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A Critique on the Tenth Plan Approach Paper

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Abstract

The purpose of this paper is to assess the critically. Despite of half-a-century of planned development maneuverings, Nepal still lies at the bottom of the poorest countries of the world and has lost the enthusiasm that a plan usually raises towards economic development. We are moving from zero to zero either regarding poverty alleviation or improving the living standard of common people. The Tenth Plan Approach Paper not only oversights these tumbling blocks but also ignores the valid conclusions and recommendations drawn so painstakingly from costly review studies such as Tourism Master Plan or APP or any other sectoral perspective plans. Since the final shape of the Plan is still on the making, it is hoped that the theses put forward herein may be useful in this pious process.

Introduction

The Tenth Plan, having poverty alleviation as its main thrust, goes into offing by this fiscal year for a period of five years. The Plan outlays an expenditure of 678.67 billion rupees of which the fixed capital investment would be to the tune of Rs. 644.12 billion. The goal is set at reducing the population living under absolute poverty line (APL) to 10 per cent from 42 per cent during the long term perspective plan of 15 years comprising 10^{th}, 11^{th} and 12^{th} plans by 2017 A.D. The envision of an average annual growth rate of 7 per cent during these packaged consecutive plans can ensure the target met only when the population growth rate comes down to 1.5 per cent by the end of the period. In addition, the productive uses of available resources, both in agriculture and non-agriculture sectors, have to be achieved in the realization of the said purpose.

Objectives and Priorities

The main objective of the Tenth Plan Approach Paper will be to reduce the population under APL to 30 per cent by the end of the Plan. The mid-term evaluation of the Ninth Plan

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has noted that the APL population has come down to 38 per cent from 42 per cent, a reduction of four percentage points. Concurrence with the main objective, the plan aims at achieving an annual growth rate of 6.2 per cent (4.2 per cent growth in agriculture sector and 7.3 per cent in non-agriculture sector) in the economy. It has also aimed to improving various socioeconomic and infrastructural indicators. For example, it envisages to raising the national saving ratio and investment ratio to 22.8 per cent and 28.1 per cent of the GDP, respectively. Its other important expectations are to realize the average life expectancy of 62 years, literacy rate of 70 per cent, human development index (HDI) from 0.466 to 0.517, women literacy from 37.4 to 65 per cent, and enrollment of children over 6 years of age in primary education to 90 per cent during the Plan period. Similarly, it is expected to provide road transport service to 70 districts, telephone service in all village development committees (VDCs), irrigation facility to 4,117,000 hectares of land and to construct additional 10,000 km of agro-roads. It has destined to reduce the population growth rate to 2.1 per cent and thus, reducing the total fertility rate (TFR) to 3.5, infant mortality rate (IMR) to 45 per thousand and the capital-output ratio to 4:3. It aims further to providing electricity service to 30 per cent of the population.

It is encouraging to note that the Approach Paper emphasizes regional and spatial development. In the process, the district development committees (DDCs) are held high as the catalyst to local development. There are capacity building programs in its menu for the DDCs because they have to prepare micro planning at their local level. In addition to grant from center, the DDCs have to mobilize their own resources to meet the set target with respect to women literacy and empowerment, population programme, free primary education to all children, maintenance of at least 40 per cent forest coverage for environment protection and poverty reduction. The periodic planning of the DDCs in conformity with the national Plan is obliged to realize growth prospects in the respective DDCs.

The Paper has framed the following four strategic macro-policies to achieve these goals: (a) high, sustainable and wider economic growth prospective, (b) development of social sector and infrastructure, (c) target group development and (d) good governance. It has accorded special emphasis on the following areas on the basis of vertical priority: (a) sustainable management of agriculture, natural resources and bio-diversity, (b) development of rural infrastructure and rural energy, (c) demographic management and social services, (d) development of tourism, water resources, industrial and commercial sector, (e) human resources development and women empowerment, (f) target group performance for schedule cast and weaker sections, employment and security, (g) strengthening of local organs, NGOs and CBOs, (h) programmes for inaccessible areas and regional development and (i) good governance.

Resource management and expenditure pattern:

As has been said earlier, the Plan projects fixed capital investment of Rs 64,412 crore of which private sectors investment would amount to Rs. 44,924 crore (69.1%) and the remaining Rs. 19,488 crore (30.9%) would be invested by public sector. The total expenditure of the plan amounts to Rs 67,867 crore of which national savings meet Rs 53,508 crore (78.8%) and remaining gap of Rs 14,359 crore (21.2%) is to be met by foreign resources. On national saving, Rs 51,261 crore (95.8%) is expected to be saved by private sectors while public sector savings would amount to only Rs 22,47 crore (4.2%) The portion of foreign aid is 54.4% of total development expenditure. The sector-wise break down of investment expenditure is presented in the following table.

Table 1: Breakdown of Investment expenditure of the Tenth Plan

Areas	**Public**	Sector	**Private**	Sectors	Total	
	Amount	%	Amount	%	Amount	%
Agriculture, irrigation, forestry	3532.4	18.1%	4683.0	10.4	8216.0	12.8
Non agriculture	15955.2	81.9	40241.1	89.6	56196.1	87.2
Industrial and mines	174.6	0.9	4191.2	9.4	4365.8	6.8
Electricity, gas and water	3695.5	17.4	3987.4	8.9	7682.9	11.9
Construction	00	0.0	1228.5	2.7	1228.5	1.9
Trade, Restaurant & Hotel	244.3	1.2	5308.8	11.8	5553.1	8.6
Transport & Communication	3720.5	21.6	8681.1	19.3	12401.5	19.3
Financial & Real-estate	304.0	1.6	9828.8	21.9	10132.7	15.7
Social Service	7816.3	40.1	7015.3	15.6	14831.6	23
Total	19488	100	44924.1	100	64412.1	100

Source: **The Concept Paper of the Tenth Plan, NPC**, 2001.

An important point to be noted in this expenditure pattern is that the number one national priority sector, agriculture along with irrigation and forest, attracts only 12.8 % while non-prioritized finance and real estate bags 15.7 % of the total expenditure. It suggests that there are certain contradictions, deformities and anomalies in this resource allocation pattern.

Unlike its predecessors, the Concept Paper of the Tenth plan was formulated on popular basis in the sense that various consultation meetings were held with experts, industrialists and commercial tycoons and leaders of political parties along with DDCs, local bodies and non-government bodies seeking their valuable comments and interactions. In addition, the NPC exercised heavily to formulate certain policies to strengthen the implementation side. Some of them are: formulation of foreign aid policy poverty reduction strategic plan (PRSP) medium term expenditure framework (MTEF) and others. Since the plan is under going to take its final shape, it should avail of the various eventual reports from different forums and discussions that have taken place in the national life of Nepal. Nevertheless, the document grossly ignores the following important developments that took place during the preparation phase of this Approach Paper.

a) **Prolonged emergency**: The Paper took the fiscal year 2001/02 as an abnormal year since there was a state of emergency in the country for three months at that time. The Parliament has extended it and along with it, accepted the astounding defense expenditures thereof. The ongoing situation now-a-days has raised the demand for defense expenses tremendously adversely affecting the development expenditures which have to set aside to finance the development programmes in the Tenth Plan. The abnormal situation created by the state of emergency is to be transformed into normality at least for present plan.

b) **Nepal Human Development Report, 2001**: The HDR warns that in Nepal "Poverty perpetuates itself because of inequity and inequality with the distribution of resources and opportunities". During the last 12 years, the gap between the rich and the poor in Nepal has widened considerably. As the concentration of wealth centers in few hands the in-built iniquitous distribution pattern grows fast because the poor's approach to opportunities shrinks accordingly. The plan ignores this aspect of the problem. Nepal's level of HD is one of the lowest in the world registering HDI of 0.466. There is great disparity in the regional HDI of Nepal. The report says that almost each and every individual in Mid and Far Western development region is poor and this situation has not altered for generations. The HDI for these two regions is 0.286. Similarly, the HDI for township is 0.616 while the figure for rural areas is 0.316. Strong and sincere commitment to bridge this wide gaps through radical policy re-formulations and programming should be the hallmarks of the Tenth plan.

c) **Agriculture Perspective Plan (APP) Review Report 2002**: The report states that the APP, the 20 years long agriculture sector programme adopted in 1995, is lagging behind in its performance. Though some progress has been made, the end result so far the APP has brought is not significantly different from that of the progress made prior to the APP. The report expresses deep concern and dissatisfaction over the 0.7% growth in the second part of 1990's as against the APP objectives of 2 % contribution in GDP growth. The report remarks, "Agriculture in Nepal is characterized by low productivity and low commercialization. In Nepal, poverty is wide spread and is concentrated mostly in rural areas. As agriculture is the main source of income in rural areas, the link between poverty and low productivity of agriculture is very close". The fight against poverty largely depends, beyond any doubt, on the success of the APP. "The withdrawal of subsidies (in the fertilizer and irrigation sectors) is often indicated as culprit for the low performance of agriculture in general and the successful implementation of the APP. It suggests clearly to increasing investment in agriculture sector. On the contrary, the Tenth plan has decreased its share to 12.8 % as compared to similar figure of 16.2% in the Ninth Plan.

d) **The NDF Meet, 2002: Nepal Development Forum (NDF)** was held in Nepal for the first time. The forum was attended by representatives from 23 donor countries and the international organizations. Collectively they backed Nepal's poverty reduction plan, that is, this Tenth plan. They were skeptical on the effective and efficient use of development assistance even though they pledged to help meet the resources funding gap estimated at US$ 500 million per annum. Only they cared for broad based and pro-poor economic growth.

Madame Meiko Nishimizu, co-chairperson of the Forum said, "the best support that development partners can give to change leaders of Nepal is a disciplined response, which provides financial support when meaningful and lasting reforms are implemented. Their job is to help the government turn the crisis into an opportunity". And what else than the Tenth plan, the best repository of government's all socio-ecoonomic policies and programs, can be the turn-key of this opportunity? But one is dismayed when he learns that the Plan boasts on being able to cut down the foreign aid component to 54.4% of development expenditures (infra table ii). When others (the donors) call us to make "a golden opportunity", it is not a time, simply and purely, to debate on addition or reduction of foreign aid component. Yes—it is time to debate on what measure and action plans would help solve our problems for good. It doesn't matter whether the percentage share remains in 54.4 or goes upto 79.7 as in the second plan (2019-022).

The Challenges Ahead

The foregoing discussions lay bare the nature and content of challenges that Nepal is facing currently. On economic grounds, they can be grouped into the following heads.

a) **The regional imbalance**: Lopsided development and regional imbalance is the first and foremost challenge that is to be addressed properly by the Tenth plan. The imbalance persists in both politico-adminstrative and ecological regions. For example, the GDP for FY 1999-00 was estimated at 3,299,960 million rupees (mRs). The share of Central Development Region (CDR) was mRs. 155,912 (47.3^%) and that of MWDR and FWDR combined was mRs 52,311(15.8%). Similarly, the per capita GDP of the former amounts to Rs. 20,820 while that of later is Rs.10, 691. Ecologically, the GDP share of mountain region was mRs18, 217 (5.2%) that of hills was Rs. 150,416 (46%) and that of the terai was mRs 161,328 (48.8%). Similarly per capita GDP in the mountain is Rs. 10,908. In hills it is Rs. 50,332 and in the terai, it is Rs. 50,395. The HDI as has been already mentioned for MWDR is 0.286. It tells the retold fact that poverty reign in the hills and mountains west of river Kaligandaki covering an area of 40% of total land surface and inhabiting 30% of total population. If Rs. 4,404 per person per annum income is to be the poverty line, the head counting index for mountains is 0.56 and rural sector index is 0.44. The now prescription for the Tenth plan is to mend this ugly overdue by bringing the laggard regions into mainstream of economic operations.

b) **Sectoral imbalance:** Along with regional imbalance, there are acute sectoral imbalances that arise between social service and productive sectors, between industrial and agricultural sectors, between primary and secondary goods production sectors, or rural and urban sectors. It is the social sector that improves equity in distribution. So social sector allocation ratio to public expenditure (SSA/PE) is set at 40 as international norm but our SSA/PE figure is 32.1. Similarly, human priority spending (HPS) comprising of health, education, local development, electricity popularly known as HPS/ GNP ratio is 2.7% in Nepal. Minimum proper norm is 5. These shortfalls are culprits bringing social injustices and help perpetuate inequality. The HDR 2002 states, " increasing inequality has reduced the imapct of growth on poverty by 0.54 %". It shows clearly that the gap between the rich and poor is ever widening. The most glaring case of sectoral imbalance manifests between agriculture and industrial sectors. Industrial sector is growing at the cost of agriculture in the sense that the former is earning super normal profit while the latter is incurring losses due to price hike (300%) of manufactured goods and retarding price (-2%) of agricultural crops. The APP review report retorts that given the situation, agricultural sector is destined to lag behind farther in spite of vigorous efforts made if this situation persists on. Certainly, the Tenth plan must correct, as the situation demands, these imbalances to keep the economy in good shape.

c) **Defective distribution pattern:** The stark regional imbalances and widening inequality gap preclude the equity in distribution pattern. In-built derogative distribution pattern creates a situation when rich gets richer and poor, the poorer. Two major causes work in Nepal for such dismal performance. The first one is, for the last 12 years, the unnecessary shrinkage of public sector in the name of privatization and liberalization has stopped the usual trickle down process. The second one is the defective public expenditure system, which is growing within traditional headings rather than being operational on new fronts. There is no definition of "first-thing-first" in Nepal. If transport, electricity, drinking water, education and health are the first fruits of development, each and every sovereign citizen of Nepal should have an entitlement access to such facilities wherever he might be residing. The vast area west of Karnali river to Mahakali river slumbers in medieval darkness as aforementioned indicators expose that there is no bold expenditure package for that area to redress in this plan too. We may laugh at the idea of crash programme for this area to facilitate "first-things-first" as a lavish expenditure. Yet, the truth it is! But we don't mind in our armchair zoom that the per capita debt burden of more than Rs. 1,000 is falling on the head of a Musikot dwellers as on a Kathmanduites, who cannot light a luxury lamp of kerosene oil substituting pine fire-stick of his forefathers'. A Humli old man pays per capita debt service charge of Rs. 442.10 without seeing what a bulb is like. Economic cost must give way to socio-human cost which torture our heart and head, as the recent years witnessed when mine began to blast to ooze deaf ear. As Madame Nishimizu remarks " prosperity anywhere is a mere house of cards" if it faces insurgent poverty. It is on the response of the Tenth Plan towards this front that the future of Nepal rests.

d) Defective policies and their derogative implementation style are other challenges Nepal is facing so far. Policies in Nepal are framed in response to temporary problem arising out of momentous phenomena. Long term perspective policies are seldom framed and, even if they are framed, they are never followed honoring as good traditions. It results in ad hocism, without leaving sustaining impact of however good policy it might be. Take the cases of poverty alleviation and privatization, liberalization policies, -- the two agenda of post democracy-reinstate development debate. Privatization was wrongly interpreted as the shrinkage of public sector (infra table ii). Actually private sector grows at the expansion of public sectors; they are not mutually exclusive functions as the practices of Asian Tigers show. The real thing to do was transfer - transfer of economically viable operations to profit seeking private sectors and transfer of public sector activities to such economically viable operation whose profit worthiness isn't yet established which is why private sector is reluctant to move into. Besides the policy implementation style, all the more, invited objections such as direct sale of nation's property at very low price to unworthy private hands. Why leather-processing industry, the only one of its kind, was to be sold to foreign hand in gloves, in the name of privatization? A little bit of thinking could have altered the course to link privatization with poverty alleviation. In 19th century France, the guild system was taking lead in industrial development—cobblers owning tanneries and blacksmiths operating iron/steel furnaces. Both cobblers and blacksmiths are schedule castes in Nepal and they belong to the target group of very poverty alleviation program. How would it had been if the privatization would have offered private ownership of Bansbari Leather Shoes Factory for cobbler's community, along guild operation style, and poverty alleviation programs uplifting their required technical know-how! For last two-decades we are hankering after poverty alleviation, but actually achieving nothing. Currently, there are more than 70 line agency offices under different ministries, let alone NGOs, INGOs, to help mitigate poverty (HDR, 2002: 154). Every effort is initiated producing nothing in the sense that there is still 38 % of people living below. APL. This move from zero to zero must be the agenda of the Tenth plan to address the problems of development seriously.

Lessons from experiences

Implementing the Tenth plan in the form as it is projected in the Concept Paper presents a pale picture. It sounds like file promotion of development plan without stock taking of lessons from experiences. What does the planning experiences reveal in Nepalese context? For this purpose, a financial review of all the Plans may be relevant. The following table represents the review of the Plans

Table 2: Financial Review of the Plans in Nepal

(Rs. in Crore)

Plan	Public Expenditure	Additional Amount over previous plan	% increase	% of foreign aid in Development Expenditure
Ist	21.44			97.5
IInd	59.68	38.24	178.35	79.7
IIIrd	163.91	104.23	174.64	56.1
IVth	335.68	171.77	104.78	45.0
Vth	883.26	547.58	163.12	48.0
VIth	2209.22	1326.01	150.12	47.9
VIIth	4834.54	2625.27	118.82	59.6
VIIIth	11191.98	6357.44	131.50	56.9
IX	17945.85	6753.87	60.34	59.2
X	26400.00	8454.15	47.10	54.4

Source: Various Plan documents.

Table 2 shows that continued increase of public sector expenditure by more than double the amount of previous plan upto 8th plan had positive impact on the mobilization of nooks and corners of Nepalese economy. Uptill then the average growth of expenditure was 145.9% of the previous plan. It played vital role to expand and open new vistas in the national economic life. Since the 8th plan the shrinkage of public expenditure begins and the problems of social discontent, unemployment, political unrest surfaced up. It cut the public hand short to reach the niches that are yet to be moulded into modernity as shown by the condition of west Nepal. It suggests that until and unless the niches and corners are touched upon to tune into mainstream economic functioning, public expenditure should increase by the average of the past.

Currently, Nepalese economy is at its great watershed. The agriculture sector is increasingly commercialized. As the cash crops are substituting cereal crops, subsistence agriculture is turned into profit making endeavors. Community ownership pattern of renewable resources management has produced desired results that can be further used to poverty alleviation programs. Landless rural poor may form a users' group in the fashion of forest users' group to use the fallow land and get profitable return from suitable cash crops or any order nature-friendly activities. Now agro-product or processed goods face export problems be it ginger or cardamom or chow-chow. They are to be re-addressed through utilizing the agro-products as raw materials, such as cardamom, to the produce condensed oil and then manufacture the the commodities to be exported to the third country. Emergency has tested the viability of agro-industries such as poultry, dairy, honeybee etc., which are not only surviving these hard times but also progressing fast. There are rich prospects for Nepal to be a net export economy. If the cardamom in its raw form faces the export problem, public sector must come forward to manufacturing venture that can later be transferred to private sector. Instead of imposing milk holidays, manufacturing of milk products should be promoted. There are innumerable options and opportunities, which deserve proper address. Profit is the mainstay of private operations but profitability is the result of non-profitmaking educational and research studies or, a fortiori, crashes programmes for the disbursement of first fruits of development in western hills and mountains as already said. Promotion of private sector does not mean the banishment of the public sector as it is misunderstood in the Nepalese context at policy makers' level.

Conclusion

The Tenth Plan has well begun to address the problems that Nepal is facing in socio-economic fronts. But it hasn't revealed its worthiness to face the astounding challenges of recent past, i.e., the cry of people for their greater share in public fund. To cope with modern challenges it has to be bold enough to break the traditional scaffold of planning. If there is vast disparities with ownership of productive assets, the Tenth Plan should frame programs to lessen it to a considerable level if there is inequity in general distribution pattern it must bring equity-bars in operation to facilitate more equitable distributive progression. As resource allocation becomes more equitable, poverty declines, development with social justice begins. The Tenth plan having its good governance as its base, must promote participatory development approach to facilitate citizen ownership of development project. Transparency and equity go side by side to do away with hitherto done injustices. It would not be out of place to conclude with Martin Luther King's dictum, often quoted by Madame Nishimizu, "injustice anywhere is a threat to justice everywhere"- a lesson the uncalled bloodshed is teaching us nowadays willy nilly. Let us not forget the old rule of a civil society " poverty anywhere is a danger to prosperity everywhere and prosperity anywhere must be shared everywhere."

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