy in the vision and plan to guide develop and integrate special policy measures to promote women's equal participation in economic as well as all other sectors -education, health, employment and social security.
- Social norm changes to be included address gender-based violence.

## **10. Governance and management of contracts**

- Replace existing antiquated, rigid, procurement and contract management laws with new project delivery friendly laws.
- Promote partnership amongst various players in the project process including between the owners, engineers and contractors;
- Setting up better occupational safety standards and its monitoring authority.
- Enact laws relating to conflicts of interest from local politicians and members of parliament to recuse themselves in decision making processes which directly or indirectly impact their personal, commercial and financial interests.

## **11. Foreign Employment (Migrant Worker)**

- (Insurance premium charges imposed on migrant prior to labour department clearance and renewals is unethical, unnecessary and illegal. This is a form of

exploitation of migrant labour and should be stopped while better options explored.

- Remittance transfers should be formalized and transparent through banking and other digital transfer system for visibility and transparency of all transfers.
- Migrant workers consider pension fund established for migrant workers is also meant for community's security and it is a safety-net. Therefore, legal provision should be established covering security and safety-net provision into the pension fund provision guaranteeing protection of migrant worker.
- Laws regulating migrant workers are in place, but implementation is weak, unsatisfactory and impractical because it has failed to provide timely justice, support and compensation. This must be improved and enhanced.
- Website portal and on-line digital Kiosks should be established at the labour department and foreign missions to provide swift services.
- Government should be pro-active and implement effective control mechanism to stop human trafficking and harsher punishments should be contemplated for all such criminals.
- Government should not impose restrictions and discourage travels for employment opportunities abroad, particularly in the absence of domestic better employment opportunities in Nepal. Right to earn living is a fundamental right of every citizen.
- If a migrant face, for any unforeseen reasons for repatriation back to home in Nepal, it should be swiftly organized directly by the government and/or authorized agents.
- Selection of migrant worker for work abroad should be based on a competency basis so that eligible and capable individual will become a productive in the service and may face little or no difficulty in destination country.

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