



Observations, Comments, and Recommendations
on the
Long-Term Vision and 15th Periodic Development Plan
by

Nepal Policy Institute

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

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Observations, Comments and Recommendations

The Long-term Vision and the 15th Periodic Development Plan of Nepal¹

Introduction

Nepal Policy Institute (NPI) was formally requested by National Planning Commission (NPC) to send comments on their current thinking about the Long-term Development Vision and 15th 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 the Nepali diaspora through various NRNA chapters.

This document is largely, but not exclusively or exhaustively, based on comments and recommendations received from the group as well as feedback at an event on 29th March 2019 in Bangkok where over 25 Thailand-based Nepali professionals interacted with the NPC Vice-Chair and other high-level officials from different Ministries. In a bid to make the feedback to NPC shorter and better focused on larger policy (rather than projects or programme) issues, and to keep the feedback propositional, not all feedback received has been included in this paper. However, NPI is committed to transparency and will publicly share all the feedback in its website.

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

NPI recognises that the vision and plan document shared by NPC are preliminary ideas without all necessary details and some of the data and ideas in the document since have already evolved. Therefore, NPI looks forward to an even deeper engagement in the subsequent phases of the preparation of the Long-term Vision and Development Plan. It also looks forward to participating as an observer in the forthcoming National Development Council meeting, 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 strengths and innovations** in the Plan:

1. Long-term Development Vision and setting the next periodic plan against this.

¹ **Disclaimer:** These are observations and recommendations made by the Nepal Policy Institute (NPI) in response to a request for feedback from the National Planning Commission (NPC) of Nepal. No claim is made about this being part of an official view of the NPC. The document is being made public for purposes of ensuring transparency of NPI's policy analysis work.

2. Wide ranging in-country and international consultations in the process of developing the long-term vision and the 15th Periodic Plan.
3. 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.
4. Aiming for transformational (as opposed to incremental) change in the vision and plan, with an ambitious double-digit economic growth target.
5. The proposed ideas of pride-projects, game-changer projects/programmes, and project bank.

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, which seems rather overambitious/unrealistic given past performance as well as poor capital investment and management.
3. Nepal's economy is heavily dependent on remittances, and foreign employment has become the mainstay of income and employment for millions of working age population. Remittances also constitute one third of the country's annual budget and it is a significant component of foreign exchange. Given this, the entire presentation of the vision and plan is **conspicuously silent about migrant workers and the remittances** they generate.
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 natural resources, high degree of inequality in society, and deep 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 in as part of the discussion on the social sector.
6. Under the game changer programs, there is mention of establishing universities of international standards in agriculture, forestry, tourism, and medicine. NPI feels this should also be extended to science and **engineering, business, and entrepreneurship higher education**. More emphasis should be placed on these disciplines as they are the real engines of growth in today's Knowledge Economy. Nepal is a part of the rapidly evolving world economy; it needs to learn to play the game by others' rules.
7. There is an **ambiguity in the use of definition of poverty**. World Bank defines the poverty level as below US\$1.90 income per person per day. However, the Nepal Government has grouped the 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 (i) abject poor, (ii) moderately poor, and (iii) poor. The Thirteenth

Development Plan had reported a poverty level of 21.6 percent, well below the 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 the Multi-Dimensional Poverty Index (World Bank standard) in 2011.

8. Nepal has, in recent years, suffered from economic dependency with **alarming increase in imports of basic food commodities** from India. This concern is not emphasized, and no remedial mechanism is specifically suggested in the presentation.
9. The list of pride projects and game-changer projects as presented in the documents shared are mainly (only) old projects or old-style projects of the past, thus raising a question of not only whether their implementation will also remain inefficient, corruption-ridden, or incomplete but also if the new plan will be innovative, adaptive, and flexible at all.
10. The goals and objectives are set at high levels and are generally without **clear programme indicators or timelines**, particularly those related to the Happiness Goals/Objectives.
11. There is no explicit review, recognition, or recommendations of past performance, particularly in terms of **implementational inefficiencies and failures**, including misalignment of budget and plans.

Specific broad recommendations

1. Theme:

Assign the 15th Development Plan the theme “**Build, Produce, and Manage**”:

- **Build** physical infrastructure: such as cross border and cross-regional/province all-weather transport system, hydro-electricity, water resources and systems, solar power systems, etc;
- **Produce** agricultural farm commodities to bridge the gap between supply shortages 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 investments, including foreign investment, in private farms for food production.
- **Manage** development with efficient and effective project implementation, monitoring, learning, evaluation, and adaptation on a continuous basis. This will also require transforming and strengthening the role of NPC.

2. Tackling Problems of Poverty and Unemployment

All Development Plans of Nepal have consistently set a high targets of eradication of poverty but have failed to achieve set targets. Poverty has been Nepal's topmost challenge, with the Fourteenth Development Plan (2073/74-2075/76 BS) target set at 17 percent. Real progress in reducing poverty level may be complicated because a universally accepted definition of poverty is yet to be standardized.

In the global ranking of human development index, Nepal is 149th among 186 countries. Income inequality is seen as being severe, with a Gini-Coefficient of 32.8, showing a large gap between rich and poor. Sadly, Nepal also fares very high in the Corruption Perception Index (139th among 176 countries) prepared by Transparency International. Without improvements in this area, and in ease of doing business, 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.

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

- i. poor governance,
- ii. ineffective monitoring and implementation of government programs and projects,
- iii. political interference in local matters, and
- iv. fiscal indiscipline with ever rising un-authorized expenditures and absence of internal control as highlighted by the Auditor-General's reports, etc.

To begin with, there is an ambiguity in the use of definition across all levels of government (see point made earlier) and this should be rectified.

Eliminating unemployment requires sufficiently large capital, and increasing the rate of investment is not possible until government seriously considers adopting open, liberal, and competitive investment laws in Nepal, thereby opening foreign investment in all economic sectors and restoring administrative capability.

Adequate investment in basic physical infrastructure and manufacturing industries is a must. Without rapid progress in these sectors it is not possible to achieve a self-reliant economy, poverty reduction, and sustainable growth. The right strategy would be to encourage investments in manufacturing industries. The government must recognise the major constraints facing economic development and inadequate physical capital for small and medium enterprises (SMEs). SMEs are critical for enhanced productivity of farmers and enhancement of the capacity of the agriculture sector in Nepal's economy. Without this, the creation of surplus wealth and adequate capital formation for investment is 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 the generally agreed United Nations definition on minimum standards of living that comprises other basic needs (like quality of life, safe drinking water, access to

sanitation, health, education, shelter, etc.). This indicates the government's inability to identify target beneficiaries and those people at or below the poverty line. No program can be effectively implemented with a murky definition of beneficiary.

3. **Migrant Nepali workers:** Government must recognize this significant contribution of remittances to the national economy and, as such (a) declare migrant workers as “***national heroes***” as 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 migrants, and facilitate pre-departure training in language, culture, and social norms of destination countries; and (d) facilitate departure formalities and return home to make them hassle-free as returning Nepali citizens for they are the real economic heroes of Nepal. This should be part of the 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 funds, insurance, and create a 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 Partnership 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, and industries, including branding and export marketing.
5. **Translating past lessons into actions:** National planning exercises, as practiced in Nepal, have been in place for six decades and we must translate lessons from the past into actionable commitment for change:
 - (a) Reduce the level of reliance of development plans on bilateral and multi-lateral aid and loans, and carefully open foreign private direct investments in growth areas of economic sectors;
 - (b) Make investment laws investment friendly;
 - (c) Ensure that undue influence from political interest groups is 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 an open world market;

- (g) Ensure that investment laws and regulatory frameworks allow appropriate foreign investment in small and medium size enterprises; and
- (h) Ensure effective monitoring of implementation, governance failures, 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 mismanagement must be addressed in the upcoming development plan. Effective policy reviews, robust monitoring, and imposition of sanctions should be built-in to the plan. One way of enhancing this would be to redefine and reorganize the National Planning Commission (NPC) as a proactive institution which could play a catalytic role in economic development, policy formulation, program design and control, overall coordination, and robust monitoring of implementation of development activities. The new institution could be named 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 that centralized planning (where the State was the only actor for guided economic development) is obsolete. Long-term planning for development should not be a static event in a volatile, uncertain, chaotic, and fast changing world. A Development Plan must serve as the guiding principle in policy setting for State institutions. This requires the planning process to be more dynamic, flexible, and adaptive, with a rolling document which puts emphasis on effective monitoring, timely implementation, and evaluating progress that would be required for timely delivery of output and outcomes.

Sector Specific Recommendations

1. Education

- Devise policies 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 an independent quality assurance body to monitor all higher education providers.
- Create an innovation fund for college level students and reinforce faculty members with regular research endeavours (minimum one research product 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's transformational approach to address unemployment and social and cultural disparities in Nepal.
- Facilitate international links and cooperation and also run open universities and e-learning centers even at traditional universities.

- Nepal can convert brain drain to brain-gain by channeling diaspora expertise to complement the reform initiatives taken in Nepal's higher education.
- Consider offering joint degree programs, international traineeships, and internship exchanges with foreign higher education institutions.
- Consider development of school level curriculum with a good balance of local and global needs. The curriculum should inject values that train students to respect other's values, perspectives, backgrounds, 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 high yielding variety (HYV) or fertilizers, intensification, and production/food waste minimizing techniques should be included in the action plan.
- There are relevant strategies on land use planning (land suitability) and land reform yet it is important to emphasize that the near-term efforts 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 (*Upabhokta Samitee*) programs and monitor effectiveness of management of 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 in society should be maintained and aligned with Sustainable Development Goals by reducing the prevailing rate of malnutrition of 3% further downwards and reducing the underweight of children to only 3% 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 for 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 part of the 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 photo-voltaic (PV) system, and mini-grids for wind and solar power 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 to 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 Workers)

- Insurance premium charges imposed on migrants 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 need to be 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 a 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 workers.
- 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 proactive 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 better domestic employment opportunities in Nepal. The right to earn a living is a fundamental right of every citizen.
- If a migrant faces, for any unforeseen reasons, repatriation back home to Nepal, it should be swiftly organized directly by the government and/or authorized agents.

- Selection of migrant workers for work abroad should be based on competencies so that eligible and capable individuals will become productive in the service and will likely face little or no difficulty in the destination country.

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