

INTRODUCTION

A. Location and area

Nepal¹ is a small independent kingdom nestled in the valley of the Himalayan range of mountains. It extends from 26° 20' to 30° 10' north latitude and from 80° 15' to 88° 19' east longitude. It is sandwiched between China in the north and India in the East, west and south. Natural boundaries separate the country from its neighbours except in the south and south – east where the border with India runs through the Gangetic plain. Nepal is a landlocked country and because of its inaccessibility was commonly referred to as the "Forbidden Land" until the 1950s when it was opened to the outside world by air and road links.

The country is more or less rectangular in shape and occupies a total land area of 140,640 square kilometers or 54, 865 square miles. The greatest length of the country is 845 kilometers or 550 miles and its greatest width 226 kilometers or 100 miles.

Kathmandu, the capital city, lies almost in the center of the country at a distance of 550 miles east of New Delhi and 1,900 miles south –west of Peking. The nearest sea port is Calcutta, 400 miles to the south- east, at the head of the Bay of Bengal.

B. Physical features²

On the basis of altitude, the country can be divided into four main regions: (a) the Himalayan

region and inner Himalayan, (b) sub-Himalayas or the mountainous region, (c) valley basin or inner Terai and (d) the Terai region, which extends along the boundary with India. The Himalayan region lies between 16,000 and 29,000 ft above sea level. Some of the world's highest peaks are situated in this region; the famous sagarmatha or Mount Everest lies here at a height of 29,028 ft.³ The gigantic peaks and deep gorges of the region provide much of the subject matter of the myths and folklore of various local ethnic group. The snowline is at an altitude of 17, 500 ft. above which there is perpetual snow.

The sub-Himalayas or mountain region covers the largest area in the country. It extends, from the Himalayas in the north to the Mahabharat Lekh range in the south. The over –all altitude of this region is between 6,000 and 16000ft. the area is densely populated per unit of cropped land, and farming is carried out by terracing the slopes of the mountains. the climate, which ranges from sub-tropical to temperate, is suitable for the cultivation of all kinds of fruits and vegetables. The Mahabharat range is also richly endowed with minerals.

Between the Himalayas and the mountain ranges of Mahabharat lies the valley basin or inner Terai. The Kathmandu valley, the basins of Pokhara, Salyantar, Karputra, Rumjatar, Tumlingtar, Serabesi, Rampur Phant are the important valleys of Nepal. Because of the many surrounding mountains and the variations in elevation from

¹ The origin of the "Nepal" is debatable. Popular belief is that it means "The Cherished Land of Ne". Ne was a saint who lived at the junction of the two rivers Bagmati and Kesoot; and "Pal" means "to cherish". Another theory is that the country is named after the Newars who form a large section of the population.

² For detailed discussions on this aspect, see N.B. Thapa and D.P. Thapa, *Geography of Nepal (Physical, Economic, Cultural and Regional)* (Bombay, Orient Longmans, 1969).

³ Other famous peaks are Kanchanjunga (28,028 ft), lying between Sikkim and Nepal; Makulu (27,087 ft) fifth highest mountain in the world, lies on the Tibeto – Nepalese border; Lhotse (27,890 ft) is a part of the Everest group of mountains; Muktinath (21,742 ft) famous for Hindu and Buddhist pilgrimages, is rich in untapped stores of sulphur and natural gas, and Dhaulagiri (26,795 ft) is the most difficult peak to climb.

4,000 to 10,000 ft, the basins of Nepal are not of uniform level. With ample rainfall and virtually a year-round growing season, the fertile and intensively cultivated soil provides food for this densely populated area.

Finally, a narrow range of mountains known as the Churea runs parallel to the Mahabharat range and across the south of the country; this area is known as the low plain region. The altitude of this region varies from 2,000 to 6,000 ft above sea level. Just south of this area lies the vast east – west stretch of low level fertile and alluvial plains of the Terai. The silt carried down and deposited by the mountains rivers and irrigation facilities and temprature makes the soil extremely fertile. Owing to its high productivity, the Terai is known as the "granary of Nepal". Seventy per cent of total government revenue comes from this area. The economic importance of Terai and inner Terai has grown considerably sine the eradication of malaria in the last decade.

Another important physical feature of Nepal is rivers and lakes. Three main river system- s originating in the Himalayas drain almost the whole country. The Sapta Koshi river system which drains the eastern Nepal is a confluence of the rivers Indravati, Tama Koshi, Likhu Khola, Dudh Koshi, SunKoshi, Arun and Tamor. Its flood waters moves slowly across the terai with no defined banks and leave very heavy deposits of alluvium. The Gandaki or Sapta Gandaki river system in central Nepal has its main tributaries the Kali Gandaki, Trisuli, Budi Gandaki, Marshyangdi, Seti, Barigad and Modikhola. When the Sapta Gandaki rivers break through the Mahabharat range at DevGhat and enters the Rapti valley, it is called the Narayani. The Narayani which enters the Ganges at Chitwan district is navigable for small streams and timber barrages when it is not at spate. The Karnali river system of Westren Nepal originates from Tibet is subordinated by Humla Karnali, Mugu Karnali, Bheri river and Seti river. The Karnali river is noted for it deep gorges which are generally too

wide to be crossed by locally built suspension bridges. Because of its rapid current, the river is not safe for navigation and tends to isolate rather than link the settlements along its course.

Nepal is also endowed with some of the most beautiful Lakes in the world formed either by melted glacier, landslides or earthquakes. The Rara or Mehendra Lake in Jumla, Situated at an altitude of 9,780 ft above sea level, provides the most spectacular sight. The other big Lakes are Pkoshumdo in Dolpo district, Tilija, Fewatal and Rupatal in the Pokhara valley. On the whole, Nepal has a very large water potential which can be used for extensive irrigation and hydropower generation.

C. Climate and rainfall

The topography of the country and the monsoons from India Ocean has a direct bearing on Nepal's climatic condition. It is difficult to be precise about the climate in the absence of accurate data. Nevertheless, since elevations are highest in the north and progressively decline southward, the country can be divided from north to south into four climatic zones: the mountains, the foothills, the Kathmandu valley and the Terai.

There are two predominant seasons in the year: the hot season from April to September and the cold season from region to region during the two seasons and for obvious reasons, decrease as one move from the Terai through the foothills and internal valleys top higher Himalayan ranges. In the inner and outer Terai regions the temperature in summer is as high as 100⁰ f and in winter a cool 50⁰ f. At Kathmandu, 43,00ft above sea level, average monthly temperatures are 50⁰ f in January and 73⁰ f in May. In the highest Himalayas, of course, the air temperatures are below freezing point.

The proximity of the Himalayas results in the country receiving abundant rainfall .In general, rainfall tends to decrease from east to west,

eastern Nepal receiving on the average about 100 inches, Kathmandu about 56 inches and western Nepal about 40 inches per year . Although the dry west is on the edge of the monsoon belt, it receives some rain in the winter season from the cyclonic winds blowing from the Mediterranean sea. In the high altitude areas, summer monsoons of the Arabian Sea and the Bay of Bengal results in heavy rainfall. Just before and after the rains, the atmospheric pressure changes causing violent thunderstorms often accompanied by destructive hailstorms, particularly in the foothills and mountain areas.

D. Historical sketch

Geography appears to have dictated the history of the independent state of Nepal. There is very little reliable data on its historical past. Written records go back only as far as the fifth century A.D. and a detailed historical account is possible only since the latter part of the eighteenth century when the country was unified by the shah Kings of Gorkha. Prior to this, historical material consisted of legends and myths, which were recorded, in documents known as *vamsavalis*.⁴

Since the Kathmandu valley was then, as now, the most important part of the country, the available historical information pertains almost exclusively to this valley, and very little is recorded about all of that part of the Himalayan area which now forms the kingdom of Nepal . The legendary dawn of Nepalese life opens with the story of the supernatural creation of the Kathmandu valley⁵, which since then has been the focal point of the country's history.

According to the chronicles:

⁴ *Vamsavalis* were genealogical chronicles of the kings and dynasties in Nepal, recounting the achievements, real or imaginary, of its monarchs and glorifying their reigns.

⁵ According to the *vamsavalis*, the Kathmandu valley was once a lake in the middle of which grew a lotus, Imbedded in the lotus was a jewel that attracted many gods from heaven. One of the gods, Manjusiri, drained the valley of its lake by striking with his sword a canal to the south.

“the first rulers of the valley were the Gopalas (cowherds) and Ahirs (buffalo keepers). They were followed by the rulers of the ancient tribe of Kirats, who are mentioned in the Mahabharat , the great Hindu epic , and other ancient books of the Hindus . After a long period of rule by the Kirats, the valley was ruled for a short time by the Chandravamshi Kings (literally of the lunar dynasty) of whom almost nothing is known. This dynasty was followed by that of the Lichavis who appear to have Bihar and established a monarchy there in the first or second century A.D. we do not know much about these Lichavis rulers who ruled Nepal before the middle of the fifth century”.⁶

There was a continuous wave of immigrants from the north, south and west during the following centuries. During the Moghul invasion of India, there was a large influx of Hindus into Nepal. Indian influence was at its peak especially during the reign of Kushans and Guptas in India. During the Gupta period, a monarchical system of government was established in the valley in place of the “ republican tribal democracy”; Sanskrit came to be used as the court language and Hinduism was introduced into Nepal. The widespread acceptance and practice of Hinduism did not result in the displacement of Buddhism⁷ but led to the fusion of the two religions.

In the thirteenth century, the Mallas from south India established their dynasty in Nepal . Under this dynasty the Newar culture flourished. The basic tenet of this culture was orthodox Hinduism strengthened by the baneful caste system. The most able of the Malla Kings, Jyoti

⁶ S.B. Gewali, "Nepal in perspective", in *Political History*, CEDA (Kathmandu, Tribhuvan University, 1972), p.47.

⁷ Nepal was the homeland of Lord Buddha who was born to a tribal chieftain in Lumbini (present-day Rumi) in the Terai region about 543 B.C. By the end of the Kirati period, Buddhism had become the common faith of the people of the valley who, in the course of time, became the Newars.

Malla, extended his power beyond the Nepal valley. Upon his death, the kingdom was divided among his descendants and quickly fell into a state of anarchy.

During the sixteenth century, the territory, which today constitutes Nepal, was divided into many minor principalities that were gathered into four major groupings. In the eastern region were the tribal states of Kiratas; in the Kathmandu valley were the three Newar kingdom rules by the Mallas; to the west of the valley were groups of petty lordships known as *chaubis rajas*; and to the far west was a similar set of states, the *baisi rajas*. Though engaged in constant warfare, these states remained independent and intact until the rise of and conquest by the Gorkhas,⁸ leading to the ultimate formation of the State of Nepal.

Though the Gorkha regime started in 1559 with the annexation of the Gorkha principality by Prince Drabya Shah of the Chaubisi kingdom, the main thrust of Gorkha expansion did not occur until the accession to the throne in 1942 of Prithvi Narayan Shah, who is the acknowledged maker of modern Nepal. Prithvi realized at an early age the wastage of family feuds and political rivalries between the rulers of the four regions. He conceived the idea of carving out a viable kingdom in the Himalayas by conquering neighboring territories, starting with the Kathmandu valley, and from there expanding in all directions. By a series of campaigns ending in 1767, he was in control of the territories, which now constitute Nepal.

Prithvi Narayan Shah's contribution to the history of Nepal was not only that he gave the country and entity but also that he preserved it in its earliest days from the foreigner. He was excessively anti-foreign; he encouraged the

enterprise of all casts and sects and advised his countrymen to support native industries. He prohibited the entry of British traders to Kathmandu and resisted all attempts by the British to establish trade relations with Tibet.⁹ If it were not for his determination and courage, Nepal might well have become just another princely state of British India.

The central figure in Nepal during the vital years 1786-1794 was Bahadur Shah who, like his predecessors, was determined and succeeded in extending the area of his country. His policy was even more vigorously pursued by his nephew Rana Bahadur who took over power in 1796. But soon petty feuds broke out and the country fell apart into two warring families, the Pandes and the Thapas. Ultimately, the Thapas won and their leader and Prime Minister, Bhim Sen Thapa, continued an expansionist policy which brought him into conflict with British India and finally to the Anglo-Nepalese war of 1814-1816 culminating in the treaty of Sagauli of March 1816.

Bhim Sen Thapa was overthrown in 1839, and out of the complete confusion, massacres and intrigues which followed emerged Rana Jang Bahadur. Another chapter began in Nepalese History when the tyrannical Rana dynasty¹⁰ was set up. He reversed the policy of his predecessors by allying himself with Britain and offering support in her war against the Sikhs. The British encouraged the Ranas to follow an isolationist policy and the country remained backward industrially and intellectually. Nepal remind an

⁸ The Gorkhas were originally a warlike tribe of the Rajput Kshatriyas who were driven out of India in 1303 by the Sultan, Alu-d-din. They escaped into the hills of central Nepal and gradually spread out into the region of Gorakhnath where they settled in about 1559.

⁹ By this time, the subcontinent was under British colonial rule and Prithvi Narayan Shah's region coincided with Britain's efforts to open up trade with Tibet and China.

¹⁰ Rana Jang Bahadur assumed the title of Rana and, independently of the ruling monarchy, distributed power among his won relations and made his own and their positions hereditary. The Rana family had a complete monopoly of power in every walk of life. The basis objective of the Ranas was the perpetuation of the dynasty by maintaining the *status quo*. The king was a mere figurehead.

isolated country completely cut off from the rest of the world for nearly a century.

As long as the British rulers remained in India, the Ranas felt secure. But the independence movement which swept India in the 1930s influenced the 3 million Nepalese who lived in the frontier provinces of Bengal, Bihar and Uttar Pradesh and in turn spread to the valley. A subsidiary group of underground political parties was taking shape within Nepal. A ware of the opportunities provided by the independence of India from British rule in 1947, King Tribhuvan, the figurehead king under the Ranas, dramatically challenged the power of the Ranas in November 1950, refusing to sign death warrants of alleged plotters and taking political asylum in the Indian embassy in Kathmandu. Supported by the king, the people launched an armed revolution and the country was soon free of the rigid feudal order of the Ranas.

In 1951, a democratic monarchical system of government was set up under King Tribhuvan. Initially, a western system a cabinet government was tried but it was unsuccessful and eventually gave way to the unique party less panchayat system in 1961.¹¹ the monarch was still the head of state and since 1972 King Birendra has been ruling the country through national assembly and a council of ministers.

E. The people

Nepal's population of about 13 million is ethnically complex, ranging in physical type and culture from the Indians in the south to the Tibetans in the north. There are 75 ethnic groups of people, speaking fifty different languages. However historical origin and continued

linguistic and cultural connections make it possible to classify most ethnic groups into two broad categories: the Indo-Aryans or Indo-Nepalese, and Tibeto-Mongoloids or Tibeto-Nepalese.

The Indo-Aryans or Indo-Nepalese entered Nepal from India over 2,500 years ago and inhabited the plains and low altitude hills. In recent history, the Hindus of the Indian plains migrated into Nepal as refugees during the period of the Muslim conquest and found shelter and security in the rugged and secluded terrain of west Nepal.

The Indo-Nepalese group constitutes nearly 18 per cent of the total population and includes the Parbatiyas or Paharis, the Newars and the Tharus,¹² and have now assimilated a large section of the Mongoloid subfamily in their culture and religion. Although found throughout the country, the bulk of the Indo-Nepalese population is located in the Terai and in Kathmandu valley.

Historically, the people of Tibeto-Mongoloid origin came to Nepal across the Himalayan passes from the north and they inhabited Tibeto-Nepalese groups are the Tamangs, Rais, Limbus, Bhotes and Sherpas who inhabit most of the north and eastern parts of the country, and the Magars and Gurungs who live in west central Nepal. The Rais, Limbus, Gurungs and Tamangs are very martial races and make up the well-known troops of the Gurkhas.¹³ The Sherpas are known for their mountaineering.

There are also small sections of population of Austric and Dravidian origin who are believed to be the aboriginal people of the country. There are many nomadic tribes in the hills and the Terai

¹¹ The partyless panchayat democracy is a five-tier administrative pyramid. At the apex is the King who is not only head of the state but head of the government with power to appoint and dismiss his own ministers. The lowest of the four elected tiers is the village panchayat or village assembly.

¹² The Tharus, one of the aboriginal tribes of Nepal, are also found in the northern states of India.

¹³ Not an ethnic designation, the term "Gurkha" derives from the name of the former kingdom of Gorkha, west of the Kathmandu valley. The Gurkhas, however, should not be confused with the Gorkha Shah dynasty referred to in an earlier section.

who have now settled down to agriculture as their main occupation .

Hinduism, now the state religion of Nepal, has been embraced by nearly 90 per cent of the population. However, although many members of the Tibeto-Nepalese groups, especially among the Gurungs, Magars and Rais, have adopted Hindu religious beliefs and practices, these people remain basically Buddhist.

F. Administrative structure

Before 1951, the entire administrative structure was centralized and monopolized by the Rana family. After the fall of the Rana autocracy, the socio-economic base of the country became democratic by nature. The new administrative structure that evolved was a system a panchayat democracy, which is essentially a decentralized system emanating from village to national level. It is a four –tier structure at the base of which is the village (or gram) panchayat and at the apex is the national (or rashtriya) panchayat.¹⁴ There are 3,538 village panchayats, 14 town panchayats, 75 district panchayats , 14 zone panchayats and the national panchayat. The basic philosophy behind the panchayat system is to decentralize decision making and to ensure maximum participation of the people in the administration and development of the nation .

Though the basic policy programmes of each division are based on the national objectives put forward by the rashtriya, each sector has certain independent functions of its own. The village panchayat has to levy its own taxes and take care of local development projects. The district panchayats have broad powers for supervising and coordinating the development projects of the villages. They also carry out development

projects through the district development boards and centers. The main function of the zonal panchayats are implementation of development plans forwarded by the central government , formulation and execution of its own projects, planning , supervision and coordination of district development schemes within its jurisdiction.

The national panchayat establishes the national plans.¹⁵ It is a platform for the expression of public interests and opinions channeled through the lower levels of the panchayats , class and professional organizations. Power is being delegated gradually to the lower panchayats through the years.

Today, Nepal is divided into four regional development regions which are further subdivided into 14 zones and 75 districts. Within the district, the town or village panchayat is the smallest administrative unit. The district administration is headed by a chief district officer who belongs to the Ministry of Home Affairs. He is responsible for maintaining order in his district and is also vested with authority for coordinating development activities in his area.

The area and population of the various development regions and their component zones are shown in table 1. It will be seen that the far western region is by far largest in extent, encompassing about 36 per cent of the total land area of the country and only 21 per cent of the total population. The central region, which contains the Kathmandu valley, is the most densely populated.

G. Mineral resources

Mineral resources have so far not been fully explored in the country . However, the initial

¹⁴ The rashtriya panchayat is a unicameral legislature consisting of 135 members, of whom 112 are elected by zonal and district assemblies while the other 23 members are nominated by His Majesty the King from among leading public citizens.

¹⁵ The plans which are formulated and drafted by the National Planning Commission are discussed and adopted by the national Development Council presided over by the King. The National Development Council has a broad representation and is the highest planning body in the country.

investigations have shown that there are a number of varieties of economically useful mineral resources in the country.

Mica has been found in significant quantities east of Kathmandu. Other minerals such as lignite, copper, nickel, cobalt, lead, graphite and iron ore have also been found, but in smaller quantities.

Exploitation of these resources is impeded by many factors, such as lack of technical knowledge, difficulties of transport and communications and a shortage of capital necessary for their discovery and processing.

H. Transport and communications

As Nepal is a landlocked mountainous country, transport and communications are of vital importance. The modes of transport at present in the country are roads, railways, ropeways, air and inland waterways.

Road building is a tedious task in Nepal because of the country's topography. There are about 4,100 kilometers of roads, of which 1,700 kilometers are metalled. Several countries have given financial and technical assistance for road construction, the largest contributors being India and China. The Tribhuvana Highway, constructed with Indian assistance, links the capital with the Indian railhead at Raxaul. This is an important route as a substantial portion of Nepal's imports from and exports to India and other countries are transported through this Marga. The Siddhartha Highway, also constructed with Indian assistance, connects the Pokhara valley in mid-west Nepal with Sonauli on the Indian border in Uttar Pradesh. The Arniko Raj Marga, constructed with Chinese assistance, links the Kathmandu valley to the Tibetan border in the north. There are also many other roads constructed with aid from India and China.

Several other countries have also assisted Nepal with her road construction programme. The

Mahendra Raj Marga, formerly known as the East West Highway, is being constructed with assistance given by India, the Union of Soviet Socialist Republics and the United Kingdom. The total length of this highway is estimated at 992 kilometers and, when it is completed, it will be the backbone of the road network in the country, traversing the Terai and inner Terai regions.

Railways have still not been developed to a very great extent. There are only two narrow gauge railway systems, one running from Raxaul-Brigantia to Amlekhganj, a distance of nearly 48 kilometers; the other is from Jayanagar (India) to Janakpur and Bijalpura, a distance of nearly 53 kilometers. The latter is important for trade with India.

Ropeways or sky cables are an important means of transport, especially in the mountain regions. A 42-kilometre ropeway links Hetauda and Matavitha in Kathmandu and can carry 25 tons of freight per hour throughout the year. The United States of America is the major financial contributor for the development of cables.

Waterways are also used for transporting goods over short distances. Small canoes are used to cross waterways in the flat Terai. In the mountain regions where the water flow is rapid, it is not possible to cross the waterways.

Travel by air is increasingly becoming an important means of transport, especially to the remote and inaccessible districts of the mountains. Helicopter and charter services have been provided to the remote and higher mountain regions and larger towns. International air transport services are provided by the Royal Nepal Airlines and a number of foreign airlines. Kathmandu is the major international airport for the country. There are also a number of all-weather airstrips such as Biratnagar, Bhairawa, Janakpur, Pokhara and Simra used for domestic services. An all-weather airport is under construction in Nepalgunj in the far western Terai. Many of the mountain districts now have short air-strips including two near Everest.

I. The economy

Nepal is predominantly an agricultural economy. The agricultural sector employs about 90 per cent of the country's labor force and contributes to nearly 68 per cent of the gross domestic product. Food grains (rice, maize, wheat, barley, etc.) form the most important commodity group in agriculture, comprising nearly 70 per cent of both agricultural output and total exports. Cash crops such as jute, oil seeds, sugar cane, tobacco, etc. contribute about 10 per cent to agricultural output and are a main source of cash income to the farmer in general. Livestock products form the remaining 20 per cent of agricultural output.

In the recent past, the performance of the agricultural sector has been poor for several reasons. In the first instance, the bulk of the country's population inhabit the mountainous regions where crops are grown on the terraced slopes of the hills. This makes it difficult to manage the soil and water to sustain agricultural production and increase productivity. In fact, man-land equilibrium in the ecological balance in hill agriculture has long been passed, and soil erosion and landslides are destroying the resource base. Secondly, there has been a shortage of fertilizers, improved seed, irrigation and storage facilities and agricultural credit. Thirdly, the earlier national development plans did not accord a high priority to agricultural development.

Within the agricultural sector, the production of cash crops as a group grew faster than food grains. Between 1960 and 1970, food grain production increased only at about 1.0 per cent, half of the rate of increase of population during this period. This has not only resulted in declining per capita food supply but has also affected the exportable surplus. It is feared that

the rapidly increasing population will erode this surplus by 1983-1984.¹⁶

The major facet of Nepal's economic problem remains inevitably that of low income in rural areas. Low rural incomes could be associated with agricultural under-employment.¹⁷ Inactivity in predominantly agricultural areas depends partly on the size of holdings of land and livestock, partly on seasonal factors and partly on willingness to move out during the off season and search for work elsewhere. In urban areas, there already exist acute problems of open unemployment among the educated while many of the self-employed are engaged in work yielding very low levels of output and income. These problems have been further accentuated by the rapidly increasing population.

The Nepalese economy has always been handicapped by the fact that the country is landlocked and that communications within the country itself are still in need of development. Top priority was given to the development of transport and communication in the first four development plans, except the second, reflecting the emphasis that the government has placed on integrating the country both economically and politically. The expansion of education and improvement of the health service also received very great attention in the earlier plans. The emphasis on infrastructure also met a relative lack of investment in direct production. For instance, planned allocation varied from 29 per cent in the first plan to only 20 per cent in the

¹⁶ In fact, recent crops have been disappointing and the Government has had to import grains to bridge the gap between domestic production and domestic needs.

¹⁷ According to the 1974 Rural Household Survey conducted by the Asian Regional Team for Employment Promotion, the average number of days per annum spent on agriculture by a worker was 55 in the hills and 180 in the Terai. See *The Challenge for Nepal Growth with Employment*, a mission report by the Asian Regional Team for Employment Promotion (Bangkok, ILO, 1974).

second and to 22 and 26 per cent in the third and fourth respectively.

However, in the fifth development plan, importance has been given to the development of the directly productive sectors, particularly agriculture, with particular emphasis on the provision of irrigation facilities.¹⁸ Improved techniques of land administration are being adopted, co-operatives are being established and an Agricultural Marketing Corporation has been set up to undertake the purchase and distribution of inputs needed for agricultural development, namely chemical fertilizers, improved seeds, improved agricultural tools and implements, plant protection materials, etc. Incentives have also been provided for the extensive cultivation of jute, sugar-cane, tobacco and cotton as cash crops.

With its numerous rivers, Nepal has a large potential for irrigation and hydro-electric power, but substantial international aid will be needed to finance these projects. A few small and medium sized projects are at present already under way through bilateral and multilateral assistance. Although development of irrigation is very slow, improved farming practices are spreading in the Terai with double cropping and extension of commercial crops.

The industrial sector is not well developed in Nepal, though the proportionate share of manufacturing in total gross domestic product has shown an increase in recent years (table 2).

“There are naturally many handicaps to industrial development in Nepal. The constraints it faces with regard to markets are severe. For many industrial products, the internal market is not only very small, because of widespread poverty and the low degree of urbanizations but also very

fragmented. The open border with India makes it difficult to cut off competing Indian imports particularly for the Terai market. Dependence for many basic raw materials and intermediate products on India, which itself suffers from many shortages and for equipment which is often of low quality and relatively expensive, adds to the costs and problems of industry in Nepal.”¹⁹

In the past, Government has played a substantial direct role in industrial development and started a number of relatively big industries such as bricks and tiles, leather and shoes, cigarettes, agricultural tools, saw mills, rice mills, flour mills and dairy and metal workshops, most of which were foreign aid turnkey projects. Although the private sector had taken up very few of the industries mentioned in the plans, it has nevertheless moved into a wide variety of fields, mainly in food products, textiles and wood-based industries. The fifth five-year plan has enunciated a new industrial development policy to encourage new industries such as cotton textiles, vegetable oil, resin and turpentine, paper and pulp, cement and sugar.

Despite traditional reliance on Indian markets for the sale of cash crops, Nepal is not a trading nation. The low degree of specialization in agriculture and the predominance of subsistence farmers have produced few goods for export and the low level of industrial and urban development continues to limit the demand for imports.²⁰ The land-locked nature of the country has also made it difficult for Nepal to diversify its foreign trade, most of which is with India, although the proportion of trade with other countries via India has grown substantially in the last decade.

¹⁸ Planned outlays for agriculture in the fifth five-year plan (1975-1980) are nearly 50 per cent higher than they were in the four previous plans put together.

¹⁹ *The Challenge for Nepal: Growth with Employment*, op. cit., p. VI-3.

²⁰ The major foreign exchange earners of Nepal are rice, jute, edible oil, butter, timber, herbs, hides and skins, dried ginger and the tourist industry.

Though the rate of domestic savings has been very low in Nepal, financial resources have apparently not constraint to development in the past because of the large part played by foreign aid in financing development. The major contributors have been India, China, United Kingdom, the United States and the Union Soviet Socialist Republics. The strategic situation of Nepal has resulted in an element of competition between these large powers over aid to this country. Nepal has also been borrowing for various projects during the last few years from the International Development Association (IDA), the Asian Development Bank (ADB) and other sources. Lack of domestic resources could prove to be a problem in the future, particularly if the Government attempts to step up the growth

rate and there is a leveling-off in foreign aid receipts.

The major national development objectives are (a) to raise the rate of economic growth, (b) to increase employment opportunities and (c) to assist lower income groups in sharing the gains from growth. In Nepal, which is one of the least developed countries of the ESCAP region, and where per capita income has remained stagnant for a number of years, it is obvious that raising the rate of growth of output is not only important for raising the living standards of the people but also a necessary condition for meeting the other two objectives.

Table 1. Area and population of development of development regions and zones, 1971

Development region/zone	Population 1971		Area ('000 hectares)	Percent of total area	Cultivated area ('000 hectares)	Population of cultivated to total area	Persons per hectare	
	Number	Per cent					Total area	Cultivated area
Eastern development region	2797500	24.2	2799.4	19.3	615.7	22.0	1.00	4.54
Mechi	617760	5.3	721.1	5.0	129.0	17.9	0.86	4.79
Kosi	866260	7.5	813.5	5.6	201.8	24.8	1.06	4.29
Sagarmatha	1313480	11.4	1264.8	8.7	284.9	22.5	1.04	4.61
Central development region	3865753	33.5	2819.9	19.4	637.4	22.6	1.37	6.06
Janakpur	1265755	11.0	915.0	6.3	277.1	30.3	1.38	4.57
Bagmati	1496971	13.0	1067.8	7.3	106.6	10.0	1.40	14.04
Narayani	1103027	9.5	837.1	5.8	253.7	30.3	1.32	4.35
Western development region	2465540	21.3	3650.7	25.1	347.5	9.5	0.68	7.10
Gandaki	1023110	8.8	1212.4	8.3	82.9	6.8	0.84	12.34
Lumbini	1165701	10.1	897.1	6.2	238.4	26.6	1.30	4.89
Dhaulagiri	276729	2.4	1541.2	10.6	26.2	1.7	0.18	10.56
Far Western development region	2427190	21.0	5269.2	36.2	379.6	7.2	0.46	6.39
Rapti	705813	6.1	950.5	6.5	88.0	9.3	0.74	8.02
Karnali	188012	1.6	1341.0	9.2	18.2	1.4	0.14	10.33
Bheri	575071	5.0	1052.9	7.2	128.5	12.2	0.55	4.08
Seti	597124	5.2	1208.8	8.6	99.2	7.9	0.48	6.02
Mahakali	361170	3.1	676.0	4.7	45.7	6.8	0.53	7.90
Nepal	11555983	100.0	14539.2	100.0	1980.2	13.6	0.80	5.84

Source: Government of Nepal, *The Analysis of the Population Statistics of Nepal* (Katmandu central bureau of statistics, 1977), table 2.3.

Table 2. Gross domestic product by sector of origin at current market price, 1969/70 to 1974/75
(millions of Nepal rupees ^a)

Sector	1969/70		1970/71		1971/72		1972/73		1973/74		1974/75	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	percent
Agriculture, Hunting, forestry and fishing	5922	67.5	6034	67.5	7106	68.5	6578	66.0	8851	69.1	9949	67.
Meaning and quarrying	4	0.1	1	0.0	2	0.0	3	0.0	3	0.0	3	0.
Manufacturing ^b	787	9.0	818	9.2	996	9.6	971	9.7	1282	10.0	1458	9.
Electricity, gas and water	18	0.2	20	0.2	23	0.2	29	0.3	28	0.2	34	0.
Construction	192	2.2	135	1.5	149	1.4	153	1.5	163	1.3	172	1.
Wholesale and retail trade	363	4.1	318	3.6	339	3.3	336	3.4	374	2.9	738	5.
Transport, storage and communication	192	2.2	234	2.6	285	2.7	347	3.5	422	3.3	453	3.
Finance, insurance and Real estate	857	9.8	884	9.9	907	8.7	942	9.4	979	7.6	1119	7.
Public administration and defense	177	2.0	215	2.4	230	2.2	228	2.3	250	2.0	332	2.
Other services ^c	256	2.9	279	3.1	332	3.2	382	3.8	456	3.6	544	3.
Total	8768	100.0	8938	100.0	10369	100.0	9969	100.0	12808	100.0	14802	100.

Sources: *Yearbook of National Accounts Statistics*, 1977, vol. I, individual country data (United Nations publication, sales no. E.78.xvii.ii.vol.1), p. 772.

a \$US 1.00 = 12.50 NRs.

b Including cottage industries.

c Includes hotels, restaurant, business services and community, social and personal services.