

CHAPTER : IX

Government Agencies and Financial Institution in Rural Development

Apart from being a multi sectoral programme involving various institutions, rural development deals directly with the lives of the rural people. A conventional organisation hardly meets the needs of rural developments complexities. Nepal has been searching for a special institutional structure.

The first organisation devised for the Village Development Programme in 1953 followed the Indian Model of Block Development. Village Development Centres were established under the leadership of a generalist called a Block Development Officer with agency officials under him. The programme was administered by the village development department. An inter-ministerial Village Development Board provided the overall guidance and supervision. Coordination was not much of a problem then, as the live ministeries were comparatively weak.

With the establishment of the Panchayat system and the consequent change of the Village Development Programme to the Panchayat Development Programme, a new institutional structure was envisaged with emphasis on decentralisation. While the constitution of 1962 embraced this principle, the 2nd and 3rd plans spelled out clearly the scope of local institutions in

planning and implementation. The salient features of the new system were the division of the country into 14 zones and 75 districts and the constitutions of three tiers of assemblies and panchayats, besides the National Panchayat. Under the arrangement, the development related district level activities were placed under the superintendence of the Chief District Officer (CDO) who, as secretary to the District Panchayat was to work under the guidance of the District Panchayat and its Chairman. This far reaching move toward decentralisation did not materialise due to reluctance on the part of the ministeries to devolve their authority and functions to the District Panchayats.

In order to make a break through in decentralisation, HMG came out with what was called the District Administration plan (DAP) in 1974. The main thrust of the plan was to ensure the preparation of an integrated district development plan by each district and the creation of a unified district administration with the CDO as coordinator. The District Panchayat and the District Assembly were assigned important roles in the formulation and implementation of the district plan. However, the DAP could not be effective for the same reason, outlined above - lack of preparedness on the part of the live ministeries to entrust administrative control over their programme to the CDO.

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In 1978, another effort was made to bring about decentralisation of development administration. The integrated panchayat Development Design (IPDD) of a more comprehensive nature than the DAP was adopted. It envisaged among other things, the establishment of a "Service Centre", to be a focal point for planning, implementation and supervision of the development programme at the local level. People's participation was an important aspect of this Design. It was another exercise in futility - absolutely a non starter.

Undaunted by persistent setbacks in decentralisation efforts, HMG set up in 1980 a separate Ministry of Local Development. The status of Panchayat Development Officer (who took over the function of the District Panchayat Secretary from the CDO with the promulgation of the Local Development Officer (LDO). He was to function as the co-ordinator of the District Development Programme, the role hitherto assigned to the CDO. The move will ill-conceived. With the separation of the Home and Panchayat portfolios, this new ministry was an ineffective institution. After one year HMG realised the mistake and the Ministry of Panchayat was merged with the Ministry of Local Development. Its mandate, quite elaborately worked out, included the function of interministerial coordination of rural development projects. Subsequently, an Integrated Rural Development Central Coordination Board with wider authorities was established under the Chairmanship of the Minister of Panchayat and Local Development with the vice-

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-chairman of National Planning Commission as Vice-Chairman, replacing the earlier coordination Committees. All these attempts, however, had little impact on decentralisation and coordination issues.

It became evident that a strong push was required to make decentralisation work. His Majesty the King himself has now taken the initiative. Starting with the constitution day message on December 1981, in which he stressed the imperative need of decentralisation for the upliftment of the people, he has been continuously pursuing this matter, the latest effort being contained in His Majesty's address to the National Panchayat on June 1985.

The royal exhortations materialised in a Decentralisation Act in 1982 and the approval of decentralisation by laws in 1984. The principal aim of the Decentralisation Act is to give the responsibility and authority of development planning and implementation to the district, village and town panchayats for their respective jurisdiction. Another objective is to encourage the generation of local resource for development, sustained operation and maintenance of the completed projects.

The salient features of this Act with respect to organisational structure is that the district level offices of the agencies are to function as an integral section of the

District Panchayat Secretariat. They will, however, continue to be under the technical guidance of their parent ministeries. The provision of service centres at sub-district level is another important feature. This is not a new concept. Agricultural service Centres already exist in a few IRDP and Hill Food Production Project areas.

Detailed procedures for planning, implementation and supervision have been given in the Act and By-laws. The functions and responsibilities of central agencies also have been clearly spelled out. And the most important matter, the definition of district level activities, has also been specified. All these measures have been taken to ensure the commitment of the central agencies in the pursuit of decentralisation.

The Decentralisation Act came into effect on December 29th, 1984. For this fiscal year 1984/85, the provisions relating to the planning process have only been operative; it came into full effect from the begining of the next ficial year (mid July 1985). This has been done to avoid complications in accounting and auditing, apart from other logistic aspects.

In view of the substantial logistic support needed for the decentralisation programme, HMG has decided to implement it an intensive way in one district in each zone, i.e. 14

districts in the Kingdom. These districts will be a demonstration to the others.

The decentralisation venture this time has been launched with greater preparedness. A great number of seminars, symposia, and conference were held at different levels and places to disseminate the concept among administrators as well as politicians. The planning cell has been set up in all the District Panchayats. A number of training programmes were carried out to train the district level officials including the LDOs and Planning Officers, and are being continued. The most important feature on the present decentralisation efforts is to active involvement of the NPC. The UNDP is providing support to the NPC and the MPLD in this endeavour. The most encouraging aspect is the firm political support. A breakthrough in decentralisation efforts seems imminent (1).

1. Integrated Rural Development Projects (IRDP).

Integrated Rural Development Projects presently constitute the most important programme in rural development. There are eight IRDPs, seven as envisaged in the 6th plan and the Dhading District Development Project, which is in a preparatory phase. They cover 23 districts (particularly in the case of IRDP) and are in different phases of implementation. A brief summary of each is given below :-

(a) Integrated Hill Development Project (IHDP)

With the conviction that "a road project without the overall concept of integrated development would take as little sense as an integrated development project without a road", the IHDP started in 1974 with swiss assistance as a complementary project to the Lamosangu - Jira Road Consecutively started with swiss assistance. Formal agreement for the project was signed in 1975. Covering Dolakha District of Janakpur Zone and part of Sindhupal Chowk District of Bagmati Zone. The main object was to improve the living standards of the people in the project area through increase in food production and generation of off farm employment. Restoring the ecological balance was enlarged to embrace the health and education sectors.

The project envisaged gradual integration of project activities into the existing institutions at the local district and national levels as the local people could carry on the activities. The Tuki system which uses progressive farmers in agricultural extension is its unique feature. The project has envisaged three phases : development phase, consolidation phase and phasing out of foreign assistance. The project has completed the first two phases and it is about to enter the final phase. However, the project still has a long way to go to accomplish the objectives.

(b) Rasuwa/Nawakot Integrated Rural Development Project
(R/NIRDp)

Though the second project of its nature, the R/NIRDp supported by the World Bank and the UNDP, is considered to be the precursor of the IRDPs, giving a lead to other donors to follow suit. Initiated in 1976, the project covers Rasuwa and Niwakot districts of the Bagmati Zone with 29,000 total households. With the overall objectives of balancing economic growth with income distribution, ensuring more equitable regional development and making past investment in the roads productive, the project is designed to increase agricultural and livestock production, provide health services and village water supplies, improve communications and develop cottage industries. The responsibility for implementation of specific components of the project rests with designated project offices, from the concerned ministeries and agencies. The overall responsibility for coordination is vested in the Ministry of Panchayat and exercised by a project coordinating committee (PCC). There have been several changes in the coordination structure. The latest innovation being the IRDP coordination Board headed by the Minister for Panchayat and Local Development. This institutional arrangement applies to all the IRDPs. World Bank assistance to this project was terminated in 1983 after a seven year period, two years beyond the stipulated time span. HMG is carrying on the project with its own resources in a limited way. Negotiations are in final stages with the World Bank to undertake the second phase of the project.

(c) Sagarmatha Rural Development Project (SRDP)

Sagarmatha IRDP, begin in 1979 with the assistance from the Asian Development Bank, IFAD and EFCs covers Sirha, Saptari and Udayapur districts of the Sagarmatha Zone with a population of 847,000. Strengthening the production employment and income generating base in the project area are its objectives, and the project includes almost all the components of the rural economy, infrastructure, productive sector and social services. Though situated in a comparatively good location - the major areas is in the plains - the project had started up problems and implementation delays. Real work started in 1980/81 only. The scope of the project was revised in 1984 and the closing date of assistance which was due on 21st March 1985, has been extended to December 1987.

(d) Mahakali : Hill Rural Development Project (Mahakali:HRDP)

Mahakali HRDP, started in 1979 with the World Bank and UNDP assistance, covers Baitadi, Dardhula and Dadeldhura districts of Mahakali zone with a total number of 53,000/- households. With the principal objectives of raising agricultural production to levels whereby farmers could fully meet family subsistence needs the project, while comprising almost all components of the rural economy, has given less emphasis to physical infrastructure than the sagarmatha IRDP, situated in an inaccessible hilly region, the project suffers from communication difficulties. Implementation has been slow. The project has been revised and the closing date

of assistance has been extended to February 1986, about two years beyond the stipulated date.

(e) Karnali - Beheri Integrated Rural Development (K-BIRD)

The K BIRD project with Canadian assistance was started in 1981. It covers three districts - Jumla, Dailekh and Sinkhet - in Karnali and Bheri Zones with a population of 334,400. Promoting integrated self sustaining development projects and activities which will contribute towards the economic and social betterment of the residents are its objectives. The project has stressed the institutional aspect as much as its hardware components, which embrace all the important sectors of the rural economy. One special feature of this project is the demarcation of the village, district and trans district components of the programme.

The Integrated Village Development (IVD) component** is considered the "Cornerstone" of the project. The pre-project activities are another notable feature. Realising that "the development can frequently cause loss of critical political support and lack of confidence", interim projects are identified during planning work and implemented through the Local Panchayat. The project assistance period was limited to three years. Faced with the common problem of implementation delays, the project was extended by one year to July 1985. Agreement is underway to launch the second phase of the project with the same donor. This is in conformity with the

stipulation made in the original plan of operation which pointed out the need "for further funding of the 15 to 20 years programme seen as the minimum sustained efforts required to active the goal".

**The objective of IW is to offer immediate improvement in the management of panchayat offices, in village services such as drinking water, irrigation and trails and in crop production and animal care. While at the same time creating the basis for the longer run welfare of the panchayat. The responsibility for implementing this programme would go to the District Secretariat.

(f) Rapti - Integrated Rural Development Project (Rapti-IRDP)

Rapti IRDP was started in fiscal year 1980/81 with USAID assistance. It covers all five districts of Rapti Zone, with a population of 850,000. With the objective of improving the quality of life, including income, productivity, employment, nutrition, control of population growth and education of the rural poor, the project is comprised of programmes to improve forming systems, renewable resource management, small rural works, employment and skills development and institutional development at local level. It has been recognised during the formulation of the project that 'five years of proposed activity must be part of a

longer 15 - 20 year intensive development effort". Acknowledgement that rural development is a "political-economic process" the project has stressed the need to increase and broaden local participation in the planning, implementation and enjoyment of the benefits of development". Like other IRDPs, it has had its share of start up difficulties. USAID involvement in the project has been extended by one year upto September, 1986 of this project is now dependent on its findings and recommendations.

(g) Koshi Hill Area Development Project (KHADEP)

The KHADEP, started in the last year of the Fifth Plan 1980 with British assistance, covers four districts of Koshi Zone : Terathum, Sankhuwarabhas, Bhojpur and Dhankuta. The project has the objective of strengthening local services and promoting balanced economic and social development of Koshi Hills area. To derive maximum benefit from the Dharan-Dhankuta road and its extension, under construction with British assistance was the principal aim. The project, like other IRDPs, is multi sectoral involving nearly all components of the rural economy. The project has the advantage of getting support from other British aided project - Pakhribas Agricultural Centre... located in the project area. During the two year period of investigation and preparation of the project (1977-79), a few small projects largely in irrigation drinking water supply and trail improvement were under taken.

They were implemented through the local institutions under the direction of the MPLD. This provided some valuable experience for the project. The project completed its stipulated period of British assistance in 1983/84, and was extended by one year to July 1985. Negotiations are going on to take up another phase of the project.

(h) Dhading District Development Project (DDDP)

The DDDP, in the real sense is yet to start. However, it was assumed to have started in 1983, because pre-project activities were undertaken during the project preparation phase. During the two years which constituted this period, 450 small projects.... so called confidence building projects covering every ward of 50 village panchayats within the district were implemented through the local Panchayats with the support from the project. The agreement for the implementation of the full - scale project is expected to be signed shortly between HMG and the Government of the Federal Republic of Germany, and the project will begin this year, the begining of the 7th plan. Its coverage is limited to one district, Dhading (population 250,000) adjourning the R/NIRDPA area in the east. With the long term objective of improving the living conditions of the population and the ecological rehabilitation in the district, the project has set the immediate objective of increasing the capabilities of the local institutions in planning, making decisions,

implementing and maintaining development activities with the active participation of the beneficiaries. The project is more process-oriented than project oriented. As such it does not specify the programme objectives beyond general categories like ward level projects, development supportive infrastructure. Credit and alternative services of income. Significant provisions has been made for institutional support and human resources development. The institutional aspect of this project is unique. "DDDP does not intend to establish its own separate project infrastructure as is common in IRDPS. Instead DDDP will establish a supporting system integrated in, and working through existing structures in line with rules and regulations of the Decentralisation Act 1982". (DDDP - Programme for 1985-90, MPLD April 1985). Another notable feature is its flexibility. The programme report notes, "since the proposed programme is mainly a support of a process of interaction, and this process itself will change over time, the programme must be flexible enough to allow for adaption and change". The project, on the whole, looks pragmatic. (2).

2. DISTRICT PLAN PROGRAMME :

The present nomenclature (District Plan) was introduced during the 6th plan for the local development grant programme, initiated in the second plan. This programme is handled by local political institutions. The District Panchayat in the case of district level activities and the town and village panchayats for town and village activities. The grant does

to the District Panchayat, then part is allocated to village panchayats under its jurisdiction. The town panchayat receives its grants directly. HMG has adopted broad criteria for allocation of grant funds, with the resources poor districts being given some preference. Conditions have been laid down for matching the funds with local resources ranging from 15 to 75% of the total cost of a project (low for the mountainous region and higher for the Terai plains). This also varies according to the nature of the project, the ratio being higher for the social sector. This provision is not being properly followed by the Panchayats.

The District Programme is carried out entirely according to the wishes of the local institutions more or less reflecting the priorities of the people. The projects undertaken usually provide drinking water, trials, suspension bridges, school buildings and minor irrigation. Viewed in the context of the overall development plan, this programme is modest. Only during the 6th plan was the grant increased significantly to a meagre 2.75% of public sector outlay. Insignificant though this programme is in terms of investment it has created many simple infrastructure which has contributed to making the lives of the rural people a bit easier. The most important contribution of this programme is, however, the development of the capacity to handle development programme at the district and village level. Without this institutional background, decentralisation could not even be contemplated.

3. SMALL FARMERS DEVELOPMENT PROGRAMME (SFDP)

It is an innovation devised by FAO/UNDP under the Asian Survey for Agrarian Reform and Rural Development in 1973. The concept of the SFDP is that small farmers as individuals are weak and exploited; however if they are helped to acquire a group consciousness, they can exert influence in the community. The strategy of the programme is to help small farmers organise into groups of 8 to 20 members "in which participation is direct and not through representatives, in which procedures and management are nonformal, and in which several procedures and functions of common interest are

performed". While the group organisation is essentially based on voluntary action of the small farmers, they need help and guidance. A group organiser with necessary training and background is provided for this purpose. He is the motivator in the process of organisation. He also helps them in the planning and execution of their activities. The activities consist of individual family or group enterprises. Major projects are usually inter-groups enterprises. The activities are essentially income raising and financed with loans from the Agricultural Development bank (ADB/N) Saving, one principal feature of SFDA is used to give credit to the members, usually for social purposes.

The satisfactory operation of two pilot project in 1975/76 in Dhansuba and Nuwakot districts, generated

enthusiasm to extend the programme which now covers 196 Panchayats in 46 districts embracing 33,811 households organised in 3,504 group** It now become an essential component of IRDPs. In fact SFDP has been accepted as a strategy of rural development.

** The investment during the last fiscal year (1983/84) was Rs.42.37 million and the collection was Rs.14.90 million. The over due amount of Rs.8.95 million (13.62%) which is very low compared to the overall performance of ADB/N. The most encouraging feature of the project is the generation of savings of Rs.1.4 million from SFDP members at the end of the first quarter of 1984/85.

4. WATER SHED MANAGEMENT PROJECTS (WMPS)

These projects are another category of multi-sectoral projects designed for rural development with the focus on improvement in physical environment. The trishuli water shed Project was the first such project undertaken in 1967. Designed to establish, by resource evaluation and demonstration, the most suitable approach to the protection and development of the hill areas, the project carried out some erosion control work in the tributaries of the Trishuli River along the Karmandu-Trishuli road. The other main components of the project were the construction of well for drinking water supply and demonstration trials of crop and livestock production.

The department of soil conservation and water shed management which was set up in 1974 undertook the Phewa Watershed Project (PWP) Phewa Jal in Pokhara Valley south of the Annapenna range. The project consisted of two phases : 1974-81 was devoted essentially to planning and demonstration and the implementation phase started in 1981 is due to be completed.

The project objectives are to demonstrate on a sub-district scale the economic and social advantages of improved land use practices and to reduce erosion in the catchment to tolerable limits. Major components of the project are forestry, livestock, agriculture and horticulture, water supply, and water shed management. The conservation committee at the Panchayat level consisting of local representatives has been quite effective in ensuring community participation in planning, implementation, operating and maintaining the projects. Coordination between the line agencies is achieved through a "watershed committee" chaired by the Chief District Officer (CDO) with representation from concerned agencies and the Panchayat Committees.

The Terian Watershed Project has a very comprehensive objective - "the conservation, development and effective utilisation of the area's natural resources, the productivity increases and generation of income and production employment, the fulfilment of basic needs, and the improvement of the

socio-economic situation of the population of that area". Support to district and village panchayat projects is a major components of its programmes. "The support aims at fast relief for the most urgent felt needs of the population which shall increase the trust and confidence of the people. In addition the programme is hoped to initiate self reliance and self propelled development within the Panchayat" (General Work plan 1983-88). In accordance with HMG's decentralisation efforts, TWP plans to financially and technically support the secretariate of the District Panchayat (LDO) in executing development programmes. It will concentrate on the construction of rural water supply schemes and to a lesser extent, the improvement of trials through the construction of local bridges (HMG/SATA-1983).

Reservoir conservation and utilisation project (RCUP) is a much longer watershed project. The project consists of two principal components. The first constitutes support for a range of conservation and development activities in two major river catchments of the Kali Gandaki covering parts of Mustang and Myagdi districts, and the Gorkha regions drained by the Buri Gandaki River and two smaller streams, the Daraundi and Chepakhola. The second component consists of an education and training programme aimed at developing the technical and managerial staff needed for the long term programme to arrest environmental degradation. Justifying the multi sectoral approach, the

project paper slates, "As part of its holistic approach to resources conservation RCUP recognises the importance of agricultural improvements. In order to complement the agricultural component of the project, it is extended that early attention will be directed to upgrading existing irrigation system in the region as well as undertaking the building of new irrigation projects". (USAID - 1980)

5. COMMUNITY FORESTRY DEVELOPMENT PRINCIPLE

This is initiated in 1979 is a very important project of direct relevance to rural development. Besides increasing the supply of forest resources for hill communities, it aims to reduce environmental degradation and conserve solid and water resources. The thrust of the project is to introduce improved land use and forest management practices. The community Forestry Development component is being carried out in about 400 Panchayats in 29 hill districts. The project consists of field activities and supporting activities. The main field activities include : nursery construction and seedling production, demarcation, plantation and protection of panchayat forest and panchayat protected forests, seedling distribution for private planting, preparation of management plans, trail planting of important trees species and fodder grasses, and pre-testing and distribution of improved woodburning stoves. Training of Nursery foreman, plantation watchers stove promoters, and installers, and production and distribution of extension, training and publicity materials constitute other activities. According to the Interim Project Results and Recommendations (1980-84) , "community forestry

is viable option for reforestation and management of the forest resources in the Hills. Despite many administrative capabilities and the interest of the people exist to implement community forestry". The most encouraging aspect is the fact that in many districts requests by Panchayats for participation exceed the present targeted numbers. As this programme has been, promising most of the IRDPs have incorporated a community Forest-ry development Component. The weakness in implementation of this project as point out in the above report is the lack of quality improvement corresponding to the growth in work quantity. The report cautioned against overall rapid expansion of the programme at the cost of proper supervision and extension.

6. OTHER RURAL DEVELOPMENT PROJECTS

The Hill Food Production Project (HFPP) and Hill Irrigation Development Project (HIDP) are two other multi-sectoral projects of relevance to rural development. The first started in 1982, under the Ministry of Food and Agriculture with World Bank assistance, and covers four districts : Gorkha, Lamjung, Sysangia and Tanapu. Besides the agricultural component (livestock included), the project incorporates minor irrigation trails and bridges. The institution envisaged under the project to provide the thrust is the Agricultural service Centre, as tried in R/NIRDP. The other project is under the Ministry of Water Resources, Department of Irrigation, and is supported by the Asian Development Bank. It is spread over four districts :

Kaski, Palpa, Parbat and the hilly region of Nawalparasi. The main components this project are irrigation, agricultural, erosion control, track improvement and fuel wood and fodder development. Both projects are focussed on increasing food production in the hills.

The settlement Programme is another activity of multi-sectoral nature involving the rural population. Though this programme started with the launching of the First Plan itself, it was carried out in a more organised way after 1965 with the establishment of the Nepal Resettlement Company. The Process of settlement of people on new land includes, besides cleaning the forests, establishment of physical infrastructure, provision of basic social and economical services such as drinking water, primary health and education and provision of agricultural credit and inputs. Both the Department of Resettlement and the Nepal Resettlement Company are engaged in settling the migrant population from the hills, the former dealing mainly with swaatters and the latter engaging in clearing new forest lands. While the settlement programme has been a continuous activity, the performance has been erratic due primarily to delay in allocation of forest lands. The World Bank was initially associated with this programme, but gave it up due to poor performance.

The Remote Area Development Programme, initiated in 1970, is addressed to the needs of the sparsely populated remote northern area which in the ordinary course of development

are left behind. This programme has introduced development projects such as trials, suspension bridges, drinking water and construction of gumba (Buddhist place of worship). The Committee which administers the programme consists of the representatives of the Remote Areas (one from one Development Region) and is headed by the Minister for Panchayat and local development. It invites, often through personal contacts with the people in the areas, suitable projects, scrutinies them and approves them for implementation. The LDO gets the projects implemented through the local Panchayats. It is more a social than an economic programme. (3)

7. AGRICULTURE INPUTS CORPORATION (AIC)

Agriculture the major enterprises of Nepal employing over 90 percent of the labour force and accounting for more than 65% of gross domestic product. The traditional method of farming can provide subsistence standard of living only. Therefore, modernisation in farming practices Nepal has become important.

Agricultural production could be increased either by extensive farming method seems quite impracticable in the long run due to limited land factor. Intensive farming wherein production is optimised from a given place of land with the help of modern agricultural inputs is the only reliable

solution to meet the problem of agricultural growth. Agriculture supply corporation for was therefore established in 1966 in the public sector.

The present Agriculture Inputs Corporation (AIC) is the recognised form of the Agriculture Supply Corporation. During the period mid July 1972 to end of 1974, this corporation was also entrusted the task of food management. The present AIC has the main objective of marketing modern agriculture inputs essential for intensive farming throughout the country.

Prior to the establishment of this corporation in 1966, modern technology of farming was almost unknown to the farmers of the country, except in few districts, uses of chemical fertilizers, farm machineries, plant protection, etc. has been sizeable increased after the establishment of this corporation.

The Agriculture Inputs Corporation has grouped the following main objectives to achieve the final goal of increasing agricultural production :-

- a. To import chemical fertilizers by inviting global tenders so long as the country does not have its own production.
- b. To undertake seeds multiplication programme in different regions, collection the seeds, process treat and store them and then supply to farmers.

- c. To import or procure locally chemicals for plant protection and grain preservation and supply them whenever required to farmers.
- c. To encourage the use of locally produced agricultural tools and implements as well as to import agricultural tools and implements not produced in the country, and distribute them through out the country.

The AIC being a Government undertaking is under the Food, Agriculture and Irrigation Ministry. The board of directors consisting of seven directors including the Chairman nominated by the Government is the supreme body of the Corporation. The secretary of the Food, Agriculture and Irrigation ministry is the Chairman of the board of directors.

All agricultural inputs which are not produced in the country are imported from abroad by tenders. Both fertilizer and farm machineries are imported from other countries. Usually fertilizer procurement takes place twice a year. The quantities of fertilizers to be procured as assessed on the basis of demand of fertilizers forecasts made separately for dry and wet cropping seasons. All fertilizers are shipped to Nepal through the port of Calcutta and are transported by Indian Railways to different rail heads on the Indo-Nepal border.

Besides the commercial import of fertilizers, the requirements of fertilizers are also met by supplies received

under different aid programmes. During the last ten years (1966-76) AIC procured 1,77,186 tonnes of different chemical fertilizers by commercial imports and about 77,724 tonnes of fertilizers were received in the form of aid.

The corporation presently has warehouses totalling 30,700 tonnes capacity and further 12,500 tonnes capacity warehouses are under construction. Also the corporation had a master plan to build further 23,000 tonnes capacity of godown in the various parts of the country by the end of the five year plan (1975-80)

Table : Performance of AIC 1970-71 to 1975-76

Articles	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76
Chemical fertilizer (in tonnes)	17,728	25,434	32,575	36,779	36,361	31,131
Improved seeds (in tonnes)	475	1,135	2,086	1,826	1,934	2,055
Agricultural tools (Rs. in thousands)	979	1,358	3,186	20,925	1,859	4,723

8. INDUSTRIAL SUPPORT SERVICES

During the past few years, a number of new institutions have been established in Nepal in order to encourage the speedy

implementation of the agricultural and industrial programmes and for the promotion of foreign trade. A training centre has been set up for bankers and other centre has come into being for training administrators and managers. Given below are brief writeups on these institutions :-

(1) The Industrial Service Centre (ISC) was established in Nov. 1974 to assist in the implementation of the new industrial policy by providing non-banking services for industrial development. Nepal Industrial Development Corporation, established in 1959, had hitherto assisted in the preparation of projects and provided funds for private investment. The task of preparing industrial projects was assigned to the ISC in 1974.

The principal objectives of the ISC is to promote industrial development and its main functions are the following :-

- (1) to carry out feasibility studies.
- (2) to organise training in industrial management.
- (3) to advise the ways of modernising, expanding, diversifying and increasing the efficiency of industries.
- (4) to provide details of viable projects to potential investors.
- (5) to assume responsibility for the management of industrial distribution.
- (6) to advise the Government on matters of industrial policy and problems of implementation.

The Centre's activities are divided into three divisions : Industrial Promotion, Planning and feasibility studies, Industrial districts, and industrial extension services. However, the activities are inter disciplinary and the centre utilizes the services of personnel from different divisions to handle its projects.

The centre's activities are controlled by a board consisting of the Chairman nominated by the Government and representatives of concerned ministers are other institution as members.

(ii) Agricultural Projects services centre (APROSC) was established in 1975 for the following objectives :-

- (1) To help make improved decisions by the institutions such as commercial banks, Agricultural Development Banks, concerned ministeries of the Government, International financing agencies, private institutions and individuals interested in investing in the rural sector.
- (2) To identify and formulate economically sound and financially viable projects readily amenable to speedy implementation.
- (3) to evaluate rural development programmes and projects and suggest improvements for effective implementation commensurate with pre-envisioned goals.

(4) to develop a well trained and practical minded cadre of agricultural project analysts and evaluation experts in the country.

(5) to provide project management and other related consultancy services to interested parties.

The centre uses a scientific approach in finding solutions to problems related to project analysis and evaluation in diverse fields of agriculture including horticulture, livestock, poultry, fishery, irrigation, water management and integrated rural development. While preparing projects for investment main stress is put on rural areas in general and small farmers in particular. The centre aims at preparing a portfolio of readily implementable projects for financing by both the internal and external financing agencies.

The Centre, an autonomous organisation, is responsible to and governed by a board of directors consisting of representatives from concerned ministeries and financial institutions.

(iii) The Trade Promotion Centre (TPC) established in 1971 is a Government undertaking to promote the export trade of the country. The TPC is also an official liaison for International Trade Centre (UNCTAD/GATT), Geneva. It is engaged in product development programmes, market research studies, binding up of commercial infrastructure and

and trade information and counselling services etc., It also undertakes activities related to export promotion strategy and envisaged in the national plan of the country so as to diversify the foreign trade pattern.

The TPC is an international trade medium which centralises the flow of business opportunities on behalf of businessmen both in Nepal and abroad. It also offers information to exporters on customs and transit problems and assists the business community in international market research. The Documentation unit provides free documented information to all exporters. Free trade information and counselling services are also provided to all interested parties.

(iv) Established in Kathmandu in 1970 by Nepal Rastra Bank the Bankers Training Centre (BTC) has provided training in general courses covering banking, introductory banking, pre-service induction central banking, seminar-cum-training on personnel management, training on financial services for the small scale sector and agricultural finance. These courses have been provided to assistants head assistants, officers and senior officers from various financial institutions and other organisations.

(v) The Centre for Economic Development and Administration a research institute under Tribhuwan University conducts various programmes for persons involved in administration and management

in Government departments and ministeries and private organisations. These training courses on management and public administration cover marketing management, inventory control personnel management, etc. Regular programmes of three months duration are based on development planning and administration for civil services. A new programme under the District Administration Plan provides training courses to Chief District Officers and Panchayat Development Officers who play major roles in the Country's local government system.

The industrial policy of Nepal has provision for the establishment of the institute of standards the Chief functions of which will be to determine standards for the production process, to determine standards on the quality of products and certify the quality, and to issue trade marks for high quality product so as to safeguard the interest of consumers. (4).

(vi) Department of Cottage and Village Industries

This is under ministry of industry. This department carried the functions of training, credit extension registration and other services for cottage industries. But, recently this department has been made an administrative unit responsible mainly for registration, issues of licences, making recommendation to appropriate agencies for machinery and raw material imports and other administrative jobs. It has branches in various parts of the country. Pending the implementation of Intensive Banking Development Programme (IBDP) in 40 districts,

this department has also been carrying the functions of training and extension.

(vii) Cottage and Village Industry Development Board (CVIDB)

This semi-autonomous board is responsible for training research and extension works in 35 districts where intensive banking development programme has been implemented.

(viii) Cottage and Handicrafts Sales Emporium

This emporium is responsible for providing equipment, tools and raw materials to cottage industries and for making their products. This undertakes the job of marketing their products. This emporium has established branches in various parts of the country. It has been doing a useful job in providing much needed raw materials and machines for cottage industries.

(ix) Nepal Industrial Development Centre (NIDC)

This public sector corporation has been providing long and medium term loans to cottage industries. However, its activities in the cottage industries sector have been rather limited.

(x) Nepal Handicrafts Promotion Committee

It is responsible for the promotion of products of handicrafts industries . (5)

9. PLANNING APPARATUS

The planning apparatus in Nepal is geared to the concept of decentralisation. Decentralization planning consists of four different levels. The National Development Council (NDC) National Planning Commission (NPC), Regional Planning Office (RPO) and the Planning Cells of different ministries and departments. Each of these levels has a district line of authority and responsibility.

The NDC is at the open of central planning organisation. The King is the Chairman of the Council which has members representing different sectors of national life. The council has been instituted with a view to accelerating the pace of development. It meets at least once a year and has the power to issue guidelines on the fundamental objectives and policies of the plans, to give directives in order to make sure that national development plans adequately reflects the aspiration and felt needs of the people, to review and evaluate development programmes, and to facilitate the speedy implementation of development plans and programmes.

The NPC consists of the Prime Minister as Chairman, a Vice-Chairman, three full time members, one member-cum-Secretary, two ex-officio members, the Chief Secretary, and the finance secretary. It functions under the general guidelines laid down by the NDC. It works relates to taking policy measures,

plan formulation, implementation, as well as progress review and evaluations. It also collect data conduct research, supervises development work and helps over come difficulties faced in the implementation of development projects. It estimates man power requirements and development and construction materials necessary for project implementation and also recommends measures for their timely procurement.

The Planning Cells in all development ministeries and departments are charged with facilitating communication between the NPC and the ministeries. They work under the technical guidance and direction of the NPC. The functions and responsibilities of the cells are : to determine objectives and policies of the concerned ministry in line with national priority and resources availability, to prepare annual plans, to review progress of the projects and analysis them, and to submit progress report to the NPC.

The NPC has set up four planning offices at the regional level, and many other ministeries, and departments have opened regional directorates in different growth centres. The identification of regional growth centres has been motivated by a desire to facilitate the formulation of national plans in accordance with the people's aspiration so the growth centres at Dhankula, Kathmandu, Plkhara, and Surkhet are expected to conduct development planning and administration.

The major areas of responsibility of the region offices are :-

- (a) to collect people's need and report to the commission.
- (b) to provide technical advice and assistance to the regional and district officers in designing development plans and programmes.
- (c) to recommend the remote area and local development programmes to be carried out under Government grants.
- (d) to visit project sites and review and evaluate progress.
- (e) to remove bottlenecks hindrances in implementation and progress of development projects.
- (f) to aid and advise concerned officers in the maintenance and supervision of completed projects.
- (g) to carry out economic and feasibility studies and submit them to the NPC.
- (h) to establish regional review rooms and update process reports.
- (i) to conduct seminar workshops relating to planning and implementation.
- (j) to control and coordinate the different development activities in linewith plan objectives and priorities (6)

The major objectives of various plans of Nepal may be summarised as follows :-

1956-61 Increase in production, employment and people's living standard.

1962-65 Increase in production and employment, establishment of a just social order and general reduction of social and economic inequalities.

1965-70 Promote Welfare of the people by securing and protecting a just social order. A long term target of doubling national income in 15 years, target rate of growth 4.7% per annum.

1970-75 Increase production, effective utilisation of man power, create precondetions for sustained growth create a society free from exploitation, expansion and diversification of international trade, promote regional developments, targets rate of growth 4% p.a.

1975-80 People - oriented production and maximum utilisation of manpower, regional integration and balance, target rate of growth 5% per annum.

Table : Sectoral Allocation of Total outlay under
Different Plan (in percentage)

Plans	1st	2nd	3rd	4th	5th	6th
<u>Sectors</u>						
1. Transport & Communication.	33.8	23.9	26.8	35.4	27.5	21.4
2. Agriculture, forest, irrigation, land reform etc.	31.4	13.6	25.9	33.1	33.4	33.2
3. Industry & Commerce, Mining power Social Services.	16.7	32.2	27.9	20.3	19.6	24.6
4. Miscellaneous	1.1	13.2	2.8	14.7	-	-
Total Plan outlay (in million of Rs.)	330.0	600.00	2500.0	3540.3	9170.0	22,300.00

Source : - Various plans, National Planning Commission
HMG/Nepal . (7)

FINANCIAL INSTITUTIONS IN NEPAL

Though the modern banking institution has a very recent origin in Nepal, some crude banks operations were known to have been practised even in the ancient time. It is however, difficult to trace these origins and development through ages. Whatever little information is available on the subject, that is just a matter of historical interest. It serves

practically no analytical purposes.

It is believed that the so called well to do persons used to take loans from private money lenders even at a higher rate of interest than those from the Government institution for they were not prepared to disclose in public anything that was likely to affect their prestige. When they were approached by this type of clients, the professional money lenders used to raise loans in their own names from Tijarath at 5% rate of interest against gold and ornaments, which were not there own but brought to them by their clients as security for the loans to be financed from the funds raised from Tijarath itself. Thus without any resources of their own and without any risks on their own part, the money lenders could manage very well to exploit their especial type of clients just playing the role of middleman between clients and the Govt. institutions. (8)

Establishment of Commercial Banks

In view of the "non-existance of a banking concern in Nepal" causing all "inconveniences to the people" and hindering "economic development of the country" it was considered to be expedient that a bank "shall be established for removing all these disadvantages and inconveniences facing the country. Accordingly, the Nepal Bank was incorporated in 1937 under the Nepal Bank Act 1937. The active participation of the Govt.

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both in share capital and management enabled the Bank to inspire confidence of the people which contributed in its turn, to its growing prosperity during the past years. (9)

Functions of the Bank

The Nepal Bank is authorised to transact various kinds of business which are generally considered to be the normal functions of a commercial bank on orthodox banking principles. Thus it can, among other things :-

- (i) accepton or without interest, deposits from the Government the Nepalese subjects and the foreigners and open accounts in their names;

- (ii) advance loans on sufficient securities of gold, silver ornaments, Government securities and promissory notes, movable properties or documents of title connected therewith shares and debentures of Companies registered under the Nepali Company Act, bills of exchange endorsed by reliable persons etc.

- (iii) give loans to reliable persons, repayable on demand and for period not exceeding 6 months on joint security of two or more reliable persons accepted by the board;

- (iv) purchase, sell and discount bills of exchange endorsed or accepted by a reliable bank to mature within 90 days, relating to the export of goods produced or manufactured in Nepal and also bills of exchange, promissory notes, banks

secured by agricultural produce as well as purely commercial bills drawn and payable in Nepal, bearing the signatures of two or more reliable persons and maturing within 90 days.

(v) Issue letters of Credit.

(vi) Act as agent on commission on behalf of the clients in selling, purchasing, transferring and receiving in safe custody shares and debentures of companies with limited liabilities and also in sending remittance to any part in Nepal and other Countries.

As a semi-public enterprises and in the absence of a central banking institution, the Nepal Bankers as authorised to carry on certain transactions on behalf of Government in accordance with its instructions and order. Thus prior to the establishment of Nepal Rastra Bank in 1956 the Nepal Bank received deposits of Government money and remitted it through bank bills of exchange, cheques and hoondies in Nepal and foreign countries. (10)

At present there are following financial institutions in Nepal :-

(a) Central Bank

(1) Nepal Rastra Bank (1955)

(b) Commercial Bank

(2) Nepal Bank Limited (1937)

(3) Rastriya Banijya Bank (1964)

(c) Development Bank

- (4) Nepal Industrial Development Corporation (1959)
- (4a) Securities Marketing Centre Ltd. (1976)
- (5) Agricultural Development Bank of Nepal (1963)
- (5a) Sajhas (Agricultural Co-operatives).

(d) Other Financial Institutions

- (6) Employees Provident Fund Corporation (1963)
- (7) National Insurance Corporation (1968)
- (8) Small Industries Development Corporation (1971)
- (9) Agricultural Projects Services Centre (1975)
- (10) Industrial Service Centre (1974).
- (11) Credit Guarantee Corporation (1982)
- (12) Nepal Arab Bank (P) Ltd. (1984) (11).

Nepal Rastra Bank

A central banking institution was a long felt necessity in Nepal. Accordingly the Nepal Rastra Bank was incorporated on April 26th, 1976 under the Nepal Rastra Bank Act of 1955. With a capital of 10 million fully subscribed by his Majesty's Government of Nepal. Subject to the Government directors to the Bank as and when necessary in the national interest, all responsibilities of conducting the affairs and business of the bank and of encashing powers and functions entrusted to it under the Act are vested in the Board of Directors. The Board is auth'd to frame rules and regulations for the conduct of its business which required until recently the previous sanction of the Government. It is also required to submit to the

Government a monthly report in such a manner as may be prescribed by the Government, a copy of annual accounts within two months from close of the financial year and a general report of the Board on the working of the Bank throughout the year under review. The Government can also require such accounts and reports to be published in the Nepal Gazette.

The Bank has two separate departments namely, Issue Department and Banking Department. The former is responsible for operation related to the issuing of notes, whereas the latter for undertaking all other operations. The assets of the Issue Department are not subject to any liability other than its own liability (ies).

Functions of Nepal Rastra Bank

According to the preamble to the Nepal Rastra Bank Act of 1955 the Nepal Rastra Bank was constituted for regulating the issue of paper currency, securing country wide circulation of the Nepalese currency, and achieving stability in its exchange rate, to mobilise capital for economic development and for the stimulation of trade and industries and to develop the banking system in the country. In order to achieve these objectives, the Bank has been given the sole right to issue currency notes and deal in foreign exchange. It also renders advices to the Government on financial matters and acts as a banker to the Government. It has also been entrusted with the management of public debt and charged with the responsibility of taking

to develop and regulate the banking system in the country.

All this indicates that the Bank shall perform all the functions which are generally undertaken by Central Banks in other countries.

- (i) Issue of Currency notes.
- (ii) Transaction of Government business.
- (iii) Transaction of foreign Exchange.
- (iv) Control of credit.
- (v) Development of Banking system
- (vi) Mobilisation of Capital and Management of Public Debt.
- (vii) Stimulation of industries.
- (viii) Other transactions. (12)

Nepal Bank

The Nepal Bank was incorporated in 1937 under the Nepal Bank Act of 1937. Its authorised capital was Rs.100 lacs. Initially funds were raised from 20 thousands partly paid up and 5 thousands fully paid up ordinary shares of Rs.100 each. By 1949-50 all the 25,000 shares were fully paid up. Banks 51% of shares are held even today by His Majesty's Government and the rest by private individuals. The Government also has representation to the Board of Directors in proportion to its subscription to the share capital. Thus out of 6 directors, 3 are nominated by the Government and the remaining 3 elected

by the shareholders in their general meeting. Out of the 3 Government nominated Directors, one acts invariably as the Director General who presides over the Board meeting and enjoys all rights vested to him under the Act. This active participation of the Government both in share capital and management enabled the bank to inspire confidence of the people which contributed in its turn, to its growing prosperity during the past years. (13).

As the Bank activities are largely concentrated in financing of commercial transactions in the country, loans and advances were made largely against the security of commercial goods such as agricultural products, imported or exported commodities and precious metal like gold and silver. Loans against immovable property such as land and building constituted only a small portion of total bank loans and advances. (14).

The short term credit to industrial enterprises by one and only one commercial bank represented until recently the entire institutional financing in Nepal. In view of present requirements of the existing industrial enterprises for medium and long term for financing their rehabilitation and expansion works it might not be out of place here to examine whether it is advisable. On the part of commercial banks to undertake long term industrial financing activities. The capacity of a bank to undertake such activities depends entirely on its

own financial structure. However, if the banks are paid up capital and reserves are sufficiently large in relation to its short term liabilities, There are every possibility of long term investments without any danger of illiquidity.

Besides, these internal conditions there are some external factors, which also influence the capacity of a commercial or deposit bank, to advance long term loans. In a country where banking habit of the people is less developed, the deposit banks should naturally maintain a relatively greater proportion of their assets in liquid form. Moreover, the advance of capital market also limits the scope of the commercial banks for industrial investments or other long term loans. Even in countries where capital market is well developed, it is quite risky for the commercial banks to hold industrial securities because their values fluctuate very frequently.

As already examined above, the time deposit liability of the Nepal Bank has been growing persistently since 1967. In recent years, it represents 1/3rd or even $\frac{1}{4}$ of total deposit liabilities. But the proportion of ownership, capital paid up capital plus reserves in past declining through it has been growing in absolute terms. It now represents only 3 to 4% of total deposit liabilities. These two trends are, therefore, moving in opposite directions. One limiting and the other

increasing the capacity of the banks to participate in long term financing activities. The Banks capacity is however, impaired by two other factors as well. First in the absence of any Block exchange market, it is quite risky particularly under the existing conditions of the country to lock up the bank funds in industrial investments which are virtually tantamount to permanent investment in Nepal. Secondly, since there is virtually no other financial institutions to help it in times of contingencies it has to stand all the time exclusively on its own strength.

However, the existing ratio of cash balance to total deposit liabilities as well as the liquid nature of some loans and advances, tend to suggest that the bank is quite capable of advancing short term loans for finalising working capital of some existing industries on a much larger scale than what it is at present. Secondly, if loans from the bank to the industries and or if the long term loans could be advanced by the Nepal Rastra Bank to the Nepal Bank against the Industrial securities held by the latter, it might not be difficult for the latter to advance long term loans on a reasonable scale of some selected companies. (15)

The problem of financing industries and other economic activities is under development countries like Nepal is less a

matter of medium through which funds should be made available to industries and other economic enterprises than a matter of devising of mechanism by which savings can be mobilised and investments encouraged and directed to proper channels since the ultimate funds must come from savings of the people, "For obviously if the public would not invest either because of their unwillingness or of their inability, no institutions can help in matter". In other words, it is more a problem of combining together the acts of mobilization, investment and direction than a problem of more institution and medium which presupposes that the savings are already there. (16)

3. Rastriya Vaniyva Bank

In 1964, an entirely Govt. owned commercial Bank, named Rastriya Vaniyva Bank was established under a separate Act with the authorised capital of Rs.1.00 crore. Being a Govt. owned commercial bank its defectives and operation are somewhat different from those of the Nepal Bank Ltd. But the major functions of the New Bank are more or less the same as these of the Nepal Bank. (17)

The most serious defect of the delinks of the Rastriya Vaniyva Bank is that it also followed traditional Commercial Banking proactices. It has not taken any measures to meet

the credit requirements of the agricultural sector as well as of the industrial sector.

The production sector of the economy could not be able to derive significant benefit from the establishment of this state aimed bank. The state owned commercial bank should come forward to shoulder this responsibility when the country is trying to so hard to increase agricultural production and industrialization and the productive sector is crying so hard for credit. The Rastriya Vanijya Bank Act 1966 shall suitably be ammended to meet this challange.

The Rastriya Vanijya Bank has not opened its branches in the rural areas in planned. Though it has opened a few branches in the rural areas, yet most of its branches are situated in the towns and business centres. It has also no definite plan and programme to provide financial assistance in various ways for the development of the rural sector.

Nepal Industrial Development Corporation - (NIDC)

The activities of NIDC are not free from defect. It extends financial assistance for long term and its financial resources seems to be meagre. With such a meagre financial resources, it is doubtful that it can contribute to industrial growth. Except in 1966/67 its total amount of loan sanctioned does not reach even 50% of the requested amount of loan since its inception to mid July 1970. Therefore it is not capable of meeting demand for loans of the private sector alone

through there is not official. Comment on the reason of such a high disapproval of loan requests after year. In such a condition it is doubtful that the corporation can do successfully twin functions of industrial finance and industrial promotion. Therefore, it must try to increase its financial resources in future if it really intends to play an important role.

It does not seems that the corporation has given loans to various industries by properly conducting feasibility survey. The failure of the Golchha Woolen Organisation, Cachar Factory and a Sugar Industry proved this contention. The corporation has realised its loan by legal actions and not suffer any loss from above dealing. The most important matter in this respect is not that the corporation is endowed with sufficient statutory powers but that it shall be able to choose economically viable projects for extending financial assistance. Therefore, it should employ proper method in appraisising loan applications taking various factors into consideration which may affect the project and its prospects.

Moreover its distribution of loan also does not appears to have been based strictly on the order of priorities which a country like Nepal have in its industrial development programme. (18).

Agricultural Development Bank (ADB)

The Co-operative Bank was converted into the Agricultural Development Bank in 1967 with an authorised capital of Rs.50.00 million, of which 51% is subscribed by the Government and the rest is covered from the share holders' contribution and other sources. The primary objectives of the Bank are to institutionalize agricultural credit, reduce farmer's dependence on village money lenders and landlords (to curb the predominance of private credit agencies) and evolve a production oriented credit programme. In successive amendments the functions of the bank is extended to provide loans to the tenants to buy land which they have been cultivating; to provide short, medium and long term loans for agricultural development to individuals, so co-operatives, village committees etc. to make available fertilizers, implements, pumps, etc.; to provide loans to agro-industries and to extend normal banking facilities in rural areas. In order to meet the resource need of the bank Nepal Rastra Bank has been providing concessional loans to this Bank under the "refinance Scheme". The Bank also received financial assistance from international agencies like Asian Development Bank.

During 1968/69 to 1979/80, i.e. 12 years the Agricultural Development Bank provided a total of Rs.133 to 7 million credit to the agricultural sector (on the average Rs.111.4 million

per annum) On an annual basis, however loan disbursement increased steadily upto 1974-75 but declined in 1975-76, short up again in 1976-77 and 1977-78 and slackened recently, i.e. in 1978-79 and 1979-80. By purpose, agricultural production, agro industry and marketing and warehouse construction account for the major portion of loan disbursed by the bank. (19).

Table - Distribution of loans by some financial institutions
(Rs. in million)

Description	1974-75	1979-80	1980-81	1981-82	1982-83
(i) NIDC					
(a) Loan disbursement	44.7	21.5	45.8	30.8	53.4
(b) Realisation	3.6	21.9	15.7	13.3	30.5
(c) Loan disbursement	39.2	0.4	30.1	17.1	22.9
(d) Outstanding loan	125.9	252.2	282.3	299.8	322.7
(ii) ADB/N					
(a) Loan disbursement	181.8	147.9	134.1	256.4	345.8
(b) Realisation	74.5	119.0	117.7	164.2	220.2
(c) Loan disbursement	107.3	31.9	16.4	92.2	135.7
(d) Outstanding loan	226.7	458.3	474.6	566.8	720.4
(iii) Provident Fund					
(a) Loan disbursement	14.7	25.4	53.9	69.6	79.2
(b) Realisation	8.1	6.0	27.2	38.7	39.2
(c) Loan disbursement	6.6	19.4	26.7	30.9	39.6
(d) Outstanding loan	52.5	151.1	194.4	249.1	316.9

Total

(a) Loan disbursement	241.2	194.8	233.8	356.1	478.4
(b) Realisation	83.1	193.9	160.8	216.2	280.0
(c) Loan disbursement	153.1	50.9	73.2	140.6	198.2
(d) Outstanding loan	405.1	861.6	951.3	115.7	1342.0

Source : - Economic survey, Finance Ministry 1974 to 1982-83

Conclusion

Unlike the IRDPs in India which are totally target oriented (helping the households below the poverty line) the integrated Rural Development Projects in Nepal are essentially area development projects. As such they should have given more attentional to the special diamention of development. As Nepal is committed as to regional development strategy, lack of consideration of this aspect is surprising. It may be due to the development approach after its abortive attempt to try out the growth areas and growth points strategy through the Regional Intensive Development Programme, as with such an array of the IRDPs and more incoming, the regional development strategy could hardly be ignoted. In order to achieve "self propelling" or self sustaining development, a common objective of the IRDPs planned development of a hierarchy of growth counties with strong linkages is an essential requirement. The provision of rural or service centre in the IRDPs has not been envisaged in this light.

Lack of consideration of regional strategy is perhaps the reason for the neglect of the urban sector in the IRDPs. It is acknowledged that "rural areas without access to urban centres and services can not prosper and those without access to fully development potential. In the case of Nepal most urban centres have scarcely developed. Without complementary development of the urban areas, the usual development process cannot make much headway. It may be appropriate to point out that neglected as the urban sector of the Pradhan Panches of the Farm Panchayats held in Thappa in January 1983 drew the attention of HMF to the need for the simultaneous development of the urban and rural sectors and establishment of a strong linkage between the two.

The de-emphasis of infrastructure suggested in most IRDP evaluation seems to run counter to the achievement of the objectives of self sustained development. While investment in overhead and administrable facilities needs to be kept as low as possible, the development of rural infrastructure of modest standards cannot be minimised. The study of Taluka in India by Sudhir Wanmali shows "increase in agricultural productivity do not make place without the timely development of key rural services. The provision of transport, marketing, and rural infrastructure the study points out "encourage private sector to grow in the countryside, thereby facilitating the broader processes of rural socio economic development".

The location of IRDPs is one point which does not seems to have been fully appreciated. Since the basic objective of these projects is to reach the poor and poverty is at its worst in the hills and mountainians, the choice has naturally fallen on northern hilly region. Their formidable the physical constraints apart, these areas have limited infrastructure for development; odds are heavily loured against the projects to begin with. Proper account has not been taken of this factor in project formulation.

Since grants and soft credit are being liberally provided in development assistance to Nepal, and IRDPs are no exception not much though has gone into using credit in financing rural development. Thus credit constitutes a small component it is on the increase. The possibility of increasing the share of credit in total investment under IRDPs deserves some exploration. Such a strategy will help internal resources generation and eventually the process of self sustained development.

An IRDPs is multi sectoral project implemented by respective sectoral agencies. However, its formation is usually done by consultants with heavy donot input of ideas and priorities the consultants with the concerned sectoral agencies being generally an obscrnce of formality. In absence of active involvement of the sectoral agencies in project formulation, the capacities of these agencies are seldom properly assessed.

Whatever manpower and organisation are required of an agency is assumed available and its sometimes agreed to in writing by the Government. But in most cases, it does not come forth according to projection, and the concerned agency is usually blamed for lack of co-operation or commitment to the project.

The greatest weakness in the IRDPs overlooked also by the evaluation, is however, the question of how to involve the poor in the development process. While people's participation has been advocated as a strategy in almost all the IRDPs, there is no elaboration of how to achieve it, except passing mention of associating the district Panchayat in the selection of projects. Rural Communities are not homogenous in Nepal, as in most developing countries. The dominance of rural elite aside, the division among the poor themselves and their dependence on the rural rich, inhibit them from taking part in the development process. In order to ensure their participation the rural poor need to be organised, with the help of a motivator as in the case of SFDP. Only through an organised group can the poor assist themselves. SFDPs have already proved it. Most IRDPs have a SFDP component. But this adoption is not so much a recognition of the need to organise the poor in the project area as an accommodation of a successful component. The reason for this is the tendency to ignore the political aspect of development, sensitive as this issue is.

Commercial Bank

Actually, Nepal's national policy should not merely be guided by growth with social justice. The commercial banks are, therefore, expected to play an important role for the upliftment of the weaker section of the society by providing them substantial amount of credit to interest in the productive sector. It can not be denied that the weaker section who constitute people from various walks of life such as section who constitute people from various walks of life such as small and marginal farmers agricultural and landless labourers small businessmen, rural artisans and the others have been devoid of the opportunity of getting due share in the credit of the commercial banks. It is clear from the fact that the priority sector loans, which to be certain extent are meant for the weaker section stood at only 4.25% of the total deposits of these banks till mid March 1984.

As compared to the Indian Commercial Banks, the Nepalese Commercial Banks have not been able to disburse significant amount of loans to the weaker section. It may however not be too difficult to understand why the loans to the weaker section in the total deposits of the commercial banks could not increase substantially in Nepal. The domestic commercial banks development such criterian by which the weaker sectors have been experiencing a great deal of difficulty in receiving loans. No adequate and satisfactory credit worthy programme

programme exists with these banks to serve basically the interest of the weaker section.

Attitudinal change is necessary to be introduced in the concept of the monetary and fiscal authorities who to a large interest thinks that the poor families are not credit worthy. This concept will have to be replaced by the view that through the notable credit worthy programmes the majority of the weaker section may be brought into the mainstream of economic development of the country.

The security conscious commercial banks are afraid of the recovery of the loans to the weaker section but if the large segments of the weaker section are provided necessary inputs, guidance and technology through the appropriate credit worthy programme in time, there is no reason why they will not raise the production and productivity of the different sectors of the economy on the one hand and co-operative the banks in repaying their loans in time on the other. In other words, the weaker section may raise their stand of living provided they are given credit in required amount at the appropriate time, terms and conditions.

*given

As the role of the commercial banks is vital for improving the lot of the weaker section, the former must strike for opening as many rural branches as possible to promote the latter'.

interest. In the past, efforts have been made by the commercial banks to open branches not only in the urban but also in the rural areas. Because of this branch expansion policy, the total number of the branches of the commercial banks which stood at only 80 in 1970 increased by 4.11 fold to 329 in mid April 1984. On an average there is one bank office for 49,000 people in Nepal. The international comparison of the banking coverage shows that the performance of the commercial banks in the field of branch expansion has not been satisfactory in Nepal. Though the current plan aims at providing one bank branch for 30,000 people till the end of 1985 no vigorous efforts so far been made to achieve this objective.

In the initial branch policy of the commercial bank, opening branches in the urban areas was accorded priority to opening branches in rural areas. Because of this policy, the interest of the weaker section was overlooked. But gradually with the change of the time and under the pressure of the circumstances, the commercial banks were compelled to open substantial number of branches in the rural areas. In the 1970s and 1980s there has been significant growth in the number of the bank branches in the rural areas as compared to the urban areas. Following table in this connection, exhibits the branches expansion of the commercial banks in the rural and urban areas expansion of the commercial banks

in the rural and urban areas over the period 1961 to 1983. While the share of rural branches in the total number of branches of the commercial banks stepped up moderately from 64.08% to 68.69% the share of the urban branches declined 35.9% to 31.31% over the period of 1981 to 1983.

Total - Branch Expansion of the Commercial Banks in
the Rural and Urban Areas

Year	Urban	Rural	Total No. of branches	Population branch ('ooo')
1961	13	10	23	413
1962	13	12	25	307
1963	13	14	27	360
1964	13	15	28	359
1965	14	19	33	322
1966	22	23	45	233
1967	27	30	57	118
1968	30	33	63	174
1969	33	41	74	151
1970	35	47	82	139
1971	35	53	88	131
1972	36	57	93	121
1973	37	67	104	116
1974	41	78	119	104
1975	43	86	129	97
1976	54	119	173	75

Branch Expansion of the Commercial Banks in the Rural and
Urban Areas (Continued)

1977	63	155	216	62
1978	68	163	231	59
1979	68	163	231	50
1980	70	171	241	59
1981	74	189	263	56
1982	93	197	280	53
1983	100	225	325	50

Source : Nepal Rastra Bank. Quarterly Economic Bulletin
(Various issues)

It is now evident that though the number of the rural branches of the commercial banks stepped up, the ratio at which they increased is not very impressive. In view of the vast magnitude of the weaker population and huge potentially of mobilization of savings in the rural areas, it is necessary to increase the number of the rural branches of the commercial banks significantly. Nepal Rastra Bank no doubt has provided a number of incentives to the commercial banks for opening branches in the rural and remote areas of the country but under the existing circumstances, the commercial banks may not be highly enthusiastic to open their branches in the rural and remote areas to the desirable extent. Hence, it is positively for the establishing a full fledged and autonomous commercial

ban i.e. "Rural Development Bank" in the public sector so that it may concentrate on serving the interest of million of weaker population in the rural areas who ever remained neglected in the country.

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