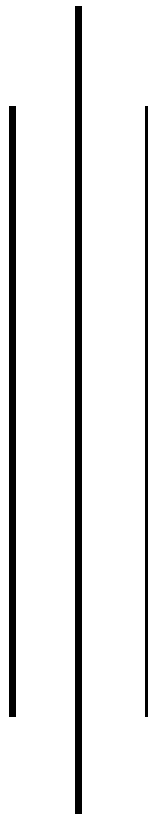


White Paper
on
the Current Economic Situation and
Immediate way Forward



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General Background

1. The new Constitution of the Federal Democratic Republic of Nepal has been promulgated by the historic Constituent Assembly as a result of the seven decades long struggle and sacrifice of the Nepali people. The Constitution, that was promulgated by the representative institution of the sovereign people, has institutionalized the achievements of people's movements and people's revolution such as democratic republic, federalism, secularism and inclusive - proportional representation. It has advocated for justice and equality by rejecting all kinds of discriminations and inequalities. It has a mission of developing the national economy oriented towards socialism, self -reliance, independence and prosperous by strengthening social harmony and national unity. This is the excellent Constitution from the perspectives of participatory and inclusive formulation process, progressive democratic contents and maximum public support. The Constitution is dynamic, contemporaneous, and flexible allowing for time to time amendments except the un-amendable provisions of Nepal's sovereignty, integrity, independency, and people's sovereignty.
2. It has been public expectation that the nation will move towards economic development and prosperity after the promulgation of the Constitution by ending the prolonged political debates. But, there are some expressions of dissatisfaction in the Madhes region regarding the contents of the constitution at a time when there has been a grand welcome and support accorded to the new constitution, domestically and internationally. Despite the possibility of moving ahead by addressing the issues of dissatisfaction peacefully and legally by the Parliament through amending the Constitution, it is a matter of extreme displeasure that shut downs, general strikes and obstacles have been created in the borders to paralyze the supplies of basic goods and services.
3. At a time when the national and international efforts had yet to be properly initiated for the rehabilitation and reconstruction of the economic and physical losses caused by the devastating earthquake that triggered in the beginning of this year and its aftershocks that followed, the reconstruction campaign has been severely affected by obstructions created in the supply system and the agitation in the Terai- Madesh region. The shut downs, strikes and obstructions created in the name of movements in the Madesh have added pain over pain in the lives of millions of people who are waiting for food, shelter and warmth after badly stricken by the blow of the earthquake. This has not only added hardships in the people's lives due to lack of supply of the goods and services of daily basic needs including food, fuel, medicine that protect life but also a situation of humanitarian crisis in site.
4. In the aftermath of earthquake, the spirit of help, cooperation and unity in course of search, relief and recovery was unprecedented within and outside the country including neighboring countries. Similar spirit was expected for reconstruction and rehabilitation works. However,

contrary to this, currently, Nepalese people have been facing a difficult situation that was never imagined.

5. All people throughout the country including the people in the Madesh have suffered a lot due to shut downs, strikes and border obstructions that have continued in the Terai- Madesh for a long time. The economic and social conditions of the country have been further aggravated by this. The millions of children have been deprived from their right to education due to closure of educational institutions and it is difficult to acquire even minimum health services at the moment. There have not been regular basic government service delivery including banking and financial services particularly in the Terai –Madesh regions. Millions of Industrial laborers and workers have become unemployed due to shutting down of the industries, factories, trade and businesses. It has become very difficult to harvest the riped crops. The product of the farmers like vegetables, fruits, fish, meat, eggs, milk are being wasted as they are undelivered to markets. The daily lives of women, physically challenged people, Dalits, poor and marginal community are getting increasingly difficult and riskier.
6. The current Government constituted after the promulgation of the constitution has to shoulder the responsibility and face the challenges of executing the constitution, addressing the dissatisfactions being erupted in Terai-Madesh region, get rid of nation from the negative impacts created by the obstructions in the supply system, accelerating the post- earthquake reconstruction and rehabilitation works and laying foundations for self-reliant, strong, independent economy through sustainable economic and social development through a dynamic economy .
7. Government is strongly committed to fulfill these historical responsibilities and attempting to address the current situation through negotiations, consultations and diplomatic initiations. It is also committed to resolve these problems through political and constitutional measures.
8. This White Paper has been issued in order to inform the fellow sisters and brothers about the nation's current economic situation and the negative impacts in the economy and daily lives of the people due to shut downs, strikes and movements and unannounced blockades that had started before the formation of the current Government and the immediate roadmap of the Government.

Current Economic Situation

9. Due to devastating earthquake that occurred in the beginning of this year, not only the GDP slumped but it rendered physical damage equivalent to one third of the GDP. Therefore, overall economic growth in FY 2014/15 which was estimated to grow by 6 percent was confined to only at 3 percent.

10. For the past few years, the government budget is not being executed as targeted. Domestic and international private investment has also not increased as expected. Capital formation has not picked up due to lack of spending of allocated budget particularly the capital expenditure. In FY 2014/15, total expenditure remained 84.3 percent i.e. Rs.521.4 billion out of total allocated budget of Rs.618.10 billion. Out of this, recurrent expenditure was 85 percent i.e. Rs.339.18 billion and capital expenditure was 75.9 percent of the allocated budget i.e. Rs.88.56 billion and 91.10 percent i.e. Rs.93.30 billion in fiscal management.
11. Trade deficit has reached Rs. 689 billion in FY 2014/15. Export trade was down by 7.3 percent and import was up by 8.4 percent compared to last FY. Despite increase in the trade deficit, balance of payment position was in surplus with Rs. 145 billion due to increase in the flow of remittance and positive current account. Likewise, foreign exchange reserve was Rs. 703 billion by the end of last FY.
12. In the last FY 2014/015, the target for revenue collection was set Rs. 423 billion, only 96 percent of the target or Rs. 405.85 billion was collected. Only 45 percent or Rs.55.37 billion was mobilized against the target of Rs. 123 billion towards foreign resource mobilization. Under the foreign assistance, Rs 25 billion is yet to be recovered as reimbursement. Rs.42.42 million domestic borrowing was mobilized against the target of Rs.52.75 billion in the last FY. Government treasury was surplus by Rs. 41 billion in the last FY due to the under utilisation of expenditure as per target.
13. Now, total outstanding loan of Nepal has reached Rs. 539.75 billion. Out of that, domestic borrowing loan is Rs.196.79 billion and foreign loan is Rs.342.96 billion. The ratio of loan to GDP is 24.5 percent.
14. Large portion of amount from profitable public enterprises, Employees Provident Fund, Citizen Investment Fund and other funds could not be invested.

Impacts of current situation

15. A 6 percent of economic growth was targetted in the current FY expecting that after the declaration of new Constitution, all efforts will be concentrated on economic and social development; positive environment will be created for the Government for internal and foreign investment through the economic reform program, construction of development will be resumed and economic activities will be expanded through the increment of Government and private investment for post-earthquake reconstruction. However, it is expected that the economic growth of this year will be confined to 2 percent due to obstruction of supply system and thereby substantive reduction of economic activities and adverse impact of both agriculture and non-agriculture sectors. Economic growth is expected to further decline if the situation of blockade, strike and obstruction of supply system continues.

16. The activities of capital formation could not accelerate due to under utilization of capital budget which was only 4.1 percent in the first four months of current FY, and due to lack of conducive institutional environment for utilizing the total allocated amount of Rs. 74 billion for reconstruction. Industrial productions are almost stalled due to shortage of supply of raw materials and petroleum products. It is difficult to roll out the production of agriculture and industry into market due to problem arisen in the transportation system. All the service sectors including hotel, restaurant, tourism, construction, banking, transport, those contributing more than 50 percent in GDP, have been heavily affected due to shortage of supply of petroleum products and other essential materials. It has resulted direct impact in the economic growth.
17. As per Post Disaster Needs Assessment (PDNA) report, approximately 0.7 million peoples are pushed to below the poverty line due to the devastating earthquake. It is expected that approximately 60 percent people residing in mid-mountain and hilly region are affected out of this increase in poverty. The recent poverty situation as increased by the impact of earthquake in drinking water and sanitation, education, health, employment, food security and daily income generation of the people is likely to increase further by current economic stagnation. It has added more challenge on graduating Nepal's status to developing nation by 2022 and medium income nation by 2030.
18. The impact of obstruction in supply system has influenced in overall economic indicators. The inflation rate was recorded 7.2 percent and 8.3 percent in second and third months respectively while it was 6.9 percent in the first month of current FY. Out of this, the inflation rate of food crops has increased further. The price of oilseed and pulse is highly increased in food crops. The price will be likely to increase by the price rise of industrial raw materials and resources of service sectors and thereby increment of production cost of non-agriculture products. It is expected to insist pressure on price of food crops due to reduction of domestic production and reduction of import from foreign countries.
19. Total trade deficit has been narrowed down due to reduced import quantity caused by the obstruction in the supply system. But the economy has been sluggish due to unavailability of necessary construction materials for development works. In the first trimester of the current FY, goods and services were imported equal to Rs. 130.49 billion whereas Rs.191.72 billion was imported for the same items in the corresponding period of last FY. Similarly, in the first trimester of last FY, the goods and services were exported equal to Rs. 22.53 billion whereas only Rs. 16.81 billion have been exported in the same period of current FY. In this way, total trade is declined by 31 percent as compared to last FY.
20. Balance of payment is surplus by Rs. 64.15 billion and foreign currency is reserved by Rs. 892 billion in the first trimester of current FY because of reduction in import, increase in remittance and recovery of reimbursement of foreign assistance. Balance of payment was

surplus by Rs. 296 billion and foreign currency was reserved by Rs. 679 billion in the same period of last FY. In this period, remittance inflow is increased by 24 percent and recorded Rs. 166 billion.

21. The impact of obstruction in supply system is also being faced in capital market. NEPSE index was continuously increasing on the expectation that investment environment will be positive after the promulgation of the Constitution and recorded its highest point of 1205.08 on September 15, 2015. Due to unfavorable situation of current crisis, it declined to 1075.8 point on November 23, 2015.

Sectoral Review on Socio-economic Situation

a. Agriculture

22. Agricultural growth is expected to be around 1 percent in the current year whereas it was 1.9 percent in the last FY. Because of unfavorable weather which impacted summer crops, production of maize and rice is expected to decline by 10 and 5 percent respectively. Maize accounts for 7 percent contribution on agro-production whereas rice accounts for 21 percent. Wheat production is expected to decline by 30% in the absence of supply of regular chemical fertilizer. Country's annual food grain requirement is 5.34 million metric tons. It's stock was 155 thousand tons in last mid July. Such decline in production has created challenges in maintaining food security.
23. Demand of milk and meat is expected to decrease by 2 percent because of low demand and supply from restaurants and hotel sectors. Out of total production of 3.6 million metric tons of vegetable, 50 percent was produced during rainy season last year. It is expected to decrease this year too. Vegetable collection and supply is to be affected due to transportation problems. Now a days, only about 400 tons of vegetables are sold daily from Kalimati Vegetables and Fruits Market whereas it used to be 600 tons before the current crisis.
24. Dairy Development Corporation's daily milk distribution is squeezed to 80,000 liters from 100,000. Similarly, there is adverse effect on production and distribution of broiler chickens, eggs and meat. Milk and hatchery production, which was taking a commercial pace, has been badly affected because of supply constraints of maize and soya beans which are used to prepare feed supplements.
25. Imported chemical fertilizers, targeted for winter season crops, are blocked in transit. Production of winter season food grains is also expected to decline if those fertilizers could not enter and distributed on time in the country. Winter season food grain and vegetable production will be decreased if improved and hybrid seeds could not be distributed as usual.

26. Irrigation facility, which is necessary for agriculture, has also been affected due to fuel crisis. Lifting irrigation system and ground water irrigation systems, where electricity facility is not available, are obstructed.

b. Industries

27. Industrial production growth is expected to be negative in the current fiscal year whereas it was 2.6 percent in the last year. Most of the industries in Terai-madhesh are closed down. Industries except from Terai-madhesh are either closed down or running too below the capacity because of scarcity of fuel, machinery and spare parts. Produced items are dumped down in the warehouses of the concerned industries. Employment is adversely affected due to industrial slowdown. Banda, strike and other obstructions have caused the closure of about 2,200 large and small industries. Moreover, more than 200,000 industrial workers working at those industries have fallen unemployed. Industrialists are facing difficulties in paying bank interest and wages.
28. Along with the price, detention, parking fees, godown/warehouse rents and demurrage fees are expected to increase since thousands of carriage containers and trucks are halted in Kolkatta port, Indian roads, Indian railways, Raxaul, and dry port. Such charges are estimated to have reached Rs.5 billion and could increase further.

c. Service

29. In the last year, the growth of service sector was 6.1 percent, whereas, due to the current situation it will remain at about 3 percent in the current year.
30. The tourism business, which is important sector for the economic development has been badly affected. The total number of tourists visiting Nepal by air route reached only 300,325 compared to 652,655 million from January to October 2014, declining by 46 percent. The average 12.4 days stay period of tourist visited by air route in the last year from January to October 2014 has been decreased and limited to just 6 days.
31. Tourist hotel sub sector is badly hurt due to reduction in tourist arrivals and running below 20 percent of its capacity. Hotel rooms were occupied around 90 to 95 percent in the last year September and October, whereas it is only 15-20 percent in the same period of last year. Many restaurants are being closed due to shortage of required basic fuel available. All running restaurants have reduced their menu list. Total employment has declined by 25 percent in tourism sector compared to the same period of the last year.
32. As compared to the same period of last year, the total number of tourist has declined by 50 percent, only 15 percent tour guides have got the employment opportunity, around 5

percent of tourist vehicles have been in operation and only 7 percent of people have been employed by tourist vehicles sector.

33. Due to the shortage of air fuel, international flights have to carry necessary fuel for two ways. As a result, they are unable to carry passengers in full capacity. Up to 75 percent of internal flights have been reduced in this period. Upgrading of Tribhuvan International Airport and Internal terminal has been stopped.

d. Infrastructure Development and Construction

34. The current scenario of internal production of construction materials, such as, cement, rod, aggregate, stone are halted; even produced materials are not transported to the construction site and imported construction materials are piled up at the custom point. There has been obstruction in the construction of mega programmes such as, Gautam Buddha International Airport, Sikta Irrigation Project, Rani-Jamara-Kulariya Irrigation Project, Tamakoshi Hydroelectricity Project, Melamchi Drinking Water Supply Project, Hulaki Highway, Pushpalal (Mid hill) Highway, Trading Highways, North to South Highways, Chameliya Hydroelectricity Project, Kathmandu City Road Expansion Project.
35. The construction of personal houses of private sector, Industrial business houses, Shopping Mall, Hospital and School buildings are being halted. Construction business is unable to get jobs due to stoppage on government tender publication. There will be delay in completion leading to the cost over run for the ongoing mega government and private owned projects because of the obstruction on their construction work.

e. Monetary and Financial Sector

36. Banking sector loan will not expand as expected due to the sluggish situation in economic activities. However, because of the effect on investment environment, the deposit expansion will remain constant and more liquidity situation will appear on banking and financial sector. Banking and financial loan has increased by 2.1 percent and deposit mobilization has increased by 2.5 percent in the second week of November compared to mid June-July. Such type of increment was 5.1 and 2.7 percent in the same period of last year.
37. Due to the contraction on economic activities, the problem will arise in the recovery of loan and adverse effects will be seen on financial sector stability. If this situation will continue in coming days, the possibilities of adverse effects will be on interest substance amount, non-performing loans, capital adequacy fund, and the negative impact on their profit.

38. Mixed impact has been seen on loan/funds flow of commercial banks. Increasing consumption loan in the past years has declined in this year. Loans on Agriculture and Forest, Fishery, Metal, Machinery and equipment have been decreased. Construction, hotel and restaurant sector loan has seen normal rise compared to the last year, however the rate of increase is very low.
39. Daily banking service has been affected due to the obstruction on fuel supply. Evening counters have stopped in Terai districts and ATM services have been operational partially. Total payment system has been in risk due to the problems to render the services by banking network service providing organizations.

f. Domestic and external trade

40. In the first quarter of this fiscal year, there has been a fall of import by 26.7 percent in food items and 54.7 percent in medicines and it's raw materials. The import of petrol, Diesel, Kerosene oil, LP Gas and air fuel has fallen by 70.6 percent, 62.8 percent, 73.1 percent, 71.8 percent and 84.4 percent respectively within first two months after the blockade in fuel in comparison to last year.
41. The Letter of Credit amounting to USD 1.24 billion has been opened for the import of goods until 6 November 2015. Previous year, at the mid of November, the value of Letter of Credit was USD 1.92 billion. The total downfall of the Letter of Credit amount in medicine, petroleum items, MS Billet and electronic equipment is by 56 percent, 55 percent, 58 percent and 63 percent respectively.
42. Domestic trade has been declined due to the obstruction in supply system. There has been a big downfall in the trade of paddy, rice, pulses, oil seeds, medicine and construction material in comparison to previous year. Shortage of consumable items like food, medicine, oxygen, drinking water, edible oil, pulses and fuel like LP Gas, wood, petrol, Diesel, Kerosene and air fuel has been realized due to disruption of internal trade supply chain.

g. Hydroelectricity and Other energy

43. By the current 716 MW electricity supply in national grid, load shedding hours has been curtailed due to non-operation of the industries and businesses. The realized shortage of electricity is 95 MW in the morning from 5 to 6 AM and 512 MW in the evening from 6-8 PM. To fulfill this demand, 236 MW electricity has to be imported from India. This will recover 30 percent of total share of annual electricity supply. Even in such condition, it has been compelled to make the load shedding effective due to the shortage of 470 MW.

44. Due to earthquake, the construction of Upper Tamakoshi Hydropower Project (456 MW) is expected to complete after 2 years from its stipulated timeframe or only in February 2018. The construction of its major structure has been closed. However, the initiations to mitigate the it's damage are still in operation. The construction work seems to be affected more severely due to difficulty in supplying the fuel. Due to earthquake, hydroelectricity projects having 80 MW capacity could not be operated yet and projects under construction have been affected due to current supply constraint. Due to this, it has been necessary to explore alternative measures to end load shedding in near future.
45. Daily cooking food has turned into painful work due to scarcity of cooking gas and kerosene oil in urban and suburb areas. It has been difficult to transport briquette produced in rural areas to urban areas due to minimum operation of vehicles owing to fuel shortage. The solar energy and bio gas could not be constructed in spite of their soaring demand. The civil work, transmission and distribution line related work of micro hydropower have been affected due to shortage of construction materials.
46. It has been observed that the activity included in current fiscal year's programme under community electrification is difficult to complete on time. Big bio gas plants under construction and reconstruction/rehabilitation of earthquake damaged plant are incomplete or delayed.

h. Social Sector

47. Educational affairs have been obstructed in 20 districts of Terai-Madhes specially in Bara, Parsa, Rautahat, Siraha, Saptari, Mahottari, Dhanusa and Sarlahi. In this region, 3.47 million children are badly affected. Similarly, due to the blockade in supply system, 1.1 million children in Primary Child Development Centers, 7.54 million students in class 1 to 12 and 0.652 million students in higher education have been affected.

i. Transport

48. Due to the contraction in transportation and supply system; boarding schools, institutions and community schools in Kathmandu valley and other urban areas are also affected. Teachers and students could not have regular attendance in school and most of the boarding schools have been closed.
49. Due to the impact in printing of books and educational materials on time, adverse situation has been emerged in distributing free books in coming fiscal year to 7.2 million students. This has created hindrances in achieving the objectives and goal of School Sector Reform Programme with the billions of investment. The achievements in Millennium Development Goal and other educational sectors after the efforts and investments of many years have been under threat of losing.

50. The significant reform in the indicators of Nepal's health sector in past decade, has been affected by the devastating earthquake this year. Due to the strike and blockade in supply system, some of the health institutions have been closed and some opened health institutions also could not deliver the services comfortably.
51. There has been shortage of emergency and life providing medicines in the market. Blood, anesthesia and oxygen that is being used in intensive cure have been facing of supply shortage. Due to the shortage of packing material and transportation in blood collection and distribution, a situation has been arising to deduct services like patient's cure, body transplant service, operation service and Kidney dialysis. Millions of children seem to be deprived of basic immunization due to lack of fuel and medicines. If this problem is not solved quickly, the services of big hospitals as well as local health centers will be affected and this will impact on health and nutrition services causing severe human crisis. Also the achievements in health sector till date will be collapsed.
52. The distribution of drinking water in Kathmandu valley and other urban area has been affected due to fuel shortage for drinking water transport vehicles. Waste collection and disposal have been affected to the fuel shortage resulting the piles of waste around hospitals, human settlements and urban market. This seems to have severe consequences in public health.
53. The education, food supply and medication for the children living in Children Welfare Home operated under Government and private sectors are under problem. There has been also a shortage of food and medicine for elder citizens living in elderly care centers.

i. Public Finance Management

a. Budget Expenditure

54. Although the current year has been declared as the Budget Implementation Year, the pace of government's expenditure has been slow. The Terai-*Madhesh Banda*, strikes and the obstruction of the supply system have caused difficulties in the implementation of development projects. The implementation of the projects of national pride, which were already affected after the earthquake, have now been further affected. Of the total amount of Rs. 819 . 47 billion allocated for the current fiscal year, only Rs. 107. 34 billion or 13.1 percent has been spent at the end of the first trimester. Out of this, Rs.484.27 billion has been allocated for recurrent expenditure and a sum of Rs. 88.92 billion or 18.4 percent of the recurrent allocation has been spent. Similarly, out of Rs. 208.88 billion allocated for the capital expenditure, an amount of only Rs. 8.46 billion or 4.1 percent has been spent. Likewise, of the total amount of Rs. 126.32 billion for the fiscal arrangement, only Rs. 9.96 billion or 7.9 percent has been spent. The amount of Rs. 74 billion allocated for

reconstruction works has not been spent. As the government expenditure could not pick up, the government's treasury is at a surplus of Rs. 80.81 billion.

b. Revenue

55. Due to the obstruction in the trade points causing hindrance to the import and the impact of fuel crisis affecting internal production and distribution, revenue could not be collected as per the monthly target. Against the target of collecting Rs. 130 billion, only 71.2 percent of the target or Rs 92.57 billion has been collected. This figure is 28.8 percent low compared to the target of mid November. This figure is also 19.4 percent low compared to the same period last year. Of the target of mid November, collection of Revenue from the customs point is Rs. 25 billion low and the internal revenue is Rs. 13 billion.
56. Revenue collected from customs point has been largely affected due to dependence on international trade. Of the total import, the consumption portion is higher. Therefore, even if the situation becomes normal, it has been felt that once lost revenue can not be recovered. Due to the current abnormal situation, the main customs points Birgunj, Dryport, Jaleswor, Janakpur, Gaur, Krishna Nagar, Sarlahi, Siraha, Rajbiraj and Sunsari have been severely affected. Likewise, the other southern trade points have also been affected.
57. Due to the obstruction at border points and market closure, income tax has also been affected because of business losses. The corporate income tax is used to be 60 percent. But, income tax is likely to decline as most of the industries are currently affected by *Banda* and the banking sector's credit has been shrinking affecting their profit. This can affect fiscal strengthening and the overall economic indicators creating challenges in the revenue sector and Public Sector Expenditure Management.

c. Foreign Aid

58. In the current fiscal year, the foreign aid of 205.89 billion was expected to receive for the reconstruction in the aftermath of earthquake. The aid has not been mobilized since the reconstruction work has not been started yet and other works of capital formation have not moved forward. Till the time span of first quarterly, only 10.8 percent of allocation or 12.3 billion grant and 5 percent of allocation or 4.77 billion loan has been received.
59. The pledged amount by the development partners at International Conference on Nepal's Reconstruction (ICNR) was US dollar 4.10 billion for the after earthquake reconstruction purposes, whereas US dollar 560 million assistance has been signed and US dollar 26 million assistance has completed the negotiation stage till the date.

d. Internal Borrowing

60. Domestic borrowing is not mobilised yet while it was planned to mobilise Rs.88 billion. Due to surplus Government account, domestic borrowing has not been mobilised resulting high liquidity in the banking and financial institutions. In addition, public have got no opportunities to invest in Government bonds.

Way Forward

61. The Government of Nepal has already initiated political dialogue and diplomatic efforts to resolve the current unprecedented problem caused by closure, strike and constraint on supply system seen in Tarai-Madesh area. The Government is also using all possible alternative measures to ensure equitable distribution of available fuel and other consumable goods. Following immediate direction has been proposed to manage distributive system more equitable so as to ensure normal livelihood of people and to mitigate the adverse impact from current situation.

a. Overall Economic Prospective

62. Resources will be utilized optimally in changed context for the implementation of budget and program proposed in current fiscal year. Program will be re-prioritized if deemed necessary to facilitate distribution and increase in production. Government investment will be concentrated in food security, hydro-electricity, alternative energy, strategic infrastructure, tourism infrastructure, education, health in order to make livelihood of people more easy and normal and to accelerate socio-economic development.
63. All possible initiatives will be under taken by the Government to make available of basic consumable goods and essential services to avoid human crisis due to the obstruction on supply system.
64. Large infrastructure development and internal production enhancement program will be implemented through the partnership of Government, Private, Cooperatives and other Non-Governmental and External Sectors. Additionally, favorable environment will be created for this investment purpose.
65. Necessary financial and monetary techniques will be applied to keep within the limit of inflation and maintain financial stability.
66. The continuation of economic improvement programmes, rule and transparency in financial system, responsible finance and fairness in public services will be carried out. The prompt action will be taken to finalize the economic ordinance submitted to the Parliament under consideration.
67. Nepalese foreign missions will be mobilised actively to highlight the current real country situation at international level, attract the foreign assistance and investment promotion of tourism and diversification and expansion of trade in the country. Local organization of Non Resident Nepalese (NRN) will be encouraged to facilitate these tasks.

68. To increase NRN investment, they will be encouraged to facilitate in the post earthquake reconstruction, large infrastructure construction and operation, production including service sector and social development.
69. A program will be developed and implemented to motivate youth around the country to render the voluntary services for the reconstruction work for the post earthquake, improvement of supply system and the socio economic tasks as a whole.

b. Supply of Petroleum Product and its Distribution Arrangement

70. Distribution arrangement of petroleum product including daily consumable goods will be made effective and transparent. Available petroleum product will be distributed based on specified criteria. Information will be disseminated to the public with respect to the place, price, quantity, and time of sales and distribution point of petroleum products. A token with information of time, place and quantity of petroleum products will be provided to all consumers to avoid staying long queue for petroleum products.
71. Person involved in illegal storage and sales of petroleum product against the Government set criteria will be closely monitored and such petroleum product will be seized and legal action will be taken against those individual and group of people.
72. Arrangement will be made based on daily import and storage and sectoral priority to ensure providing cooking gas transparently to each and every family. In order to mitigate scarcity of cooking gas, kerosene and firewood will also be supplied.
73. Priority will be given to supply of petroleum product for the handicapped people including ambulance, Sab Bahan (dead body carrier) and transport vehicles which are used for the supply of essential necessary goods like drinking water and milk. A special arrangement will be made to provide petroleum product to public construction project and the transport vehicles involving transportation of agriculture and industrial products to the market.
74. Arrangement will be made to all vehicles carrying petroleum product and other necessary goods from customs point to reach final destination safely and timely. A system will be established to monitor those goods to reach their destinations. Import and sales quantity of petroleum products including other essential goods will be closely monitored and supervised.
75. Facilitation will be extended including to the Alternative Energy Centre and private sector to deliver alternative tools and techniques to the public.
76. In order to make alternative arrangement of petroleum product, arrangement of trading agreement with different countries and international private companies will be made. Facilitation will be provided to the private companies who want to import and supply of petroleum product. Infrastructures will be developed in different geographical area for the storage of petroleum product to make ease supply of that product.

77. Repair, maintenance and promotion of alternative customs points for import and major transport highways will be done immediately. Roads connected with existing and probable business points will be constructed, repaired and expanded for easy supply of fuel and consumable goods through international trade diversification.
78. Use of electric vehicles will be encouraged for the individual and public transportation. The use of electric appliances for cooking will be encouraged. Priority will be given to supply the available electricity during the cooking hours.
79. Priority will be given to supply fuel to health service institutions to regulate the emergency service, surgery and intensive care. The supply of fuel to educational institutions will be provided with certain criteria on priority basis.
80. Priority will be accorded to tourist vehicle for fuel distribution. LP gas and fuel for generator operation will be provided with priority to tourist hotel analyzing the tourist flow.

c. Energy Security

81. Conducive implementation environment will be created for all types of energy projects including hydro electricity declaring energy crisis to rapidly expedite hydro electricity generation, transmission and distribution by the use of water resources available in the country. Project wise bond will be issued to manage financial resources for such type of projects.
82. Construction of ongoing Upper Tamakosi, Kulekhani Third and Chameliya hydropower projects will be expedited. 25 MW electricity will be supplied from ongoing grid solar projects and solar electricity projects will be expedited to connect additional 200 MW electricity in the national grid line. Project construction under taken by private sector will be facilitated for timely completion. 155 MW hydro electricity including from private promoters will be connected in national grid line within one year.
83. Construction of Budhigandaki and Nalsinghgad hydropower projects will be expedited. Identify and develop up to 500 MW hydro electricity project with the joint investment of GoN, NEA and public. Necessary arrangement will be made to construct Dhunsa (72 MW) and Sinbuwa (51 MW) hydropower projects utilizing remittances from foreign employment with remit hydro approach. Micro hydro power projects constructed and operated by the investment of the Community will be encouraged.
84. The detail feasibility study of the hydro electricity capacity of Nepal will be completed soon. Nepal Army will be involved as required to construct highly prioritised national grid lines.
85. Concessional grant will be made more effective which has been proving in production and distribution of alternative energy in rural areas that are not connected in national grid lines.

Urban solar energy program will be expanded. Bio-gas plant will be installed in rural areas of Terai-Madesh and hilly regions as a campaign.

d. Food Security

86. Agreed price of paddy will be immediately determined. The arrangement of purchasing of Food based and oil based agro product of farmers will be made with the utilization of storage capacity of public enterprises including Nepal Food Corporation. The provision of interest and capital grant; and exemption of demand fees of electricity of the food and cold storage constructed by private and cooperative sectors will be made more effective and accessible. The sellers who are creating temporary shortages and taking high prices will be brought under legal action through micro surveillance.
87. The provision of compulsory insurance including of cattle and harvest insurance in micro insurance program will be made effective. The expansion of the Government program related to agriculture insurance will include the mobilization of co-operatives.
88. The production activities will be initiated which will make independence on rice, wheat, maize, fresh vegetables, fruits, cereals, fish and mutton items and eggs within two years. The arrangement will be made not to barren the cultivated land. Capital grant as well as grant on interest of loan will be provided to land less poor families to cultivate the land either in group or in contract.
89. The availability of seeds will be arranged at the concessional rate to the farmer's family who produce foods like paddy, wheat, millet, potato and onion. The chemical fertilizers which are dumped on transit and borders will be immediately made available to the farmers for winter harvest.
90. Concessional agricultural loan to farmers will be arranged. Project or group bail loan will be arranged to the farmers who can not deposit their land as colateral.

e. Facilitation to Business and Industry

91. Diplomatic efforts will be expedited to exempt the demurrage charges and parking fees to be borne by businessmen due to stoppage of containers at customs points outside the boarder and Kolkata port.
92. Additional time will be provided to the businessmen and industrialists for the submission of tax returns and payment of tax liabilities. Provision will be made to reschedule of principal and interest payment and reduction on accrued interest on the loan taken by tourism and productive industry as well as to those farmers involved in dairy, vegetable and meat production. Re-rescued fund at Nepal Rastra Bank will be utilized to re-rescue and rehabilitate business industry.

f. Health and Education Service

93. Medical accessories like medicine, oxygen, equipment, raw material, packaging and leveling material, blood transfusion plastic bag etc will be supplied easily. Provision will be arranged to airlift necessary medicines.
94. All education institutions will be resumed shortly. For this purpose, support will be expected from teachers, parents, political parties, civil activists and civil society.

g. Post-Earthquake Reconstruction and Rehabilitation

95. Reconstruction and rehabilitation work will be accelerated by enacting Reconstruction Authority Bill from Legislature- Parliament. Prior to the set up of Reconstruction Authority, reconstruction works will be initiated from the concerned line ministries by approving the program from National Planning Commission. Residence will be managed to the earthquake affected families through implementing well-managed re-settlement plan.
96. Bilateral agreement with countries and institutions will be done promptly to mobilize fund in reconstruction work as per pledged during International Conference on Nepal's Reconstructions held after earthquake.
97. First installment of Rs. 200,000 cash grant as declared by the government previously will be provided immediately. Bank credit up to Rs. 300,000 in collective guarantee will be provided to the families of marginalized people affected from earthquake.
98. A Rs. 10,000 cash grant will be provided within mid December this year to the affected families to purchase warm clothes for the winter whose house were completely destroyed by the earthquake. Mobile Public Health Service program will be conducted intensively to protect the health of earthquake affected people.
99. Training program on carpenter, mason, wiring, plumbing etc will be carried out to prepare skilled and semi-skilled professional workers for the construction of earthquake resilient buildings.
100. Reconstruction work of infrastructures damaged by the earthquake, especially the historic heritages and temples enlisted in World Heritage Site, schools, health posts, public buildings, roads and bridges and electric circuit houses etc will be initiated immediately on priority basis.

h. Governance Reform

101. The task of drafting new laws as well as those to be amended in accordance with the Constitution of Nepal shall be initiated immediately.

102. The peace and order situation will be improved in accordance with the constitutional supremacy and rule of law.
103. Effective steps will be taken to avoid obstructions in the customs point, national and regional highways, industrial corridor and public places including education and health. Similar measures will be adopted to control criminal activities like looting and those engaged in taking undue advantage of the difficult situation including black marketers.
104. Customs and security agencies will be mobilized in a coordinated manner in order to control illegal import and export in the border area. Special force shall be mobilized to control revenue leakage and tax evasion.
105. Austerity measures shall be maintained in the energy consumption of the Government offices, public and private academies and institutions. Expenses from the Government sources for fuel, office supplies, seminar, workshops, contingencies, and maintenance except for the losses due to the earthquake shall be reduced. Travel abroad on the Government expenses shall not be allowed except in the most important cases and situation of country representation. Financial assistance and grants shall not be distributed against the approved criteria and procedures.
106. In order to cope with the difficult situation of the implementation of foreign aided projects/activities, facilitation shall be accorded in coordination with the Development Partners as well.
107. Performance accountability will be enhanced by contracting out performance agreement with divisional head, project chief and office head.
108. Election of official trade union will be conducted within next three months.
109. All employees shall be encouraged to work with additional efforts and accountability. Those employees demonstrating high level performance shall be honored. Action shall be taken to those employees who deny to go to the duty station, do negligence in the service delivery and not perform the assigned tasks on time.
110. 107. Construction entrepreneurs and technical officials responsible for cost over run on the public construction works except in the unavoidable circumstances, shall be made accountable. Officials and construction entrepreneurs, who complete the public construction work within the budget limitation and time, shall be encouraged.

i. Monitoring Mechanism

111. In order to manage, monitor and fix the criteria for the distribution of the sales of fuel, food and essential goods for daily consumption, a mechanism consisting of the relevant

agency for market monitoring, institutions and agencies related to consumer interest and private sector, shall be formed and mobilised.

112. Continuous study will be undertaken on the impact on the economy due to closure, strike and obstruction in the supply system. A High Level Committee including private sector involvement shall be formed to monitor the activities mentioned in this White Paper. The Committee after analysing the situation and identifying measures to be taken immediately, shall recommend the Government for their implementation.

Conclusion

113. On behalf of the Government of Nepal, I express heartfelt gratitude to all Nepali Sisters and Brothers for demonstrating goodwill, patience, and solidarity, despite such an unusual situation caused by the devastating earthquake and the obstruction of the supply system. I would also like to thank Hon. Members of the Legislature-Parliament, all political parties, civil society, industrialists, civil servants, friendly countries and Development Partners, and media for their support in this difficult situation. I expect cooperation from all in the efforts of the Government to face the challenges caused by devastating earthquake, current undeclared blockade and Madhes bandh and strikes. Similar cooperation is expected from all in the efforts of enabling the economy to be dynamic through minimizing the adverse impact in the national economy.