



Policy Research Institute
नीति अनुसन्धान प्रतिष्ठान



Development Experience of Nepal

Perspective Paper

Jagadish Chandra Pokharel, PhD
Biswo Nath Poudel, PhD
Tika Ram Gautam, PhD

Kathmandu, Nepal

Policy Research Institute
नीति अनुसन्धान प्रतिष्ठान

Development Experience of Nepal

Perspective Paper

Jagadish Chandra Pokharel, PhD
Biswo Nath Poudel, PhD
Tika Ram Gautam, PhD

Kathmandu, Nepal

Perspective Paper No. 003

The views expressed in this paper are those of the authors and do not necessarily reflect the opinion and position of, or endorsement by, PRI.

Copyright © Policy Research Institute

No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical – including photocopying, recording, or any information storage and retrieval system – for commercial purposes without written permission from the copyright holder. Readers are, however, encouraged to quote or reproduce material from this publication with due acknowledgment of the author and PRI for academic and personal purposes.

Suggested Citation:

Pokharel, J. C., Poudel, B. N., & Gautam, T. R. (2021). *Development experience of Nepal* [PRI Publication No. 033]. Kathmandu: Policy Research Institute

Layout : Subin Ulak
Publication Date : September 2021

Policy Research Institute

3rd Floor, Federal Secretariat Construction and Management Building
Sano Gaucharan, Kathmandu Metropolitan City
Kathmandu 44600, Nepal
E-mail: info@pri.gov.np
Web.: www.pri.gov.np
Phone: +977 1 4530517/4534979

TABLE OF CONTENTS

FOREWORD	iii
ACKNOWLEDGMENTS	iv
SUMMARY	1
CHAPTER ONE	3
INTRODUCTION	3
1.1 Nepal Nation	3
1.2 Nepal and its Ambitions to Grow	4
1.3 Nepal's Development Trajectory	5
CHAPTER TWO	7
STORY OF UNDERPERFORMANCE	7
2.1 Agricultural Under Performance	7
2.2 Industrial Underperformance	8
2.3 Infrastructural Underperformance	9
2.4 Administrative Underperformance	9
CHAPTER THREE	11
SOCIAL DEVELOPMENT	11
3.1 Sharp Wedges between Politics, Economy and Society	11
3.2 Hesitant Post-developmentalism	12
3.3 Dealing with Unanticipated Results	13
CHAPTER FOUR	15
OVERCOMING THE CHRONIC UNDERPERFORMANCE	15
4.1 Understanding Agricultural Underperformance	15
4.2 Understanding Industrial Underperformance	16
4.3 Understanding Infrastructural Underperformance	16
4.4 Tackling Administrative Underperformance	17

CHAPTER FIVE	18
NEW APPROACHES TO SOCIAL DEVELOPMENT	18
5.1 A Social Development Framework with Rights and Social Guarantee	18
i. Rethinking Education	20
ii. Making Health Matters Healthier	21
iii. Ensuring Needful Employment	21
CHAPTER SIX	23
TAPPING AND TAMING THE FORCES PROPELLING NEPAL'S DEVELOPMENT TRAJECTORY	23
6.1 Urbanization	23
6.2 Population and Demographic Dynamics	24
6.3 Technology-induced Instability	24
6.4 Information and Communication Technology	24
6.5 Decentralized Governance System (Federalization)	25
6.6 Labour Migration and National Income	25
6.7 Competing World Powers as Immediate Neighbours (China and India)	26
6.8 Nepali Diaspora and the Idea of 'Pan Nepal Project'	27
CHAPTER SEVEN	28
CONCLUSION	28
REFERENCES	30

FOREWORD

Policy Research Institute (PRI) is a think tank of the Government of Nepal. Its mandate is to undertake research on all policy issues of public concern and recommend to the Government the measures that should be taken to bring about innovation in policy making and enforcement. To this end, PRI undertakes researches through five themes that focus on Economic and Infrastructure Development; Governance and Federal Affairs; Legal and Social Affairs; Foreign and Strategic Affairs; and, Natural Resources and Technology.

Each of these themes covers a wide range of issues, concerns and areas. To approach them effectively requires sorting out and prioritization of key policy gaps that call for critical study and investigation. PRI believes such prioritization should be done by experts who have both theoretical knowledge of and practical insights into the respective field. It is in this context the idea of the 'perspective paper' has been conceived. It is the paper of the experts and practitioners concerned that carries their ideas and perspectives for PRI to use as a reference.

This paper relates to the first theme: Economic and Infrastructure Development. It presents an analysis of major issues and concerns that PRI should critically study and investigate and offer recommendations, based on evidence and informed knowledge, to address the underlying issues vis-à-vis Nepal's economic and infrastructural development.

I express my sincere thanks to Dr Jagadish Chandra Pokharel, Dr Biswo Nath Poudel and Dr Tika Ram Gautam for accepting our request to write this perspective paper for PRI. The analysis presented and recommendations suggested in the paper will help PRI prioritise research areas regarding economic and infrastructural development in Nepal.

Bishnu Raj Upreti, PhD
Executive Chairperson
September 2021

ACKNOWLEDGMENTS

The authors would like to thank Dr. Hari Sharma Neupane, Dr. Kalpana Khanal and Dr. Deepak Kumar Khadka for valuable comments and assistance in improving the manuscript.

SUMMARY

This paper is a reflection on the development experience of Nepal. It discusses the development trajectory Nepal has followed so far and the ideas that are likely to drive the future. Using our own experiences and knowledge we reflect on nation-building practices over the past seven decades and provide a realistic imagination and strategic thinking to materialize the desired changes for the future development of the country. We have particularly reflected on our underperformance in agriculture, industry, infrastructure, and administration, and also on the achievements in our social development. We have identified certain factors as propelling forces for Nepal's development, which includes urbanization, population and demographic dynamics, technology-induced instability, information and communication technology, decentralized governance system, labour migration and national income, competing world powers as immediate neighbours, and Nepali diaspora and the idea of Pan Nepal Project. A deeper understanding of these forces has been recommended as research objectives for think tanks of Nepal including Policy Research Institute. We have concluded that Nepal's strength to emerge out of the underdevelopment trap is reliable as supported by positive factors like apolitical military, an independent judiciary, young demography, reasonably strong financial system, low debt, sizable foreign exchange reserve, resilient revenue system. Policy orientation towards making human resources aware of the self and conscious of Nepal's potentialities for optimum social and economic performance and making economic turf flat for all citizens would go a long way to transform Nepal into a developed country.

CHAPTER ONE

INTRODUCTION

1.1 Nepal Nation

Nepal as a unified nation was established in 1769. Its current borders were determined following its defeat in the war and subsequent settlement with the British East India Company as outlined in the Sugauli Treaty of 1816. Its 147,516 square kilometres area, a quadrangle shape running east to west with an average width of 193 Km, is uniquely placed between China and India. Its highest point, Mount Everest (Elevation-8848.86), and lowest point, Kechana Kalan in Jhapa district (Elevation- 60 m), present unique ecological variation. Its total population of 30,384,168 (live data, CBS, 28 June 2021) includes a rich diversity of language, culture, and social practices with over 100 ethnicities and languages. Demographically, there is more working population than the dependents. (NPC, 2017). Women make 51.5% of the total population. Geo-physically it can be divided into three broad belts running East-West. The plains, hills, and mountains make 17, 68, and 15% of the country, respectively. The climate varies between humid and hot in the plains to very cold and dry in the high snow-covered mountain area. The climatic variation manifests in rich biodiversity. Rugged terrain and slopes make most of the country difficult to access. There are over 6000 rivers of varying sizes with proven potential for power and irrigation. The country had been a near-mythical place for many in the world until it was opened in the early 1950s. Being located between two big, rival powers, India and China, the relationship between the two, be it amorous or adversarial, presents challenges and opportunities for its very existence and growth.

Nepal's network of transport infrastructure includes over 1000 Km roads of different types and standards, one international airport in operation and two to be completed soon, and numerous small airstrips in the remote mountain areas that connect the country. The network is yet to be fully developed and dependable to facilitate intra-country travel comfortably. The country is still evolving to become a single economic entity.

About 28% of the total agricultural land in the country is irrigated (Gajmer, 2014). The country generated 1182 MW of power in FY 2018-19 which was only 2.59% of its total technical generation potential (Gunatilake, 2020). Above 74% of Nepali has internet access and a Nepali has, on average, more than one cell phone as of FY 2019-20 (NTA, 2020). There are 10 Universities, 1407 campuses, and 35601 general schools (MOEST, 2018), 123 public and 1715 non-public hospitals (DOHS, 2018) and 24,814

MBBS Doctors in the country (NMC, n.d.). Nepal's literacy rate is 67.9% (Index Mundi, n.d.). The longevity of a Nepali as of 2018 is 70 years (World Bank, n.d. a), the income poverty level is 23.8% (NPC, 2018), per capita income is \$ 1071.1 (2019) (World Bank, n.d. b), the contribution of remittance to national GDP is 25.4% (FY 2018/19) (Bista, 2020). Major sectors contributing to national GDP are agriculture- 28.2%, industries- 14.2 % services- 57.6% in FY 2018 (ADB, 2019).

The constitution of Nepal 2072, identifies three tiers of government—federal (1), provincial (7) and, local (753), with a total of 761 governing units. These units have just begun to exercise their constitutionally delineated authority over their jurisdiction. The country is envisaged as a secular, federal, and republic polity with a socialistic economic orientation. Equality, inclusion, and social justice are the foundations for building a new nation.

1.2 Nepal and its Ambitions to Grow

Historically Nepal was ruled by ambitious rulers driven by expansionary ideas including territorial expansion. Their ambition and possibilities for territorial expansion however were permanently quashed after Nepal's war with the two neighbouring powers— the Qing empire of China in the north and the British East India Company in the south. It fought and lost wars with them resulting in humiliating defeat and territorial and political compromises with them —the Sugauli Treaty of 1816 with the East India Company and the Thapathali treaty of 1791 (Shrestha, 2014; Verma, 2020). These two events also reduced Nepal to its current size and demonstrated the limitations and cost of using hard power when it came to dealing with these two empires. These two events also de-facto dictated Nepal's future position in the region and the global arena. They further reminded and ingrained' the famous narrative used by the unifier King Prithwi Narayan Shah that Nepal was a “yam between two rocks”. These encounters also forced Nepal to search for a model for national economic and political-economic growth and strategy to achieve the desired goal to follow in the future. Clearly, it was not the one based on territorial expansion for resources and other riches. The search for an appropriate one continues and historical events have indicated that this might be an ongoing process. This hard reality has made Nepal introverted and forced it to pursue economic and political development strategies that appease the two neighbouring powers. Increasingly it has relied on the ideas, resources, skills, technology, skilled manpower from these countries. The growth model had to ensure goodwill and help from outside. This help-seeking compulsion had long-lasting implications for national planning and nation-building project. With time this practice led to accepting the dominant ideas from both sides and limiting its assertiveness, zeal, and ability to grow independently utilizing its potential and latent energy.

The global power division and underlying ideas behind the international system manifest in the social-economic development approaches of Nepal. For over the past 7 decades the development path Nepal has taken reflects the unabated influence of the West. During British rule in India, western European ideas influenced the socio-economic development discourse and the concept of change in Nepal. During the post-World War II period followed by the emergence of Russia as a major power with its own development ideas different from that of Western Europe, many developing countries including Nepal was influenced. India followed the Soviet Russian concept of centrally planned economic development and the central role of the state in economic activities. However, it adopted a western democratic (west ministerial) political system and rejected the one-party-ruled revolutionary model of the USSR which many of the newly decolonized countries followed. This hybrid or “mixed” political-economic idea, naturally, flowed into Nepal’s development thinking, also the centrally planned economic structure with a monarchical parliamentary system of politics. This approach has typically been sustained for over seven decades despite numerous political turmoil and changes, quite radical ones oftentimes. The latest test of its resilience to the political challenge was the armed struggle initiated by the Maoist rebels which led to the restructuring of the state into a federal system with seven provincial units and local level governing units with constitutionally mandated authority. The most notable manifestation of this “mixedness” is the aim of the nation to establish a “socialistic economy” under a competitive multiparty system polity with all its contradictions and challenges.

1.3 Nepal’s Development Trajectory

The ideas of modernization and development in Nepal were injected, and it was set in motion only after the 1950s. The affection with these ideas continues unabated and broadly follows the pathways of dominant global development discourse, strategies, and practices. Its overarching goal is to modernize the society, economy, institutions, governance, and relations with other nations. This drive has not always been smooth rather it is fraught with turbulence and instability. The periodic political turmoil has largely disturbed smooth move and affected its growth pace. While every turmoil has also charged the propeller of social change with new fuel and energy it has also gone through a confusing period before moving forward with the necessary rhythm. The changes of 1949 (2007 BS) which terminated the 104 years of aristocratic rule of the Ranas opened the nation for external ideas and influences. After a brief sojourn with the British parliamentary system of governance, a direct monarchical rule was introduced with misplaced ambitions to marry modernization and a traditional governance system that lasted for nearly three decades. In 1989, following the fall of the Soviet Union and the decline of socialistic (Communist) ideas, the Nepali system also changed into to west ministerial model and multiparty, liberal democratic polity,

and open and liberal economy. This event opened the gates for western ideas in the form the universal values, economic, social, and political strategies to modernize the slow-moving country. The external forces shook the excruciatingly slow pace of social, political, and economic growth, often fraught with numerous hurdles.

The predominant thinking of different periods has influenced its approaches. The dependency and world system approach of the 1970s gave ways to decentralization, liberalism, and adoption of post-modern ideas like self-reliance, sustainability, human development. The national developmental agendas in all aspects including education, health, and employment are influenced and guided, supported, and motivated by multilateral and bilateral development aid agencies such as United Nations Development Program (UNDP), World Bank (WB), International Monetary Fund (IMF), United States Agency for International Development (USAID), Department for Foreign and International Development (DFID), and others, even though their influence has varied over time. Consequently, during this period, the ability of the government of Nepal to assert the development initiatives and practices has eroded making its efforts often alien to its own social-cultural values and resources, and priorities. Its social and economic policies have helped the gradual expansion of capitalism and liberalism propelled by modern science and technology.

This has created a social, economic, and political contradiction in the country. The policy initiatives when tested in practice are rendered ineffective. The periodic planning, annual programming, and budgeting practices which continue for over seven decades with minor occasional procedural revision always fail to deliver what they set as targets thus rendering them mere ritual. At a time when the aspirations of Nepali people are skyrocketing day by day, the delivery capacity and efficiency of the system is eroding unabated. It is undoubtedly an obvious challenge for the intellectuals and elites—social scientists, economists, planners, and trend-setters in the country to critically revisit the established theory and practices driving Nepal's development turning their heads upside down and come up with refreshing ideas to drive the country's development. We need to understand the forces that are pushing society in the direction that it is.

Overall, one can remain satisfied that despite occasional hurdles the overall result of nearly seven decades of the development trajectory of the country has maintained the desired direction and moved higher level, clearly at a much slower and more cautionary pace than required for putting the country into a sustainable development orbit. It is fraught with underperformance and rather conservative in its approach.

CHAPTER TWO

STORY OF UNDERPERFORMANCE

Post-2007, as Nepal embarked on the new political and economic era, it still failed to concretely deliver on many fronts. Poor economic planning and unavailability of skilled manpower to finish planned activities have been usual prime suspects behind these failures. It is also likely that the early revolutionary leaders were tempted to be precisely like the leaders they overthrew. Pre-2007 leaders enjoyed the power of using national coffer practically without accounting for anything. Despite fighting against such tendencies, many leaders were nevertheless still susceptible to them. With that kind of leadership and the manpower they brought to govern the nation, the country failed to transform itself rapidly from the pre-revolution feudal structure. Nepal's transformational failure in the last seven decades can be divided into the following four main socio-economic underperformances: agricultural, industrial, infrastructural, and administrative underperformance (including the ability to hold the system together).

2.1 Agricultural Under Performance

Nepal's democratic government inherited a few irrigation projects (such as the *Juddha canal* and *Chandra canal*) from the previous Rana government though these projects were very small (Adhikari, 2016). The pressure of providing resources for the increasing population was also palpable and a significant number of Nepali people had already migrated to places like India, Bhutan, and Myanmar by 1950. During Juddha Shamsher's regime, a plan to provide homestead in Terai for emigrated Nepali willing to return was mulled (Brown, 2017; Thapa & Hazarika, 2021). By the first five-year plan (1956-1961), Chitwan valley was a magnet for the resettlement of Nepali households fleeing the drudgery of mountainous agrarian life as well as returning from other countries. (Gartaula & Niehof, 2013). The late 1950s also saw the beginning of rural cooperatives in Nepal (starting from Bakhanpur (*Shardanagar*) in Chitwan) (NCFN, n.d.). Within two decades Nepal had about a dozen agricultural research centres and an active JTA program. By the 1970s, commercial banks were also mandated to provide loans to what the government then called the priority sector. Agriculture Development Bank was also set up to disburse small loans to farmers though it was not allowed to collect deposits until 1984 (FAO, 2010).

By 1981, agricultural research needs were being served by 11 agricultural research centres and a new agricultural university in Rampur, Chitwan. Investment in the agricultural sector reached 27% of total development expenditures. But policy fluctuations and uncertainties remained. Two examples of that era serve as a good

example. In 1973, the government restricted the export of rice and formed government companies to export rice with the aim of maximizing export revenue. In 1980, it reduced the export tax for raw jute. The productivity of Paddy remained flat for the entire Panchayat era. The landholding per household continued to decrease. These two jointly had significant implications for poverty alleviation in the country. But overall, the failure in the agriculture sector stemmed from the following factors: (i) inability to produce high yielding variety (HYV) seeds and failure to provide reasonable confidence to farmers to adopt HYVs whenever they were available, (ii) inability to start and finish appropriate irrigation projects on time without cost and time overrun, (iii) failure to provide fertilizers on time, (iv) failure to provide incentives for farmers to use fertilizers optimally, (v) failure to provide crop protection during harvesting season, (vi) failure to address price fluctuations especially during the harvesting season, (vii) failure to provide post-harvest storage facilities for farmers to ensure against price depreciation during the harvest season, (viii) failure to ensure necessary supply chain facilities.

A similar weakness was observed in the industrial sector as well. Despite the initial push for industrialization in 1937 during the tenure of *Maharaja* Juddha Shamsher, industrial development in Nepal continues to be an unrealized dream. Early development was constrained also by the fact that Nepal did not have sufficient foreign exchange to finance the import of machinery. Therefore until 1960s Nepal's development relied on foreign assistance. Even after that, many factories were built by foreigners and handed over to the government. Many of these firms were turn-key projects and handed over to the government bureaucrats after completion. Half of these bureaucrats who served on the board of these firms had no or little experience of running these firms and the technical know-how wasn't properly transferred to Nepali technicians (Stiller & Yadav, 1979). Furthermore, By the 1990s, it had become clear that the countries which helped in setting up factories in Nepal themselves were using technologies at their home that were becoming obsolete and less efficient.

2.2 Industrial Underperformance

During the early 1970s, Nepal introduced a new industrial policy and promoted firms using local raw materials. A cement factory, using local limestone, for example, was first built in this decade. The Fifth Plan (1975-1980AD) emphasized productive investment, agriculture-oriented development, development of cottage and rural industries but was widely considered to be a failure. By the mid-1980s, it became evident that Nepal could not run many of the state-owned enterprises (SOEs) and this caused the loss of faith among policymakers and politicians regarding SOEs.

In the 1990s, Nepal started to adopt a Structural Adjustment Program (SAP) focused on privatization and financial liberalization. In 1991, for the first time, Nepal elected its

government leaders' priority became economic liberalization and incentives for Foreign Direct Investment (FDI) (Athukorala and Kishor 2005).

Subsequently, many SOEs were privatized. Private firms soon proliferated but mainly in the service sector. The contribution of the manufacturing sector slowly declined after 2000AD and has reached 5.4% of the GDP by 2020, the lowest among its peer countries in South East Asia. Very few policy experiments were carried out to facilitate the growth of the industrial sector, little has been learned so far, and this all consequently has led to the decline of the industrial sector in Nepal.

2.3 Infrastructural Underperformance

Nepal's underperformance in the infrastructure sector is chronic and yet spectacular. Almost all international rankings of infrastructure put Nepal close to the bottom. Nepal's trading ports are in shambles, it takes exorbitant time to pass goods, including raw materials, through Nepal's border. Within the country, roads are uneven, bad, and rarely regularly upgraded. The cost of going from one city to another city is very high. While roads were built at a rapid pace in the last few decades, their quality remains low. At the end of the Rana regime in 1950, Nepal had very few motorable roads. The first major road project connected Hetauda with Kathmandu. Soon after, the East-West highway was envisioned though it took four decades to complete it. Road Transportation Office (RTO) was established in 1958 but its progress was also slow due to the lack of manpower and other political commitments. In civil aviation, short take-off and landing (STOL) airports were built all over the countries, but modern and efficient airports lacked. While roads were built rapidly after the 1990s, more than 70% of those roads are inaccessible during the rainy season. Road projects suffer from both cost and time overrun. They are poorly prioritized, and often conceived as an outcome of a political bargain.

2.4 Administrative Underperformance

Last, but not least, Nepal's administrative underperformance is evident in multiple dimensions. The government's inability to raise revenue plagued the government until 2000. In the 1970s, Nepal could mobilize only 5% of its GDP as government revenue. It, therefore, relied heavily on foreign assistance for all the development works. The government did not hesitate to add workers to its workforce despite the shoestring budget in which it operated. Not being able to raise tax, spending most of its revenue on recurrent expenditure, and not being able to spend more than 80% of its allocated development budget has become a norm in the last several decades. There is no systematic learning from these experiences. Similarly, the bureaucracy is unable to design and execute big projects within tolerably accurate estimates of time and total cost. This has important consequences on the development path of the country.

These four underperformances have collectively put Nepal on a growth path that is both sluggish and severely suboptimal. This growth path falls short of the expectation many Nepali have about their future. Research institutions can help the government by identifying factors that could address these underperformances. Institutions like PRI should focus on identifying the causes of these weaknesses and the opportunities available to move forward.

CHAPTER THREE

SOCIAL DEVELOPMENT

The idea of development has been a major driving force for an imagined better future for the people of Nepal. Operationalization of this idea over nearly seven decades has had mixed results. At its early form, the idea was dominated by economic growth which lasted for quite some time in Nepal as well. With practice over time, the idea has evolved into a more holistic, humane, and organic concept to embody other concerns and values such as quality of life of people or development in human dimensions, giving priority to health, education, and regular income for vulnerable people. There is a conceptual and strategic shift globally towards envisioning the new developmental discourse that puts human development and enhancement of human capability at the centre. Nepal's social development trajectory is also leaning towards this trend.

3.1 Sharp Wedges between Politics, Economy and Society

The modern development in Nepal, started approximately in the 1950s, as in other “underdeveloped” countries following the major change in the colonial era’s power structure globally. Nepal also became a member of the global community and open to the world. In the global power alliances, Nepal tried to maintain its neutral position and aligned neither with capitalist block nor socialist block. It followed its southern neighbour’s position when it came to global political alliances and economic development models. It adopted neither totally proletariat-controlled industrialization nor a totally capitalist and market-driven model. It adopted a “mixed” model. It accepted the major role of the state in development planning and implementation within the framework of private property ownership.

From the very start, the conceptualization of development has forced a “sharp wedge” between development on the one hand and society and mass politics on the other. Development was construed to be a nearly exclusive domain of the state and the bureaucracy and a non-representative “modernizing elite” was charged with pushing it forward.” The world system approach was then followed by decentralization and liberalism. Similarly, post-modern ideas of self-reliance, sustainability, and human development were also practised.

Political development has had a major effect on the development thinking and approaches adopted by Nepal. During the non-party or one-party rule, development strategy formulation took place in a non-contestable, club atmosphere which severely limited democratization of development (Mishra, (1997)). Regarding the context,

Mishra further notes that “the political fiddling and fudging of the 1950s led by the king and the promulgation of a non-party state beginning in 1960, after a very brief multiparty interregnum which did make some attempt to democratize development, can be seen in this context” (p. 7). However, several development strategies, including land reform were adopted by the state. These development strategies can be summarized as autonomous indigenous organizations (pre-unification or pre 1768, indigenous organizations under the centre (during Rana regime 1846-1950), community development (during planned development periods-1950s), growth plus community development (during the early Panchayat period-1960s), integrated rural development programs plus community development (during the mid-Panchayat period- 1970s), basic needs plus community development (during the late-Panchayat period- 1980s) and market plus state plus NGO plus people/community-centred development (democratic period-1990s onward) (Bhattachan (1997)).

Thus, there is a gradual change in the development strategies and progress in achievements from modern development perspectives. These development strategies and endeavours have made an impressive achievement. At the gross national level, this achievement can be seen in the form of changes in political and administrative structures, infrastructural facilities, social services, and the level of health and educational status of the population. There has been an increase in life expectancy and literacy rate. However, the overall development of Nepal remains insufficient to transform the country and people from the least developed country (LDC) category. This kind of underdeveloped and dependent situation of Nepal is compelling us and the institute like PRI to rethink and look for alternative development strategy for Nepal.

3.2 Hesitant Post-developmentalism

Post-developmentalism hesitantly proposes some new principles to guide lives lived in poverty, like thinking locally rather than globally, living more simply in material terms, or seeking more spiritual lives rather than worshipping materialist way of life and following the latest fashions and trends. Yet, the criticisms of post-developmentalists are so severe, so all-encompassing, that they too must be deconstructed. Perhaps modernism is discarded too readily, without sufficient regard for such modern advances as high-tech machinery and hospitals that admittedly have their beneficial aspects. Perhaps a better, more democratic, more egalitarian modernism is possible (Bhattachan 1997). This tells us to be conscious of new ways of thinking about development in the post-development era.

All the ideas about the modern development process and progress mentioned earlier highlight the fact that despite many progressive achievements in different sectors it is

creating many social problems including poverty, inequality, exclusion, and so on. This necessitates a broader discussion both in social justice and development discourses. Band Wagoning the Global Trend.

Evidence also suggests that Nepal's development, limited as it is, has also exacerbated various kinds of inequalities among people and weakened social harmony, collectivity, and integrity that prevailed among people before. People are increasingly divided and becoming confrontational which does not lead to successful development. It has now become very difficult to organize people for any community work. As written by Pandey (2000), "To organize the people by helping them to have confidence in themselves, enjoy their rights, and have them produce development for themselves and society, in our condition, is a difficult task". This is because of the weakening of social integration and unity. Pandey asserts that society needs to value creativity and autonomy, not servility of the people.

Nepal in a way failed to achieve certain important development goals, even after the political change of 1990. In 1990, the democratic and progressive leaders, and the public with the agreement of the king, broke the prevailing myth that only the people of a certain race, a certain culture, or a certain degree of material prosperity were entitled to human rights and human dignity that comes with democracy and development. Now the country faces the challenge that this myth does not get resurrected again. If we can address this challenge, development will start rolling on its own. For this, the major social-political actors, must be sensitive and adhere to the values and goals, that inspired them to struggle for a democratic system. Addressing these inequalities and social disharmony should be our next priority.

As we pursue our national development, we need to be mindful of the crucial juncture of history that we are in and rethink the social development trajectory we have pursued in the past few decades.

3.3 Dealing with Unanticipated Results

Failure in delivery or sharpened division within society has severe existential consequences for the country, multiparty system, and the fabric of society. Nepal is a land of 125 different communities and 122 languages. It is incredibly difficult to develop a cohesive political instrument that could glue together the diverse communities we have now. Fragmentation in society can easily develop into conflict if people have no prior experience of settling differences through the arbitration of agreed-upon institutions. Often, sustained economic development, which does not increase inequality among communities arbitrarily, can be the glue that can tie communities together. The expectation of a better future and shared prosperity can motivate people to march forward in unison.

The high delivery cost has exposed our weakness in cost-effectively running the government and consequently has caused misallocation of n resources. Our inability to deliver has been ascribed to many failures of our system but it most certainly is due to our collective weakness in learning from others who know how to do things efficiently. But our propensity to remain insular, the legacy of a long-held view that insularity bolsters national security, prevents us from integrating with the rest of the world, adopting new technologies, and learning from them. This inevitably leads us to the state of low production, poverty, and conflict.

CHAPTER FOUR

OVERCOMING THE CHRONIC UNDERPERFORMANCE

Our future development path must overcome the systemic and chronic underperformances in the sectors discussed in previous sections. For this, we have to inculcate a “doing and learning” culture in our system, understand the phenomenon, and feed into the policymaking process the lessons we learn, and improve on our acts. This demands a long-term strategy and commitment from the state to investigate and learn and improve its policies. There are some deeper questions that undermine the performances in these sectors. These questions should be objectively answered to tackle effectively. Herein lies the importance of the role of the state and institutions like PRI.

Below, we provide what we consider key questions related to the underperformances associated with some of the sectors we discussed previously.

4.1 Understanding Agricultural Underperformance

The agriculture sector still accounts for more than a quarter of Nepali GDP and its growth should be aggressively pursued. The composition and weak points of the ecosystem that determines the growth of agriculture should be properly analyzed. What are the reasons behind the use of suboptimal seeds? Why seed cooperatives are not able to graduate into viable profit-making seed firms that can support HYV seed-related researches? Why do irrigation projects such as Bheri-Babai, Ranijamariya Gulariya, and Babai remain work in progress *ad infinitum*? What is the performance of ongoing irrigation projects and have they contributed to the enhancement of crop yields? What is the status of the technology adoption among farmers? How successful are flood control measures? Do farmers systematically get lower prices during the harvesting season, leading to lower value of farming for farmers who are perennially credit constrained? Does the construction of more storage options increase farmers' savings? Do farmers have proper access to the market? Can we increase the value of the overall farming sector by enhancing the use of technology and the market? What kind of diplomatic efforts are necessary to find international markets for Nepali agricultural products in case we are able to increase the yield? How can different layers of government help in answering these questions? These are important unsolved questions before we can properly formulate an integrated strategy at the central level. The PRI should try to gather available information and research but must continuously support research efforts in identifying answers to each of these questions.

4.2 Understanding Industrial Underperformance

The fact that Nepal’s industrial sector’s performance has been disappointing can be illustrated by the following graphs. The first graph (figure 1) shows how we failed in accelerating our manufacturing sector at the same time Bangladesh was gaining momentum. The second graph (figure 1) shows that despite getting a head start in the early 1990s, we were unable to continue the early progress in creating jobs and creating new firms.

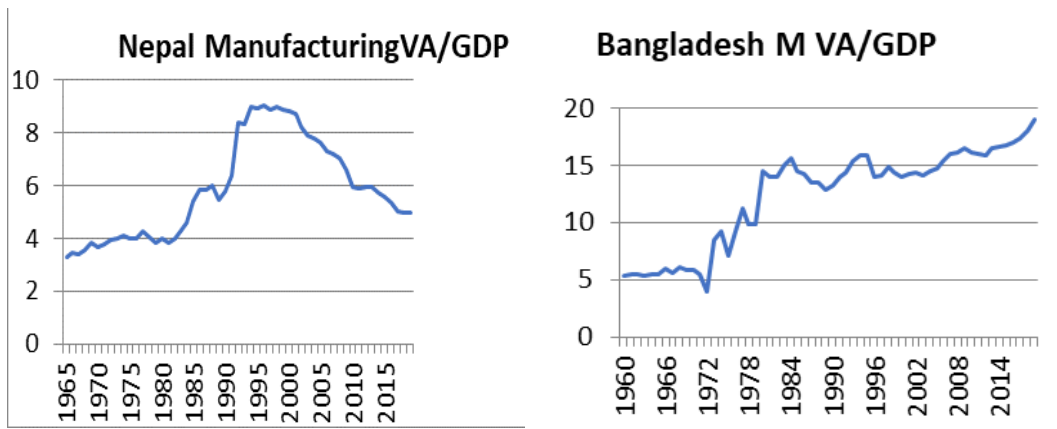


Fig 1: Nepal Manufacturing VA/GDP and Bangladesh Manufacturing VA/GDP

The reasons behind these failures are not clear. What inevitable and avoidable factors were behind this? Did our diplomacy fail us? Did we do enough to bring raw materials cheaply in this country? Did we construct ports on time? Did we work to reduce the cost of transporting goods within our country? Did we promote trade at the cost of the manufacturing sector? Did we manage to ensure a cheap and reliable supply of electricity in Nepal? What kind of firms survived during these years? Which failed? PRI should investigate these issues while identifying the optimal role of government in addressing these failures.

4.3 Understanding Infrastructural Underperformance

Nepal has made multiple important policy departures in infrastructure sectors. For example, early push in the 1950s in both the rural roads (as identified by the Road Transportation Office (RTO) as well as national strategic roads resulted in the construction of Tribhuvan Rajpath, Siddharth Highway as well as East-West Highway while starting construction of several rural roads. Policies in the 1990s focused mainly on enhancing rural connectivity but the government subsequently formulated highway policies later in the decade emphasizing north-south connectivity as well as the

construction of parallel east-west highways. Issues such as cost overrun, and time overrun continue to plague the final outcome of many of these projects. Some of the failures have dire political consequences: unfinished and abandoned Hulaki Rajmarg was often cited as an example of neglect of the Madhesi community by the ruling class during unrest in Madhes in the 2010s. While studying the ways to improve the performance of project deliveries will remain the major priority, catching up with the trend in the neighborhood and the world is also equally important. For example, after the completion of the first expressway connecting Kathmandu with Nijgadh, what should be our next priority? How to build such expressways economically and expand them nationwide? How to manage the network of loss-making airports dotted across the mountainous regions? How to involve the private sectors in the development and management of future infrastructure facilities? And most importantly, how government and its various agencies can play a vital role in these issues? PRI should focus on understanding these issues and recommending the optimal way forward for the government.

4.4 Tackling Administrative Underperformance

At the end of the day, the government is an entity that spends, according to the annual budget of the government, about US\$14 billion per year. Are government staff efficient in collecting revenue? How is service delivery at the key government offices? Are its customers (people) happy or are they likely to revolt? Can they revolt? Are treasuries of the government properly managed? Is decision-making swift and equitable at government offices? These questions used to be asked by researchers such as those affiliated with Staff College in its early days but have not been asked for a long time. Similarly, from time to time, the government has formed commissions seeking recommendations to reduce the cost of administration (Dr. Bishwambhar Pyakuryal commission in the late 1990s, Dr. Dilli Khanal commission in 2017) as well as to restructure bureaucracy (Kashinath Dahal commission of 2010). PRI should also conduct research that looks at the efficacy of different governments (at central, provincial, local levels) and offer useful recommendations.

CHAPTER FIVE

NEW APPROACHES TO SOCIAL DEVELOPMENT

Many countries of the world including Singapore, Taiwan, Hong Kong, Malaysia, were developed through their own innovative development policies. Nepal has also accumulated its own development experiences. However, many of its policies including social development policies are still far from being effective. In the new context of being a federal republic country with a changed political structure, it has to rethink its past and present development policies and frame effective social development policies to cater to the need of Nepalese people in this 21st century. Rethinking social development policies so that they prioritize social development more and conducting research activities to come up with more relevant and effective social development policies are necessary for our better future. We require an integrated framework that guarantees the intertwined fundamental needs of people.

5.1 A Social Development Framework with Rights and Social Guarantee

A comprehensive social development approach means addressing the key social justice aspects of the policies. In public health and education, the key to supporting a social compact is equal access and basic service guarantees for everyone, regardless of who provides the service and contract that all citizens have access to such services through public provision, financing, or regulation. In the present post-modern development context equitable access, traditional issues of efficiency, political economy, as well as clear and equal standards become critical. It is possible only through critical evaluation of existing social policies. The evaluation should also be able to identify the potential areas of research for the new social policy framework. Increased access to education, health and employment opportunities among citizens is fundamental to overall human development today. They are, however, interconnected with each other. Access of people to one social dimension drives another. Access to employment increases the income of any household which in turn determines the food and nutritional status of members of that household. The nature and extent of access to food and nutrition among individuals play a vital role in shaping health and educational status. Therefore, while formulating social policies all the interconnected dimensions must be considered so that the overall standard of living of individuals can be maintained.

It is high time we adopt a conceptual framework leading to the social guarantees approach and its application as a tool for social policy design and service delivery. This framework emphasizes the role of the state in guaranteeing the fundamental social

needs of people. Our purpose of highlighting this framework here is not to argue that this framework is best for Nepal. Rather we would say it must be based on a “system of guarantees”. In this context, social guarantees may be defined as sets of legal and administrative mechanisms that specify entitlements and obligations related to certain rights and the state should ensure the fulfilment of those obligations. The philosophical principles informing the notion of social guarantees draw heavily from the theory of justice. These principles are based on the protection of basic liberties, and they emphasize that all policy changes and interventions should be judged first and foremost by how much they improve the well-being of society’s least advantaged members. This kind of approach puts people at the centre of development. Policies based on this central principle address the basic needs of people and focus on the well-being of society.

The rights-based approach contributes to sustainable development in two major ways. First, it reduces social and political risks by enhancing social justice and focusing on inclusion and nondiscrimination. Second, it creates stronger and more equitable institutions-- not only state-owned but also civil and community-owned. Strengthening community-level institutions means empowering people at the local level. Empowerment of people does not only enable them to identify their needs and put demands on the state but also enables them to identify the resources available at the local level and mobilize them for their own purpose. It ultimately increases the state’s capability to work for people’s well-being.

A social guarantees approach to social policy can help protect a country’s ability to meet citizens’ needs and develop their capabilities. In other words, social guarantees give concrete operational meaning to economic and social rights. Policies that follow the social guarantees approach are the expressions of a non-discriminatory agreement based on the principles of equal opportunity and respect. In turn, those policies help elevate standards of social justice and reduce political and social risks that hamper democracy and growth. Social guarantees are safeguards that society provides to all its members, ensuring those members’ access to essential opportunities and sources of well-being. This is how the social guarantee framework contributes to improving the overall living standard of people.

Although guarantees are defined in a universal manner, actions taken by the state certainly should be more concentrated on issues concerning the most vulnerable groups - those who generally cannot obtain services by their own means. For instance, preventive nutritional programs that supply set food rations have emerged through such governmental focus. Programs of that type constitute a social guarantee only if they stipulate the specific mechanisms for providing the service, if they are available to all people who are malnourished, and if they can be claimed by the entitled people.

Complementary nutrition programs are one of many mechanisms for guaranteeing services linked to the right of food; the same right can be supported through cash transfers or subsistence programs. There is a wide range of possible programs that relate to the realization of various rights of people.

One of the key elements of the following typology is how it emphasizes a holistic perspective of service delivery in the realization of rights--a perspective that encompasses a range of important dimensions (access, quality, financial protection participation, and redress) and one that can be applied across different segments of the delivery system (public, private and voluntary). This kind of development scenario draws our attention towards rethinking social development to come up with a new policy framework.

i. Rethinking Education

One of the important and priority areas of social development is education. The education system practised in Nepal is heavily influenced by and based on foreign education systems. The education policies developed so far are neither based on research nor discussed from the perspective of significance and relevancy in the Nepalese context. Moreover, educated youths are found unemployed in the market of Nepal. This situation of education raises some questions regarding its relevance and practicability. The basic step to improve the education system and make it practical in the Nepalese context is essential to rethink the current education practices. The priority question is to ask whether the education system practised in Nepal is relevant to our social needs? Whether the content delivered through curricula are oriented towards our self/society/country or focused on the Nepalese context? Whether the contents included in the curriculum are linked/rooted in Nepali culture, social values, and norms? Whether the given education is developing practical skills among students? Whether the skills developed so far is applicable to Nepalese society? Whether the course contents orient students towards the prosperity and potentiality of Nepal and Nepali? Whether the education enables students to see the opportunities and resources within Nepal? Whether the current education practices develop morality, nationality, honesty, self-dignity, and respect among students? If not, in what way these things can be incorporated while developing a new curriculum or looking for a new education system? Then there are issues of affordability. Whether the education provided through the state is affordable to all Nepalese irrespective of caste/ethnicity, class, gender, region, and so on? How can we reform the education system in relation to eastern philosophy and practices? How can Nepalese youths or students be encouraged or motivated through education towards seeking and opting for opportunities and potentials within Nepal? The answer to these questions depends on two important aspects. One, develop or revive a new education system with self/Nepal/Nepali

society, culture, resources, and so on centric/oriented curriculum. Second, make the overall education system practical so that the human resources produced can make their livelihood after completion of basic level such as high school.

ii. Making Health Matters Healthier

Good health is fundamental to all kinds of development. A healthy body is essential to an individual, household, community, and state. Today, health is mainly regarded as the care after people become sick. The number of health-post and hospitals are increasing day by day, but it is very much difficult to access health services for many Nepali people. In this context, it is important to raise some fundamental questions to frame new health policies. Whether access to modern health facilities is effective to keep people healthy? Whether the health policies are contributing, to preventing people from being sick so that they can be healthy people? To what extent our health system is promoting Nepalese society, culture, norms, and values friendly? What can be done to prevent people from being sick? Whether people have access to the basic needs of food and nutrition? Whether there is a provision of providing food and nutrition to prevent people from being sick? How can Nepal manage people's health; both preventive and curative, using the resources available within Nepal? How can Nepalese products/productions and food and nutrition can be promoted in everyday life? How can we maintain a healthy life at home by providing locally available healthy food and safe drinking water?

iii. Ensuring Needful Employment

Employment is an important source of income that supports the livelihood of people. The education and health status of individuals play a vital role in having expected employment for a minimum income for livelihood. However, people cannot have access to education and health facilities unless and until they have the necessary income. The state therefore should think about managing employment for its citizens. Nepal has its own resources, natural and human, that can be mobilized to create employment opportunities. Therefore, the fundamental questions that we can raise for conducting policy research could be: what are the available natural and human resources in the Nepalese context? Which resources can be mobilized for creating investment and production activities? What kind of investment, production, and distribution policies attract people to invest so that employment opportunities can be created? What do Nepalese youth expect while looking for jobs? How can the unemployed people or households with unemployed member(s) be supported from the side of the government?

The new forms of research-based social policies developed by Nepal itself could offer a positive outlook and can help protect the country's ability to meet citizens' needs and develop their capabilities. Policies that follow the self-oriented (Nepal-based) approach can meet citizen's expectations for the society with social justice and equity. It can be done mainly in two ways. First, we can incorporate lessons learned from the practices in various parts of the world. Second, we can explore the potentials in our own society. To manage the current problems in education, health, and employment we can develop provisions of increasing access to opportunities and resources on the one hand and developing morality, integrity, honesty, practical skill, self and society/country centric education, self-confidence among students enabling them to be focused and explore potentials within Nepal.

CHAPTER SIX

TAPPING AND TAMING THE FORCES PROPELLING NEPAL'S DEVELOPMENT TRAJECTORY

The original form of Newton's second law states that the net **force** acting upon an object is equal to the rate at which its momentum changes with time. A force is a push or a pull, and the net force exerted on an object. When adding vectors, we must take their direction into account. The net force is the vector sum of all the forces exerted on an object. We know objects can only accelerate if there are forces acting on the object. It also tells us exactly how much an object will accelerate for a given net force. The acceleration is proportional to the net force and is inversely proportional to the mass. In other words, if the net force were doubled, the acceleration of the object would be twice as large. Similarly, if the mass of the object were doubled, its acceleration would be half as large.

Nepal's development is propelled by the following forces which are currently acting upon our society and most of them will remain active, albeit with varying intensity, for some time to come. The direction and magnitude of resultant force will determine the pace of the development trajectory and future place of the country in the world.

6.1 Urbanization

This is a major force that affects the economy, society, space, and natural environment especially man-land relations. Understanding the nature, directions, and magnitude of this phenomenon within a nation's geographic, social space, and economic space is critical for coming up with effective policies. Over 50% of the country's over 30 million populations by any definition, will be living in densely populated areas and consuming the amenities of urban living, and practicing a very different social and economic lifestyle than we have seen so far. The concentration of population in certain areas will make it easier for them to exercise unprecedented influence on political decisions and resource allocations. The regional distribution of population will be skewed towards the plains which will drastically change the economic and political distribution of power in the country. How will all these changes impact a nation's economy, social harmony, political representation, governance system, and the direction the nation will be striding are some basic questions that will dominate the future research and development policy discourse of the country.

6.2 Population and Demographic Dynamics

Nepal is a young nation. With declining fertility rate and population growth rate, there are more working people than dependents presenting the nation with an unprecedented opportunity to save and invest, do new things, and push the trajectory faster. However, this privilege will not last long. Within the next decade, the population will start maturing and ageing. Therefore, understanding the population trend and its effect on the nation should occupy major space in development research. How has the pandemic affected the fertility trend? Is the economy, and society prepared for the country of old pensioners? Since the bulk of these people will be living in urban centres, managing their wellbeing, generating employment, and still pushing the development will become a major challenge for the country. It is possible that the current social policies render irrelevant very soon. The social security and health care policy may need drastic change for a nation to sustain and remain afloat. A better understanding of this phenomenon should be the core problem for research to come up with tools to navigate the nation smoothly and without any accident.

6.3 Technology-induced Instability

Continued experiments and subsequent innovations and changes in the way we produce things, consume goods, provide services, interact with each other, including value systems will be challenging the stability, established norms, agreed-upon values in the society. The nation will have to be equipped with an appropriate mindset and relevant tools to deal with this in-built destabilizing nature of technology working in society. Industrialized countries with their long history of technological innovation and ingrained tradition of learning and adjusting are more used to this process. Even they feel endangered by ever-growing new technology-induced shocks. We should have better insights into this phenomenon that drives modern society and be prepared to navigate any shock and rough ride along the road and eventual change.

6.4 Information and Communication Technology

ICT like all other technologies is a major equalizer and flattener of society nationally and globally breaking all the barriers. Innovations in communication technology cannot be kept secret for long. By nature, it must be disseminated because that is the intrinsic nature of the innovation. It can grow only if it is disseminated. Networking is key to its growth. It enhances the freedom of choice of individuals and empowers them to grow beyond the national geographic and administrative boundaries. This is likely to change some of the social concepts like society, social relations, individual rights, sovereignty, representations, limits of national governance among others. Virtual citizen, virtual business, digital money and economy, a virtual medium of

education, medical treatment, services, supplies of commodities all these changes are already changing established norms and understanding of social relations and it is growing. Covid-19 and subsequent increase in e-marketing, food, and other services like the one seen in banking and financial transaction, the exponential growth of alternative transports in the cities like Uber, Pathao and the abrupt changes in the mode of cashless and virtual transactions like- e-Sewa, e-banking, e-billing, and Daraz, are just a few new budding trends clearly affecting the urban society. But it will certainly not be limited to the urban areas only. The issue of the power equation is even more destabilizing. Technological innovation and use always challenge the established power equation in a society and there are initial resistances by the establishment and older technology being replaced, but eventually, they either adopt and adjust or get displaced by the new one. One cannot deny this nature of force. So, continuous research, understanding, and insights are needed to see where society is moving and how communication technology is driving the society and come up with new ways of doing things (policies) for the smooth transition to the new normal and continue the cycle of doing things differently.

6.5 Decentralized Governance System (Federalization)

Nepali people's desire for a deeply decentralized governance culminated in the federalization of the governance in 2072. This approach cherishes national diversity and enables people to address their varied needs while enhancing their specific potentials. It is expected that this will help people grow and make independent decisions; take stride much faster in the development path; and thus, meaningfully engage themselves as active players in national development. Though it is still early to see the results there are clear indications of their ability to perform at a time of critical action. The fact that the governing units at the local level, a total of 753 currently are actively engaged in social and economic development within their jurisdiction which in total is a major mobilization of development forces in the country. Of course, there are issues regarding their governing capacities, uniformity of delivery, commitment, mobilization, and development of their own resources for sustainability, these issues should rather form a core topic for further research and studies for an institution like PRI and feed the lessons into the process for continuous improvement.

6.6 Labour Migration and National Income

Over 6 million Nepali are abroad working, earning, and remitting their income to their families back home. This makes almost one-third of the total annual national income. There is a historical propensity of Nepali people to migrate (permanently or seasonally) to other places in search of better economic opportunities. This could be in various

forms like war with the neighbours and then migration and settling in areas with good potential. Nepali people have migrated to Burma, Assam, and as far as Indonesia for opportunities. They have also served in the British army. The most recent mode of migrating abroad has been in the form of labour to countries where demand for labour is high such as Malaysia, Japan, Korea, and Gulf countries like Saudi Arabia, Kuwait, Qatar, among others. The largest number of people still migrate to India seasonally and most of them are unrecorded. There is similar migration to countries such as the US, Canada, Australia, Japan, UK and other European countries. All of these migrants make Nepal one of the top ten countries in the world for receiving remittances. More than half of Nepali families receive some remittances to back up their income. Income is a major resource sustaining and propelling the national economy. This phenomenon started in a critical period when the nation was embroiled internally in armed conflict thus depriving the youth of meaningful employment. Now that things have been normalized and this normal is likely to continue in the future, how should the nation understand and use this force? It will have to answer the question of how long should it make its human force migrate for employment? Is this the appropriate use of the resource? What happens to the national economy if this income source dries up? It will also have to conduct much deeper studies regarding the cost and gain of migration. The phenomenon will have to be understood from a much larger perspective in the globalizing world. Here could be several agendas for research for PRI both short-term to tackle current issues and longer-term to understand the trend and design policies to affect the trend towards the desired direction.

6.7 Competing World Powers as Immediate Neighbours (China and India)

Having two big and most powerful countries as neighbours is both boon and challenge for Nepal. How the nation will manage these competing forces and how it will ride the resultant forces will to a large extent determine its very existence and economic growth. These forces are likely to affect Nepal's development efforts above and beyond formal diplomatic ways. The friction between two powerful development thinking is already visible. Belt and Road Initiatives (BRI) of China and Millennium Challenge Corporation (MCC) and Indo-Pacific strategy promoted by the US and India seems to be offering both opportunities and difficult choices for Nepal. The strength of these forces will be manifested in the mega infrastructure projects intended for Nepal. The macro development approaches they are promoting including major north-south highways and railways, passing through Nepal, and major airports capable of hosting large volumes of transit cargo and passengers are all important forces to understand. Clearly, there are opportunities for Nepal provided it conducts adequate policy homework to prioritize and make a prudent choice for its development while maintaining a balance between the two powers.

6.8 Nepali Diaspora and the Idea of ‘Pan Nepal Project’

Millions of Nepali people live abroad. Some are permanently settled in other countries while others are in search of employment. Put together, this makes a solid one-fifth of the total Nepali population of 30 million, clearly a solid force that can affect a country’s development process and pace. Nepal’s Constitution 2072 gives much wider space for non-resident citizenship holders of the country. This has encouraged Nepali living abroad to engage in development activities such as foreign direct investment mobilization, academic works, and other works, except political activities. They are also getting more organized and mobilizing resources abroad to build infrastructure and industries. They are becoming visibly present and increasingly influential in Nepal’s policymaking and this trend is likely to grow in the future. How to collaborate with them and for what purpose? What is their comparative advantage and how can they be leveraged abroad for Nepal’s benefit needs to be understood and appropriate policies should be developed to tap this resource? Thinking the whole diaspora mobilization around the ‘Pan Nepal project’ requires thinking beyond conventional diplomacy and foreign policy.

The behavior of social forces acting upon development trajectory may not be totally explained by the Newtonian rules of physical science, but it does help understand the factors affecting the society and project the likely results. A deeper understanding of these forces—their elements and directions—is useful for coming up with sharper and more relevant tools for making desired changes in the resulting national development trajectory. This should be the agenda for academic institutions as well as policy research institutions of the country.

CHAPTER SEVEN

CONCLUSION

This paper has provided a background for envisioning Nepal's development trajectory and the factors that need to be effectively managed to move ahead in social and economic transformations with sustained quality changes. Several forces currently acting upon Nepal's development have been suggested and these need to be understood and managed for moving the country to the desired direction. The Corona pandemic and its shock are yet to be over. Despite the slowdown caused by this pandemic, the global economy is slowly recuperating. The rate of innovations has been unprecedented. The digital revolution is transforming the human experience. Physical shopping experiences are partially replaced by digital shopping and workplaces are being populated by automation. This has increased the global efficiency of production but also limited the opportunities for menial workers. Countries like Nepal with a low level of human capital may find themselves left significantly behind. The Covid19 pandemic, however, has taught an important lesson: the interconnectedness made possible by technological transformations can be risky. Countries like Nepal with low investment in health care may find themselves unable to cope with such risk if the frequency of pandemics increases in the future. Identifying causes and finding ways to contain the spread of future pandemics will be crucial to the survival of Nepal and the Nepali economy.

One can still count on Nepal's strength to emerge out of the underdevelopment trap. Its military is apolitical, and its judiciary has shown the ability to make independent decisions. Its demography is young and this opportunity to realize demographic dividend will remain for some time as Nepal is expected to be an aged society only in 2054. The financial system of the government is reasonably strong: it has low debt and sizable foreign exchange reserves. Its revenue system has functioned well, and it has been able to absorb shocks of domestic insurgency, destructive earthquake, Indian blockade, and Covid-19 pandemic in the last two decades. Its resiliency is impressive. For the overall social and economic transformation of a country, it is necessary to rethink Nepal's social development policy and orient it towards self/Nepal's own culture, resource, and so on centric process motivating people towards Nepal's own potentiality. The human resource aware of self-centric, Nepali society centric, conscious with Nepal's own potentialities and capable of practical skill can transform Nepal into a developed country through optimum social and economic performances.

Apart from its global positioning, Nepal should also consider making its own economic turf flat for all citizens. Nepal has always been an unequal society, with opportunities

limited to a few elites, a few castes, and a specific gender. Inequality is also perceptible geographically as most of the wealth has been concentrated in Kathmandu and its vicinity. But with new technologies and investment in infrastructures, along with the determined pursuit of devolution of power, this country can be made “flat” where economic opportunities and the opportunity to be rich are evenly distributed among all populations, reflecting what the world itself is increasingly becoming (Friedman, 2006). Our policies, then, must also pursue the factors that are making the world flatter so that our people collectively can become a part of the comity of nations. For this, our development policies must also look beyond our border to the transformations that are shaking the world economy and pursue policies that will position Nepal advantageously.

REFERENCES

- Adhikari, B. (2016). Design of water distribution system: Appropriateness of structured system in large irrigation projects in Nepal. *Hydro Nepal: Journal of Water, Energy and Environment*, 19, 25–30. <https://doi.org/10.3126/hn.v19i0.15348>
- Athukorala, P. C., & Sharma K. (2005). Foreign investment in Nepal. In: Jha R. (Eds.) *Economic growth, economic performance and welfare in South Asia*. Palgrave Macmillan. https://doi.org/10.1057/9780230520318_16
- Asian Development Bank. (April, 2019). *Macroeconomic update Nepal* (vol. 7, no. 1). <https://www.adb.org/sites/default/files/institutional-document/495276/nepal-macroeconomic-update-201904.pdf>
- Bista, I. (March 6, 2020). While Nepal's remittance keeps increasing, it mostly gets spent in unproductive areas. *Nepal Economic Forum*. <https://nepaleconomicforum.org/neftake/while-nepals-remittance-keeps-increasing-it-mostly-gets-spent-on-unproductive-areas>
- Brown, L. (March 14, 2017). The Ranas and the Raj. *Historia*. <http://www.historiamag.com/ranas-and-raj/>
- Jha, R (Ed.). (2005). Economic growth, economic performance and welfare in South Asia. Palgrave. <http://doi.org/10.1057/9780230520318>
- Bhattachan, K. (1997). People/community-based development strategy in Nepal. In K. Bhattachan, & C. Mishra (Eds.) *Developmental practices in Nepal* (pp. 100-148). Kathmandu: Central Department of Sociology/Anthropology, TU.
- Department of Health Services. (2018). *Glimpse of annual report - Department of Health Services FY 2073/74 (2016/2017)*. http://dohs.gov.np/wp-content/uploads/2018/04/Glimpse_FY_%202073-74.pdf
- Dukakis, M. (1988). Innovation and opportunity: The next American frontier. In M. Dukakis, & R. M. Kanter (Eds.) *Creating the future: Massachusetts comeback and its promises for America* (pp. 157-179). Summit Books.
- Friedman, T. L. (2006). *The world is flat: A brief history of the twenty-first century*. Farrar, Straus and Giroux.
- Food and Agriculture Organization of the United Nations. (2010). *Agricultural extension services delivery system in Nepal*. <https://reliefweb.int/sites/reliefweb.int/files/>

[resources/AgExtServDelSysNepal.pdf](#)

- Gacitua-Mario, E., & Norton, A. (2009). Increasing social inclusion through social guarantee. In E. Gacitua-Mario, A. Norton, & S. V. Georgieva (Eds.). *Building equality and opportunity through social Guarantees: New approaches to public policy and the realization of rights* (pp. 21-32). The World Bank.
- Gajmer, B. (2014). Nepal: Irrigation and water resource management (Project document). World Bank. <https://www.worldbank.org/en/results/2014/04/11/nepal-irrigation-and-water-resource-management>
- Gartaula, H. N., & Niehof, A. (2013). Migration to and from the Nepal terai: shifting movements and motives. *The Southasianist*, 2(2), 29-51.
- Gunatilake, H., Wijayatunga, P., & Roland-Holst, D. (2020). *Hydropower development and economic growth in Nepal* (Working paper). Asian Development Bank. <https://www.adb.org/sites/default/files/publication/612641/hydropower-development-economic-growth-nepal.pdf>
- Gupta, A. (1998). *Postcolonial developments: Agriculture in the making of modern India*. London: Duke University Press.
- Index Mundi. (n.d.). *Nepal literacy*. Retrieved June 15, 2021 from <https://www.indexmundi.com/nepal/literacy.html>
- Jorgensen, S. L., & Serrano-Berthet, R. (2009). Comprehensive social policy for inclusive and sustainable globalization. In E. Gacitua-Mario, A. Norton, and S. V. Georgieva (Eds.) *Building Equality and Opportunity through Social Guarantees: New Approaches to Public Policy and the Realization of Rights* (pp. 45-68). The World Bank.
- Ministry of Education, Science and Technology. (2018). *Education in figures 2017* (At A Glance Report). https://moe.gov.np/assets/uploads/files/Education_in_Figures_2017.pdf
- Mishra, Chaitanya. (1997). Developmental practices in Nepal. In K. Bhattachan, & C. Mishra (Eds.) *Developmental Practices in Nepal* (pp. 1-15). Kathmandu: Central Department of Sociology/Anthropology, Tribhuvan University.
- National Cooperative Federation of Nepal. (n.d.). *Cooperatives history*. Retrieved July 15, 2021 from <https://ncfnepal.com.np/history>
- Nepal Planning Commission. (2017). Demographic changes of Nepal: Trends and

- policy implications. https://www.npc.gov.np/images/category/Demographic_Dividend_Report_May_2017_final_for_circulation1.pdf
- National Planning Commission. (2018). Nepal multidimensional poverty index. https://www.npc.gov.np/images/category/Nepal_MPI.pdf
- Nepal South Asia Centre (1999). *Nepal human development report 1998*. Kathmandu: Near East South Asia Center for Strategic Studies.
- Nepal Medical Council. (n.d.). *Total registration status up to 31st December 2020*. Retrieved June 15, 2021 from <https://www.nmc.org.np>
- Nepal Telecommunication Authority. (2020). *Nepal telecommunication authority annual report 2076/77*. <https://nta.gov.np/wp-content/uploads/2021/01/NTA-Annual-Report-2076077.pdf>
- Pandey, D. R. (2000). *Nepal's failed development: Reflections on the mission and the maladies*. Kathmandu: Nepal South Asia Centre.
- Pandey, D. R. (2077). *artha-rajnitik bisasngati: rastra nirmanko tagaro*. Fine Print.
- Peet, R., & Hartwick, E. (2010). *Theories of development: Contentious, argument, alternatives* (2nd ed.). Rawat Publications.
- Sen, A. (2016). *Development as freedom*. Oxford University Press.
- Sen, A. (2000). *Social exclusion: Concept, application, and scrutiny* (Social Development Papers No. 1). Asian Development Bank. <http://hdl.handle.net/11540/2339>
- Shrestha, B. N. (2013). The natural environment and the shifting borders of Nepal (Conference note). *Eurasia Border Review*, 4(2), 57-74.
- Stiller, L. F., & Yadav, R. P. (1979). *Planning for people: a study of Nepal's planning experience*. Sahayogi Prakashan.
- Thapa, J., & Hazarika, S. (2021). The history of Gorkha and their present political life in Assam. *International Journal of Innovative Research and Advanced Studies*, 8(5), 9-12.
- World Bank. (n.d. a). *Life expectancy at birth, total (years) - Nepal*. Retrieved June 15, 2021 from <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=NP>
- World Bank. (n.d. b). *GDP per capita (current US\$) - Nepal*. Retrieved June 15, 2020 from

<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=NP>

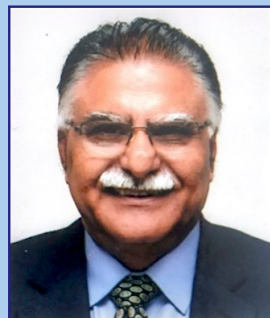
United Nations Development Programme (2008). *The Dalits of Nepal and a new constitution: A rescue on the situation of Dalits in Nepal, their demands and the implications for a new constitution* (Compiled by United Nations Development Programme).

Verma, S. (2020). The colonial legacy of India-Nepal borderland disputes. *Journal of Public Affairs*, e2348. <https://doi.org/10.1002/pa.2348>

About Authors

Dr. Jagadish Chandra Pokharel

Dr. Pokharel has a Ph. D. degree in Regional Planning from MIT Cambridge; a Master's Degree in Urban and Regional Planning from the University of Hawaii, and a Bachelor's Degree in Architecture from, Greece. Dr. Pokharel has held several high-level public positions in Nepal. He was a member and Vice-Chairman of the National Planning Commission (NPC) of Nepal for nearly a decade and led the planning of the Three-Year Interim Plan in 2006. He has contributed to several landmark plans and policies of the country including decentralization and devolution and power devolution policies of the country, targeted policies and programs for remote areas, environmental protection, and infrastructure development. He has led several national high-level state delegations abroad to SAARC, World Summit, Mountain Summit among others. Dr. Pokharel is acknowledged for his commitment to democratic values and justice in society.



Dr. Biswo Nath Poudel

Dr. Poudel is an economist with specializations in natural resources economics, labour economics, and economic history. He is currently serving as the Vice-Chairman of the National Planning Commission. He holds a PhD in Agricultural and Resource Economics from the University of California at Berkeley. Dr. Poudel has served as a Visiting Associate Professor at Kathmandu University School of Management, Chief Economic Advisor of the Confederation of Nepalese Industries, member of the Board of Directors of Sanima Middle Tamor Hydropower Company, and a member of the board of trustees of Jllens Education Foundation. His other past experiences include, among others, working as an Economic Advisor at the International Labour Organization, an Economist with the Office of Millennium Challenge Nepal, and Advising Vice Chairman of the National Planning Commission. He has published in noted professional journals such as the American Journal of Agricultural Economics, Applied Economic Perspectives and Policy, and Applied Economic Letters.



Dr. Tika Ram Gautam

Dr. Gautam has a PhD and Master's degree in sociology from Tribhuvan University. His area of specialization is designing and implementing research and development projects including monitoring, evaluation, and assessment of projects. Specialized activities are particularly focused on developing survey instruments, implementing surveys, collecting data, analyzing data finally writing reports. He has authored and co-authored more than a dozen books for academic programs, research methodology, and perspectives on development, sociology, anthropology, and society and culture. He has published more than a dozen original research articles in national and international peer-reviewed journals and also contributed regularly to national dailies on social issues. He also serves as editor of several journals. He is currently an Assistant Professor at the Central Department of Sociology at Tribhuvan University.





PRI is a think tank of the Government of Nepal established on 14 November 2018 in accordance with the Policy Research Institute Board (Formation) Ordinance with a vision to contribute to effective and responsive public policy for national prosperity. PRI's mission is to establish itself as a credible institution that offers informed public policy and its goal is to generate reliable, evidence-based and transformative knowledge for public policy. Its seven core values – quality, objectivity, integrity, diversity, transparency, accountability and engagement – define its workings.

PRI carries out policy research on all issues and sectors of public policy concerns – through five thematic clusters and 16 subclusters – and recommends to the Government of Nepal what reforms it has to undertake in each of these policy areas. All researches are conducted in accordance with PRI's public policy research process and standard, which form part of a broad policy cycle.

Knowledge management is an important component of PRI. It operates a public policy dialogue forum as a regular mechanism for learning, sharing and debating policy issues. In PRI's belief, public policy formation requires the combination of three types of knowledge: (a) scientific knowledge generated through research and analysis, (b) administrative knowledge gathered through bureaucratic experiences and (c) societal knowledge developed through social and political processes, such as political debates, media advocacy as well as people's experiences.

